



Town of Bethlehem, New York

Basic Financial Statements

December 31, 2022

Town of Bethlehem, New York

Basic Financial Statements

December 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bethlehem, New York (Town) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matters discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the governmental activities of the Town as of December 31, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Discretely Presented Component Unit, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2022, 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.

We did not audit the financial statements of the Town of Bethlehem Industrial Development Agency (IDA), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions insofar as they relate to the amounts included for the IDA, are based solely on the report of the other auditors.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1c to the financial statements, management 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.

Emphasis of Matter

As discussed in Note 1s to the financial statements, in 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 16, and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 balance sheet – non-major funds and combining statement of revenues, expenditures, and changes in fund balances – non-major funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – non-major funds and combining statement of revenues, expenditures, and changes in fund balances – non-major funds 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 22, 2023, 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

Latham, New York
June 22, 2023



Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

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, 2022. The MD&A is intended to serve as an introduction to the Town's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the Town's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized. In order to gain a thorough understanding of the Town's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

Financial Highlights

This is the second year in a row that the Town has benefited from a strong economy and other financial variables falling into the Town's favor:

- Sales tax receipts once again exceeded the Town's previous single highest annual total by over \$1.7 million, following a year that had exceeded the previous high by \$1.5 million.
- Despite interest rates, which increased throughout the year, a "seller's housing market," primarily due to low inventory, led to substantial mortgage tax receipts.
- A lack of precipitation during the summer season, and strong industrial sales, led to strong water sales revenues as well as the corresponding sewer charges.
- Throughout the year, many departments in each of the four major funds, encountered difficulties in hiring and/or retaining employees, as compared to before the pandemic, which led to savings in expenditures.

	December 31, 2022			
	General	Highway	Water	Sewer
Final Budgeted Operating Revenue	\$ 23,657,906	\$ 7,480,816	\$ 11,088,555	\$ 4,457,132
Final Budgeted Operating Expenses	(24,069,460)	(7,542,152)	(12,247,142)	(4,518,821)
Budgeted Surplus (Shortfall)	(411,554)	(61,336)	(1,158,587)	(61,689)
Actual Revenue	\$ 27,137,166	\$ 7,604,982	\$ 12,040,795	\$ 4,647,544
Operating Expenses	(21,514,198)	(7,165,603)	(10,774,033)	(4,157,819)
Operating Surplus	5,622,968	439,379	1,266,762	489,725
Capital Fund Transfer	(2,668,092)	(2,171,391)	(659,511)	(1,462,728)
Net Surplus	2,954,876	(1,732,012)	607,251	(973,003)
Total Fund Balance, December 31, 2021	10,138,531	5,088,736	5,684,429	2,961,669
Total Fund Balance, December 31, 2022	\$ 13,093,407	\$ 3,356,724	\$ 6,291,680	\$ 1,988,666
Nonspendable Fund Balance	\$ 1,550,275	\$ 191,844	\$ 73,431	\$ 41,748
Assigned for Retirement	672,196	307,780	126,088	-
Assigned for Capital	1,055,727	854,460	1,294,496	494,243
Assigned Appropriated for Contingency	-	1,978,584	4,106,659	1,328,958
Assigned Appropriated Fund Balance	1,382,250	24,056	691,006	123,717
Unassigned for Contingency	8,432,959	-	-	-
Total Fund Balances	\$ 13,093,407	\$ 3,356,724	\$ 6,291,680	\$ 1,988,666

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

Financial Highlights - Continued

General Items of Note for All Funds

Fringe Benefits

The Town employed an average of 207 full-time employees in 2022 (up from 204 in 2021), as well as a total of 181 part-time and seasonal personnel employed throughout the year (down from 188 in 2021). The following schedule provides comparative detail on aggregated fringe benefit costs for current employees:

<u>Fringe Benefits</u>	<u>2022 Actual</u>	<u>2021 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Social Security Taxes	\$ 1,272,147	\$ 1,191,777	\$ 80,370	6.74%
Health and Dental Insurance	2,532,090	2,608,045	(75,955)	-2.91%
Retirement Systems	2,636,517	2,985,455	(348,938)	-11.69%
Workers' Compensation Insurance	849,347	876,014	(26,667)	-3.04%
Life and Short-Term Disability Insurance	20,649	20,506	143	0.70%
Unemployment Insurance	11,380	-	11,380	100.00%
Total	<u>\$ 7,322,130</u>	<u>\$ 7,681,797</u>	<u>\$ (359,667)</u>	-4.68%

Overall, the cost of fringe benefits for current employees decreased from 2021 by \$360 thousand, or 4.68%. The largest change relates to the state retirement system which decreased \$349 thousand. This reduction was driven by an increase in the value of the state's retirement fund at March 31, 2021 as compared to the prior year, which had been depressed due to the COVID-19 pandemic. This caused Town specific ERS and PFRS rates to decrease by an average of 19% and 3%, respectively. Social Security taxes, a function of overall salaries, increased \$80 thousand, or 6.74% due to the combination of greater number of employees during 2022 than 2021 and a 2% overall raise for Town employees on January 1, 2022. However, both increases were offset in part by employee attrition, which saw several higher paid employees terminating, and replaced by younger, lesser paid employees. Lastly, the Town's health insurance costs decreased by \$76 thousand, despite an overall 4% increase in rates, due to fewer employees enrolling in the Town's program. The Town ended 2021 with 161 enrolled employees, while there were 155 in the current year. There was a corresponding offset to this savings that is not identified as a "fringe" cost. This relates to the Town's "Health In-Lieu" payments, which are made through a separate program to compensate employees who choose health coverage elsewhere, using a portion of the savings generated for the Town. The health in-lieu program increased by \$42 thousand over 2021.

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 199 plans covering retirees and eligible family members, as appropriate, by expensing the annual insurance premiums. The postemployment expense was \$1.1 million for 2022, up from \$1 million in 2021, a 5.2% increase.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

Financial Highlights - Continued

Post-Retirement Health Benefits - Continued

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 Governmental Activities opinion unit.

Interest Income

A summary of the budgeted bank-earned interest income compared to actual for 2022 is presented in the table below. Note that the Town only budgets for interest income in the operating funds and not in the Capital Reserve funds.

<u>Fund</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 12,706	\$ 103,494	\$ 90,788
Highway	5,988	41,738	35,750
Water	6,653	51,738	45,085
Sewer	4,563	31,949	27,386
Capital Projects	-	2,251	2,251
Total	<u>\$ 29,910</u>	<u>\$ 231,170</u>	<u>\$ 201,260</u>

The interest earnings for 2022 were \$231 thousand, a 579% increase from the 2021 earnings of \$34 thousand. This increase can be attributed in large part to the dramatic increase in rates in 2022 as the Federal Reserve increased the federal borrowing rate seven (7) times. While banks were not paying dramatically higher interest rates than 2021 throughout the year, the Town shifted strategy and invested more heavily in Treasury Bills and Notes. The Town earned \$167 thousand on these investments with an average earnings rate of 1.68% over the course of the year. Additionally, \$30 thousand was earned using the NYCLASS Investment Cooperative, whose rate increased from a daily yield of 0.0351% on January 1, 2022 to 4.0436% by December 31, 2022.

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, 2022

Overview of the Financial Statements - Continued

Government-Wide Financial Statements - Continued

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, Highway, Water, Sewer, Capital Projects, Special Grants, Miscellaneous, and Ambulance. 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, Highway, Water, Sewer, and Capital Projects funds, all of which are considered major funds. The Town combines non-major governmental funds together on the face of the balance sheet and statement of revenues, expenditures, and changes in fund balances. The Town adopts annual budgets for all governmental funds, except for the Miscellaneous, Special Grant, Ambulance, and Capital Projects funds. Budgetary comparison statements have been provided for the General, Highway, Water, and Sewer funds to demonstrate compliance with their budgets. Multi-year projections are presented, reviewed, and publicly discussed by the Town Board for these four 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, 2022

Overview of the 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, a custodial fund. 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			
	2022	2021	\$ Change	% Change
Assets				
Cash	\$ 32,856,850	\$ 24,436,559	\$ 8,420,291	34.46%
Receivables	12,153,968	10,962,837	1,191,131	10.87%
Other	4,704,194	1,946,365	2,757,829	141.69%
Capital assets	143,306,838	138,433,702	4,873,136	3.52%
Total assets	<u>193,021,850</u>	<u>175,779,463</u>	<u>17,242,387</u>	9.81%
Deferred outflows of resources	<u>11,911,244</u>	<u>14,984,974</u>	<u>(3,073,730)</u>	-20.51%
Liabilities				
Due within one year	11,218,279	9,847,339	1,370,940	13.92%
Due in more than one year	35,734,460	38,816,677	(3,082,217)	-7.94%
Total liabilities	<u>46,952,739</u>	<u>48,664,016</u>	<u>(1,711,277)</u>	-3.52%
Deferred inflows of resources	<u>18,683,309</u>	<u>16,865,233</u>	<u>1,818,076</u>	10.78%
Net position	<u>\$ 139,297,046</u>	<u>\$ 125,235,188</u>	<u>\$ 14,061,858</u>	11.23%

The Town's 2022 net position increased by \$14.1 million from 2021. Cash increased by \$8.4 million from 2021 due to a combination of factors, including total net excess of revenues and other financing sources over expenditures and other financing uses of \$5.1 million, receipt of \$1.8 million in the second tranche of ARPA funding that has not yet been spent, CHIPS receivable increased \$460 thousand, receipt of a \$350 thousand sewer mitigation fee deposit in 2022 from a commercial entity related to their development within Town that was not spent in 2022, a reduction in receivables by \$1.1 million from 2021 as federal funding for the 9W Roundabout project decreased by \$1.1 million due to the project nearing its completion, and a

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

Government-Wide Financial Analysis - Continued

\$556 thousand reduction in capital projects accounts payable related to reduced capital projects activity by year-end 2022 from the prior year. The increase in receivables of \$1.2 million from 2021 is due to the implementation of GASB 87 which created a lease receivable of \$2.3 million, an increase in CHIPS receivable of \$460 thousand, an increase in sales tax receivable of \$411 thousand, and offset by federal funding for the 9W Roundabout project decreasing by \$1.1 million and a decrease in mortgage tax receivable of \$693 thousand. The main contributors to the increase in capital assets from 2021 to 2022 is the addition of \$2.9 million in capital projects related equipment, \$964 thousand spent on the paving program in the Highway fund in 2022, \$353 thousand spent on sidewalks, and spending on MIS software and equipment of \$172 thousand for the Town server upgrade. Deferred outflows of resources on pension net of contributions decreased \$2.6 million from 2021 and were further reduced by the decrease from 2021 in pension contributions subsequent to the measurement date of \$444 thousand.

Furthermore, for the \$1.4 million increase in liabilities due within one year there was a net increase of \$1.3 million in unearned revenue due to the payment of an additional \$1.8 million in ARPA funding in 2022 offset by 2022 ARPA spending of \$531 thousand in conjunction with the maturity of a water facility debt with an annual debt principal payment in 2022 of \$880 thousand offset by increased deposits received due to Town development totaling \$650 thousand. For the \$5.9 million decrease in liabilities due in more than one year, Net Pension Liability (Asset) at December 31, 2022 decreased \$4.5 million from the prior year per the March 31, 2022 valuation provided by New York State Local Retirement System, which presented ERS as 103.65% funded and PFRS as 98.66% funded. Additionally, the non-current portion of Bonds Payable as of December 31, 2022 decreased \$1.4 million from the prior year as this is the amount of principal that will now be due in the subsequent fiscal year. The change in deferred inflows of resources from 2021 is driven by the implementation of GASB 87 which created a new deferred inflow of resources balance of \$2.2 million and is offset by the New York State Retirement System reporting a modest decrease of \$427 thousand in deferred inflows of resources for ERS and PFRS in 2022 as compared to 2021.

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

	Governmental Activities			
	2022	2021	\$ Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 15,485,937	\$ 13,475,044	\$ 2,010,893	14.92%
Operating grants and contributions	1,720,798	1,250,289	470,509	37.63%
Capital grants and contributions	443,016	3,385,434	(2,942,418)	-86.91%
General revenues				
Taxes	32,442,314	30,237,482	2,204,832	7.29%
Other	3,166,011	2,688,928	477,083	17.74%
Total revenues	53,258,076	51,037,177	2,220,899	4.35%
Expenses				
General government support	5,696,631	5,917,279	(220,648)	-3.73%
Public safety	9,124,936	8,747,196	377,740	4.32%
Health	1,416,783	1,379,466	37,317	2.71%
Transportation	6,332,432	6,341,480	(9,048)	-0.14%
Economic opportunity and development	1,065,769	980,326	85,443	8.72%
Culture and recreation	1,668,162	1,500,111	168,051	11.20%
Home and community services	12,831,028	12,007,248	823,780	6.86%
Interest on long-term debt	1,060,477	1,134,674	(74,197)	-6.54%
Total expenses	39,196,218	38,007,780	1,188,438	3.13%
Increase in net position	\$ 14,061,858	\$ 13,029,397	\$ 1,032,461	7.92%

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

Government-Wide Financial Analysis - Continued

In 2022, the Town had a \$680 thousand increase in Safety inspection revenue driven primarily by permits from a couple commercial entities engaging in development within the Town. Water usage revenue increased \$976 thousand from 2021 due to increased sales volume during 2022 with about half of this increased demand driven by two commercial customers. The Town recognized \$531 thousand in ARPA revenue for 2022 spending, which is the first fiscal year in which ARPA spending has occurred. As the 9W Roundabout project was in its final stages in 2022, there was a significant decrease in federal aid recognized on this project as this amount decreased from 2021 by \$2.6 million. Sales tax revenues increased \$1.7 million from 2021, which was due to continued positive economic activity from 2021 and compounded by inflationary costs. Furthermore, mortgage tax revenue increased \$110 thousand from 2021 due to relatively low interest rates for a portion of the year and high demand in the local housing market. In addition to this increase, there was an increase in solar electricity revenue from 2021 of \$120 thousand as a result of increased electricity rates, which correlate with the rate of solar credit earnings and are offset by the solar generation expense calculated at a fixed rate. The Town also had an increase in total interest income from cash investments of \$198 thousand due to improved interest rates in 2022 and significant investment in United States treasuries in 2022. Finally, due to the implementation of GASB 87, the Town also had an increase in interest revenue related to leases of \$78 thousand.

Town expenses increased by 3.13% from the prior year. General government support had a decrease in loss on disposal of equipment year over year of \$143 thousand in addition to an increase in police full-time salaries of \$230 thousand. The change in Net Pension Liability/Asset from 2021 to 2022 resulted in a decrease in total Town expenses of \$673 thousand. This decrease is per the NYSLRS reporting for the valuation date of March 31, 2022. Culture and recreation saw an increase in electricity expense for Parks program operations of \$23 thousand, increase in Parks administration personal services costs of \$33 thousand, and an increase in Parks maintenance contractual expenses of \$54 thousand. The increase in home and community services expense is driven by an increase of \$895 thousand in contractual expenses.

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 18) reported a combined fund balance of \$35.2 million. General, Highway, Water, & Sewer Funds showed excess of revenues over expenditures before other financing sources (uses).

Items of Note for the General Fund

Total revenues increased approximately \$3.77 million, or 16.1%, from \$23.37 million in 2021 to \$27.14 million in 2022. The primary changes in this fund included:

- Property taxes and PILOT (Payments In Lieu of Taxes) increased by \$226 thousand, or 5.7%, from \$3.94 million to \$4.17 million.
- Sales tax revenues increased by \$1.72 million, from \$14.13 million to \$15.84 million relating to a rebound in the economy.
- Departmental income increased by \$1.06 million, from \$1.78 million to \$2.84 million. This category was led by an increase of \$680 thousand which was primarily due to permitting fees for several large projects throughout Town. Additionally, the Town used \$124 thousand in mitigation fees, which had been held on deposit, obtained through the permitting process, toward the 9W Roundabout project. This was an increase of \$121 thousand over 2021. Further, Town led inspections on development projects increased from \$105 thousand in 2021 to \$227 thousand in 2022, an increase of \$122 thousand. Lastly, the solar array on the Town's former clay mine generated \$121 thousand more than 2021, from \$234 thousand in 2021 to \$356 thousand in 2022, due to a spike in electricity costs.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

The Town's Funds - Continued

Items of Note for the General Fund - Continued

- The Town used Federal ARPA (American Rescue Plan Act) funds in the amount of \$530 thousand of the \$3.6 million award for several projects including, sidewalks of \$342 thousand and a server upgrade project of \$172 thousand.

Total operating expenditures increased by \$1.44 million, or 7.16%, from \$20.08 million in 2021 to \$21.51 million in 2022. Some of the larger drivers included the following:

- Total wages and salaries increased \$591 thousand, from \$9.70 million in 2021 to \$10.29 in 2022, due to two factors, the first is due to a 2% wage increase for all full-time employees, and merit-based step increases for eligible employees of approximately 5%. Also, the Town had fewer vacancies throughout the year as 2022 proved less challenging to find and retain staffing.
- Contractual costs at Town Hall, increased from \$236 thousand in 2021 to \$430 thousand in 2022, an increase of \$193 thousand primarily due to property repairs, led by the replacement of the handicap ramp entrance for the Town Court costing \$119 thousand.
- Fuel costs increased \$86 thousand, and electricity increased \$93 thousand from 2021 to 2022 as fuel and energy costs increased dramatically in 2022.
- As noted in the revenue description above, the Town began using ARPA funding to offset the costs of sidewalk creation, repair, and replacement projects in the amount of \$342 thousand; \$293 thousand more in overall spending for this work than in 2021. Additionally, these funds were used to upgrade the Town's servers in a 2022 project totaling \$172 thousand.

In 2021, the General Fund had a \$230 thousand assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2022, the Town board assigned an additional \$870 thousand of General Fund balance to help cover future capital needs and as part of the Town's fund balance policy. Further, the Town transferred \$45 thousand of assigned fund balance to the General Fund Capital Reserve to pay for projects committed to by Town Board action. The total assigned fund balance, \$1.06 million, will remain in the operating fund, 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 added from two sources: The first is through unsolicited donations, which in 2022 totaled \$589. The second source is provided through an allocation of funds that exceed 20% of the unassigned fund balance in the General Fund at the completion of the previous calendar year. At the end of 2021, that allocation provided an additional \$2 million. With interest earnings of \$1,152 during the year, the total fund balance of the farms and forest fund at the end of 2022 was \$2.24 million.

There were no new debt issuances relating to the General Fund in 2022.

Items of Note for the Highway Fund

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 2022, the General Fund has maintained a reserve balance of \$672 thousand.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

The Town's Funds - Continued

Items of Note for the Highway Fund - Continued

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 increased by \$126 thousand, or 1.68%, from \$7.48 million in 2021 to \$7.61 million in 2022 primarily related to an increase of \$135 thousand in property taxes.

Total expenditures increased by \$549 thousand, or 8.29%, from \$6.62 million in 2021 to \$7.17 million in 2022 primarily due to:

- Increases in salaries and wages increased \$150 thousand due to a 2% wage increase for all full-time employees, as well as merit-based step increases for eligible employees of approximately 5%. Also, the Town had fewer vacancies throughout the year as 2021 proved challenging to find and retain staffing.
- Overtime for Highway staffing fluctuates from year to year based on weather conditions, primarily ice and snow. 2022 saw an increase in expenditure over the prior year of \$68 thousand related to storms early in the year.
- Consistent with the increase in overtime related to ice and snow, salt purchases in 2022 were up \$63 thousand from the prior year.
- Fuel prices jumped during 2022 by over \$2/gallon of diesel and \$1.50/gallon of unleaded, causing an increase in fuel costs of over \$136 thousand over 2021.

In 2021, the Highway Fund had \$2.2 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 2022, the Town Board assigned an additional \$845 thousand of Highway Fund operating fund balance to help cover future capital needs as part of the Town's fund balance policy. Further, the Town transferred \$2.18 million 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 \$854 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 2022, the Highway Fund has maintained a reserve balance of \$308 thousand.

There were no new debt issuances relating to the Highway Fund in 2022.

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.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

The Town's Funds - Continued

Items of Note for the Water Fund - Continued

The Water Fund's operating revenues increased by \$1.25 million, or 11.6%, from \$10.79 million in 2021 to \$12.04 million in 2022. This was primarily due to an increase in water sales of \$918 thousand, relating to both a consistently dry summer season as well as increased demand by the Town's industrial users.

The Water Fund's operating expenditures increased by \$1.10 million, or 11.33%, from \$9.68 million in 2021 to \$10.77 million in 2022. This was primarily due to:

- An increase in salaries and wages, from \$1.78 million in 2021 to \$1.92 million in 2022, or \$136 thousand, due to a 2% wage increase for all full-time employees, as well as merit-based step increases for eligible employees of approximately 5%. Also, the Town had fewer vacancies throughout the year as 2021 proved challenging to find and retain staffing.
- The cost of chemicals used to purify the Town's water have doubled due to supply chain issues, increasing the cost \$243 thousand from \$211 thousand in 2021 to \$453 thousand in 2022.
- Electricity and fuel costs increased \$160 thousand and \$25 thousand, respectively, as per unit costs exploded in 2022 from \$355 thousand and \$35 thousand to \$515 thousand and \$59 thousand, respectively.
- Other Contractual Services, which are primarily services such as aquatic weed control, Scada programming, fiber agreement, cleaning of high service pumps, HVAC, and flow meter calibrations, increased \$253 thousand, from \$266 thousand in 2021 to \$518 thousand in 2022 due to price increases.

In 2021, the Water Fund had \$986 thousand of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2022, the Town Board assigned an additional \$968 thousand of Water Fund operating fund balance to help cover future capital needs as part of the Town's fund balance policy. Further, the Town transferred \$660 thousand of previously assigned fund balance to the Water Fund Capital Reserve to pay for approved projects. The total assigned fund balance of \$1.29 million 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 2022, the Water Fund has maintained a reserve balance of \$126 thousand.

There were no new debt issuances relating to the Water Fund in 2022.

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 \$96 thousand, or 2.12%, increasing from \$4.55 million in 2021 to \$4.65 million in 2022. This was due primarily to three changes in revenue: Real property taxes increased \$24 thousand, from \$1.11 million to \$1.13 million, sewer charges increased \$47 thousand, from \$3.43 million to \$3.47 million, and interest earnings increased \$25 thousand, from \$7 thousand to \$32 thousand.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

The Town's Funds - Continued

Items of Note for the Sewer Fund - Continued

The Sewer Fund's operating expenditures increased by \$126 thousand, or 3.12% increasing from \$4.03 million in 2021 to \$4.16 million in 2022. This was primarily due to timing of sewer main work, which increased \$98 thousand over the prior year.

In 2021, the Sewer Fund had \$1.48 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 2022, the Town Board assigned an additional \$476 thousand of Sewer Fund operating fund balance to help cover future capital needs as part of the Town's fund balance policy. Further, the Town transferred \$1.46 million of previously assigned fund balance to the Sewer Fund Capital Reserve to pay for projects committed to by Town Board action. The total assigned fund balance of \$494 thousand will remain in the operating fund, separately identified, until additional equipment purchases, or projects are authorized by the Town Board.

There were no new debt issuances relating to the Sewer Fund in 2022.

Analysis of Fund Balance

In 2012, the Town passed a comprehensive fund balance policy that provided guidance for minimum (7.5%), 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 2022, along with a calculation showing where the fund balances are as compared to this policy.

The projected 2022 levels for the operating funds indicate sufficient net assets to fund current budgetary requirements. Consistent with Town policy, balances held above the ceiling of 20% are identified in the infrastructure reserve and will be moved to the appropriate capital reserve accounts in 2022.

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

	General	Highway	Water	Sewer
Fund Balance, December 31, 2022	\$ 13,093,407	\$ 3,356,724	\$ 6,291,680	\$ 1,988,666
Less:				
Prior Year Encumbrances	1,382,250	24,056	691,006	123,717
Retirement Contribution Reserve	672,196	307,780	126,088	-
Capital Reserve Appropriation	1,055,727	854,460	1,294,496	494,243
Nonspendable Fund Balance	1,550,275	191,844	73,431	41,748
Infrastructure Reserve (2022)	3,295,607	403,605	1,877,079	398,860
Farms & Forest Fund Reserve	500,000	-	-	-
Projected Unassigned Balance, December 31, 2023	<u>4,637,352</u>	<u>1,574,979</u>	<u>2,229,580</u>	<u>930,098</u>
2023 Budgeted Appropriations	<u>23,186,760</u>	<u>7,874,896</u>	<u>11,147,899</u>	<u>4,650,490</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	\$ 1,739,007	\$ 590,617	\$ 836,092	\$ 348,787
Optimal - 15% of Budgeted Appropriations	3,478,014	1,181,234	1,672,185	697,574
Ceiling - 20% of Budgeted Appropriations	4,637,352	1,574,979	2,229,580	930,098

Capital Asset and Debt Administration

Capital Assets

As of 2022, the Town has \$143.31 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 a \$4.9 million increase compared to the prior year.

Town of Bethlehem, New York

Management's Discussion and Analysis December 31, 2022

Capital Asset and Debt Administration

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>2022</u>	<u>2021</u>
Serial bonds	\$ 36,395,000	\$ 38,620,000
Net pension liability (asset)	(2,846,896)	1,697,841
Compensated absences	1,609,196	1,627,617
Landfill closure and post-closure	100,000	100,000
Judgments and claims	10,000	-
Total long-term debt	<u>\$ 35,267,300</u>	<u>\$ 42,045,458</u>

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

Economic Factors Affecting the Town

According to the New York State Department of Labor, the 2022 unemployment rate for Albany County was 2.5%, compared to 2.6% in 2021. This rate is lower than the 2022 United States unemployment rate of 3.3%, 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 2022 property taxes was 2.00% for the Town with an additional tax base growth factor of 1.23%. The published allowable levy growth factor for the 2023 period was remained at 2.0% with an additional tax base growth factor of 0.79%. The Town's adherence to these modest tax increases remains a challenge, given State mandates, negotiated wage increases, healthcare cost increases and other inflationary pressures.

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

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all those having an interest and should be considered along with the annual audit report, including the related footnotes. Questions concerning any of the information provided in this report may be addressed to:

David VanLuven, Town Supervisor
or
Michael Cohen, CPA, Comptroller
Town of Bethlehem
445 Delaware Avenue
Delmar, NY 12054

Town of Bethlehem, New York

Statement of Net Position

	December 31, 2022	
	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 32,856,850	\$ 1,212,084
Receivables		
Accounts	3,643,329	40,394
State and federal governments	1,499,427	-
Due from other governments	4,695,327	-
Leases	2,315,885	-
Inventory	227,905	-
Prepaid expenses	1,629,393	-
Net pension asset	2,846,896	-
Capital assets	143,306,838	-
Total assets	193,021,850	1,252,478
DEFERRED OUTFLOWS OF RESOURCES	11,911,244	-
LIABILITIES		
Accounts payable	1,782,747	-
Accrued liabilities	1,062,865	2,110
Due to other governments	638,048	-
Unearned revenue	5,354,883	-
Long-term liabilities		
Due within one year	2,379,736	-
Due in more than one year	35,734,460	-
Total liabilities	46,952,739	2,110
DEFERRED INFLOWS OF RESOURCES		
Pension resources	16,438,551	-
Leases	2,244,758	-
Total deferred inflows of resources	18,683,309	-
NET POSITION		
Net investment in capital assets	106,911,838	-
Restricted	10,563,488	-
Unrestricted	21,821,720	1,250,368
	\$ 139,297,046	\$ 1,250,368

Town of Bethlehem, New York

Statement of Activities

Year Ended December 31, 2022						
Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Governmental Activities						
General government support	\$ 5,696,631	\$ 417,367	\$ 1,074	\$ -	\$ (5,278,190)	\$ -
Public safety	9,124,936	1,027,422	41,338	169,550	(7,886,626)	-
Health	1,416,783	-	-	-	(1,416,783)	-
Transportation	6,332,432	233,566	677,897	253,492	(5,167,477)	-
Economic opportunity and development	1,065,769	61,931	1,000,489	-	(3,349)	-
Culture and recreation	1,668,162	579,123	-	-	(1,089,039)	-
Home and community services	12,831,028	13,166,528	-	19,974	355,474	-
Interest on long-term debt	1,060,477	-	-	-	(1,060,477)	-
	\$ 39,196,218	\$ 15,485,937	\$ 1,720,798	\$ 443,016	(21,546,467)	-
Component Unit	\$ 129,938	\$ 938,488	\$ -	\$ -	-	808,550
GENERAL REVENUES						
					15,947,366	-
					16,494,948	-
					1,835,138	-
					1,330,873	2,270
					35,608,325	2,270
					14,061,858	810,820
					125,235,188	439,548
					\$ 139,297,046	\$ 1,250,368

See accompanying Notes to Basic Financial Statements.

Town of Bethlehem, New York

Balance Sheet - Governmental Funds

		December 31, 2022						
		Major Funds						
		General	Highway	Water	Sewer	Capital Projects	Other Governmental	Total
ASSETS								
Cash	\$ 13,236,096	\$ 2,963,089	\$ 4,628,332	\$ 1,952,582	\$ 9,557,162	\$ 519,589	\$ 32,856,850	
Accounts receivable	396,653	9,002	2,136,947	986,326	114,401	-	3,643,329	
State and federal receivables	4,586	460,077	-	-	1,034,764	-	1,499,427	
Due from other governments	4,319,648	-	229,992	145,687	-	-	4,695,327	
Leases receivable	-	-	2,315,885	-	-	-	2,315,885	
Inventory	102,187	118,269	7,449	-	-	-	227,905	
Prepaid expenses	1,448,088	73,575	65,982	41,748	-	-	1,629,393	
	19,507,258	3,624,012	9,384,587	3,126,343	10,706,327	519,589	46,868,116	
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ 402,875	\$ 92,145	\$ 457,797	\$ 200,819	\$ 620,942	\$ 8,169	1,782,747	
Accrued liabilities	721,483	175,143	103,529	62,710	-	-	1,062,865	
Due to other governments	638,048	-	-	-	-	-	638,048	
Unearned revenue	4,651,445	-	-	670,121	-	33,317	5,354,883	
Total liabilities	6,413,851	267,288	561,326	933,650	620,942	41,486	8,838,543	
 DEFERRED INFLOWS OF RESOURCES								
Unavailable departmental income	-	-	286,823	204,027	-	-	490,850	
Leases	-	-	2,244,758	-	-	-	2,244,758	
Total deferred inflows of resources	-	-	2,531,581	204,027	-	-	2,735,608	
 FUND BALANCE								
Nonspendable	1,550,275	191,844	73,431	41,748	-	-	1,857,298	
Restricted	-	-	-	-	10,085,385	478,103	10,563,488	
Assigned	3,110,173	3,164,880	6,218,249	1,946,918	-	-	14,440,220	
Unassigned	8,432,959	-	-	-	-	-	8,432,959	
Total fund balance	13,093,407	3,356,724	6,291,680	1,988,666	10,085,385	478,103	35,293,965	
	\$ 19,507,258	\$ 3,624,012	\$ 9,384,587	\$ 3,126,343	\$ 10,706,327	\$ 519,589	\$ 46,868,116	

See accompanying Notes to Basic Financial Statements.

Town of Bethlehem, New York

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

	December 31, 2022
Total fund balance - governmental funds	\$ 35,293,965
Amounts reported for government activities in the statement of net position are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	143,306,838
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.	490,850
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	1,856,346
Deferred inflows and outflows of resources related to pensions are not reported in the funds	
Deferred outflows of pension resources	10,054,898
Deferred inflows of pension resources	(16,438,551)
	(6,383,653)
Some assets (liabilities), listed below are not due and payable/available in the current period and therefore are not reported in the funds:	
Bonds payable	(36,395,000)
Net pension asset	2,846,896
Claims payable	(10,000)
Landfill postclosure costs	(100,000)
Compensated absences	(1,609,196)
	(35,267,300)
Total net position - governmental activities	\$ 139,297,046

Town of Bethlehem, New York

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

	Year Ended December 31, 2022						
	Major Funds						
	General	Highway	Water	Sewer	Capital Projects	Other Governmental	Total
REVENUES							
Real property taxes	\$ 4,020,893	\$ 6,614,927	\$ 2,394,266	\$ 1,130,970	\$ -	\$ 1,416,783	\$ 15,577,839
Real property tax items	147,378	222,150	-	-	-	-	369,528
Non-property tax items	16,494,948	-	-	-	-	-	16,494,948
Departmental Income	2,849,044	-	9,128,761	3,472,263	-	98,650	15,548,718
Intergovernmental charges	34,775	6,106	-	-	-	-	40,881
Use of money and property	169,572	41,738	396,739	31,949	2,251	-	642,249
Licenses and permits	34,263	-	-	-	-	-	34,263
Fines and forfeitures	216,644	-	-	-	-	-	216,644
Sales of property and compensation for loss	167,133	21,031	120,294	12,362	-	-	320,820
Miscellaneous local sources	10,878	11	735	-	589	-	12,213
Interfund Revenues	583,434	21,122	-	-	-	-	604,556
State aid	1,836,212	677,897	-	-	25,674	-	2,539,783
Federal aid	571,992	-	-	-	417,342	469,835	1,459,169
Total revenues	<u>27,137,166</u>	<u>7,604,982</u>	<u>12,040,795</u>	<u>4,647,544</u>	<u>445,856</u>	<u>1,985,268</u>	<u>53,861,611</u>
EXPENDITURES							
General government support	\$ 4,400,889	\$ -	\$ -	\$ -	\$ -	\$ -	4,400,889
Public safety	6,883,133	-	-	-	186,900	-	7,070,033
Health	-	-	-	-	-	1,416,783	1,416,783
Transportation	1,079,289	5,304,659	-	-	2,012,481	-	8,396,429
Economic opportunity and development	496,817	-	-	-	-	457,135	953,952
Culture and recreation	1,542,731	-	-	-	59,459	3,000	1,605,190
Home and community services	1,438,300	-	7,748,914	3,034,249	1,057,610	-	13,279,073
Employee benefits	5,195,883	1,597,916	1,037,063	566,333	-	-	8,397,195
Debt service							
Principal	269,256	173,523	1,426,755	355,466	-	-	2,225,000
Interest	207,900	89,505	561,301	201,771	-	-	1,060,477
Total expenditures	<u>21,514,198</u>	<u>7,165,603</u>	<u>10,774,033</u>	<u>4,157,819</u>	<u>3,316,450</u>	<u>1,876,918</u>	<u>48,805,021</u>
Excess (deficiency) of revenues over expenditures	<u>5,622,968</u>	<u>439,379</u>	<u>1,266,762</u>	<u>489,725</u>	<u>(2,870,594)</u>	<u>108,350</u>	<u>5,056,590</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	6,961,722	-	6,961,722
Transfers out	(2,668,092)	(2,171,391)	(659,511)	(1,462,728)	-	-	(6,961,722)
Total other financing sources (uses)	<u>(2,668,092)</u>	<u>(2,171,391)</u>	<u>(659,511)</u>	<u>(1,462,728)</u>	<u>6,961,722</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>2,954,876</u>	<u>(1,732,012)</u>	<u>607,251</u>	<u>(973,003)</u>	<u>4,091,128</u>	<u>108,350</u>	<u>5,056,590</u>
FUND BALANCE, beginning of year	<u>10,138,531</u>	<u>5,088,736</u>	<u>5,684,429</u>	<u>2,961,669</u>	<u>5,994,257</u>	<u>369,753</u>	<u>30,237,375</u>
FUND BALANCE, end of year	<u>\$ 13,093,407</u>	<u>\$ 3,356,724</u>	<u>\$ 6,291,680</u>	<u>\$ 1,988,666</u>	<u>\$ 10,085,385</u>	<u>\$ 478,103</u>	<u>\$ 35,293,965</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

		Year Ended December 31, 2022
		\$
Net change in fund balance - total governmental funds		5,056,590
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	5,457,031	
Disposal of capital assets	(583,895)	
		4,873,136
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		2,225,000
Increase in revenues in the statement of activities that does not increase current financial resources are not reported in the funds.		
		1,023
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	454,064	
Public safety	621,641	
Transportation	339,059	
Economic opportunity and development	33,799	
Culture and recreation	61,887	
Home and community services	395,659	
		1,906,109
Change in net position of governmental activities		\$ 14,061,858

See accompanying Notes to Basic Financial Statements.

Town of Bethlehem, New York

Statement of Fiduciary Net Position

	<u>December 31,</u> <u>2022</u>
	<u>Custodial</u>
	<u>Fund</u>
Assets	
Cash	<u>\$ 2,000</u>
Net Position	
Restricted for:	
Bail	<u>\$ 2,000</u>

Town of Bethlehem, New York

Statement of Changes in Fiduciary Net Position

	December 31, 2022
	Custodial Fund
	<hr/>
Additions	
Tax Collected	\$ 21,606,560
Bail Collected	3,000
Total additions	<hr/> 21,609,560
Deductions	
Taxes Remitted	21,606,560
Bail returned to bailees	2,725
Total deductions	<hr/> 21,609,285
Net increase in fiduciary net position	275
Net position - <i>beginning of year</i>	<hr/> 1,725
Net position - <i>end of year</i>	<hr/> \$ 2,000 <hr/>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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, parks and recreation, sewer, water, lighting, highway maintenance, planning/zoning and other general government services.

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

b. Financial Reporting Entity

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

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

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

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

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

c. Basis of Presentation

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

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

c. Basis of Presentation - Continued

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

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

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

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

d. Government-Wide and Fund Financial Statements

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

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

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

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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 excess reserves in operating funds, proceeds of bonds, notes, and/or federal and state grants.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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 people.
- 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, Accounts 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.

Accounts 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, 2022.

h. Inventory

The Town's inventory consists of salt used on roadways, fuel, information technology supplies, and EZ Pass units. 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 a periodic basis.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

i. Interfund Transactions

During the course of operations, the Town processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenues in the provider funds and expenditures or expenses in the user funds.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

j. Capital Assets

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

k. Deferred Outflows/Inflows of Resources and Unearned Revenue

When potential revenues do not meet the availability criterion for recognition in the current period, these amounts are recorded as deferred inflows of resources in the governmental funds. In subsequent periods, when the availability criterion is met, deferred inflows of resources are recognized as revenues (See Note 8).

The Town also reports deferred outflows and inflows of resources related to leases (See Note 5) and various pension transactions (See Note 10).

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 a legal claim to the resources, the liability is removed, and revenue is recognized.

l. Compensated Absences

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

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

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

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

m. Pensions

The Town is a participating employer in the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Town's financial position and results of operations due to its participation in the System is more fully disclosed in Note 10.

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. 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. Retiree contribution amounts are tied to current employee health benefits.

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 199 individuals, at a cost of \$1,075,065 for the year ended December 31, 2022.

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 ensure 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 starting from the date of issuance of the Order of Consent.

p. Deferred Compensation Plan

Employees of the Town may elect to participate in New York State'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.

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

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:
 - Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position 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.
- 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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

s. Adoption of a New Accounting Standard

Effective January 1, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases* (GASB 87). The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement established a single model for lease accounting based on the 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 asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of GASB 87 resulted in recording a lease receivable and deferred inflow of resources of \$2,510,654 as of January 1, 2022.

t. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through June 22, 2023, the date the financial statements were available to be issued.

Note 2 - Cash and Investments

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

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

At year end, the book balance of the Town's Government Wide deposits total \$32,854,701 (excluding \$2,150 in petty cash), and the bank balance was \$31,151,048. The insured and collateral status of the bank balance was as follows:

Federally insured	\$ 2,252,593
Collateralized with securities held by a third-party custodian for the benefit of the Town pursuant to third-party custody agreement	<u>28,898,455</u>
	<u><u>\$ 31,151,048</u></u>

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

State and federal receivables consist of the following:

	General	Highway	Capital	Total
State and federal receivables				
Due from New York State	\$ -	\$ 460,077	\$ 755,700	\$ 1,215,777
Due from federal government	<u>4,586</u>	<u>-</u>	<u>279,064</u>	<u>283,650</u>
	<u><u>4,586</u></u>	<u><u>460,077</u></u>	<u><u>1,034,764</u></u>	<u><u>1,499,427</u></u>

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

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

Due from other governments is composed of the following:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Due from other governments				
Albany County				
Sales tax	\$ 4,287,396	\$ -	\$ -	4,287,396
Water/Sewer relevies	-	216,507	145,687	362,194
Other	32,252	13,485	-	45,737
	<u>\$ 4,319,648</u>	<u>\$ 229,992</u>	<u>\$ 145,687</u>	<u>\$ 4,695,327</u>

Amounts due to other governments consist of the following balances:

	<u>General</u>
Albany County - EMS Services	\$ 623,142
Fire Districts	81
New York State - Justice Court Receipts	14,825
	<u>\$ 638,048</u>

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2022	Additions	Disposals	Balance at December 31, 2022
Land	\$ 2,361,370	\$ 30,000	\$ -	\$ 2,391,370
Buildings	44,282,254	260,649	-	44,542,903
Improvements	18,280,274	140,304	6,799	18,413,779
Machinery and equipment	30,059,607	2,196,666	577,096	31,679,177
Infrastructure	43,450,197	2,829,412	-	46,279,609
Total capital assets	<u>\$ 138,433,702</u>	<u>\$ 5,457,031</u>	<u>\$ 583,895</u>	<u>\$ 143,306,838</u>

Note 5 - Leases

The Town has entered into various leases with terms ending between 2023 and 2041 as the Lessor with various cellular network providers. An initial lease receivable and deferred inflow of resources were recorded in the amount of \$2,510,654. As of December 31, 2022, the value of the lease receivable and deferred inflow of resources was \$2,315,885 and \$2,244,758, respectively. The lessees are required to make annual and monthly payments of various amounts which increase over the terms of their respective leases. The leases contain lessee renewal options that are reasonably certain to be exercised. The lease did not contain a provision for interest and the lessees' incremental rates were not readily determinable; accordingly, the Town estimated its incremental borrowing rate as of January 1, 2022 to be 3.32%.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 5 - Leases - Continued

The Town recognized lease revenue and related interest revenue of \$265,896 and \$79,645, respectively, for the year ended December 31, 2022. These are included in use of money and property on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds and other revenues on the Statement of Activities.

Future annual lease payments under these leases are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2023	\$ 144,459	\$ 74,717	\$ 219,176
2024	156,603	69,733	226,336
2025	167,473	64,370	231,843
2026	171,581	58,647	230,228
2027	146,005	53,435	199,440
2028 through 2032	865,826	184,069	1,049,895
2033 through 2037	503,252	69,988	573,240
2038 through 2041	160,686	6,873	167,559
	\$ 2,315,885	\$ 581,832	\$ 2,897,717

Note 6 - Long-Term Liabilities

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

	Year Ended December 31, 2022					Total
	Landfill Post-Closure Costs	Bonds Payable	Judgments and Claims	Net Pension Liability (Asset)	Compensated Absences	
Balance, beginning of year	\$ 100,000	\$ 38,620,000	\$ -	\$ 1,697,841	\$ 1,627,617	\$ 42,045,458
Additions/issues	-	-	-	1,159,747	-	1,159,747
Redeemed	-	(2,225,000)	-	(5,704,484)	-	(7,929,484)
Other increase/(decrease)	-	-	10,000	-	(18,421)	(8,421)
Balance, end of year	100,000	36,395,000	10,000	(2,846,896)	1,609,196	35,267,300
Current portion	\$ -	\$ 1,375,000	\$ -	\$ -	\$ 1,004,736	\$ 2,379,736
Non-current portion	100,000	35,020,000	10,000	(2,846,896)	604,460	32,887,564
	\$ 100,000	\$ 36,395,000	\$ 10,000	\$ (2,846,896)	\$ 1,609,196	\$ 35,267,300

See Note 10 for discussion of the net pension liability (asset), pension deferred outflows of resources and deferred inflows of resources.

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 6 - Long-Term Liabilities - Continued

a. Bonds Payable - Continued

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

	Original Issuance	Original Amount	Interest Rate	Final Maturity	December 31, 2022 Outstanding
General, Highway, Water, and Sewer	2015	5,912,058	2.000%	2034	4,115,000
General, Water, and Sewer	2016	6,455,000	4.000%	2037	5,350,000
Sewer	2016	2,600,000	0.550%	2046	2,155,000
General, Highway, Water, and Sewer	2017	9,992,241	2.250%	2042	8,480,000
General, Highway, and Water	2019	17,227,100	2.950%	2049	16,295,000
					<u>\$ 36,395,000</u>

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
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	1,485,000	901,264	2,386,264
2027	1,520,000	865,680	2,385,680
2028 through 2032	8,295,000	3,710,299	12,005,299
2033 through 2037	8,360,000	2,486,352	10,846,352
2038 through 2042	6,450,000	1,407,728	7,857,728
2043 through 2047	4,325,000	573,901	4,898,901
2048 through 2049	1,730,000	52,350	1,782,350
	<u>\$ 36,395,000</u>	<u>\$ 12,914,797</u>	<u>\$ 49,309,797</u>

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 \$10,000. Provisions for losses of those cases are 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, 2022

Note 7 - Unearned Revenue

Unearned revenue consists of the following:

	Customer Deposits	Restricted Gifts	ARPA	Other	Total
General	\$ 538,792	\$ 176,754	\$ 3,048,309	\$ 887,590	\$ 4,651,445
Sewer	15,000	-	-	655,121	670,121
Special Grant	-	-	-	33,317	33,317
	\$ 553,792	\$ 176,754	\$ 3,048,309	\$ 1,576,028	\$ 5,354,883

Coronavirus State and Local Fiscal Recovery Funds received under the American Rescue Plan Act (ARPA) for which qualifying expenditures have not been incurred, are reported as unearned revenues in the financial statements.

Note 8 - 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 for revenue recognition:

	Departmental Income
Water	\$ 286,823
Sewer	204,027
	\$ 490,850

Note 9 - Interfund Transactions

During the course of operations, the Town has numerous transactions between funds, including expenditures and transfers of revenue to purchase and construct assets. For the year ended December 31, 2022, interfund receivables, payables, revenues, and expenses arising from these transactions were as follows:

	Transfers-In	Transfers-Out
General	\$ -	\$ 2,668,092
Highway	-	2,171,391
Water	-	659,511
Sewer	-	1,462,728
Capital Projects	6,961,722	-
	\$ 6,961,722	\$ 6,961,722

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 10 - 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 osc.state.ny.us/retirement/resources/financial-statements-and-supplementary-information.

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:

	ERS	PFRS	Total
2022	\$ 1,335,761	\$ 1,139,441	\$ 2,475,202
2021	1,837,327	1,230,458	3,067,785
2020	1,719,886	1,084,314	2,804,200

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

At December 31, 2022, the Town reported an asset of \$2,846,896 for its proportionate share of the net pension asset of the System in the statement of net position. The net pension asset was measured as of March 31, 2022, and the total pension liability was determined by an actuarial valuation as of April 1, 2021. The Town's proportion of the net pension asset 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, 2022 measurement date, the Town's proportionate share of ERS and PFRS was 0.0415165% and 0.0962786%, respectively.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 10 - 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, 2022, the Town recognized pension expense of \$2,636,517 in the government wide financial statements. At December 31, 2022, 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	\$ 257,017	\$ (333,366)	\$ 294,841	\$ -
Changes of assumptions	5,663,874	(95,572)	3,273,347	-
Net differences between projected and actual investment earnings on pension plan investments	-	(11,113,278)	-	(4,595,434)
Changes in proportion and differences between employer contributions and proportionate share of contributions	184,499	(244,476)	381,320	(56,425)
Contributions subsequent to the measurement date	1,001,765	-	854,581	-
Total	<u>\$ 7,107,155</u>	<u>\$ (11,786,692)</u>	<u>\$ 4,804,089</u>	<u>\$ (4,651,859)</u>

Town contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ending December 31, 2023. 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,		
2023	(887,998)	(130,270)
2024	(1,278,281)	(289,904)
2025	(2,928,605)	(1,005,863)
2026	(586,418)	677,023
2027	-	46,663
Total	<u>\$ (5,681,302)</u>	<u>\$ (702,351)</u>

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2021 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2022, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

	ERS	PFRS
Investment rate of return (net of investment expense, including inflation)	5.90%	5.90%
Salary scale	4.40%	6.20%
Inflation rate	2.70%	2.70%
Cost of living adjustment	1.40%	1.40%

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 10 - Retirement System - Continued

d. Actuarial Assumptions - Continued

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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, 2022 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Absolute return strategies	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.58%
Fixed Income	23.00%	0.00%
Cash	1.00%	-1.00%
	100.00%	

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.

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 10 - Retirement System - Continued

g. Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	ERS		
	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Town's proportionate share of the net pension liability (asset)	\$ 8,735,608	\$ (3,393,801)	\$ (13,539,467)
	PFRS		
	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Town's proportionate share of the net pension liability (asset)	\$ 6,083,478	\$ 546,905	\$ (4,035,907)

h. Pension Plan Fiduciary Net Position

The components of the net pension liability (asset) of the employers participating in the System as of March 31, 2022, were as follows (amounts in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 223,874,888	\$ 42,237,292	\$ 266,112,180
Plan net position	232,049,473	41,669,250	273,718,723
Employers' net pension liability (asset)	\$ (8,174,585)	\$ 568,042	\$ (7,606,543)
Ratio of plan net position to the employers' total pension liability	103.65%	98.66%	102.86%

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 11 - Fund Balances

Fund balances are detailed as follows:

	General	Highway	Water	Sewer	Capital Projects	Non-Major Funds
Nonspendable						
Inventory	\$ 102,187	\$ 118,269	\$ 7,449	\$ -	\$ -	\$ -
Prepaid	1,448,088	73,575	65,982	41,748	-	-
	<u>1,550,275</u>	<u>191,844</u>	<u>73,431</u>	<u>41,748</u>	<u>-</u>	<u>-</u>
Restricted						
Capital reserve	-	-	-	-	9,790,793	-
Bond proceeds - capital	-	-	-	-	102,959	-
Landfill post-closure	-	-	-	-	191,633	-
Parklands	-	-	-	-	-	461,294
Section 8	-	-	-	-	-	16,809
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,085,385</u>	<u>478,103</u>
Assigned						
Encumbrances	1,382,250	24,056	691,006	123,717	-	-
Capital reserve	1,055,727	854,460	1,294,496	494,243	-	-
Retirement contribution	672,196	307,780	126,088	-	-	-
Highway Fund	-	1,978,584	-	-	-	-
Water Fund	-	-	4,106,659	-	-	-
Sewer Fund	-	-	-	1,328,958	-	-
	<u>3,110,173</u>	<u>3,164,880</u>	<u>6,218,249</u>	<u>1,946,918</u>	<u>-</u>	<u>-</u>
Unassigned						
	<u>8,432,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,093,407</u>	<u>\$ 3,356,724</u>	<u>\$ 6,291,680</u>	<u>\$ 1,988,666</u>	<u>\$ 10,085,385</u>	<u>\$ 478,103</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	\$ 2,012,393
Recreational facilities	2,403,493
Fire tower additions and improvements	77,808
Highway improvements and equipment	1,050,632
Reconstruction of water facilities	1,787,380
Reconstruction of sewer facilities	2,562,046
Total GML Section 6-C	<u>9,893,752</u>
GML Section 6-O Reserves	<u>191,633</u>
Total Capital Reserves Under GML Sections 6-C and 6-O	<u>\$ 10,085,385</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, 2022

Note 11 - Fund Balances - Continued

Restricted Fund Balance - 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, 2022, all funds were at maximum. To the extent that fund balances exceed the maximum, per the 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, assigned, and unassigned fund balance.

Note 12 - 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, 2022 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	2.77	\$ 21,321	\$ 15,518	\$ 5,803
Air Products	13,400,000	2.77	37,104	3,710	33,394
Albany Enterprises LLC	2,250,000	2.77	6,230	5,728	502
American Housing Foundation ²	-	2.77	-	12,764	(12,764)
CPI Bethlehem BERK I LLC	1,100,000	2.77	3,046	2,308	738
CPI Bethlehem SEF I LLC	1,200,000	2.77	3,323	2,509	814
Finke Enterprises, LLC	5,900,000	2.77	16,337	14,056	2,281
MALM Realty Company	1,000,000	2.77	2,769	2,659	110
PSEG Power	100,000,000	2.77	276,892	299,729	(22,837)
Vista Development Group LLC	2,621,000	2.77	7,258	7,258	-
Vista Medical LLC	1,350,000	2.77	3,738	3,289	449
	<u>\$ 136,521,000</u>		<u>\$ 378,018</u>	<u>\$ 369,528</u>	<u>\$ 8,490</u>

¹ General and Highway Tax Rates

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

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 13 - 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 26 years lapsed as of December 31, 2022. The current estimated liability for post-closure care costs of the landfill for the remaining 4 years is \$38,000. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Funds have been reserved to finance the remaining post-closure costs.

In 2004, the Town entered into a 20-year contract with the City of Albany for the purchase of finished water. The contract calls for the purchase of specified minimum quantities, at rates that are subject to the same percentage increases paid by other customers within the City.

In 2016, the Town entered into a 20-year contract to pay \$0.103 per kWh for solar energy generation in our two solar fields. As part of this agreement, the expense of the solar field generation is offset by revenue earned from National Grid at the SC2 rate per kWh in the form of credits to electricity bills, which generally results in a net surplus annually.

Note 14 - Contingencies, Risks and Uncertainties

a. 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 2022. There was no reduction in insurance coverage during 2022. An estimate of this liability is recorded at December 31, 2022, for outstanding claims or for any potential claims incurred but not reported as of that date in the long-term liabilities.

b. 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.

c. 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:

Bargaining Unit	Contract Expiration Date
AFSCME Council 66 (Dispatchers)	December 31, 2025
AFL-CIO Council 82 (Lieutenants & Sergeants)	December 31, 2025
Teamsters Local 294 (Officers & Detectives)	December 31, 2025

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 15 - Accounting Standards Issued Not Yet Implemented

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). 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 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*. This statement addresses a variety of topics. The requirements of this statement related to the extension of the use of LIBOR, accounting for Supplement Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of the provisions of GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended, and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, were effective upon issuance of the statement in April 2022. The requirements of this statement related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022. The requirements of this statement related to financial guarantees and the classification of reporting of derivative instruments within the scope of GASB 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and change to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements. This statement prescribes the accounting and financial reporting for (1) each type of accounting changes and (2) error corrections. This statement requires that

Town of Bethlehem, New York

Notes to Basic Financial Statements December 31, 2022

Note 15 - Accounting Standards Issued Not Yet Implemented - Continued

(a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about quantitative effects of beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. For periods that are earlier than those included in the basic financial statements, information presented as required supplementary information and supplementary information should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 4,020,891	\$ 4,020,891	\$ 4,020,893	\$ 2
Real property tax items	148,908	148,908	147,378	(1,530)
Non-property tax items	13,873,088	14,918,009	16,494,948	1,576,939
Departmental Income	1,402,240	1,545,799	2,849,044	1,303,245
Intergovernmental charges	34,760	34,760	34,775	15
Use of money and property	77,406	77,406	169,572	92,166
Licenses and permits	38,150	38,150	34,263	(3,887)
Fines and forfeitures	150,000	150,000	216,644	66,644
Sales of property and compensation for loss	103,225	161,586	167,133	5,547
Miscellaneous local sources	126,638	126,638	10,878	(115,760)
Interfund Revenues	507,337	507,337	583,434	76,097
State aid	1,203,000	1,301,352	1,836,212	534,860
Federal aid	55,297	627,070	571,992	(55,078)
Total revenues	<u>21,740,940</u>	<u>23,657,906</u>	<u>27,137,166</u>	<u>3,479,260</u>
EXPENDITURES				
General government support	\$ 4,343,879	\$ 5,197,803	\$ 4,400,889	\$ 796,914
Public safety	7,055,142	7,268,741	6,883,133	385,608
Transportation	716,328	1,180,492	1,079,289	101,203
Economic opportunity and development	499,430	502,365	496,817	5,548
Culture and recreation	1,586,016	1,890,671	1,542,731	347,940
Home and community services	1,446,744	1,951,690	1,438,300	513,390
Employee benefits	5,616,241	5,600,538	5,195,883	404,655
Debt service				
Principal	269,256	269,260	269,256	4
Interest	207,904	207,900	207,900	-
Total expenditures	<u>21,740,940</u>	<u>24,069,460</u>	<u>21,514,198</u>	<u>2,555,262</u>
Excess (deficiency) of revenues over expenditures	-	(411,554)	5,622,968	6,034,522
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,668,092)	(2,668,092)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (3,079,646)	\$ 2,954,876	\$ 6,034,522
FUND BALANCE, beginning of year			<u>10,138,531</u>	
FUND BALANCE, end of year			<u>\$ 13,093,407</u>	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Highway Fund Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 6,614,929	\$ 6,614,929	\$ 6,614,927	\$ (2)
Real property tax items	224,587	224,587	222,150	(2,437)
Intergovernmental charges	10,500	10,500	6,106	(4,394)
Use of money and property	5,988	5,988	41,738	35,750
Sales of property and compensation for loss	4,000	4,000	21,031	17,031
Miscellaneous local sources	-	-	11	11
Interfund Revenues	15,000	15,000	21,122	6,122
State aid	605,812	605,812	677,897	72,085
Total revenues	7,480,816	7,480,816	7,604,982	124,166
EXPENDITURES				
Transportation	5,341,029	5,402,365	5,304,659	97,706
Employee benefits	1,876,758	1,876,758	1,597,916	278,842
Debt service				
Principal	173,523	173,523	173,523	-
Interest	89,506	89,506	89,505	1
Total expenditures	7,480,816	7,542,152	7,165,603	376,549
Excess (deficiency) of revenues over expenditures	-	(61,336)	439,379	500,715
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,171,392)	(2,171,391)	1
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (2,232,728)	\$ (1,732,012)	\$ 500,716
FUND BALANCE, beginning of year			5,088,736	
FUND BALANCE, end of year			\$ 3,356,724	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Water Fund Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 2,394,263	\$ 2,394,263	\$ 2,394,266	\$ 3
Departmental Income	8,349,330	8,279,330	9,128,761	849,431
Use of money and property	244,653	314,653	396,739	82,086
Sales of property and compensation for loss	11,000	100,309	120,294	19,985
Miscellaneous local sources	-	-	735	735
Total revenues	10,999,246	11,088,555	12,040,795	952,240
EXPENDITURES				
Home and community services	8,517,992	8,986,608	7,748,914	1,237,694
Employee benefits	1,267,614	1,272,477	1,037,063	235,414
Debt service				
Principal	1,426,755	1,426,755	1,426,755	-
Interest	561,302	561,302	561,301	1
Total expenditures	11,773,663	12,247,142	10,774,033	1,473,109
Excess (deficiency) of revenues over expenditures	(774,417)	(1,158,587)	1,266,762	2,425,349
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(659,512)	(659,511)	1
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (774,417)	\$ (1,818,099)	\$ 607,251	\$ 2,425,350
FUND BALANCE, beginning of year			5,684,429	
FUND BALANCE, end of year			\$ 6,291,680	

Town of Bethlehem, New York

Required Supplementary Information Budgetary Comparison Schedule - Sewer Fund Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 1,130,969	\$ 1,130,969	\$ 1,130,970	\$ 1
Departmental Income	3,317,600	3,282,600	3,472,263	189,663
Use of money and property	4,563	39,563	31,949	(7,614)
Sales of property and compensation for loss	4,000	4,000	12,362	8,362
Total revenues	<u>4,457,132</u>	<u>4,457,132</u>	<u>4,647,544</u>	<u>190,412</u>
EXPENDITURES				
Home and community services	3,244,849	3,306,538	3,034,249	272,289
Employee benefits	649,471	649,471	566,333	83,138
Debt service				
Principal	355,466	355,466	355,466	-
Interest	207,346	207,346	201,771	5,575
Total expenditures	<u>4,457,132</u>	<u>4,518,821</u>	<u>4,157,819</u>	<u>361,002</u>
Excess (deficiency) of revenues over expenditures	-	(61,689)	489,725	551,414
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,462,728)	(1,462,728)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,524,417)</u>	<u>\$ (973,003)</u>	<u>\$ 551,414</u>
FUND BALANCE, beginning of year			<u>2,961,669</u>	
FUND BALANCE, end of year			<u>\$ 1,988,666</u>	

Town of Bethlehem, New York

Notes to Budgetary Basis Reporting December 31, 2022

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. The future spending on Capital projects is determined at the start of each project.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 20, the Town Board adopts the budget.
- c. All revisions that alter an appropriation of any department or fund must be approved by the Town Board.

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

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

Town of Bethlehem, New York

Schedule of Proportionate Share of the Net Pension Liability (Asset)

	December 31,					
	2022	2021	2020	2019	2018	2017
ERS						
Town's proportion of the net pension liability (asset)	0.0415165%	0.0401181%	0.04315210%	0.04239260%	0.04286360%	0.04359270%
Town's proportionate share of the net pension liability (asset)	\$ (3,393,801)	\$ 39,947	\$ 11,426,938	\$ 3,003,645	\$ 1,383,398	\$ 4,096,063
Town's covered-employee payroll	\$ 11,809,966	\$ 11,516,306	\$ 11,904,005	\$ 11,849,512	\$ 11,277,347	\$ 11,005,858
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-28.74%	0.35%	95.99%	25.35%	12.27%	37.22%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
PFRS						
Town's proportion of the net pension liability	0.0962786%	0.0954856%	0.0959098%	0.10334340%	0.10544070%	0.10243820%
Town's proportionate share of the net pension liability	\$ 546,905	\$ 1,657,894	\$ 5,126,318	\$ 1,733,134	\$ 1,065,749	\$2,123,188
Town's covered-employee payroll	\$ 4,063,955	\$ 4,131,028	\$ 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	13.46%	40.13%	120.84%	43.74%	26.72%	54.11%
Plan fiduciary net position as a percentage of the total pension liability	98.66%	95.79%	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

Schedule of Employer Contributions

	December 31,					
	2022	2021	2020	2019	2018	2017
ERS						
Contractually required contribution	\$ 1,335,761	\$ 1,837,327	\$ 1,719,886	\$ 1,697,454	\$ 1,648,913	\$ 1,646,734
Contributions in relation to the contractually required contribution	\$ 1,335,761	\$ 1,837,327	\$ 1,719,886	\$ 1,697,454	\$ 1,648,913	\$ 1,646,734
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 11,809,966	\$ 11,516,306	\$ 11,904,005	\$ 11,849,512	\$ 11,277,347	\$ 11,005,858
Contributions as a percentage of covered-employee payroll	11.31%	15.95%	14.45%	14.33%	14.62%	14.96%
PFRS						
Contractually required contribution	\$ 1,139,441	\$ 1,230,458	\$ 1,084,314	\$ 963,092	\$ 968,271	\$ 959,534
Contributions in relation to the contractually required contribution	\$ 1,139,441	\$ 1,230,458	\$ 1,084,314	\$ 963,092	\$ 968,271	\$ 959,534
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 4,063,955	\$ 4,131,028	\$ 4,242,385	\$ 3,962,698	\$ 3,989,317	\$ 3,923,577
Contributions as a percentage of covered-employee payroll	28.04%	29.79%	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 Supplemental Information – Combining Balance Sheet – Non-Major Funds

		December 31, 2022		
		Special Grant	Miscellaneous	Total
ASSETS				
	Cash	\$ 58,295	\$ 461,294	\$ 519,589
LIABILITIES AND FUND BALANCE				
LIABILITIES				
	Accounts payable	\$ 8,169	-	\$ 8,169
	Unearned Revenue	33,317	-	33,317
	Total liabilities	41,486	-	41,486
FUND BALANCE				
	Restricted	16,809	461,294	478,103
		\$ 58,295	\$ 461,294	\$ 519,589

Town of Bethlehem, New York

Other Supplemental Information - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds

	Year Ended December 31, 2022			Total
	Special Grant	Miscellaneous	Ambulance	
REVENUES				
Real property taxes	\$ -	\$ -	\$ 1,416,783	\$ 1,416,783
Departmental Income	-	98,650	-	98,650
Federal aid	469,835	-	-	469,835
Total revenues	469,835	98,650	1,416,783	1,985,268
EXPENDITURES				
Health	\$ -	\$ -	\$ 1,416,783	\$ 1,416,783
Economic opportunity and development	457,135	-	-	457,135
Culture and recreation	-	3,000	-	3,000
Total expenditures	457,135	3,000	1,416,783	1,876,918
 Excess of revenues over expenditures	12,700	95,650	-	108,350
 FUND BALANCE, beginning of year	4,109	365,644	-	369,753
 FUND BALANCE, end of year	\$ 16,809	\$ 461,294	\$ -	\$ 478,103