

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
JUNE 30, 2017
INCLUDING REPORTS ON FEDERAL AWARDS
AND EXTRACLASROOM ACTIVITY FUNDS

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
JUNE 30, 2017
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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Beacon City School District
Beacon, New York, 12508

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beacon City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beacon City School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress - other postemployment benefits, the District's proportionate share of the net pension liability and the District's pension contributions on pages 4 through 14 and 65 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beacon City School District's basic financial statements. The supplemental schedules on pages 70 through 72 were required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplemental schedules on pages 70 through 72 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 70 through 72, and the schedule of expenditures of federal awards 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 October 20, 2017, on our consideration of the Beacon City School District'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 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 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 Beacon City School District's internal control over financial reporting and compliance.

Jugent & Hausler, P.C.

Montgomery, New York

October 20, 2017

BEACON CITY SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

The following is a discussion and analysis of Beacon City School District's financial performance for the year ended June 30, 2017. The section is a summary of the Beacon City School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- During the 2016-2017 year, the District administration and the Board of Education began planning for a capital project that will be put out to vote in December 2017. The project will include safety upgrades to all of our school buildings, a new science lab and air conditioning at the middle school and a turf field.

Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Overview of the Financial Statements (Continued)

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements			
	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

BEACON CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's Net Position and how they have changed. Net Position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's Net Position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information disclosed in Note 2 explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

The District's net position at June 30, 2017 is \$40,341,823. This is a \$1,554,671 decrease from last year's net position \$41,896,494. The following table provides a summary of the District's net position:

Summary of Net Position

	<u>School District Activities</u>			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 22,562,839	\$ 21,679,531	\$ 883,308	4.07%
Non Current Assets	66,653,435	83,963,916	(17,310,481)	-20.62%
Total Assets	<u>89,216,274</u>	<u>105,643,447</u>	<u>(16,427,173)</u>	-15.55%
Deferred Outflows of Resources	<u>18,475,794</u>	<u>7,162,432</u>	<u>11,313,362</u>	157.95%
Current Liabilities	5,012,515	8,733,792	(3,721,277)	-42.61%
Long Term Liabilities	<u>61,362,872</u>	<u>56,078,861</u>	<u>5,284,011</u>	9.42%
Total Liabilities	<u>66,375,387</u>	<u>64,812,653</u>	<u>1,562,734</u>	2.41%
Deferred Inflows of Resources	<u>974,858</u>	<u>6,096,732</u>	<u>(5,121,874)</u>	
Net Position:				
Net Investment in Capital Assets	27,462,069	19,473,974	7,988,095	41.02%
Restricted	20,513,860	20,599,181	(85,321)	-0.41%
Unrestricted	<u>(7,634,106)</u>	<u>1,823,339</u>	<u>(9,457,445)</u>	-518.69%
Total Net Position	<u>\$ 40,341,823</u>	<u>\$ 41,896,494</u>	<u>(1,554,671)</u>	-3.71%

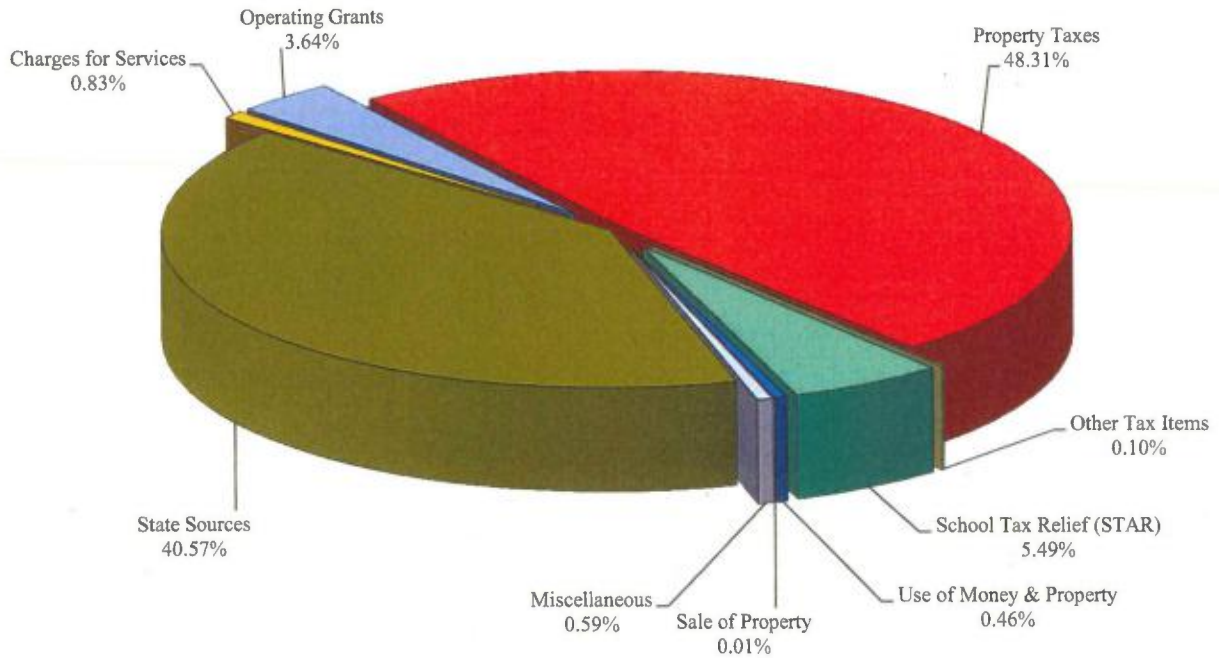
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2017 and 2016.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

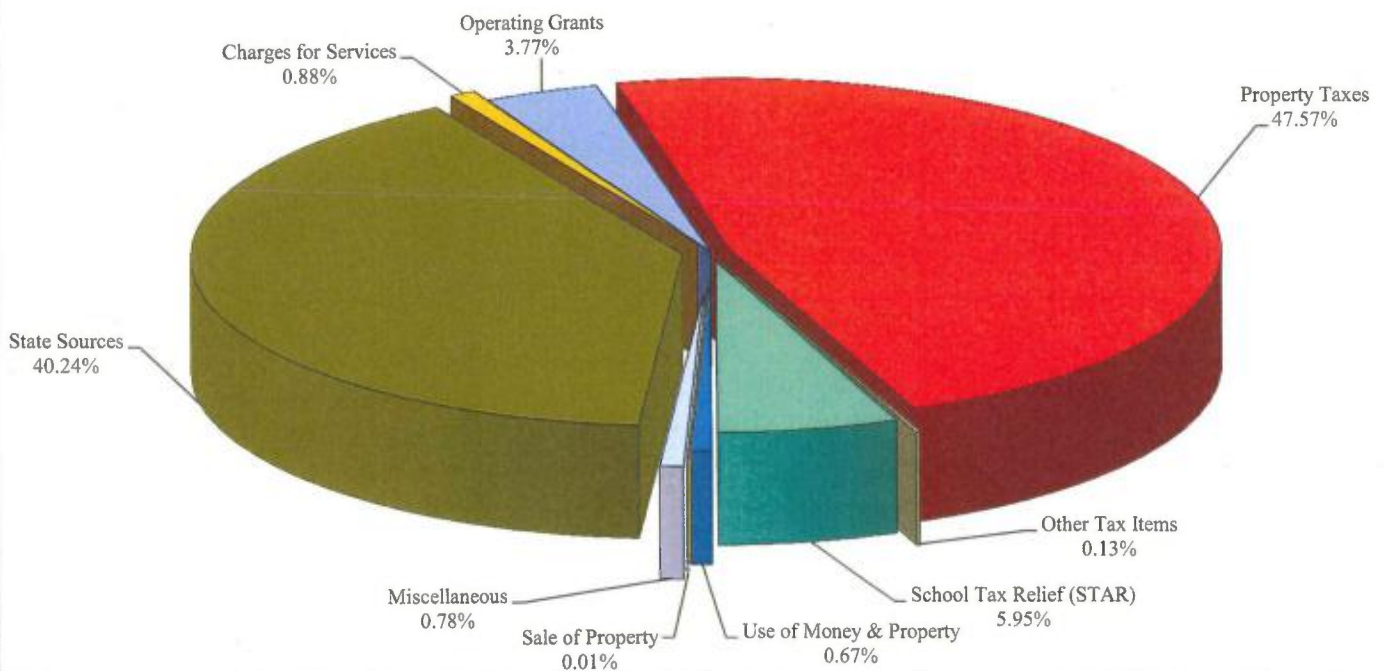
	FOR THE YEAR ENDED JUNE 30, 2017		FOR THE YEAR ENDED JUNE 30, 2016		\$ Change	% Change
		%		%		
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 568,640	0.83%	\$ 605,694	0.88%	\$ (37,054)	-6.12%
Operating Grants	2,500,785	3.64%	2,586,645	3.77%	(85,860)	-3.32%
GENERAL REVENUES:						
Property Taxes	33,196,091	48.31%	32,608,229	47.57%	587,862	1.80%
Other Tax Items	71,315	0.10%	90,665	0.13%	(19,350)	-21.34%
School Tax Relief (STAR)	3,772,649	5.49%	4,080,221	5.95%	(307,572)	-7.54%
Use of Money & Property	319,355	0.46%	461,815	0.67%	(142,460)	-30.85%
Sale of Property	4,984	0.01%	9,640	0.01%	(4,656)	-48.30%
Miscellaneous	402,311	0.59%	535,634	0.78%	(133,323)	-24.89%
State Sources	27,876,821	40.57%	27,590,881	40.24%	285,940	1.04%
TOTAL REVENUES	<u>68,712,951</u>	100.00%	<u>68,569,424</u>	100.00%	<u>143,527</u>	0.21%
<u>EXPENSES</u>						
General Support	5,627,920	8.01%	4,701,042	7.75%	926,878	19.72%
Instruction	38,004,496	54.09%	36,575,499	60.33%	1,428,997	3.91%
Pupil Transportation	2,547,116	3.62%	3,035,559	5.01%	(488,443)	-16.09%
Community Services	166,092	0.24%	113,213	0.19%	52,879	46.71%
Employee Benefits	19,124,607	27.22%	11,468,806	18.92%	7,655,801	66.75%
Debt Service Interest	1,302,223	1.85%	1,499,009	2.47%	(196,786)	-13.13%
Depreciation	1,968,900	2.80%	1,965,274	3.24%	3,626	0.18%
Capital Outlay	345,358	0.49%	0	0.00%	345,358	#DIV/0!
School Lunch Program	1,180,910	1.68%	1,266,625	2.09%	(85,715)	-6.77%
TOTAL EXPENSES	<u>70,267,622</u>	100.00%	<u>60,625,027</u>	100.00%	<u>9,642,595</u>	15.91%
CHANGES IN NET POSITION	<u>\$ (1,554,671)</u>		<u>\$ 7,944,397</u>		<u>\$ (9,499,068)</u>	-119.57%

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK

**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2017**

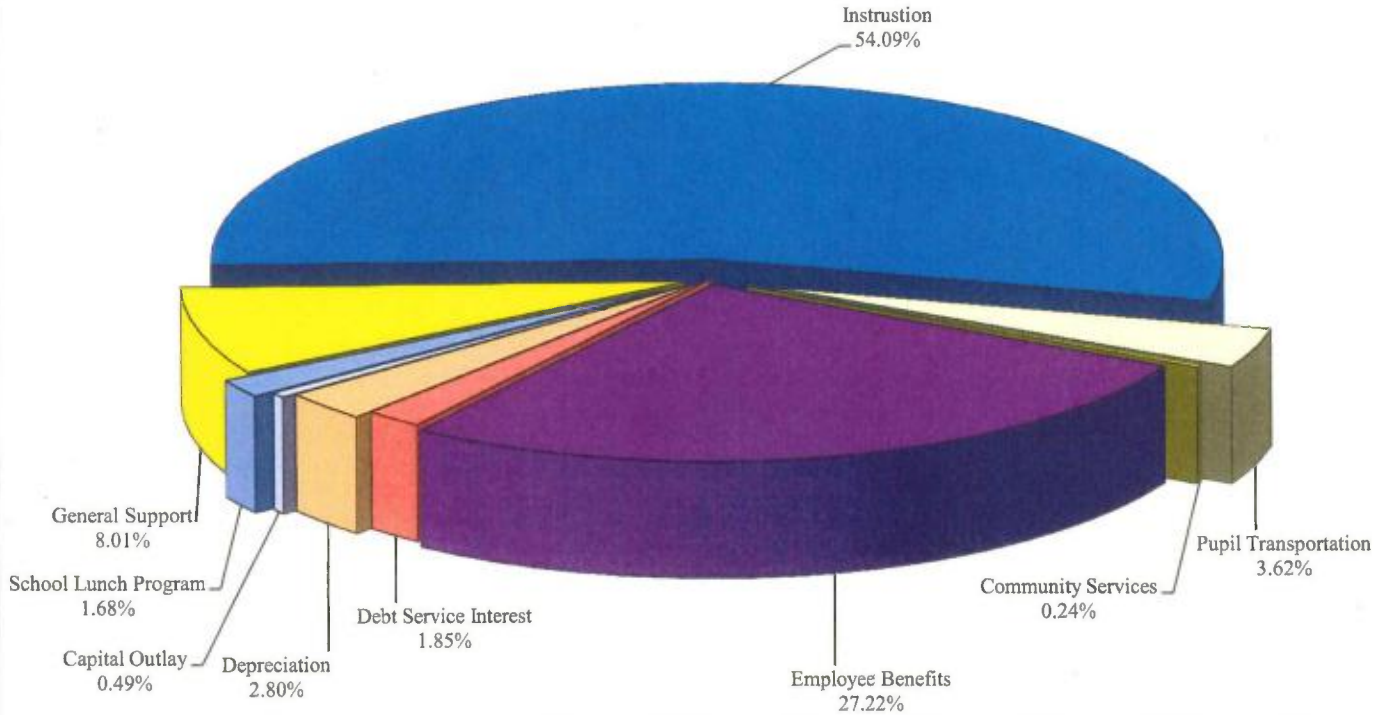


**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2016**

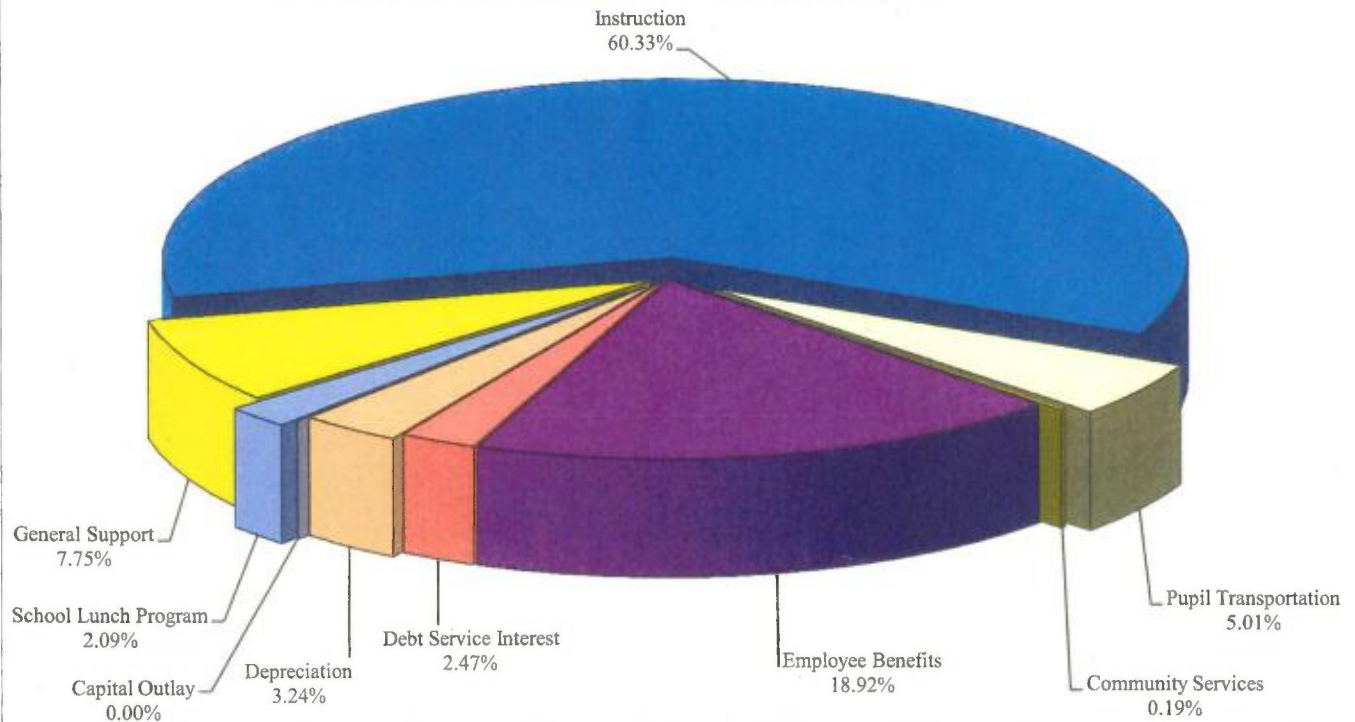


BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK

EXPENSES FOR THE YEAR ENDED JUNE 30, 2017



EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

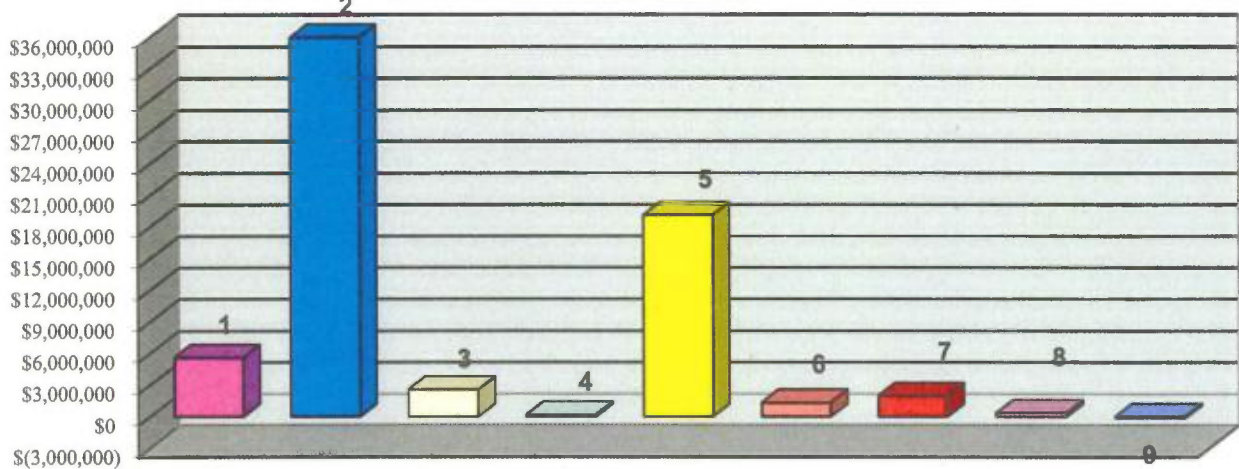


BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

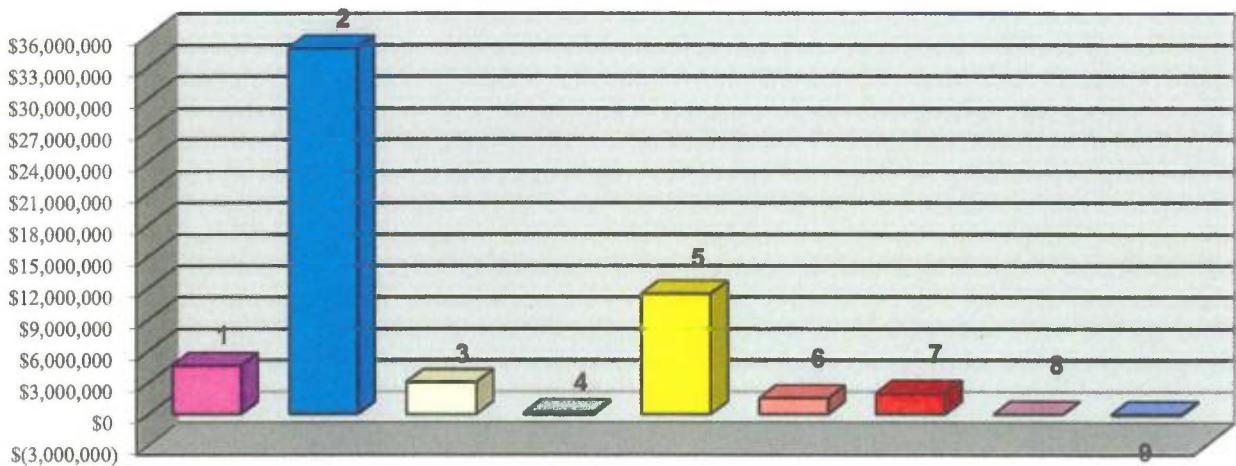
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2016-2017	NET COST OF SERVICES 2016-2017	TOTAL COST OF SERVICES 2015-2016	NET COST OF SERVICES 2015-2016
General Support	1	\$ 5,627,920	\$ 5,597,898	\$ 4,701,042	\$ 4,619,105
Instruction	2	38,004,496	36,276,531	36,570,448	34,822,001
Pupil Transportation	3	2,547,116	2,547,116	3,035,559	3,035,559
Community Services	4	166,092	166,092	113,213	113,213
Employee Benefits	5	19,124,607	19,124,607	11,468,006	11,468,006
Debt Service - Interest	6	1,302,223	1,302,223	1,499,009	1,499,009
Depreciation	7	1,968,900	1,968,900	1,965,274	1,965,274
Capital Outlay	8	345,358	345,358	0	0
School Lunch Program	9	1,180,910	(130,528)	1,266,625	(89,480)
		<u>\$ 70,267,622</u>	<u>\$ 67,198,197</u>	<u>\$ 60,619,176</u>	<u>\$ 57,432,687</u>

NET COSTS 2016-2017



NET COSTS 2015-2016



BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District's Funds

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between non-spendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows

	June 30, 2017				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 3,385	\$ 4,191,568	\$ 3,856,721	\$ 4,741,395	\$ 12,793,069
Special Aid	0	362,621	0	0	362,621
School Lunch	55,554	217,078	0	0	272,632
Capital Projects	0	326,703	0	0	326,703
Debt Service	0	1,998,510	0	0	1,998,510
	<u>\$ 58,939</u>	<u>\$ 7,096,480</u>	<u>\$ 3,856,721</u>	<u>\$ 4,741,395</u>	<u>\$ 15,753,535</u>

	June 30, 2016				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 0	\$ 4,461,271	\$ 3,123,797	\$ 4,846,165	\$ 12,431,233
Special Aid	0	362,621	0	0	362,621
School Lunch	50,674	147,379	0	0	198,053
Capital Projects	0	368,353	0	0	368,353
Debt Service	0	1,921,853	0	0	1,921,853
	<u>\$ 50,674</u>	<u>\$ 7,261,477</u>	<u>\$ 3,123,797</u>	<u>\$ 4,846,165</u>	<u>\$ 15,282,113</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$384,483 during the year as a result of the proposition for new school buses. The increase in budgeted amounts was mostly due to an anticipated increase of employee benefits as the District had budgeted a higher amount anticipating the possible effect of the Affordable Care Act.

For the year ended June 30, 2017, actual revenues were less than revised budgeted revenues by \$2,771,525 (4.13%). The revenue source that was significantly under budget was revenue from the State as this category was under budget by \$2,149,531.

Concerning the expenditures for the year ended June 30, 2017, actual expenditures were less than revised budgeted expenditures by \$2,787,692 (4.09%). Costs within various budget codes were less than budgeted amounts, in particular Central Services was less than budgeted by \$689,444, Teaching – Regular Schools was less than budgeted by \$498,724, Pupil Transportation was less than budgeted by \$553,430 and Employee Benefits were less than budgeted by \$333,161. Once again, the District kept fiscal constraints on purchases.

For year 2017-2018, the District has appropriated \$2,500,000 of fund balance to reduce the tax levy.

Factors that continue to affect the budget process are as follows:

- New York State Aid revenues may be impacted due to state wide budget constraints.
- Employee benefits, such as, health benefits, teachers and employees retirement continue to rise.
- Fluctuations in interest rates.

BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

General Fund Budgetary Highlights (Continued)

Management believes that the budget adopted for 2017-2018 is reasonably adaptable to any adverse changes that may arise based on the above factors.

Other Fund Highlights

The Special Aid Fund ended the year with a fund balance of \$362,621. Revenues equaled expenditures for the year as the revenues of this fund are expenditure driven meaning that the District receives funds based on the amount of expenditures for each grant. The District is responsible for paying 20% of the approved rates for expenditures of the Summer Handicap program plus the cost above the approved rates. As such the District transferred \$121,217 from the General fund budgeted amounts to the Special Aid fund to cover the costs of the summer handicap program for the current year.

The School Lunch Fund ended the year with a fund balance of \$272,632. During the year revenues exceeded expenditures by \$74,579.

The Capital Projects Fund ended the year with a fund balance of \$326,703.

Debt Service Fund ended the year with a fund balance of \$1,998,510. This fund balance will be appropriated in future years to offset principal and interest payments.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2017, was \$66,653,435. The District's investment in capital assets, net of accumulated depreciation as of June 30, 2016 was \$67,483,548. The total decrease in this net investment was -1.23% for the District as a whole (see schedule below). The District expended \$1,138,786 to acquire and construct capital assets during the year ended June 30, 2017, and depreciation expense for the year was \$1,968,899.

BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

	<u>CAPITAL ASSETS</u>		
	<u>Net of Accumulated Depreciation</u>		
	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 3,852,640	\$ 3,852,640	0.00%
Construction in Progress	0	15,022,053	-100.00%
 <u>Depreciable Assets:</u>			
Land Improvements	71,842	90,084	-20.25%
Building and Improvements	61,592,903	47,614,242	29.36%
Furniture and Equipment	161,870	115,046	40.70%
Vehicles	974,180	789,483	23.39%
TOTALS	<u>\$ 66,653,435</u>	<u>\$ 67,483,548</u>	-1.23%

Long-Term Debt

At the end of the year, the District had total long term debt outstanding of \$37,301,993. This amount is backed by the full faith and credit of the Beacon City School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Serial Bonds	\$ 37,090,000	\$ 0	\$ 3,320,000	\$ 33,770,000
Energy Performance Contract	3,748,321	0	216,327	3,531,994
Total Bonded Debt Outstanding	<u>\$ 40,838,321</u>	<u>\$ 0</u>	<u>\$ 3,536,327</u>	<u>\$ 37,301,994</u>

Bond Ratings

Standard and Poor's (S&P's) has assigned a rating of Aa3 to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P's. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of S&P's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ann Marie Quartironi, Deputy Superintendent, at the District's business offices at 10 Education Drive, Beacon, NY 12508.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

ASSETS

Unrestricted Cash	\$ 10,988,343
Restricted Cash	6,818,020
Taxes Receivable	1,788,758
State & Federal Aid Receivable	2,821,812
Other Receivables, Net	86,967
Prepaid Expenditures	3,385
Inventories	55,554
Capital Assets, Net	66,653,435
TOTAL ASSETS	89,216,274

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	484,753
Pensions	17,991,041
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,475,794

LIABILITIES

Accounts Payable	247,352
Accrued Liabilities	441,397
Due to Other Governments	1,236
Due to Fiduciary Funds	801
Due to Teachers' Retirement System	3,133,491
Due to Employees' Retirement System	246,973
Other Liabilities	50,388
Bond Anticipation Notes	874,483
Unearned Revenues	16,394
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (including deferred amount on refunding)	3,547,343
Installment Purchase Debt	221,925
Due and Payable In More Than One Year:	
Bonds Payable (including deferred amount on refunding)	32,395,086
Installment Purchase Debt	3,310,069
Compensated Absences	918,411
TRS & ERS Net Pension Liability-Proportionate Share	3,598,803
Other Postemployment Benefits	17,371,235
TOTAL LIABILITIES	66,375,387

DEFERRED INFLOWS OF RESOURCES

Pensions	974,858
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NET POSITION

Net Investment in Capital Assets	27,462,069
Restricted	20,513,860
Unrestricted	(7,634,106)
TOTAL NET POSITION	\$ 40,341,823

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS & PROGRAMS</u>	<u>PROGRAM REVENUES</u>			NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
General Support	\$ (7,974,321)	\$ 30,022	\$ 0	\$ (7,944,299)
Instruction	(55,332,857)	0	1,727,965	(53,604,892)
Pupil Transportation	(3,837,869)	0	0	(3,837,869)
Community Services	(166,092)	0	0	(166,092)
Debt Service - Interest	(1,302,223)	0	0	(1,302,223)
Capital Outlay	(345,358)	0	0	(345,358)
School Lunch Program	(1,308,902)	538,618	772,820	2,536
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (70,267,622)</u>	<u>\$ 568,640</u>	<u>\$ 2,500,785</u>	<u>(67,198,197)</u>
 <u>GENERAL REVENUES</u>				
Real Property Taxes				33,196,091
Other Tax Items				3,843,964
Use of Money & Property				319,355
Sale of Property & Compensation for Loss				4,984
Miscellaneous				402,311
State Sources				<u>27,876,821</u>
TOTAL GENERAL REVENUES				<u>65,643,526</u>
CHANGE IN NET POSITION				(1,554,671)
NET POSITION, BEGINNING OF YEAR				<u>41,896,494</u>
NET POSITION, END OF YEAR				<u>\$ 40,341,823</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Unrestricted Cash	\$ 10,988,343	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,988,343
Restricted Cash	4,191,568	65,501	231,738	405,890	1,923,323	6,818,020
Taxes Receivable	1,788,758	0	0	0	0	1,788,758
State & Federal Aid Receivable	2,065,517	756,295	0	0	0	2,821,812
Due from Other Funds	632,673	0	0	0	75,187	707,860
Other Receivables, Net	83,938	0	3,029	0	0	86,967
Prepaid Expenditures	3,385	0	0	0	0	3,385
Inventories	0	0	55,554	0	0	55,554
TOTAL ASSETS	<u>\$ 19,754,182</u>	<u>\$ 821,796</u>	<u>\$ 290,321</u>	<u>\$ 405,890</u>	<u>\$ 1,998,510</u>	<u>\$ 23,270,699</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 247,352	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,352
Accrued Liabilities	54,235	0	59	0	0	54,294
Due to Other Governments	0	0	1,236	0	0	1,236
Due to Other Funds	170,299	459,175	0	79,187	0	708,661
Due to Teachers' Retirement System	3,133,491	0	0	0	0	3,133,491
Due to Employees' Retirement System	246,973	0	0	0	0	246,973
Other Liabilities	50,388	0	0	0	0	50,388
Bond Anticipation Notes	874,483	0	0	0	0	874,483
Unearned Revenues	0	0	16,394	0	0	16,394
TOTAL LIABILITIES	<u>4,777,221</u>	<u>459,175</u>	<u>17,689</u>	<u>79,187</u>	<u>0</u>	<u>5,333,272</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Tax Revenues	1,432,070	0	0	0	0	1,432,070
Deferred State Sources	751,822	0	0	0	0	751,822
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>6,961,113</u>	<u>459,175</u>	<u>17,689</u>	<u>79,187</u>	<u>0</u>	<u>7,517,164</u>
<u>FUND BALANCES</u>						
Nonspendable	3,385	0	55,554	0	0	58,939
Restricted	4,191,568	362,621	217,078	326,703	1,998,510	7,096,480
Assigned	3,856,721	0	0	0	0	3,856,721
Unassigned	4,741,395	0	0	0	0	4,741,395
TOTAL FUND BALANCES	<u>12,793,069</u>	<u>362,621</u>	<u>272,632</u>	<u>326,703</u>	<u>1,998,510</u>	<u>15,753,535</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 19,754,182</u>	<u>\$ 821,796</u>	<u>\$ 290,321</u>	<u>\$ 405,890</u>	<u>\$ 1,998,510</u>	<u>\$ 23,270,699</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

<u>ASSETS</u>	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
Unrestricted Cash	\$ 10,988,343	\$ 0	\$ 0	\$ 10,988,343
Restricted Cash	6,818,020	0	0	6,818,020
Taxes Receivable	1,788,758	0	0	1,788,758
State & Federal Aid Receivable	2,821,812	0	0	2,821,812
Due from Other Funds	707,860	0	(707,860)	0
Other Receivables, Net	86,967	0	0	86,967
Prepaid Expenditures	3,385	0	0	3,385
Inventories	55,554	0	0	55,554
Capital Assets, Net	0	66,653,435	0	66,653,435
TOTAL ASSETS	23,270,699	66,653,435	(707,860)	89,216,274
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges	\$ 0	484,753	\$ 0	484,753
Pensions	0	17,991,041	0	17,991,041
TOTAL ASSETS AND DEFERED OUTFLOWS OF RESOURCES	\$ 23,270,699	\$ 85,129,229	\$ (707,860)	\$ 107,692,068
<u>LIABILITIES</u>				
Accounts Payable	\$ 247,352	\$ 0	\$ 0	\$ 247,352
Accrued Liabilities	54,294	387,103	0	441,397
Due to Other Governments	1,236	0	0	1,236
Due to Other Funds	708,661	0	(708,661)	0
Due to Fiduciary Funds	0	0	801	801
Due to Teachers' Retirement System	3,133,491	0	0	3,133,491
Due to Employees' Retirement System	246,973	0	0	246,973
Other Liabilities	50,388	0	0	50,388
Bond Anticipation Notes	874,483	0	0	874,483
Unearned Revenues	16,394	0	0	16,394
Bonds Payable (including deferred amount on refunding)	0	35,942,429	0	35,942,429
Installment Purchase Debt	0	3,531,994	0	3,531,994
TRS & ERS Net Pension Liability-Proportionate Share	0	3,598,803	0	3,598,803
Compensated Absences	0	918,411	0	918,411
Other Postemployment Benefits	0	17,371,235	0	17,371,235
TOTAL LIABILITIES	5,333,272	61,749,975	(707,860)	66,375,387
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Tax Revenues	1,432,070	(1,432,070)	0	0
Deferred State Sources	751,822	(751,822)	0	0
Pensions	0	974,858	0	974,858
TOTAL DEFERRED INFLOWS OF RESOURCES	2,183,892	(1,209,034)	0	974,858
FUND BALANCES / NET POSITION	15,753,535	24,588,288	0	40,341,823
TOTAL LIABILITIES & FUND BALANCES / NET POSITION	\$ 23,270,699	\$ 85,129,229	\$ 0	\$ 107,692,068

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 32,810,682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,810,682
Other Tax Items	3,843,964	0	0	0	0	3,843,964
Charges for Services	30,022	0	0	0	0	30,022
Use of Money & Property	317,796	0	55	0	1,504	319,355
Sale of Property & Compensation for Loss	4,984	0	0	0	0	4,984
Miscellaneous	329,658	0	5,000	72,653	0	407,311
State Sources	27,025,852	846,145	25,294	0	0	27,897,291
Federal Sources	0	1,727,965	747,526	0	0	2,475,491
Sales	0	0	533,618	0	0	533,618
TOTAL REVENUES	<u>64,362,958</u>	<u>2,574,110</u>	<u>1,311,493</u>	<u>72,653</u>	<u>1,504</u>	<u>68,322,718</u>
<u>EXPENDITURES</u>						
General Support	5,382,394	0	0	0	0	5,382,394
Instruction	35,507,267	2,497,230	0	0	0	38,004,497
Pupil Transportation	2,461,842	85,274	0	0	0	2,547,116
Community Services	166,092	0	0	0	0	166,092
Employee Benefits	13,902,174	112,823	108,303	0	0	14,123,300
Debt Service:						
Principal	3,536,328	0	0	0	0	3,536,328
Interest	1,426,517	0	0	0	0	1,426,517
Cost of Sales	0	0	1,178,611	0	0	1,178,611
Capital Outlay	799,791	0	0	686,650	0	1,486,441
TOTAL EXPENDITURES	<u>63,182,405</u>	<u>2,695,327</u>	<u>1,286,914</u>	<u>686,650</u>	<u>0</u>	<u>67,851,296</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>1,180,553</u>	<u>(121,217)</u>	<u>24,579</u>	<u>(613,997)</u>	<u>1,504</u>	<u>471,422</u>
<u>OTHER SOURCES & USES</u>						
Operating Transfers In	0	121,217	50,000	647,500	75,153	893,870
Operating Transfers (Out)	(818,717)	0	0	(75,153)	0	(893,870)
TOTAL OTHER SOURCES & USES	<u>(818,717)</u>	<u>121,217</u>	<u>50,000</u>	<u>572,347</u>	<u>75,153</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	361,836	0	74,579	(41,650)	76,657	471,422
FUND BALANCES, BEGINNING OF YEAR	<u>12,431,233</u>	<u>362,621</u>	<u>198,053</u>	<u>368,353</u>	<u>1,921,853</u>	<u>15,282,113</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,793,069</u>	<u>\$ 362,621</u>	<u>\$ 272,632</u>	<u>\$ 326,703</u>	<u>\$ 1,998,510</u>	<u>\$ 15,753,535</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 32,810,682	\$ 385,409	\$ 0	\$ 0	\$ 0	\$ 33,196,091
Other Tax Items	3,843,964	0	0	0	0	3,843,964
Charges for Services	30,022	0	0	0	0	30,022
Use of Money & Property	319,355	0	0	0	0	319,355
Sale of Property & Compensation for Loss	4,984	0	0	0	0	4,984
Miscellaneous	407,311	0	0	0	0	407,311
State Sources	27,897,291	4,824	0	0	0	27,902,115
Federal Sources	2,475,491	0	0	0	0	2,475,491
Sales	533,618	0	0	0	0	533,618
TOTAL REVENUES	<u>68,322,718</u>	<u>390,233</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68,712,951</u>
<u>EXPENDITURES</u>						
General Support	5,382,394	245,526	118,134	0	2,228,267	7,974,321
Instruction	38,004,497	0	1,594,808	0	15,733,552	55,332,857
Pupil Transportation	2,547,116	0	236,268	0	1,054,485	3,837,869
Community Services	166,092	0	0	0	0	166,092
Employee Benefits	14,123,300	5,001,307	0	0	(19,124,607)	0
Debt Service:						
Principal	3,536,328	0	0	(3,536,328)	0	0
Interest	1,426,517	(24,261)	0	(100,033)	0	1,302,223
Cost of Sales	1,178,611	0	19,689	0	110,602	1,308,902
Capital Outlay	1,486,441	0	(1,138,784)	0	(2,299)	345,358
TOTAL EXPENDITURES	<u>67,851,296</u>	<u>5,222,572</u>	<u>830,115</u>	<u>(3,636,361)</u>	<u>0</u>	<u>70,267,622</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>471,422</u>	<u>(4,832,339)</u>	<u>(830,115)</u>	<u>3,636,361</u>	<u>0</u>	<u>(1,554,671)</u>
<u>OTHER SOURCES & USES</u>						
Proceeds from Debt	0	0	0	0	0	0
Operating Transfers In	893,870	0	0	0	(893,870)	0
Operating Transfers (Out)	(893,870)	0	0	0	893,870	0
TOTAL OTHER SOURCES & USES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE FOR THE YEAR	<u>\$ 471,422</u>	<u>\$ (4,832,339)</u>	<u>\$ (830,115)</u>	<u>\$ 3,636,361</u>	<u>\$ 0</u>	<u>\$ (1,554,671)</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
Cash	154,879	106,915
Other Receivables	0	71
Due from Other Funds	0	801
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 154,879</u>	<u>\$ 107,787</u>
 <u>LIABILITIES & NET POSITION</u>		
 <u>LIABILITIES</u>		
Extraclassroom Activity Balances	\$ 0	\$ 95,794
Other Liabilities	0	11,993
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/> 0	<hr/> <u>\$ 107,787</u>
 <u>NET POSITION</u>		
Restricted for Scholarships	<hr/> 154,879	
TOTAL LIABILITIES & NET POSITION	<u>\$ 154,879</u>	

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 49,913
Investment Earnings	<u>77</u>
TOTAL ADDITIONS	<u>49,990</u>
<u>DEDUCTIONS</u>	
Scholarships & Awards	15,438
Other Expenses	<u>27,148</u>
TOTAL DEDUCTIONS	<u>42,586</u>
CHANGE IN NET POSITION	7,404
NET POSITION, BEGINNING OF YEAR	<u>147,475</u>
NET POSITION, END OF YEAR	<u><u>\$ 154,879</u></u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Beacon City School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Where comparative amounts are presented, certain reclassifications may have been made to the prior year amounts so that they would be in conformity with the current year's presentation. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The Beacon City School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture

The District is a component district in the Dutchess County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year ended June 30, 2017, the Beacon City School District was billed \$5,084,454 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$839,697. Financial statements for BOCES are available from the BOCES administrative office.

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended in those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Basis of Presentation (Continued)

2. Funds Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and Federal grants that are restricted for specific educational programs.

School Lunch Fund: This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

Fiduciary Fund: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st and became a lien on August 10, 2016. Taxes were collected during the period September 15, 2016 through November 13, 2016.

The City of Beacon and Dutchess County enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City and Dutchess County to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value, where applicable.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

J. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. A reserve for these non-liquid assets has been recognized in the School Lunch Fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of Net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Other Assets/Restricted Assets

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the fund statements these same costs are netted against bond proceeds and recognized in the period of issuance.

M. Capital Assets

Capital assets are reported at cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land Improvements	\$ 5,000	Straight Line	50 years
Buildings and Improvements	5,000	Straight Line	50 years
Furniture and Equipment	5,000	Straight Line	5 - 20 years
Vehicles	5,000	Straight Line	5 - 20 years

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is deferred charges on refunding reported in the government – wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability and difference during the measurement period between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the district – wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension liability and difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

O. Deferred and Unearned Revenue

The District reports deferred and unearned revenues on its Statement of Net Position and its Balance Sheet. Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the deferred or unearned revenues are removed and revenues are recorded.

P. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical/personal time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Vested Employee Benefits (Continued)

1. Compensated Absences (Continued)

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken in varying time periods. Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

2. Other Benefits (Continued)

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes are converted to long-term financing within five years after the original issue date.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S. Equity Classifications

1. District-wide Statements

In the district-wide statements there are three classes of Net Position:

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted Net Position - reports Net Position when constraints placed on the position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - reports all other Net Position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

2. Funds Statements

In the fund statements there are five fund balance classifications:

Non-spendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance includes inventory in the School Lunch Fund of \$55,554.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Restricted: Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following reserves that have been included in restricted fund balance:

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure's may be made from the reserve only for specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Reserve for Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth year after deposit of these monies. The reserve is accounted for in the General fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Restricted fund balance at June 30, 2017 consisted of:

General Fund:	
Capital Reserve	\$ 1,000,000
Unemployment Insurance Reserve	267,055
Tax Reduction	450,200
Tax Certiorari Reserve	536,863
Employee Benefit Accrued Liability Reserve	1,103,340
Retirement Contribution Reserve	834,110
Special Aid Fund	362,621
School Lunch Fund	217,078
Capital Projects Fund	326,703
Debt Service Fund:	<u>1,998,510</u>
Total Restricted Fund Balance	<u><u>\$ 7,096,480</u></u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2017.

Assigned: Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the year.

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Limitation on Unexpended Surplus Funds:

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the District's General Fund budget for the ensuing year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

- GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.
- GASB Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.
- GASB Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending June 30, 2017.
- GASB Statement 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending June 30, 2017.
- GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017.

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District has implemented Statement 74, as required.

GASB has issued Statement 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The District has implemented Statement 77, as required.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

T. New Accounting Standards (Continued)

GASB has issued Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The District has implemented Statement 78, as required.

GASB has issued Statement 79, *Certain External Investment Pools and Pool Participants*, which addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District has implemented Statement 79, as required.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The District has implemented Statement 80, as required.

U. Future Changes in Accounting Standards

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will enhance comparability of governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations' (ARO), including obligations that may not have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2019 financial statements.

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2020 financial statements.

GASB has issued Statement 85, *Omnibus 2017*, which will enhance consistency in the application of accounting and financial reporting requirements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OBEB)). The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement 87, *Leases*, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2021.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS.

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the District's governmental funds differ from "Net Position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

- The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2017 were as follows:

Original Cost of Capital Assets	\$ 107,572,348
Accumulated Depreciation	<u>(40,918,913)</u>
	<u>\$ 66,653,435</u>

- In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2017 were as follows:

Deferred Outflows of Resources - Pensions	\$ 17,991,041
TRS & ERS Net Pension liability - Proportionate Share	(3,598,803)
Deferred Inflows of Resources - Pensions	<u>(974,858)</u>
	<u>\$ 13,417,380</u>

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

3. Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are however, included in the net position of the governmental activities.

Adjustments of Deferred Revenue	\$ <u>(2,183,893)</u>
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4. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expended when it is due, and thus requires the use of current financial resources. This liability at June 30, 2017 was as follows:

Accrued Interest	\$ <u>387,103</u>
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5. Long-term liabilities are reported in the Statement of Net Position, but not in the Balance Sheet, because they are not due and payable in the current period. The balances at June 30, 2017 were as follows:

Bonds Payable	\$ 33,770,000
Deferred Premium on Refunding	2,172,429
Installment Purchase Debt	3,531,994
Compensated Absences	918,411
Other Postemployment Benefits	17,371,235
TRS & ERS Net Pension Liability - Proportionate Share	<u>3,598,803</u>
	<u>\$ 61,362,872</u>

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:
(Continued)

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Plan Transaction Differences

Pension plan transaction differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities: (Continued)

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in governmental funds (Schedule 5)	\$ 68,322,718
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Because some revenue will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. However, they are considered to be earned in the Statement of Activities. This is the amount by which the revenues recognized in the statement of activities this year were greater than in the previous year.	390,233
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Total revenues in the Statement of Activities (Schedule 2)	\$ 68,712,951
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Total Expenditures & Other Uses/Expenses

Total expenditures and other uses reported in governmental funds (Schedule 5)	\$ 67,851,296
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$1,138,786 were less than depreciation of \$1,968,899 in the current year.	830,115
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BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued):

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities (Continued)

<p>In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The amount by which compensated absences issued exceeded the amount paid during the year was \$245,526.</p>	245,526
<p>In the Statement of Activities, the expense for other postemployment benefits are measured based on the actuarially determined annual required contribution (ARC) of the District. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the ARC exceeded the amount of financial resources used during the year.</p>	4,712,630
<p>Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable last year exceeds the interest payable this year.</p>	(24,261)
<p>Premiums and discounts on long-term debt issuances, bond issuance costs and deferred amounts from debt refundings are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities This is the amount that was amortized during the fiscal year.</p>	(100,033)
<p>In the Statement of Activities , pension expense related to ERS and TRS defined benefit pension plans is measured as the change in the District's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds however, these expenditures are recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was exceeded by the amount of financial resources expended during the year.</p>	288,677

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued):

<u>Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities (Continued)</u>	
Repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Assets, and does not affect the Statement of Activities	<u>(3,536,328)</u>
Total expenses in the Statement of Activities (Schedule 2)	<u>\$ 70,267,622</u>

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the year are shown on Supplemental Schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent years until the completion of the projects.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. STEWARDSHIP AND COMPLIANCE. (Continued)

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Other Stewardship and Compliance Matters

The Districts fund balance subject to New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year, was in excess of the 4% limitation. The District plans to review health and safety issues within the District and make budgetary adjustments where necessary to address this issue.

NOTE 4. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	0.
Collateralized with securities held by the pledging financial institution, or or its trust department or agent, but not in the District's name	\$	20,120,056.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$6,818,020 within the governmental funds.

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,852,640	\$ 0	\$ 0	\$ 3,852,640
Construction in Progress	15,022,053	0	(15,022,053)	0
Total Nondepreciable Assets	18,874,693	0	(15,022,053)	3,852,640
Capital assets that are depreciated:				
Land Improvements	628,262	0	0	628,262
Buildings and Improvements	77,519,689	606,611	15,022,053	93,148,353
Furniture & Equipment	3,276,955	100,595	0	3,377,550
Vehicles	6,133,963	431,580	0	6,565,543
Total Depreciable Assets	87,558,869	1,138,786	15,022,053	103,719,708
Less: Accumulated Depreciation	(38,950,014)	(1,968,899)	0	(40,918,913)
Capital Assets, Net	\$ 67,483,548	\$ (830,113)	\$ 0	\$ 66,653,435

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 118,134
Instruction	1,594,808
Transportation	236,268
Cost of Sales	19,689
Total Depreciation	\$ 1,968,899

NOTE 6. SHORT-TERM DEBT.

Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance
BAN maturing 06/24/17 at 2.00%	\$ 674,000	\$ 0	\$ 674,000	\$ 0
BAN maturing 06/23/17 at 2.00%	0	384,483	384,483	0
BAN maturing 06/22/18 at 1.20%	-	874,483	-	874,483
Total Short-Term Debt	\$ 674,000	\$ 1,258,966	\$ 1,058,483	\$ 874,483

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. SHORT-TERM DEBT (Continued)

Interest on short-term debt for the year was composed of:

Interest Expense \$ 18,804

NOTE 7. LONG-TERM LIABILITIES.

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable	\$ 37,090,000	\$ 0	\$ 3,320,000	\$ 33,770,000	\$ 3,365,000
Deferred Amount on Refunding	2,354,975	0	182,546	2,172,429	182,343
Installment Purchase Debt	3,748,321	0	216,327	3,531,994	221,925
Total Bonds and Notes Payable	43,193,296	0	3,718,873	39,474,423	3,769,268
Other Liabilities:					
Compensated Absences	672,885	918,411	672,885	918,411	0
Other Postemployment Benefits	12,658,605	7,273,501	2,560,871	17,371,235	0
Net Pension Liability Proportionate Share	3,272,948	1,159,965	834,110	3,598,803	0
Total Other Liabilities	16,604,438	9,351,877	4,067,866	21,888,449	0
Total Long-Term Liabilities	\$ 59,797,734	\$ 9,351,877	\$ 7,786,739	\$ 61,362,872	\$ 3,769,268

At June 30, 2017, the deferred amount on refunding includes unamortized premiums of \$2,172,429. This amount is being amortized over the life of the debt issuance to which it relates.

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bonds	Various	Various	Various	\$33,770,000
Installment Purchase Debt	Various	Various	Various	3,531,994
				\$37,301,994

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. LONG-TERM LIABILITIES. (Continued)

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable	
	Principal	Interest
2018	\$ 3,586,926	\$ 1,294,628
2019	3,692,668	1,189,635
2020	3,808,559	1,079,532
2021	3,919,602	959,439
2022	3,425,802	840,239
2023 - 2027	12,827,768	2,591,511
2028 - 2032	6,040,670	421,834
TOTAL	\$37,301,994	\$ 8,376,818

Interest on long-term debt for the year was composed of:

Interest paid	\$ 1,407,713
Less: Interest accrued in the prior year	(411,364)
Plus: Amortization of premiums, deferred amounts on refunding and bond issue costs.	(100,236)
Plus: Interest accrued in the current year	387,103
Total interest expense	\$ 1,283,216

NOTE 8. PENSION PLANS.

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Employees' Retirement System Plan Description (Continued)

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at www.nystrs.org.

ERS Benefits Provided

The ERS System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tiers 1 and 2(Continued)

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tier 6 (Continued)

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided

The benefits provided to members of the TRS System are established by New York State and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credit service times final average salary.

Under Article 19 of the RSSL, eligible Tiers 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55 through 62 regardless of service credit.

Vested Benefits

Retirement benefits after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service requirements above.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tiers 1 and 2 members may, under certain conditions, claim out of state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost of Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of the annual benefit. The applicable percentage payable beginning September 2016 is 1.0%.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. These contributions were as follows:

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Contributions (Continued)

The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. These contributions were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2016 - 2017	\$ 2,910,870	\$ 818,024
2015 - 2016	3,204,999	892,135
2014 - 2015	4,070,886	1,097,876

The District chose to prepay the required contributions to ERS by December 15th each year and received a discount.

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

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

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

At March 31, 2017, the District's proportion of the NYSERS net pension asset/(liability) was 0.0200501%, which was a decrease of 0.000003417% from its proportion measured as of March 31, 2016.

At June 30, 2016, the District's proportion of the NYSTRS net pension asset/(liability) was 0.160111%, which was an increase of 0.000014450% from its proportion measured as of June 30, 2015.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, the District's recognized pension expense of \$1,108,152 for ERS and \$2,819,329 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 47,210	\$ 0	\$ 47,210
Changes of Assumptions	643,627	9,768,886	10,412,513
Net difference between projected and actual earnings on pension plan investments	376,301	3,855,888	4,232,189
Changes in proportion and difference between the District's contributions and proportionate share of contributions	97,690	0	97,690
District's contributions subsequent to the measurement date	<u>246,973</u>	<u>2,954,466</u>	<u>3,201,439</u>
Total	<u>\$ 1,411,801</u>	<u>\$ 16,579,240</u>	<u>\$ 17,991,041</u>

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Inflows of Resources		
	ERS	TRS	Total
Differences between expected and actual experience	\$ 286,089	\$ 557,080	\$ 843,169
Changes of Assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and difference between the District's contributions and proportionate share of contributions	20,170	111,519	131,689
District's contributions subsequent to the measurement date	0	0	0
Total	\$ 306,259	\$ 668,599	\$ 974,858

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ -	\$ (1,175,273)
2018	(385,573)	(1,175,273)
2019	(385,573)	(4,169,862)
2020	(334,729)	(3,238,159)
2020	247,304	(1,475,670)
Thereafter	-	(1,721,936)

Actuarial Assumptions

The total ERS pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The total TRS pension liability at June 30, 2016 was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Significant actuarial assumptions used in the actuarial valuations referred to above were as follows:

	<u>ERS</u>	<u>TRS</u>										
Measurement Date	March 31, 2017	June 30, 2016										
Investment Rate of Return	7.00% compounded annually, net of investment expense	7.50% compounded annually, net of investment expense										
Projected Salary Increases	3.8%	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience										
		<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>											
5	4.72%											
15	3.46%											
25	2.37%											
35	1.90%											
Decrement Tables	Developed from the Plan's 2015 experience study of the period April 1, 2010 to March 31, 2015	Based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.										
Inflation Rate	2.5%	2.5%										
Mortality Improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale MP-2014										
Cost of Living adjustments	1.3% compounded annually	1.5% compounded annually										

The long-term 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 returns net of investment expense 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 each the target asset allocation percentage and by adding expected inflation.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	March 31, 2017		Measurement Date	June 30, 2016	
	Long-term expected			Long-term expected	
	Target Allocation	Real rate of return		Target Allocation	Real rate of return
Asset Class:			Asset Class:		
Domestic Equity	36%	4.55%	Domestic Equities	37%	6.50%
International Equity	14%	6.35%	International Equities	18%	7.30%
Private Equity	10%	7.75%	Real Estate	10%	5.40%
Real Estate	10%	5.80%	Alternative investments	7%	9.20%
Absolute Return Strategies	2%	4.00%	Domestic fixed income securities	17%	1.00%
Opportunistic Portfolio	3%	5.89%	Global fixed income securities	2%	0.80%
Real Assets	3%	5.54%	Mortgages	8%	3.10%
Bonds and Mortgages	17%	1.31%	Short-term	1%	0.10%
Cash	1%	-0.25%			
Inflation-indexed bonds	4%	1.50%			
				100%	
Total	100%				

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the ERS and TRS net pension liability calculated using the discount rates referred to above, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate referred to above:

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption
(Continued)

ERS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (6,016,967)	\$ (1,883,951)	\$ 1,610,506

TRS	1% Decrease 6.50%	Current Assumption 7.50%	1% Increase 8.50%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(22,374,135)	(1,714,852)	15,613,073

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of the measurement dates indicated below were as follows:

(Dollars in Thousands)

Measurement Date	ERS	TRS
	March 31, 2017	June 30, 2016
Employers' total pension asset/(liability)	\$ (177,400,586)	\$ (108,577,184,039)
Plan net position	(168,004,363)	(107,506,142,099)
Employer's net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,041,940)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	94.7%	99.01%

Payables to the Pension Plan

For ERS, employer contributions are paid annually in December based on the System's year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contributions for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$246,973 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the year ended June 30, 2017 are paid to the System in September, October and November 2017 through state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the year ended June 30, 2017. Employer contributions are based on paid TRS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$3,133,491.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2017, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Other Sources	Other Uses
General Fund	\$ 632,673	\$ 170,299	\$ 0	\$ 818,717
Special Aid Fund	0	459,175	121,217	0
School Lunch Fund	0	0	50,000	0
Capital Fund	0	79,187	647,500	75,153
Debt Service Fund	75,187	0	75,153	0
Total Governmental Activities	707,860	708,661	893,870	893,870
Fiduciary Agency Fund	801	0	0	0
Totals	\$ 708,661	\$ 708,661	\$ 893,870	\$ 893,870

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Handicapped Program not funded by aid from New York State.

NOTE 10. POST-EMPLOYMENT BENEFITS.

The District provides post-employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2017 the District recognized \$1,261,597 for its share of insurance premiums for currently enrolled retirees.

The District obtained an actuarial valuation report as of July 1, 2016. The total actuarial accrued liability indicated in this report for other postemployment benefits is \$91,935,384, of which a liability in the amount of \$17,371,235 has been reflected on the district-wide financial statements

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. POST-EMPLOYMENT BENEFITS. (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 3,454,586
Interest on Net OPEB Obligation	541,879
Adjustment to Annual Required Contribution	<u>3,586,925</u>
Annual OPEB Cost (Expense)	3,692,668
Contributions Made	<u>3,808,559</u>
Increase in Net OPEB Obligation	3,919,602
Net OPEB Obligation, June 30, 2016	<u>12,658,605</u>
Net OPEB Obligation, June 30, 2017	<u><u>\$ 17,371,235</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 7,273,501	35.2%	\$ 17,371,235
June 30, 2016	3,798,533	52.1%	12,658,605
June 30, 2015	4,102,542	53.1%	7,228,815

Funded Status and Funding Progress

As of July 1, 2016 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$91,935,384, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$91,935,384. The covered payroll (annual payroll of active employees covered by the plan) was \$33,282,686 and the ratio of the UAAL to the covered payroll was 276.23%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. POST-EMPLOYMENT BENEFITS. (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the Projected Unit Credit method was used. The actuarial assumptions included a 4% discount rate, which is used to convert the present value of future benefits less future contributions into today's dollars. The assumptions used for annual healthcare cost inflation was an annual healthcare cost trend rate of 9% initially for both pre and post 65, reduced by decrements to an ultimate rate of 5% after 4 years. The level dollar amortization method was used to amortize the initial unfunded accrued liability over a period of 30 years. The remaining amortization period at June 30, 2017, was 22 years.

NOTE 11. RISK MANAGEMENT.

General Information

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Pool, Non-Risk Retained

The District and other districts have formed a reciprocal insurance company to be owned by these districts. This District operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an assessable insurance company in that the subscribers are severally liable for an financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department in the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. RISK MANAGEMENT. (Continued)

The District purchases various insurance coverages from the Company to reduce its exposure to loss. The District maintains a general liability insurance policy with coverage up to \$1 million and an excess catastrophe liability policy with coverage up to \$10 million. The District maintains liability coverage for school board members up to \$1 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

The District participates in Dutchess Education Health Insurance Consortium, a public entity risk pool, to benefit individual governmental units within the County. The school district pays an annual premium to the Plan for this coverage. The Plan is considered a self-sustaining risk pool that will provide coverage for its members and the School District has essentially transferred all related risk to the Plan.

Other Contingencies

The District has several claims that are currently being litigated with the support of legal counsel. The results of this litigation are unknown at this time.

NOTE 12. COMMITMENTS AND CONTINGENCIES.

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports \$918,411 for accumulating, non-vesting sick leave.

Tax Certiorari Claims

The District is subject to numerous tax certiorari claims that are currently being litigated with the support of legal counsel. Such proceedings are not uncommon to school districts.

As of June 30, 2017, there was approximately \$1,073,728 of tax certiorari claims filed against the District. Since the outcome of this litigation is unknown at this time, management is unable to make an estimate of the possible liability to the district. At June 30, 2017 there is an established tax certiorari reserve in the amount \$536,863 which will be used to absorb finalized claims.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13. ENCUMBRANCES.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. Encumbrances of appropriations of budgets for the year ended June 30, 2017 have been included in the assigned fund balance of the General Fund and in the restricted fund balance of all other funds at June 30, 2017 as follows:

General Fund	\$ 1,356,721
School Lunch Fund	<u>22,625</u>
 Total Encumbrances	 <u><u>\$ 1,379,346</u></u>

NOTE 14. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 15. TAX ABATEMENTS.

The Dutchess County Industrial Development Agency (“the IDA”) and the City of Beacon entered into property tax abatement agreements that reduce the District’s gross tax revenues. The property tax abatement agreements are entered into by the IDA and the City of Beacon under New York Real Property Tax Law, Section 412-a and General Municipal Law, Section 874 in order to induce businesses to acquire, renovate, construct and upgrade certain real property within Dutchess County. For a qualified and approved project the IDA or City of Beacon takes title or a leasehold interest in the property thereby technically making the property exempt from all real property taxes. However, requires the execution of a Payment in Lieu of Taxes (PILOT) Agreement with the company which requires the company to pay the current real property taxes, including land and special district taxes, to the County, Town/Village and School District in which it is located and a graduated percentage of taxes upon the improvements constructed on the property.

For the fiscal year ended June 30, 2017, the District abated property taxes on 4 properties totaling \$849,175 of which \$822,943 was through agreements with the IDA and \$26,232 was through agreements with the City of Beacon under the property tax abatement agreements. The District received \$290,984 from local businesses in PILOT’s.

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 20, 2017 the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2016	\$ 0	\$ 91,935,384	\$ 91,935,384	0.00%	\$ 33,282,686	276.23%
7/1/2014	0	53,025,704	53,025,704	0.00%	31,665,635	167.46%
7/1/2012	0	58,709,899	58,709,899	0.00%	31,127,200	188.61%

* In accordance with GASB Statement No. 45 the District is required to have an actuarial valuation done biennially. Rolled over valuations are prepared for the years that full actuarial valuations are not completed.

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>CURRENT YEAR'S REVENUES</u>	<u>OVER (UNDER) REVISED BUDGET</u>
<u>REVENUES</u>				
LOCAL SOURCES:				
Real Property Taxes	\$ 32,915,617	\$ 33,300,100	\$ 32,810,682	\$ (489,418)
Other Tax Items	3,995,000	3,995,000	3,843,964	(151,036)
Charges for Services	50,500	50,500	30,022	(20,478)
Use of Money & Property	197,000	197,000	317,796	120,796
Sale of Property & Compensation for Loss	11,500	11,500	4,984	(6,516)
Miscellaneous	405,000	405,000	329,658	(75,342)
STATE SOURCES	<u>29,175,383</u>	<u>29,175,383</u>	<u>27,025,852</u>	<u>(2,149,531)</u>
TOTAL REVENUES	66,750,000	67,134,483	<u>\$ 64,362,958</u>	<u>\$ (2,771,525)</u>
APPROPRIATED FUND BALANCE	1,011,052	1,011,052		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$ 67,761,052</u>	<u>\$ 68,145,535</u>		

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>CURRENT YEAR'S EXPENDITURES</u>	<u>ENCUMBRANCES</u>	<u>UNENCUMBERED BALANCE</u>
GENERAL SUPPORT:					
Board of Education	\$ 35,309	\$ 48,394	\$ 45,021	\$ 0	\$ 3,373
Central Administration	292,500	206,106	182,815	2,743	20,548
Finance	671,673	684,937	642,701	8,291	33,945
Staff	225,950	437,767	368,148	55,000	14,619
Central Services	4,848,021	4,182,851	3,311,830	181,577	689,444
Special Items	782,926	983,533	887,901	0	95,632
INSTRUCTIONAL:					
Instruction, Administration & Improvement	2,522,814	2,675,379	2,564,287	3,710	107,382
Teaching - Regular School	18,187,436	18,021,706	17,208,619	314,363	498,724
Programs for Children with Handicapping Conditions	10,377,311	11,221,672	11,102,693	48,262	70,717
Instructional Media	2,599,888	2,524,291	1,830,728	604,876	88,687
Pupil Services	2,945,638	3,182,562	3,113,129	29,717	39,716
PUPIL TRANSPORTATION	3,155,436	3,534,919	2,893,422	88,067	553,430
COMMUNITY SERVICES	131,800	186,801	166,092	4,309	16,400
EMPLOYEE BENEFITS	15,378,375	14,251,141	13,902,174	15,806	333,161
DEBT SERVICE:					
Debt Service - Principal	3,715,328	3,536,328	3,536,328	0	0
Debt Service - Interest	1,440,647	1,619,648	1,426,517	0	193,131
TOTAL EXPENDITURES	67,311,052	67,298,035	63,182,405	1,356,721	2,758,909
OTHER USES:					
Operating Transfers Out	450,000	847,500	818,717	0	28,783
TOTAL EXPENDITURES & OTHER USES	<u>\$ 67,761,052</u>	<u>\$ 68,145,535</u>	<u>64,001,122</u>	<u>\$ 1,356,721</u>	<u>\$ 2,787,692</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER USES			<u>\$ 361,836</u>		

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

NYSERS Pension Plan
Last 10 Fiscal Years*

	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.0200501%	0.0203918%	0.0209535%	0.0209535%
District's proportionate share of the net pension asset/(liability)	(1,883,951)	(3,272,948)	(707,861)	(946,860)
District's covered-employee payroll	6,047,936	5,710,256	5,852,509	5,226,682
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-31.15%	-57.32%	-12.10%	-18.12%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.95%	97.15%

NYSTRS Pension Plan
Last 10 Fiscal Years*

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's proportion of the net pension asset/(liability)	0.160111%	0.158666%	0.157879%	0.156752%
District's proportionate share of the net pension asset/(liability)	(1,714,852)	16,480,368	17,586,777	1,031,827
District's covered-employee payroll	25,208,753	24,706,678	23,646,578	22,960,801
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-6.80%	66.70%	74.37%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%	100.70%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this is the second year of implementation prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	NYSERS Pension Plan Last 10 Fiscal Years*			
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 834,110	\$ 939,750	\$ 1,095,342	\$ 953,885
Contributions in relation to the contractually required contribution	<u>834,110</u>	<u>939,750</u>	<u>1,095,342</u>	<u>953,885</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	6,047,936	5,710,256	5,852,509	5,226,682
Contributions as a percentage of its covered-employee payroll	13.79%	16.46%	18.72%	18.25%
	NYSTRS Pension Plan Last 10 Fiscal Years*			
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Contractually required contribution	\$ 3,276,105	\$ 4,178,070	\$ 3,789,702	\$ 2,718,559
Contributions in relation to the contractually required contribution	<u>3,276,105</u>	<u>4,178,070</u>	<u>3,789,702</u>	<u>2,718,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	25,208,753	24,706,678	23,646,578	22,960,801
Contributions as a percentage of its covered-employee payroll	13.00%	16.91%	16.03%	11.84%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this is the second year of implementation prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET &
THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED TO FINAL BUDGET

ADOPTED BUDGET	\$ 66,750,000
ADDITIONS:	
Encumbrances from Prior Year	1,011,052
ORIGINAL BUDGET	67,761,052
BUDGET REVISIONS:	
Bond Anticipation Note for Buses	384,483
FINAL BUDGET	<u>\$ 68,145,535</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017/2018 Voter-approved expenditure budget	\$ 2,745,000
Maximum allowed (4% of 2017-2018 budget of \$68,625,000)	

General Fund Fund Balance Subject to Section 1318 of Real property Tax Law

Unrestricted Fund Balance:

Assigned Fund Balance	\$ 3,856,721
Unassigned Fund Balance	4,741,395
Total Unrestricted Fund Balance	<u>8,598,116</u>

Less:

Appropriated Fund Balance	2,500,000
Encumbrances Included in Assigned Fund Balance	1,356,721
Total Adjustments	<u>3,856,721</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,741,395</u>
--	---------------------

Actual Percentage	6.91%
-------------------	-------

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE				UNEXPENDED BALANCE	METHODS OF FINANCING				FUND BALANCE JUNE 30, 2017
			PRIOR YEARS	CURRENT YEAR	INTERFUND TRANSFER	TOTAL		PROCEEDS FROM DEBT	STATE AID	LOCAL SOURCES	TOTAL	
New Capital Project	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,007	\$ 125,007	\$ 125,007
Various EXCEL Aided Projects 2009	12,000,000	12,000,000	11,108,978	686,649	2,677	11,798,304	201,696	10,583,929	1,416,071	0	12,000,000	201,696
Energy Performance Contract	3,915,571	3,915,571	3,913,071	(72,653)	75,153	3,915,571	0	3,915,571	0	0	3,915,571	0
	<u>\$ 15,915,571</u>	<u>\$ 15,915,571</u>	<u>\$ 15,022,049</u>	<u>\$ 613,996</u>	<u>\$ 77,830</u>	<u>\$ 15,713,875</u>	<u>\$ 201,696</u>	<u>\$ 14,499,500</u>	<u>\$ 1,416,071</u>	<u>\$ 125,007</u>	<u>\$ 16,040,578</u>	<u>\$ 326,703</u>

See paragraph on supplementary schedules included in auditor's report.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS, NET		\$ 66,653,435
ADDITIONS:		
Deferred Charges on Refunding		484,753
DEDUCTIONS:		
Short-term Portion of Bonds Payable (including unamortized Bond Premium \$182,343)	3,547,343	
Long-term Portion of Bonds Payable (including unamortized Bond Premium \$1,990,086)	32,395,086	
Short-term Portion of Installment Debt	221,925	
Long-term Portion of Installment Debt	3,310,069	
Less: Unspent Bond Proceeds	201,696	
Total Deductions		39,676,119
NET INVESTMENT IN CAPITAL ASSETS		\$ 27,462,069

See paragraph on supplementary schedules included in auditor's report.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the President and Members
of the Board of Education of the
Beacon City School District
Beacon, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
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Walter J. Jung, CPA
Jennifer A. Traverse, CPA
Justin B. Wood, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beacon City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Beacon City School District's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Beacon City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beacon City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Beacon City School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Beacon City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Montgomery, New York

October 20, 2017



Nugent & Haeussler, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the President and Members
of the Board of Education of the
Beacon City School District
Beacon, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
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Report on Compliance for Each Major Federal Program

We have audited the Beacon City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Beacon City School District's major federal programs for the year ended June 30, 2017. Beacon City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Beacon City School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Jugent & Hausler, P.C.

Montgomery, New York

October 20, 2017

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA - Part B, Section 611	84.027	0032-16-0171	\$ 0	\$ 1,305
IDEA - Part B, Section 611	84.027	0032-17-0171	91,489	851,095
IDEA - Part B, Section 619	84.173	0033-16-0171	23,496	38,909
Total Special Education Cluster			<u>\$ 114,985</u>	<u>891,309</u>
Title I Parts A&D, Basic Program	84.010	0021-16-0640		6,847
Title I Parts A&D, Basic Program	84.010	0021-17-0640		664,056
Title I School In Need of Improvement	84.010	0011-17-2020		19,900
Title III Part A, LEP	84.365	0293-16-0640		9,649
Title III Part A, LEP	84.365	0293-17-0640		2,092
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-16-0640		4,185
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-17-0640		<u>129,927</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,727,965</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		560,733
National School Breakfast Program	10.553	N/A		<u>101,480</u>
Cash Assistance Subtotal				662,213
Non-Cash Assistance (food distribution)				
Commodity Supplemental Food Program	10.555	N/A		<u>85,313</u>
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER				<u>747,526</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$</u>	<u>2,475,491</u>

The accompanying notes are an integral part of the schedule.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net assets, or cash flows of the District.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 2. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$85,313 of commodities under the Commodity Supplemental Food Program (CFDA 10.555).

NOTE 3. OTHER DISCLOSURES.

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Report the Auditor Issued on Whether the Financial Statements Audited Were Presented in Accordance with GAAP: Unqualified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of Auditor's Opinion Issued on Compliance for Major Programs: Unqualified

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

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA NUMBERS NAME OF FEDERAL PROGRAM OR CLUSTER

10.555, 10.553 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements as required to be reported in accordance with the Uniform Guidance.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- A. Significant Deficiencies in Internal Control
There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516 (a).
- C. Compliance Findings
There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516 (a).

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Financial Statement Finding: 2016-001 Accounting

Condition: The District did not have their books and records closed and reconciled in a timely manner subsequent to year end. This ultimately was a result of staff turnover and limited staff for the amount of work involved.

Recommendation: We recommend that management review the responsibilities of the business office staff, as well as the duties actually being performed by each person. This review should focus on segregating the functions of authorizing transactions, recording transactions, and maintaining custody of assets. As part of the review, management should also consider whether the current staffing level is sufficient to achieve the desired internal control and meet the expectation of being completed timely.

Current Status: Corrected.



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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Beacon City School District
Beacon, New York 12508

We have audited the accompanying financial statements of the extraclassroom activity funds of the Beacon City School District, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2017, and the related statement of receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Beacon City School District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the extraclassroom activity funds of the Beacon City School District as of June 30, 2017, and its receipts and disbursements for the year then ended, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Jugent & Hausler, P.C.

Montgomery, New York

October 20, 2017

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
JUNE 30, 2017

ASSETS

Cash in Checking	<u>\$ 95,794</u>
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FUND BALANCE

Fund Balance, Beginning of Year	\$ 93,964
Excess of Receipts over Disbursements	<u>1,830</u>
Fund Balance, End of Year	<u>\$ 95,794</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
EXTRACLASROOM ACTIVITY FUND
SUMMARY OF RECEIPTS & DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	CASH BALANCE JUNE 30, 2016	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2017
General Student Org.	\$ (1,423)	\$ 31	\$ 2	\$ (1,394)
Class of 2020	80	1,095	0	1,175
Class of 2017	3,553	15,115	18,025	643
Class of 2018	1,437	12,038	12,480	995
Class of 2019	1,149	1,068	0	2,217
BHS Band	326	4,439	3,804	961
BHS Drama	13,427	42,017	37,963	17,481
BHS Video Club	1,587	1,080	1,496	1,171
BHS Chorus	317	2,652	2,645	324
BHS Student Council	2,463	890	472	2,881
BHS Yearbook	10,447	4,959	5,242	10,165
Gay/Straight Alliance	550	0	0	550
BHS SADD	2,819	4,625	4,802	2,642
BHS National Honor Society	1,050	1,814	1,233	1,631
Rombout Band 6th Grade	2,418	0	0	2,418
Rombout Band 7th-8th Grade	7,279	26,289	27,497	6,071
Rombout Chorus	461	331	331	461
Rombout Drama Club	6,382	10,920	12,869	4,433
Rombout Student Council	1,522	1,846	462	2,906
Rombout Yearbook	7,565	3,866	44	11,387
Wrestling	4,480	4,274	7,794	961
Bowling	165	50	100	115
Varsity Cheerleading	690	0	0	690
Girls Basketball	3,992	1,895	4,787	1,100
Boys Basketball	1,596	1,460	1,511	1,544
Varsity Baseball	6,547	13,436	12,563	7,419
Girls Var. Soccer	76	2,300	1,722	654
Golf	3,017	700	636	3,082
Varsity Football	3,575	3,637	5,622	1,589
Softball	4,752	11,440	9,486	6,706
Swim Team	69	5,446	5,648	(133)
BHS Track	1,396	943	56	2,284
Girls Lacrosse	202	465	0	667
	<u>\$ 93,964</u>	<u>\$ 181,123</u>	<u>\$ 179,293</u>	<u>\$ 95,794</u>

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Beacon City School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the Beacon City School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.