



Town of Bethlehem, New York

Basic Financial Statements

December 31, 2020

Town of Bethlehem, New York

Basic Financial Statements

December 31, 2020

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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, 2020, 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, 2020, 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, 2020, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17, 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, 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
June 16, 2021



Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

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, 2020. 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, required supplementary information, and other supplementary information should be reviewed in their entirety.

Financial Highlights

Despite the majority of 2020 being mired in a devastating pandemic, the Town was able to weather the economic blow. There were several reasons for this:

- Despite the General Fund's heavy reliance on revenues tied to the economy, with significant losses in sales tax revenues as well as "departmental income" when compared to 2019, there were several offsets:
 - Selective rehiring of numerous open positions during the year.
 - Cutbacks on spending and services offered (e.g., town pools were held closed for the season, senior transportation program did not run for most of the year, public conference space not made available during evenings and weekends, etc...).
 - Mortgage tax revenues exceeded expectations due to a drop in mortgage interest rates.
- The Town's Highway, Water, and Sewer Funds are less reliant on factors relating to the economy.
 - 98.5% of Highway Fund revenues relate to reliable revenue sources such as property taxes, PILOTs, and state aid.
 - 99.2% of Water Fund revenues relate to property taxes, water sales and related fees, and tower rental space for cellular telephone companies.
 - 98.6% of Sewer Fund revenues relate to property taxes and sewer related charges.
 - Despite less reliance on economic factors, these funds also maintained similar programs of selective rehiring and cutbacks on spending in an effort to conserve cash during the year.
- The Town's reserve funds paid for the unexpected cost of the replacement of the Town's dive pool at the Elm Avenue Park's pool complex.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Financial Highlights - Continued

	December 31, 2020			
	General	Highway	Water	Sewer
Final Budgeted Operating Revenue	\$ 20,089,911	\$ 7,177,969	\$ 10,638,065	\$ 4,420,047
Final Budgeted Operating Expenses	<u>(20,928,034)</u>	<u>(7,029,230)</u>	<u>(11,227,713)</u>	<u>(4,501,240)</u>
Budgeted Surplus (Shortfall)	<u>\$ (838,123)</u>	<u>\$ 148,739</u>	<u>\$ (589,648)</u>	<u>\$ (81,193)</u>
Actual Revenue	\$ 19,899,685	\$ 7,211,734	\$ 10,724,258	\$ 4,656,430
Operating Expenses	<u>(19,540,142)</u>	<u>(6,214,909)</u>	<u>(9,618,318)</u>	<u>(4,077,120)</u>
Operating Surplus	359,543	996,825	1,105,940	579,310
Capital Fund Transfer	<u>(420,004)</u>	<u>(580,000)</u>	<u>(415,000)</u>	<u>(596,000)</u>
Net Surplus (Deficit)	(60,461)	416,825	690,940	(16,690)
Total Fund Balance, December 31, 2019	<u>8,362,127</u>	<u>4,669,362</u>	<u>4,102,772</u>	<u>4,096,259</u>
Total Fund Balance, December 31, 2020	<u>\$ 8,301,666</u>	<u>\$ 5,086,187</u>	<u>\$ 4,793,712</u>	<u>\$ 4,079,569</u>
Nonspendable Fund Balance	\$ 623,372	\$ 221,802	\$ 75,942	\$ 39,183
Assigned for Retirement	537,758	307,780	126,088	-
Assigned for Capital	1,535,754	968,929	436,678	1,743,255
Assigned Appropriated for Contingency	-	3,480,299	3,076,152	2,241,953
Assigned Appropriated Fund Balance	1,235,113	107,377	1,078,852	55,178
Unassigned for Contingency	<u>4,369,669</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 8,301,666</u>	<u>\$ 5,086,187</u>	<u>\$ 4,793,712</u>	<u>\$ 4,079,569</u>

General Items of Note for All Funds

Fringe Benefits

The Town employed an average of 209 full-time employees in 2020 (down from 214 in 2019), as well as a total of 125 part-time and seasonal personnel employed throughout the year (down from 264 in 2019). The following schedule provides comparative detail on aggregated fringe benefit costs for current employees:

Fringe Benefits	2020 Actual	2019 Actual	\$ Variance	% Variance
Social Security Taxes	\$ 1,190,470	\$ 1,216,658	\$ (26,188)	-2.15%
Health and Dental Insurance	2,542,066	2,617,775	(75,709)	-2.89%
Retirement Systems	2,774,787	2,644,248	130,539	4.94%
Workers' Compensation Insurance	1,017,938	1,017,361	577	0.06%
Life and Short-Term Disability Insurance	<u>36,764</u>	<u>22,219</u>	<u>14,545</u>	<u>65.46%</u>
Total	<u>\$ 7,562,025</u>	<u>\$ 7,518,261</u>	<u>\$ 43,764</u>	<u>0.58%</u>

Overall, the cost of fringe benefits for current employees increased from 2019 by \$44 thousand, or 0.58%. The largest change relates to the state retirement system which increased \$131 thousand. This growth was driven by two factors: 1. Invoices from the state are calculated on prior year's salaries, so the cost savings from reduced staffing subsequent to March 2020 has yet to materialize. 2. PFRS (Police & Fire Retirement System) increased \$103 thousand over the prior year due to salary growth as well as substantial increases in the rates. Health insurance provided an offset to this increase by decreasing \$76 thousand, or -2.89%, which occurred despite a 3.8% annual increase in the rates charged by CDPHP, due to reductions in staff levels maintained during the year.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Financial Highlights - Continued

General Items of Note for All Funds - Continued

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 212 retirees (including spouses) by expensing the annual insurance premiums. The postemployment expense was \$882 thousand for 2020, up from \$805 thousand in 2019, a 9.6% increase.

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 in the government-wide statement of net position.

Interest Income

A summary of the budgeted bank-earned interest income compared to actual for 2020 is presented in the table below. Note that the Town only budgets for interest income in the operating funds and not in the Parkland Set Aside or Capital Reserve funds.

<u>Fund</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 87,523	\$ 110,496	\$ 22,973
Highway	50,298	28,007	(22,291)
Water	40,000	46,418	6,418
Sewer	47,000	23,451	(23,549)
Capital	-	211	211
Parkland Set Aside	-	2,508	2,508
Total	<u>\$ 224,821</u>	<u>\$ 211,091</u>	<u>\$ (13,730)</u>

The interest earnings for 2020 were \$211 thousand, a 68% decrease from the 2019 earnings of \$662 thousand. This decrease can be attributed in large part to the drastic decrease in rates throughout the year. The NYCLASS Investment Cooperative rate, for one, dropped from a daily yield of 1.54% on December 31, 2019 to 0.0451% on December 31, 2020.

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.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Overview of the Financial Statements - Continued

Government-Wide Financial Statements

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 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.

The Town maintains eight individual governmental funds: General Fund, Highway Fund, Water Fund, Sewer Fund, Capital Projects Fund, Special Grants Fund, Miscellaneous Fund, and 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 major funds. The presents information from non-major governmental funds as supplemental information which includes a combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances. The Town adopts annual budgets for the General Fund, Highway Fund, Water Fund, and Sewer 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.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Overview of the Financial Statements - Continued

Fund Financial Statements - Continued

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 known as a custodial 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 custodial 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.

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			
	2020	2019	\$ Change	% Change
Assets				
Cash	\$ 24,191,637	\$ 32,576,747	\$ (8,385,110)	-25.74%
Receivables	8,942,772	8,556,968	385,804	4.51%
Other	960,299	987,886	(27,587)	-2.79%
Capital assets	131,211,900	122,379,675	8,832,225	7.22%
Total assets	<u>165,306,608</u>	<u>164,501,276</u>	<u>805,332</u>	<u>0.49%</u>
Deferred outflows of resources	<u>12,227,840</u>	<u>4,549,413</u>	<u>7,678,427</u>	<u>168.78%</u>
Liabilities				
Due within one year	8,978,011	12,161,690	(3,183,679)	-26.18%
Due in more than one year	55,903,486	46,248,137	9,655,349	20.88%
Total liabilities	<u>64,881,497</u>	<u>58,409,827</u>	<u>6,471,670</u>	<u>11.08%</u>
Deferred inflows of resources	<u>447,160</u>	<u>1,658,125</u>	<u>(1,210,965)</u>	<u>-73.03%</u>
Net position	<u>\$ 112,205,791</u>	<u>\$ 108,982,737</u>	<u>\$ 3,223,054</u>	<u>2.96%</u>

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Government-Wide Financial Analysis - Continued

The Town's 2020 net position increased by \$3.2 million from 2019. The Town incurred expenses on a number of capital projects during 2020, including a net \$5 million paid for work performed on the Clapper Road Water Treatment plant project and a net \$961 thousand paid for Highway equipment purchased during 2020. There was a \$273 thousand increase in water unbilled receivables for the year-ended December 31, 2020 due to increased water sales during 2020 in addition to a \$750 thousand increase in federal grant receivable for the Clapper Road Water Treatment Plant project due to timing. Alternatively, there was no CHIPS receivable as of the end of the current fiscal year while the prior year had a receivable of \$389 thousand, which was due to timing. Additionally, there was a \$229 thousand reduction in mortgage tax receivable due to a significant transaction which occurred at the end of 2019 and did not recur in 2020. Finally, there was total spending on the aforementioned projects of approximately \$6.0 million in addition to \$789 thousand on paving and \$464 thousand on the Food Scrapping project.

Furthermore, there was a net decrease in payables related to Clapper Road as of the year-ended December 31, 2020 of \$2.6 million as work on the plant was largely completed by the end of 2020. Net Pension Liability at December 31, 2020 increased \$11.8 million from the prior year mainly due to the drop in investment valuation as of March 31, 2020. Additionally, the non-current portion of Bonds Payable as of December 31, 2020 decreased \$2.1 million from the prior year as a result of paying down bonds. Lastly, the New York State Retirement System reported dramatically higher deferred outflows of resources for ERS and PFRS in 2020 as compared to 2019.

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

	Governmental Activities			
	2020	2019	\$ Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 13,322,516	\$ 12,973,525	\$ 348,991	2.69%
Operating grants and contributions	1,096,765	1,387,070	(290,305)	-20.93%
Capital grants and contributions	1,277,737	2,654,939	(1,377,202)	-51.87%
General revenues				
Taxes	27,409,098	27,788,483	(379,385)	-1.37%
Other	2,187,462	2,847,524	(660,062)	-23.18%
Total revenues	<u>45,293,578</u>	<u>47,651,541</u>	<u>(2,357,963)</u>	<u>-4.95%</u>
Expenses				
General government support	6,525,937	6,121,642	404,295	6.60%
Public safety	9,964,931	9,407,358	557,573	5.93%
Health	1,364,231	1,247,241	116,990	9.38%
Transportation	6,851,008	7,378,655	(527,647)	-7.15%
Economic opportunity and development	1,102,490	1,157,093	(54,603)	-4.72%
Culture and recreation	1,485,352	1,829,087	(343,735)	-18.79%
Home and community services	13,342,329	13,658,703	(316,374)	-2.32%
Interest on long-term debt	1,434,246	783,106	651,140	83.15%
Total expenses	<u>42,070,524</u>	<u>41,582,885</u>	<u>487,639</u>	<u>1.17%</u>
Increase in net position	<u>\$ 3,223,054</u>	<u>\$ 6,068,656</u>	<u>\$ (2,845,602)</u>	<u>-46.89%</u>

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Government-Wide Financial Analysis - Continued

The remaining \$750 thousand in grant revenue for the Clapper Road Water Treatment Plant project was earned in 2020 as compared to \$2.25 million earned in 2019, a \$1.5 million decrease. Additionally, there was a decrease in sales tax revenue in 2020 of \$873 thousand from the prior year due to lack of consumer activity caused by the COVID-19 pandemic. Furthermore, there was a net increase in property tax and PILOT revenue of \$412 thousand from 2019, which was determined by budgetary needs anticipated for the 2020 fiscal year. Finally, there was a decrease in Interest Income from 2019 in the amount of \$451 thousand, which was due to the COVID-19 pandemic's negative effect on interest rates and rates of return on investments.

Town expenses moderately increased from the prior year by 2.35%. Net Pension Liability expense for 2020 increased in total by \$2.5 million from 2019, which was largely due to the drop in investment valuation as of March 31, 2020. There was a decrease of \$1.1 million in total expense attributed to the change in compensated absences due to the fact that there was a change in consideration of the liability due as of the year-ended December 31, 2019. Additionally, there was a decrease of \$412 thousand in engineering expenses for the Clapper Road Water Treatment Plant project from 2019 as well as another \$347 thousand decrease in expense in 2020 due to spending on Ice Pigging in 2019 and no activity on this project in 2020. There was also a decrease of \$439 thousand in parts expenses in the Highway Machinery department due to the change in inventory method in 2019 as well as a decrease of \$486 thousand in the Highway Snow removal department due to the fact that the Town had less snow removal needs in 2020. Finally, interest expense was a significant increase from the prior year due to the addition of \$712 thousand of interest in 2020 for the public improvement bond issued in 2019.

The Town's Funds

The Town uses fund accounting to ensure compliance with legal and financial requirements. As the Town completed the year, its governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of \$27.8 million. General, Highway, Water, and Sewer Funds showed excess of revenues over expenditures before other financing sources (uses).

Items of Note for the General Fund

Total revenues and other financing sources decreased approximately \$1.77 million, or 8.2%, from \$21.7 million in 2019 to \$19.9 million in 2020. The primary changes in this fund included:

- Property taxes and PILOT (Payments In Lieu of Taxes) increased by \$140K, or 4.33%, from \$3.25 million to \$3.40 million.
- Sales tax revenues decreased by \$873 thousand, from \$12.6 million to \$11.7 million relating to a weakened economy brought on by the COVID-19 pandemic.
- Overall departmental income was down \$536 thousand, from \$1.9 million to \$1.4 million, or 28.1%. The largest decrease was \$328 thousand in Parks & Rec related to the closure of the pool for the season as well as the cancelation of most of the spring, summer and fall activities classes. In addition, building inspection revenues were down \$69 thousand despite record numbers of permits issued. This related to a shift to less expensive residential inspection work. Solar revenue was breakeven and provided no revenue through the PPA with National Grid in 2020. This resulted in \$61 thousand decrease from 2019. Lastly, due to fewer projects submitted through the planning board, fees were down \$61 thousand as well.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

The Town's Funds - Continued

Items of Note for the General Fund - Continued

- Fines and Forfeited Bail decreased by \$163K due to a combination of the court being closed for a period of time as well as New York State rules on policing.
- Interest was down \$99 thousand due to the drastic decrease in rates during the year.
- Despite mortgage tax revenues coming in higher than anticipated, there was a decrease of \$155 thousand due to a single one-time mortgage tax receipt of over \$378 thousand received in 2019;
- State Aid from grants applied for in 2014 and 2018, for composting equipment and labor, were received which totaled \$135 thousand.

Total operating expenditures decreased by \$642 thousand, or 3.2%, from \$20.2 million in 2019 to \$19.5 million in 2020. Some of the larger drivers included the following:

- Consistent with the decrease in Parks and Recreation revenues, there was a decrease of \$320 thousand in their program expenditures; from \$1.2 million in 2019 to \$874 thousand in 2020.
- The police department in total is \$62 thousand, or 0.85%, greater than 2019, from \$7.3 million to \$7.4 million, due to several factors. Wages were up \$133 thousand due in large part to the retirement of multiple command staff, who received a combined \$94 thousand for vacation and comp time payouts. Fringe costs increased \$121 thousand in large part to the increase in PFRS by \$103 thousand. These increases were offset with fewer equipment purchases, saving \$119 thousand over 2019, including the purchase of lower cost vehicles in 2020 as well completing the purchase of the police CAD/RMS system in 2019. The contractual costs also decreased by \$75 thousand primarily due to \$47 thousand in fuel savings.
- Highway administration costs decreased by \$61 thousand relating to the retirement of the Purchasing Manager in February 2020. The position was filled from within the department, but the position of the employee who filled that role was not replaced.
- The Director of Senior Services retired in February. The position was filled from within the department, but the position of the employee who filled that role was not replaced. Additionally, another full-time employee was in "no-pay" status for 3 months. The year-to-year decrease was \$69 thousand.
- Management Information System personal and related costs decreased \$91 thousand due to the retirement of two management level employees in 2019. Only the director position was replaced.
- Transfer station charges decreased \$123K as Robert Wright stopped using the Town's permit to dump waste at the Albany Landfill. This change had a breakeven effect as there was a corresponding decrease in the amount paid by the company.
- Debt service costs increased \$43 thousand, from \$420 thousand in 2019 to \$463 thousand in 2020 related to the amortization of the general obligation bond obtained in 2019.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

The Town's Funds - Continued

Items of Note for the General Fund - Continued

In 2019, the General Fund had a \$1.7 million assigned fund balance for the purpose of covering infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2020, to provide financial flexibility, the Town Board temporarily froze the fund balance policy which would have automatically assigned fund balance in excess of 20% of the 2021 budget from the General Fund unassigned fund balance for capital projects to help cover future capital needs. As a result, there were no additional funds added to the assigned fund balance during the year. Further, the Town utilized \$161 thousand of previously assigned fund balance to the General Fund Capital Reserve to pay for projects committed to by Town Board action. The total assigned fund balance as of year-end 2020, \$1.5 million, will remain in the General Fund as assigned fund balance, separately identified, until additional projects are authorized by the Town Board.

In September 2019, the Town established a capital reserve fund for the purpose of accumulating funds for the purchase of land and/or development rights in an effort to maintain greenspace within the borders of the Town. These funds are accumulated from two sources: unsolicited donations and an allocation of funds that exceed the 20% unassigned fund balance in the General Fund. At the conclusion of 2019, \$233 thousand was identified as the contribution to the Farms and Forest Fund in 2020.

In 2012, the Town created a reserve for retirement stabilization in response to significant increases in annual contributions. Through 2020, due to a growing economy and timing of the calculation of the bills, the Town has not had to utilize these funds. However, the 2021 budget has identified the use of 1/5 of the balance in order to offset a large, expected increase in the cost of the program. As of the end of 2020, the General Fund has maintained a reserve balance of \$672 thousand.

The 2021 budget, which was passed in November 2020, included the use of \$820 thousand of unassigned fund balance in order to balance the General Fund budget. Those funds have been identified as Assigned Fund Balance as of December 31, 2020.

There were no new debt issuances relating to the General Fund in 2020.

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 \$160 thousand, or 2.17%, from \$7.4 million in 2019 to \$7.2 million in 2020. The primary changes in this fund included:

- An increase in real property tax revenues of \$150 thousand, from \$6.3 million to \$6.5 million, or 2.4%.
- When CHIPs and related state aid funding is fully earned, the revenue expectation is \$448 thousand annually. There was a decrease in CHIPs funding in 2020 from 2019 of \$199 thousand because the 2019 revenues included \$227 thousand from the 2018 available funding, but \$59 thousand, which was available in 2019, was not earned until 2020. Further, the state reduced their 2020 contribution to this program by 20% across the board, resulting in a loss of \$90 thousand.
- Interest earnings were down by \$117 thousand from 2019 due to drastic reductions in interest rates paid on money market accounts and federal securities.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

The Town's Funds - Continued

Items of Note for the Highway Fund - Continued

Total expenditures decreased by \$501 thousand, or 7.7%, from \$6.7 million in 2019 to \$6.2 million in 2020. Some of the larger drivers of this change are:

- In 2019, the Highway Department wrote off obsolete and slow-moving inventory items in the amount of \$451 thousand.
- Road maintenance in 2019 took a backseat to less costly sidewalk repair, maintenance, and construction. As a result, permanent improvement spending increased in 2020 by \$207 thousand from the prior year.
- Personnel and related employee costs decreased \$295 thousand due primarily to selective rehiring of open positions and the lack of availability of part-time help, which typically supplements the full-time staff.

In 2019, the Highway Fund had \$1.6 million 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 2020, to provide financial flexibility, the Town Board temporarily froze the fund balance policy which would have automatically assigned fund balance in excess of 20% of the 2020 budget from the Highway Fund operating fund to help cover future capital needs. As a result, there were no additional funds added to their reserves during the year. Further, the Town transferred \$580 thousand of previously assigned fund balance to the Highway Fund Capital Reserve to pay for projects committed to by Town Board action. The total assigned fund balance of \$969 thousand will remain in the operating fund, separately identified, until additional equipment purchases or 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 and timing of the calculation of the bills, the Town has not had to utilize these funds. As of the end of 2020, the Highway Fund has maintained a reserve balance of \$308 thousand.

There were no new debt issuances relating to the Highway Fund in 2020.

Items of Note for the Water Fund

The Water Fund is largely funded with user charges and is somewhat easier to bring to a self-sustaining financial position, in comparison to the General and Highway Funds; 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 \$954 thousand, or 9.8%, from \$9.8 million in 2019 to \$10.7 million in 2020. The primary drivers of this were:

- An increase in real property tax revenues of \$323 thousand, from \$2.0 million to \$2.3 million, or 16.1%.
- Water sales and other related fees increased by \$743 thousand, or 10.4%, from \$7.3 million to \$8.1 million, due to an exceptionally wet summer in 2019 and a very dry summer in 2020.
- Interest earnings dropped from \$177 thousand to \$46 thousand, a loss of \$131 thousand, or 73.8%, due to drastic reductions in interest rates paid on money market accounts and federal securities, as well as a significant reduction in cash holdings relating to the bonding of Clapper Road Water Treatment Plant.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

The Town's Funds - Continued

Items of Note for the Water Fund - Continued

The Water Fund's operating expenditures increased by \$742 thousand, or 8.6%, from \$8.6 million in 2019 to \$9.3 million in 2020. The primary driver of this increase was the debt service cost of \$766 thousand from the 2019 \$16 million borrowing for the reconstruction of the Clapper Road Water Treatment Plant.

In 2019, the Water Fund had \$852 thousand of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2020, to provide financial flexibility, the Town Board temporarily froze the fund balance policy which would have automatically assigned fund balance in excess of 20% of the 2020 budget from the Water Fund operating fund to help cover future capital needs. As a result, there were no additional funds added to their reserves during the year. Further, the Town transferred \$415 thousand 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, \$437 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 and timing of the calculation of the bills, the Town has not had to utilize these funds. As of the end of 2020, the Water Fund has maintained a reserve balance of \$126 thousand.

The 2021 budget, which was passed in November 2020, included the use of \$768 thousand of unassigned fund balance in order to balance the Water Fund budget. Those funds have been identified as Assigned Fund Balance as of December 31, 2020.

There were no new debt issuances relating to the Water Fund in 2020.

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 increased by \$74 thousand, or 1.6%, increasing from \$4.6 million in 2019 to \$4.7 million in 2020. This was due in large part to two factors:

- A decrease in real property tax revenues of \$193 thousand, from \$1.3 million to \$1.1 million, or 14.9%.
- An increase in sewer and related charges of \$305 thousand, from \$3.2 million to \$3.5 million.

The Sewer Fund's operating expenditures increased by \$92 thousand, or 2.3% increasing from \$4.0 million to \$4.1 million. This increase relates to small increases in contractual spending, offset by small savings in personnel and related employee costs.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

The Town's Funds - Continued

Items of Note for the Sewer Fund - Continued

In 2019, the Sewer Fund had \$2.3 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 2020, to provide financial flexibility, the Town Board temporarily froze the fund balance policy which would have automatically assigned fund balance in excess of 20% of the 2020 budget from the Sewer Fund operating fund to help cover future capital needs. As a result, there were no additional funds added to their reserves during the year. Further, the Town transferred \$596 thousand of assigned fund balance to the Sewer Fund Capital Reserve to pay for projects committed to by Town Board action. The total remaining assigned fund balance, \$1.7 million, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

There were no new debt issuances relating to the Sewer Fund in 2020.

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 2021, along with a calculation showing where the fund balances are as compared to this policy.

The projected 2021 contingency fund balance 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 assigned fund balance reserve for capital purchases in 2021. The infrastructure reserve for 2019 was not moved to the assigned fund balance for capital in 2020 consistent with this process. This was due to the economic turbulence caused by the COVID-19 pandemic, and the Town Board's desire to maintain financial flexibility during this financial crisis.

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

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balance, December 31, 2020	\$ 8,301,666	\$ 5,086,187	\$ 4,793,712	\$ 4,079,569
Less:				
Prior Year Encumbrances	280,515	107,377	310,812	55,178
Budgeted use of Fund Balance (2021)	954,598	-	768,040	-
Retirement Contribution Reserve	537,758	307,780	126,088	-
Capital Reserve Appropriation	1,535,754	968,929	436,678	1,743,255
Nonspendable Fund Balance	623,372	221,802	75,942	39,183
Infrastructure Reserve (2019)	646,491	1,116,325	679,461	719,053
Infrastructure Reserve (2020)	(493,142)	955,405	88,805	655,796
Projected Unassigned Balance, December 31, 2021	<u>\$ 4,216,319</u>	<u>\$ 1,408,569</u>	<u>\$ 2,307,886</u>	<u>\$ 867,104</u>
 2021 Budgeted Appropriations	 <u>\$ 21,081,597</u>	 <u>\$ 7,042,846</u>	 <u>\$ 11,539,428</u>	 <u>\$ 4,335,518</u>
 Percent of Appropriations	 <u>20.00%</u>	 <u>20.00%</u>	 <u>20.00%</u>	 <u>20.00%</u>
Floor - 7.5% of Budgeted Appropriations	\$ 1,581,120	\$ 528,213	\$ 865,457	\$ 325,164
Optimal - 15% of Budgeted Appropriations	3,162,240	1,056,427	1,730,914	650,328
Ceiling - 20% of Budgeted Appropriations	4,216,319	1,408,569	2,307,886	867,104

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

Capital Asset and Debt Administration

Capital Assets

As of 2020, the Town has \$131 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 \$8.8 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>2020</u>	<u>2019</u>
Serial bonds	\$ 40,765,000	\$ 42,602,100
Net pension liability	16,553,256	4,736,779
Compensated absences	1,614,014	1,630,987
Landfill closure and post-closure	100,000	100,000
Judgments and claims	<u>30,000</u>	<u>40,000</u>
Total long-term debt	<u>\$ 59,062,270</u>	<u>\$ 49,109,866</u>

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

Economic Factors Affecting the Town

According to the New York State Department of Labor, the 2020 unemployment rate for Albany County was 5.5%, compared to 3.6% in 2019. This rate is lower than the 2020 United States unemployment rate of 6.5%, per the U.S. Bureau of Labor Statistics. 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 in New York State, the Town is subject to the state's tax cap. The allowable levy growth factor for 2020 property taxes was 2.00% for the Town with an additional tax base growth factor of 1.57%. The published allowable levy growth factor for the 2021 period was reduced to 1.56% with an additional tax base growth factor of 0.85% and a Police Retirement System (PFRS) exclusion of \$85 thousand. 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.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2020

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, or to Michael Cohen, CPA, Comptroller, at 445 Delaware Avenue, Delmar, NY 12054.

Town of Bethlehem, New York

Statement of Net Position

	December 31, 2020	
	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 24,191,637	\$ 421,184
Receivables		
Accounts	3,454,596	8,741
State and federal governments	1,278,002	-
Due from other governments	4,210,174	-
Inventory	227,720	-
Prepaid expenses	732,579	-
Capital assets	131,211,900	-
Total assets	165,306,608	429,925
DEFERRED OUTFLOWS OF RESOURCES	12,227,840	-
LIABILITIES		
Accounts payable	3,214,325	-
Accrued liabilities	825,108	1,090
Due to other governments	619,749	-
Unearned revenue	1,160,045	-
Long-term liabilities		
Due within one year	3,158,784	-
Due in more than one year	55,903,486	-
	64,881,497	1,090
DEFERRED INFLOWS OF RESOURCES	447,160	-
NET POSITION		
Net investment in capital assets	90,446,900	-
Restricted	5,536,279	-
Unrestricted	16,222,612	428,835
	\$ 112,205,791	\$ 428,835

Town of Bethlehem, New York

Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Governmental Activities						
General government support	\$ 6,525,937	\$ 280,400	\$ -	\$ -	\$ (6,245,537)	\$ -
Public safety	9,964,931	272,223	37,870	13,200	(9,641,638)	-
Health	1,364,231	-	-	-	(1,364,231)	-
Transportation	6,851,008	143,511	417,080	327,583	(5,962,834)	-
Economic opportunity and development	1,102,490	67,078	464,734	-	(570,678)	-
Culture and recreation	1,485,352	220,028	7,000	26,000	(1,232,324)	-
Home and community services	13,342,329	12,339,276	170,081	910,954	77,982	-
Interest on long-term debt	1,434,246	-	-	-	(1,434,246)	-
	\$ 42,070,524	\$ 13,322,516	\$ 1,096,765	\$ 1,277,737	(26,373,506)	-
Component Unit	\$ 107,787	67,944	\$ -	\$ -	-	\$ (39,843)
GENERAL REVENUES						
					15,002,393	-
					12,406,705	-
					1,236,487	-
					950,975	2,828
					29,596,560	2,828
					3,223,054	(37,015)
					108,982,737	465,850
					\$ 112,205,791	\$ 428,835

See accompanying Notes to Basic Financial Statements.

Town of Bethlehem, New York

Balance Sheets - Governmental Funds

		December 31, 2020						
		Major Funds						
		General	Highway	Water	Sewer	Capital Projects	Other Governmental	Total
ASSETS								
Cash	\$ 5,874,941	\$ 5,163,461	\$ 3,228,636	\$ 3,696,491	\$ 5,450,534	\$ 777,574	\$ 24,191,637	
Accounts receivable	303,724	2,096	2,189,734	959,042	-	-	3,454,596	
State and federal receivables	141,875	-	-	-	1,136,127	-	1,278,002	
Due from other governments	3,859,765	-	214,247	136,162	-	-	4,210,174	
Inventory	102,644	120,859	4,217	-	-	-	227,720	
Prepaid expenses	520,728	100,943	71,725	39,183	-	-	732,579	
	\$ 10,803,677	\$ 5,387,359	\$ 5,708,559	\$ 4,830,878	\$ 6,586,661	\$ 777,574	\$ 34,094,708	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ 458,396	\$ 169,887	\$ 537,950	\$ 220,136	\$ 1,511,833	\$ 316,123	\$ 3,214,325	
Accrued liabilities	549,726	131,285	96,305	47,792	-	-	825,108	
Due to other governments	619,749	-	-	-	-	-	619,749	
Unearned revenue	874,140	-	550	285,355	-	-	1,160,045	
Total liabilities	2,502,011	301,172	634,805	553,283	1,511,833	316,123	5,819,227	
DEFERRED INFLOWS OF RESOURCES	-	-	280,042	198,026	-	-	478,068	
FUND BALANCE								
Nonspendable	623,372	221,802	75,942	39,183	-	-	960,299	
Restricted	-	-	-	-	5,074,828	461,451	5,536,279	
Assigned	3,308,625	4,864,385	4,717,770	4,040,386	-	-	16,931,166	
Unassigned	4,369,669	-	-	-	-	-	4,369,669	
Total fund balance	8,301,666	5,086,187	4,793,712	4,079,569	5,074,828	461,451	27,797,413	
	\$ 10,803,677	\$ 5,387,359	\$ 5,708,559	\$ 4,830,878	\$ 6,586,661	\$ 777,574	\$ 34,094,708	

Town of Bethlehem, New York

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

	December 31, 2020
Total fund balance - governmental funds	\$ 27,797,413
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	131,211,900
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.	478,068
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	2,104,975
Deferred inflows and outflows of resources related to pensions are not reported in the funds	
Deferred outflows of pension resources	10,122,865
Deferred inflows of pension resources	(447,160)
	9,675,705
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(40,765,000)
Net pension liability	(16,553,256)
Claims payable	(30,000)
Landfill post closure costs	(100,000)
Compensated absences	(1,614,014)
	(59,062,270)
Total net position - governmental activities	\$ 112,205,791

Town of Bethlehem, New York

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

	Year Ended December 31, 2020						
	Major Funds					Other Governmental	Total
	General	Highway	Water	Sewer	Capital Projects		
REVENUES							
Real property taxes	\$ 3,395,909	\$ 6,473,816	\$ 2,329,786	\$ 1,106,517	\$ -	\$ 1,364,231	\$ 14,670,259
Real property tax items	122,520	209,613	-	-	-	-	332,133
Non-property tax items	12,406,705	-	-	-	-	-	12,406,705
Departmental Income	1,369,623	-	8,073,127	3,483,573	-	96,900	13,023,223
Intergovernmental charges	50,000	5,379	-	-	-	-	55,379
Use of money and property	147,806	28,007	284,375	23,451	211	2,508	486,358
Licenses and permits	35,331	-	-	-	-	-	35,331
Fines and forfeitures	202,433	-	-	-	-	-	202,433
Sales of property and compensation for loss	114,388	60,157	8,248	42,753	-	-	225,546
Miscellaneous local sources	131,608	364	28,722	136	80,000	-	240,830
Interfund revenues	471,924	17,318	-	-	-	-	489,242
State aid	1,399,518	417,080	-	-	936,954	-	2,753,552
Federal aid	51,920	-	-	-	340,783	464,734	857,437
Total revenues	<u>19,899,685</u>	<u>7,211,734</u>	<u>10,724,258</u>	<u>4,656,430</u>	<u>1,357,948</u>	<u>1,928,373</u>	<u>45,778,428</u>
EXPENDITURES							
General government support	\$ 3,939,199	\$ -	\$ -	\$ -	\$ 34,748	\$ -	\$ 3,973,947
Public safety	6,495,970	-	-	-	37,492	-	6,533,462
Health	-	-	-	-	-	1,364,231	1,364,231
Transportation	570,335	4,338,562	-	-	1,433,366	-	6,342,263
Economic opportunity and development	415,474	-	-	-	-	464,944	880,418
Culture and recreation	1,083,009	-	-	-	157,825	586,652	1,827,486
Home and community services	1,478,233	-	6,512,957	2,901,502	6,799,233	-	17,691,925
Employee benefits	5,094,878	1,603,590	1,123,268	622,166	-	-	8,443,902
Debt service							
Principal	238,151	156,692	1,109,494	332,763	-	-	1,837,100
Interest	224,893	116,065	872,599	220,689	-	-	1,434,246
Total expenditures	<u>19,540,142</u>	<u>6,214,909</u>	<u>9,618,318</u>	<u>4,077,120</u>	<u>8,462,664</u>	<u>2,415,827</u>	<u>50,328,980</u>
Excess (deficiency) of revenues over expenditures	<u>359,543</u>	<u>996,825</u>	<u>1,105,940</u>	<u>579,310</u>	<u>(7,104,716)</u>	<u>\$ (487,454)</u>	<u>(4,550,552)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	2,011,004	-	2,011,004
Transfers out	(420,004)	(580,000)	(415,000)	(596,000)	-	-	(2,011,004)
Total other financing sources (uses)	<u>(420,004)</u>	<u>(580,000)</u>	<u>(415,000)</u>	<u>(596,000)</u>	<u>2,011,004</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(60,461)</u>	<u>416,825</u>	<u>690,940</u>	<u>(16,690)</u>	<u>(5,093,712)</u>	<u>\$ (487,454)</u>	<u>(4,550,552)</u>
FUND BALANCE, beginning of year	<u>8,362,127</u>	<u>4,669,362</u>	<u>4,102,772</u>	<u>4,096,259</u>	<u>10,168,540</u>	<u>\$ 948,905</u>	<u>32,347,965</u>
FUND BALANCE, end of year	<u>\$ 8,301,666</u>	<u>\$ 5,086,187</u>	<u>\$ 4,793,712</u>	<u>\$ 4,079,569</u>	<u>\$ 5,074,828</u>	<u>\$ 461,451</u>	<u>\$ 27,797,413</u>

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

		<u>Year Ended December 31, 2020</u>
Net change in fund balance - total governmental funds		\$ (4,550,552)
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	9,355,591	
Disposal of capital assets	<u>(523,366)</u>	
		8,832,225
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		1,837,100
Increase in revenues in the statement of activities that does not increase current financial resources are not reported in the funds.		
		4,393
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	(648,522)	
Public safety	(907,288)	
Transportation	(535,791)	
Economic opportunity and development	(53,236)	
Culture and recreation	(86,998)	
Home and community services	<u>(668,277)</u>	
		<u>(2,900,112)</u>
Change in net position of governmental activities		<u>\$ 3,223,054</u>

Town of Bethlehem, New York

Statement of Fiduciary Net Position

	<u>December 31, 2020</u>
	<u>Custodial Fund</u>
Assets	
Cash	<u>\$ 8,500</u>
Net Position	
Restricted for bail	<u>\$ 8,500</u>

Town of Bethlehem, New York

Statement of Changes in Fiduciary Net Position

	December 31, 2020
	Custodial Fund
Additions	
Property taxes collected for other governments	\$ 20,906,684
Bail Collected	7,500
Total additions	<u>20,914,184</u>
Deductions	
Property taxes distributed to other governments	\$ 20,906,684
Other	74,849
Bail returned to bailees	5,700
Total deductions	<u>20,987,233</u>
Net decrease in fiduciary net position	(73,049)
Net position - <i>beginning of year</i>	<u>81,549</u>
Net position - <i>end of year</i>	<u><u>\$ 8,500</u></u>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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 the 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, 2020

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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 are the fiduciary fund financial statements. 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 criteria 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, 2020

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 custodial 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, Non-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.

Non-property taxes include sales and mortgage taxes collected by Albany County on behalf of the Town and other municipalities located within Albany County. These taxes are remitted to the Town quarterly and semimonthly, respectively. Amounts collected but not remitted prior to December 31, 2020 are recorded as due from other governments.

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, 2020.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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

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.

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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

l. Compensated Absences - Continued

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.

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 212 individuals, at a cost of \$881,878 for the year ended December 31, 2020.

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, 2020

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, or laws and 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 are 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.

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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

r. Net Position and Fund Balance - Continued

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.

s. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through June 16, 2021, the date the financial statements were available to be issued. Like all municipalities the Town continues to deal with economic uncertainties associated with COVID-19. At this time, the continued impact to the Town remains unknown.

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 total \$24,189,287 (excluding \$2,350 in petty cash), and the bank balance was \$24,309,024. The insured and collateral status of the bank balance was as follows:

Federally insured	\$ 2,468,176
Collateralized with securities held by a third-party custodian for the benefit of the Town pursuant to third-party custody agreement	<u>21,840,848</u>
	<u>\$ 24,309,024</u>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 3 - State and Federal Receivables and Due From/To Other Governments

Amounts by fund consist of the following:

	General	Water	Sewer	Capital	Total
State and federal receivables					
Due from New York State	\$ 139,031	\$ -	\$ -	\$ 1,111,766	\$ 1,250,797
Due from federal government	2,844	-	-	24,361	27,205
	<u>\$ 141,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136,127</u>	<u>\$ 1,278,002</u>
	General	Water	Sewer	Capital	Total
Due from other governments					
Albany County					
Sales tax	\$ 3,158,377	\$ -	\$ -	\$ -	\$ 3,158,377
Mortgage tax	668,215	-	-	-	668,215
Water/Sewer relieves	-	203,568	136,162	-	339,730
Bethlehem IDA	3,935	-	-	-	3,935
Other	29,238	10,679	-	-	39,917
	<u>\$ 3,859,765</u>	<u>\$ 214,247</u>	<u>\$ 136,162</u>	<u>\$ -</u>	<u>\$ 4,210,174</u>

Amounts due to other governments consist of the following balances:

	General
Albany County & Beth. - EMS Services	\$ 603,208
Fire Districts	114
New York State - Justice Court Receipts	16,427
	<u>\$ 619,749</u>

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Land	\$ 1,988,465	\$ 216,707	\$ -	\$ 2,205,172
Buildings	38,800,295	5,112,011	-	43,912,306
Improvements	17,439,970	515,544	-	17,955,514
Machinery and equipment	27,309,153	1,988,355	523,366	28,774,142
Infrastructure	36,841,792	1,522,974	-	38,364,766
	<u>\$ 122,379,675</u>	<u>\$ 9,355,591</u>	<u>\$ 523,366</u>	<u>\$ 131,211,900</u>
Total capital assets	<u>\$ 122,379,675</u>	<u>\$ 9,355,591</u>	<u>\$ 523,366</u>	<u>\$ 131,211,900</u>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 5 - Long-Term Liabilities

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

	Year Ended December 31, 2020					Total
	Landfill Post-Closure Costs	Bonds Payable	Judgments and Claims	Net Pension Liability	Compensated Absences	
Balance, <i>beginning of year</i>	\$ 100,000	\$ 42,602,100	\$ 40,000	\$ 4,736,779	\$ 1,630,987	\$ 49,109,866
Additions/issues	-	-	-	5,705,975	-	5,705,975
Redeemed	-	(1,837,100)	-	(2,667,583)	-	(4,504,683)
Other increase/(decrease)	-	-	(10,000)	8,778,085	(16,973)	8,751,112
Balance, <i>end of year</i>	<u>\$ 100,000</u>	<u>\$ 40,765,000</u>	<u>\$ 30,000</u>	<u>\$ 16,553,256</u>	<u>\$ 1,614,014</u>	<u>\$ 59,062,270</u>
Current portion	\$ -	\$ 2,145,000	\$ -	\$ -	\$ 1,013,784	\$ 3,158,784
Non-current portion	100,000	38,620,000	30,000	16,553,256	600,230	55,903,486
	<u>\$ 100,000</u>	<u>\$ 40,765,000</u>	<u>\$ 30,000</u>	<u>\$ 16,553,256</u>	<u>\$ 1,614,014</u>	<u>\$ 59,062,270</u>

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

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, 2020 Outstanding
Water	2012	6,715,000	4.000%	2022	1,720,000
General, Highway, Water, and Sewer	2015	5,912,058	2.000%	2034	4,680,000
General, Water, and Sewer	2016	6,455,000	4.000%	2037	5,875,000
Sewer	2016	2,600,000	0.550%	2046	2,305,000
General, Highway, Water, and Sewer	2017	9,992,241	2.250%	2042	9,105,000
General, Highway, and Water	2019	17,227,100	2.950%	2049	17,080,000
					<u>\$ 40,765,000</u>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 5 - Long-Term Liabilities - Continued

a. Bonds Payable - Continued

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2021	2,145,000	1,134,674	3,279,674
2022	2,225,000	1,060,478	3,285,478
2023	1,375,000	1,006,158	2,381,158
2024	1,415,000	972,961	2,387,961
2025	1,440,000	938,104	2,378,104
2026 through 2030	7,850,000	4,130,706	11,980,706
2031 through 2035	8,640,000	2,980,498	11,620,498
2036 through 2040	6,925,000	1,809,823	8,734,823
2041 through 2045	5,275,000	870,049	6,145,049
2046 through 2049	3,475,000	206,497	3,681,497
	\$ 40,765,000	\$ 15,109,948	\$ 55,874,948

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 loss for those cases is up to \$30,000. Provisions for losses of 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, 2020

Note 6 - Unearned Revenue

Unearned revenue consists of the following:

	Customer Deposits	Restricted Gifts	Other	Total
General	\$ 515,971	\$ 127,338	\$ 230,831	\$ 874,140
Water	550	-	-	550
Sewer	15,000	-	270,355	285,355
	\$ 531,521	\$ 127,338	\$ 501,186	\$ 1,160,045

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:

	Departmental Income
Water	\$ 280,042
Sewer	198,026
	\$ 478,068

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, 2020, interfund receivables, payables, revenues, and expenses arising from these transactions were as follows:

	December 31, 2020	
	Transfers-In	Transfers-Out
General	\$ -	\$ 420,004
Highway	-	580,000
Water	-	415,000
Sewer	-	596,000
Capital Projects	2,011,004	-
	\$ 2,011,004	\$ 2,011,004

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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.

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>
2020	\$ 1,719,886	\$ 1,084,314	\$ 2,804,200
2019	1,697,454	963,092	2,660,546
2018	1,648,913	968,271	2,617,184

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

At December 31, 2020, the Town reported a liability of \$16,553,256 for its proportionate share of the net pension liability of the System in the statement of net position. The net pension liability was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. 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, 2020 measurement date, the Town's proportionate share of ERS and PFRS was 0.0431521% and 0.0959098%, respectively.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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, 2020, the Town recognized pension expense of \$2,774,787 in the government-wide financial statements. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources as follows:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 672,521	\$ -	\$ 341,359	\$ 85,865
Changes of assumptions	230,084	198,674	438,176	-
Net differences between projected and actual investment earnings on pension plan investments	5,858,004	-	2,308,542	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,847	69,093	225,332	93,528
Contributions subsequent to the measurement date	1,291,739	-	813,236	-
Total	\$ 8,101,195	\$ 267,767	\$ 4,126,645	\$ 179,393

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. 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,		
2021	\$ 1,068,453	\$ 674,524
2022	1,637,628	741,294
2023	2,120,712	916,536
2024	1,714,897	757,459
2025	-	44,203
Total	\$ 6,541,690	\$ 3,134,016

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2019 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2020, 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)	6.80%	6.80%
Salary scale	4.20%	5.00%
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, 2020

Note 9 - Retirement System - Continued

d. Actuarial Assumptions - Continued

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 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 expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-Indexed bonds	4.00%	0.50%
	100.00%	

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 9 - Retirement System - Continued

f. Discount Rate

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

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 6.8% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
ERS			
Town's proportionate share of the net pension liability	\$ 20,971,658	\$ 11,426,938	\$ 2,636,211
	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
PFRS			
Town's proportionate share of the net pension liability	\$ 9,165,961	\$ 5,126,318	\$ 1,508,726

h. Pension Plan Fiduciary Net Position

The components of the net pension liability of the employers participating in the System as of March 31, 2020, were as follows (amounts in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Plan net position	168,115,682	29,964,080	198,079,762
Employers' net pension liability	\$ 26,480,579	\$ 5,344,937	\$ 31,825,516
Ratio of plan net position to the employers' total pension liability	86.4%	84.9%	86.2%

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 10 - Fund Balances

Fund balances are detailed as follows:

	General	Highway	Water	Sewer	Capital Projects	Non-Major Funds
Nonspendable						
Inventory	\$ 102,644	\$ 120,859	\$ 4,217	\$ -	\$ -	\$ -
Prepaid	520,728	100,943	71,725	39,183	-	-
	<u>623,372</u>	<u>221,802</u>	<u>75,942</u>	<u>39,183</u>	<u>-</u>	<u>-</u>
Restricted						
Capital reserve	-	-	-	-	4,520,436	-
Bond proceeds - capital	-	-	-	-	363,134	-
Landfill post-closure	-	-	-	-	191,258	-
Parklands	-	-	-	-	-	456,321
Section 8	-	-	-	-	-	5,130
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,074,828</u>	<u>461,451</u>
Assigned						
Encumbrances	280,515	107,377	310,812	55,178	-	-
Capital reserve	1,535,754	968,929	436,678	1,743,255	-	-
Retirement contribution	537,758	307,780	126,088	-	-	-
General Fund	954,598	-	-	-	-	-
Highway Fund	-	3,480,299	-	-	-	-
Water Fund	-	-	3,844,192	-	-	-
Sewer Fund	-	-	-	2,241,953	-	-
	<u>3,308,625</u>	<u>4,864,385</u>	<u>4,717,770</u>	<u>4,040,386</u>	<u>-</u>	<u>-</u>
Unassigned						
	<u>4,369,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,301,666</u>	<u>\$ 5,086,187</u>	<u>\$ 4,793,712</u>	<u>\$ 4,079,569</u>	<u>\$ 5,074,828</u>	<u>\$ 461,451</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	\$ 570,447
Recreational facilities	616,977
Fire tower and additions and improvements	143,866
Highway equipment	1,119,223
Reconstruction of water facilities	1,644,813
Reconstruction of sewer facilities	788,244
Total GML Section 6-C	<u>4,883,570</u>
GML Section 6-O Reserves	<u>191,258</u>
Total Capital Reserves Under GML Sections 6-C and 6-O	<u>\$ 5,074,828</u>

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

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

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, 2020, 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, 2020 is as follows:

Property Owner	Taxable Assessed Value	Tax Rate ¹ per 000	Tax Value	PILOT Received	Taxes Abated
44-74 21st Street, LLC	\$ 7,700,000	2.64	\$ 20,309	\$ 11,098	\$ 9,211
Albany Enterprises LLC	2,100,000	2.64	5,539	4,662	877
American Housing Foundation ²	-	2.64	-	12,563	(12,563)
CPI Bethlehem BERK I LLC	1,100,000	2.64	2,901	1,728	1,173
CPI Bethlehem SEF I LLC	1,200,000	2.64	3,165	1,876	1,289
Finke Enterprises, LLC	5,900,000	2.64	15,562	11,941	3,621
MALM Realty Company	1,000,000	2.64	2,638	2,323	315
PSEG Power	100,000,000	2.64	263,758	276,183	(12,425)
Vista Development Group LLC	2,621,000	2.64	6,914	6,914	-
Vista Medical LLC	1,350,000	2.64	3,561	2,846	715
	<u>\$ 122,971,000</u>		<u>\$ 324,347</u>	<u>\$ 332,133</u>	<u>\$ (7,787)</u>

¹General and Highway Tax Rates

²American 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, 2020

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 24 years lapsed as of December 31, 2020. The current estimated liability for post-closure care costs of the landfill for the remaining 6 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. The required minimum purchases for the Town are 500 million gallons for each of the remaining years on the contract. Total purchases under this contract for the year ended December 31, 2020 were \$1,977,094.

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 2020. There was no reduction in insurance coverage during 2020. An estimate of this liability is recorded at December 31, 2020, 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. During the year ended December 31, 2020, the Town paid \$89,665 to five individuals under this program.

Union Contracts

Public safety employees are all 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, 2021
AFL-CIO Council 82 (Lieutenants & Sergeants)	December 31, 2021
Teamsters Local 294 (Officers & Detectives)	December 31, 2021

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 14 - Accounting Standards Issued Not Yet Implemented

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, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

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. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of, and construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91, *Conduit Debt Obligation*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries, and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 14 - Accounting Standards Issued Not Yet Implemented - Continued

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallbacks provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods beginning after December 31, 2021. The requirements to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a government or nongovernment entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPP's meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 5, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITA) including the definition of a SBITA, establishment of a right-to-use subscription asset and related liability, providing capitalization criteria, and requiring note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2020

Note 14 - Accounting Standards Issued Not Yet Implemented - Continued

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement has three objectives: (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform; (2) to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans (OPEB), and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) to enhance the relevance, consistency, and comparability of the accounting and financial reporting for the Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately, and certain requirements are effective for reporting periods beginning after June 15, 2021.

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 3,404,963	\$ 3,404,963	\$ 3,395,909	\$ (9,054)
Real property tax items	120,513	120,513	122,520	2,007
Non-property tax items	12,999,869	12,324,240	12,406,705	82,465
Departmental Income	1,676,339	1,826,231	1,369,623	(456,608)
Intergovernmental charges	80,000	50,000	50,000	-
Use of money and property	139,523	159,485	147,806	(11,679)
Licenses and permits	41,300	43,700	35,331	(8,369)
Fines and forfeitures	385,154	322,039	202,433	(119,606)
Sales of property and compensation for loss	145,000	125,000	114,388	(10,612)
Miscellaneous local sources	2,500	134,853	131,608	(3,245)
Interfund revenue	480,000	480,000	471,924	(8,076)
State aid	1,135,038	1,040,077	1,399,518	359,441
Federal aid	50,120	58,810	51,920	(6,890)
Total revenues	20,660,319	20,089,911	19,899,685	(190,226)
EXPENDITURES				
General government support	\$ 4,183,934	4,179,171	3,939,199	239,972
Public safety	6,688,348	6,673,424	6,495,970	177,454
Transportation	680,735	653,060	570,335	82,725
Economic opportunity and development	521,784	497,509	415,474	82,035
Culture and recreation	1,464,634	1,476,346	1,083,009	393,337
Home and community services	1,415,182	1,656,866	1,478,233	178,633
Employee benefits	5,242,656	5,328,612	5,094,878	233,734
Debt service				
Principal	238,153	238,153	238,151	2
Interest	224,893	224,893	224,893	-
Total expenditures	20,660,319	20,928,034	19,540,142	1,387,892
Excess (deficiency) of revenues over expenditures	-	(838,123)	359,543	1,197,666
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(420,004)	(420,004)	-
Total other financing sources (uses)	-	(420,004)	(420,004)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (1,258,127)	\$ (60,461)	\$ 1,197,666
FUND BALANCE, beginning of year			8,362,127	
FUND BALANCE, end of year			\$ 8,301,666	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Highway Fund Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 6,473,817	\$ 6,473,817	\$ 6,473,816	\$ (1)
Real property tax items	205,888	205,888	209,613	3,725
Intergovernmental charges	10,500	10,500	5,379	(5,121)
Use of money and property	50,298	50,298	28,007	(22,291)
Sales of property and compensation for loss	13,925	13,925	60,157	46,232
Miscellaneous local sources	-	-	364	364
Interfund revenue	12,000	12,000	17,318	5,318
State aid	411,541	411,541	417,080	5,539
Total revenues	<u>7,177,969</u>	<u>7,177,969</u>	<u>7,211,734</u>	<u>33,765</u>
EXPENDITURES				
Transportation	5,036,603	4,958,365	4,338,562	619,803
Employee benefits	1,868,608	1,798,107	1,603,590	194,517
Debt service				
Principal	156,693	156,693	156,692	1
Interest	116,065	116,065	116,065	-
Total expenditures	<u>7,177,969</u>	<u>7,029,230</u>	<u>6,214,909</u>	<u>814,321</u>
Excess of revenues over expenditures	-	148,739	996,825	848,086
OTHER FINANCING USES				
Transfers out	-	(580,000)	(580,000)	-
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ (431,261)	\$ 416,825	\$ 848,086
FUND BALANCE, beginning of year			<u>4,669,362</u>	
FUND BALANCE, end of year			<u>\$ 5,086,187</u>	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Water Fund Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 2,329,788	\$ 2,329,788	\$ 2,329,786	\$ (2)
Departmental Income	8,037,277	7,967,277	8,073,127	105,850
Use of money and property	260,000	330,000	284,375	(45,625)
Sales of property and compensation for loss	11,000	11,000	8,248	(2,752)
Miscellaneous local sources	-	-	28,722	28,722
Total revenues	10,638,065	10,638,065	10,724,258	86,193
EXPENDITURES				
Home and community services	8,256,176	8,048,344	6,512,957	1,535,387
Employee benefits	1,166,185	1,197,276	1,123,268	74,008
Debt service				
Principal	1,109,494	1,109,494	1,109,494	-
Interest	872,599	872,599	872,599	-
Total expenditures	11,404,454	11,227,713	9,618,318	1,609,395
Excess (deficiency) of revenues over expenditures	(766,389)	(589,648)	1,105,940	1,695,588
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(415,000)	(415,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (766,389)	\$ (1,004,648)	\$ 690,940	\$ 1,695,588
FUND BALANCE, beginning of year			4,102,772	
FUND BALANCE, end of year			\$ 4,793,712	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Sewer Fund Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 1,106,518	\$ 1,106,518	\$ 1,106,517	\$ (1)
Departmental Income	3,262,529	3,227,529	3,483,573	256,044
Use of money and property	47,000	82,000	23,451	(58,549)
Sales of property and compensation for loss	4,000	4,000	42,753	38,753
Miscellaneous Local Sources	-	-	136	136
Total revenues	4,420,047	4,420,047	4,656,430	236,383
EXPENDITURES				
Home and community services	3,191,501	3,278,559	2,901,502	377,057
Employee benefits	675,093	669,228	622,166	47,062
Debt service				
Principal	332,764	332,764	332,763	1
Interest	220,689	220,689	220,689	-
Total expenditures	4,420,047	4,501,240	4,077,120	424,120
Excess of revenues over expenditures	-	(81,193)	579,310	660,503
OTHER FINANCING USES				
Transfers out	-	(596,000)	(596,000)	-
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ (677,193)	\$ (16,690)	\$ 660,503
FUND BALANCE, beginning of year			4,096,259	
FUND BALANCE, end of year			\$ 4,079,569	

Town of Bethlehem, New York

Required Supplementary Information Notes to Budgetary Basis Reporting December 31, 2020

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

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability

	December 31,			
	2020	2019	2018	2017
ERS				
Town's proportion of the net pension liability	0.04315210%	0.04239260%	0.04286360%	0.04359270%
Town's proportionate share of the net pension liability	\$ 11,426,938	\$ 3,003,645	\$ 1,383,398	\$ 4,096,063
Town's covered-employee payroll	\$ 11,904,005	\$ 11,849,512	\$ 11,277,347	\$ 11,005,858
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	95.99%	25.35%	12.27%	37.22%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%
PFRS				
Town's proportion of the net pension liability	0.0959098%	0.10334340%	0.10544070%	0.10243820%
Town's proportionate share of the net pension liability	\$ 5,126,318	\$ 1,733,134	\$ 1,065,749	\$ 2,123,188
Town's covered-employee payroll	\$ 4,242,385	\$ 3,962,698	\$ 3,989,317	\$ 3,923,577
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.84%	43.74%	26.72%	54.11%
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%	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

Required Supplementary Information Schedule of Employer Contributions

	December 31,			
	2020	2019	2018	2017
ERS				
Contractually required contribution	\$ 1,719,886	\$ 1,697,454	\$ 1,648,913	\$ 1,646,734
Contributions in relation to the contractually required contribution	\$ 1,719,886	\$ 1,697,454	\$ 1,648,913	\$ 1,646,734
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 11,904,005	\$ 11,849,512	\$ 11,277,347	\$ 11,005,858
Contributions as a percentage of covered-employee payroll	14.45%	14.33%	14.62%	14.96%
PFRS				
Contractually required contribution	\$ 1,084,314	\$ 963,092	\$ 968,271	\$ 959,534
Contributions in relation to the contractually required contribution	\$ 1,084,314	\$ 963,092	\$ 968,271	\$ 959,534
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 4,242,385	\$ 3,962,698	\$ 3,989,317	\$ 3,923,577
Contributions as a percentage of covered-employee payroll	25.56%	24.30%	24.27%	24.46%

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

Town of Bethlehem, New York

Other Supplementary Information - Combining Balance Sheet - Non-Major Funds

		December 31, 2020		
		Non-Major Funds		
		Special Grant	Miscellaneous	Total
ASSETS				
Cash		\$ 51,702	\$ 725,872	\$ 777,574
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable		\$ 46,572	\$ 269,551	\$ 316,123
FUND BALANCE				
Restricted		5,130	456,321	461,451
		\$ 51,702	\$ 725,872	\$ 777,574

Town of Bethlehem, New York

Other Supplementary Information - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Funds

	December 31, 2020			
	Special Grant	Miscellaneous	Ambulance	Total
REVENUES				
Real property taxes	\$ -	\$ -	\$ 1,364,231	\$ 1,364,231
Departmental Income	-	96,900	-	96,900
Use of money and property	-	2,508	-	2,508
Federal aid	464,734	-	-	464,734
Total revenues	464,734	99,408	1,364,231	1,928,373
EXPENDITURES				
Health	\$ -	\$ -	\$ 1,364,231	\$ 1,364,231
Economic opportunity and development	464,944	-	-	464,944
Culture and recreation	-	586,652	-	586,652
Total expenditures	464,944	586,652	1,364,231	2,415,827
Deficiency of revenues over expenditures	(210)	(487,244)	-	(487,454)
FUND BALANCE, beginning of year	5,340	943,565	-	948,905
FUND BALANCE, end of year	\$ 5,130	\$ 456,321	\$ -	\$ 461,451