

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
JUNE 30, 2018
INCLUDING REPORTS ON FEDERAL AWARDS
AND EXTRACLASSROOM ACTIVITY FUNDS

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
JUNE 30, 2018
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INDEPENDENT AUDITOR'S REPORT

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

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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, 2018, and the related notes to the financial statements, which collectively comprise the Beacon City School 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.

Beacon City School District

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, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, management has adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 14 and 71 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 76 through 78 are 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*, and is also not a required part of the basic financial statements.

The supplemental schedules on pages 76 through 78 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

Beacon City School District

opinion, the supplemental schedules on pages 76 through 78 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 15, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Beacon City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beacon City School District's internal control over financial reporting and compliance.

Montgomery, New York
October 15, 2018

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, 2018. 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 2017-18 fiscal year, the taxpayers of the Beacon City School District approved a capital project for \$8,995,000. This project includes repairs and maintenance to our school buildings, classroom renovations including a new science lab in the middle school and a turf field behind the high school.

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 fund financial statements concentrate on the District's significant funds.
- 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)

The following table 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.

| 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:

- J • Some funds are required by State law and by bond covenants.
 - 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

For the year ended June 30, 2018, the District restated its beginning of year net position as a requirement of implementing GASB Statement No. 75. Beginning of year net position was decreased by \$121,094,111 from \$40,341,823 to (\$80,752,288). For more information, see Note 18. For the year ended June 30, 2018, net position decreased by \$4,786,073. The District's net position at June 30, 2018 is (\$85,538,361). The following table provides a summary of the District's net position:

Summary of Net Position

| | <u>School District Activities</u> | | | |
|----------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------|
| | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>\$ Change</u> | <u>% Change</u> |
| Current Assets | \$ 22,828,720 | \$ 22,562,839 | \$ 265,881 | 1.18% |
| Non Current Assets | 66,617,403 | 66,653,435 | (36,032) | -0.05% |
| Total Assets | <u>89,446,123</u> | <u>89,216,274</u> | <u>229,849</u> | <u>0.26%</u> |
| Deferred Outflows of Resources | <u>18,557,884</u> | <u>18,475,794</u> | <u>82,090</u> | <u>0.44%</u> |
| Current Liabilities | 5,201,356 | 5,012,515 | 188,841 | 3.77% |
| Long Term Liabilities | 182,806,438 | 182,456,983 | 349,455 | 0.19% |
| Total Liabilities | <u>188,007,794</u> | <u>187,469,498</u> | <u>538,296</u> | <u>0.29%</u> |
| Deferred Inflows of Resources | <u>5,534,574</u> | <u>974,858</u> | <u>4,559,716</u> | <u>467.73%</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 30,070,101 | 27,462,069 | 2,608,032 | 9.50% |
| Restricted | 20,523,428 | 20,513,860 | 9,568 | 0.05% |
| Unrestricted | <u>(136,131,890)</u> | <u>(128,728,217)</u> | <u>(7,403,673)</u> | <u>5.75%</u> |
| Total Net Position | <u>\$ (85,538,361)</u> | <u>\$(80,752,288)</u> | <u>\$ (4,786,073)</u> | <u>5.93%</u> |

The prior year information provided above has been adjusted to include the restatement of net position to provide a more meaningful comparison of net position.

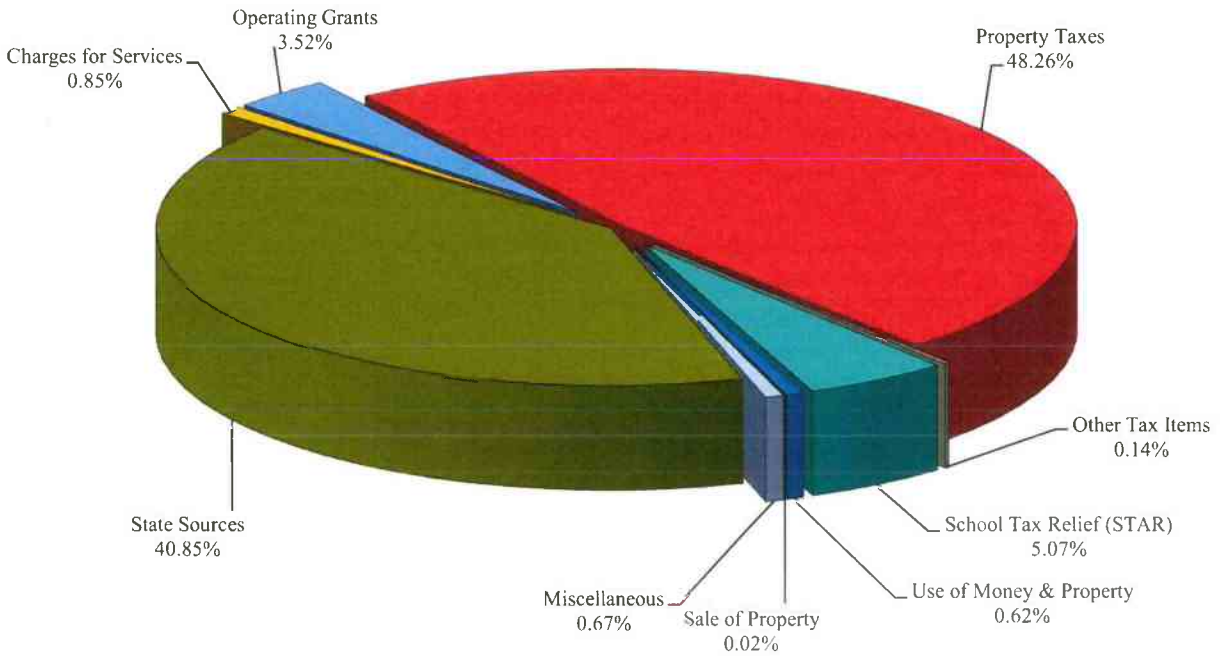
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2018 and 2017.

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

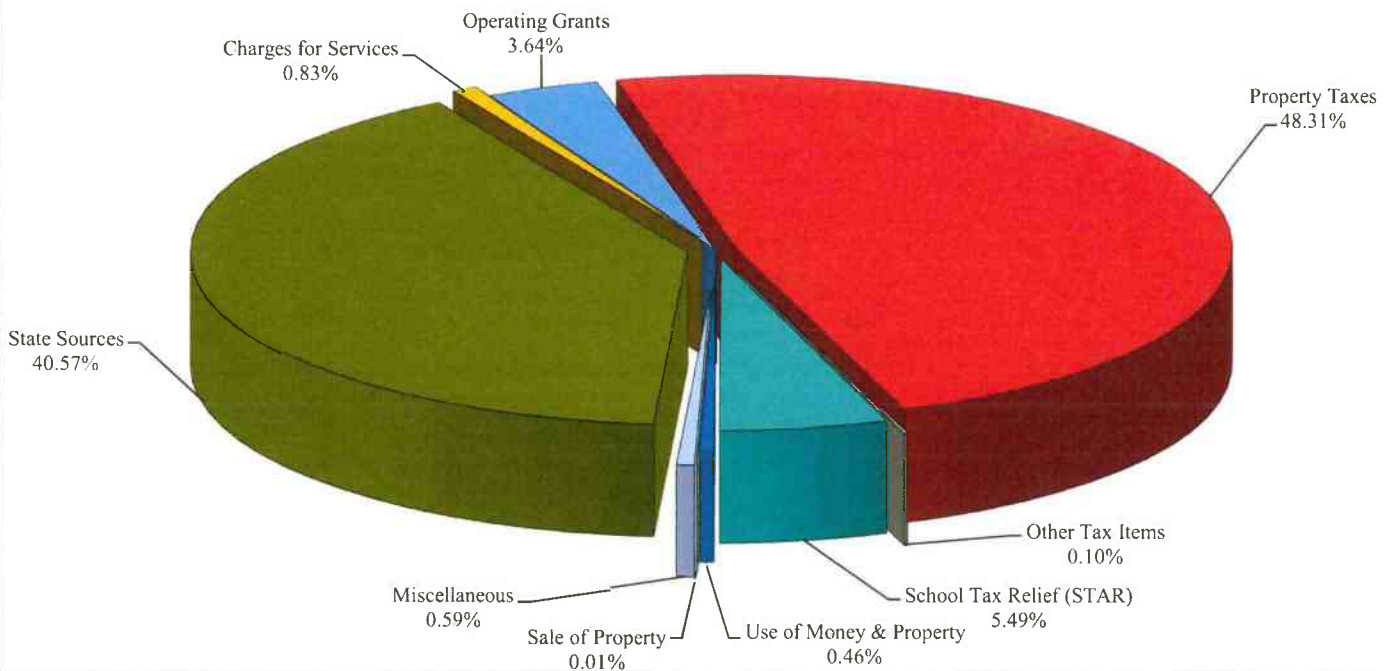
| | FOR THE YEAR ENDED JUNE 30, 2018 | % | FOR THE YEAR ENDED JUNE 30, 2017 | % | \$ Change | % Change |
|--------------------------|--|---------|--|---------|-----------------------|----------|
| <u>REVENUES</u> | | | | | | |
| PROGRAM REVENUES: | | | | | | |
| Charges for Services | \$ 600,495 | 0.85% | \$ 568,640 | 0.83% | \$ 31,855 | 5.60% |
| Operating Grants | 2,475,120 | 3.52% | 2,500,785 | 3.64% | (25,665) | -1.03% |
| GENERAL REVENUES: | | | | | | |
| Property Taxes | 33,964,715 | 48.26% | 33,196,091 | 48.31% | 768,624 | 2.32% |
| Other Tax Items | 101,248 | 0.14% | 71,315 | 0.10% | 29,933 | 41.97% |
| School Tax Relief (STAR) | 3,564,803 | 5.07% | 3,772,649 | 5.49% | (207,846) | -5.51% |
| Use of Money & Property | 438,809 | 0.62% | 319,355 | 0.46% | 119,454 | 37.40% |
| Sale of Property | 13,869 | 0.02% | 4,984 | 0.01% | 8,885 | 178.27% |
| Miscellaneous | 470,640 | 0.67% | 402,311 | 0.59% | 68,329 | 16.98% |
| State Sources | 28,745,786 | 40.85% | 27,876,821 | 40.57% | 868,965 | 3.12% |
| TOTAL REVENUES | <u>70,375,485</u> | 100.00% | <u>68,712,951</u> | 100.00% | <u>1,662,534</u> | 2.42% |
| <u>EXPENSES</u> | | | | | | |
| General Support | 5,851,311 | 7.78% | 5,627,920 | 8.01% | 223,391 | 3.97% |
| Instruction | 39,596,272 | 52.68% | 38,004,496 | 54.09% | 1,591,776 | 4.19% |
| Pupil Transportation | 2,669,669 | 3.55% | 2,547,116 | 3.62% | 122,553 | 4.81% |
| Community Services | 109,154 | 0.15% | 166,092 | 0.24% | (56,938) | -34.28% |
| Employee Benefits | 22,037,772 | 29.32% | 19,124,607 | 27.22% | 2,913,165 | 15.23% |
| Debt Service Interest | 1,231,604 | 1.64% | 1,302,223 | 1.85% | (70,619) | -5.42% |
| Depreciation | 2,214,968 | 2.95% | 1,968,900 | 2.80% | 246,068 | 12.50% |
| Capital Outlay | 256,675 | 0.34% | 345,358 | 0.49% | (88,683) | -25.68% |
| School Lunch Program | 1,194,133 | 1.59% | 1,180,910 | 1.68% | 13,223 | 1.12% |
| TOTAL EXPENSES | <u>75,161,558</u> | 100.00% | <u>70,267,622</u> | 100.00% | <u>4,893,936</u> | 6.96% |
| CHANGES IN NET POSITION | <u>\$ (4,786,073)</u> | | <u>\$ (1,554,671)</u> | | <u>\$ (3,231,402)</u> | 207.85% |

**BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK**

**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2018**

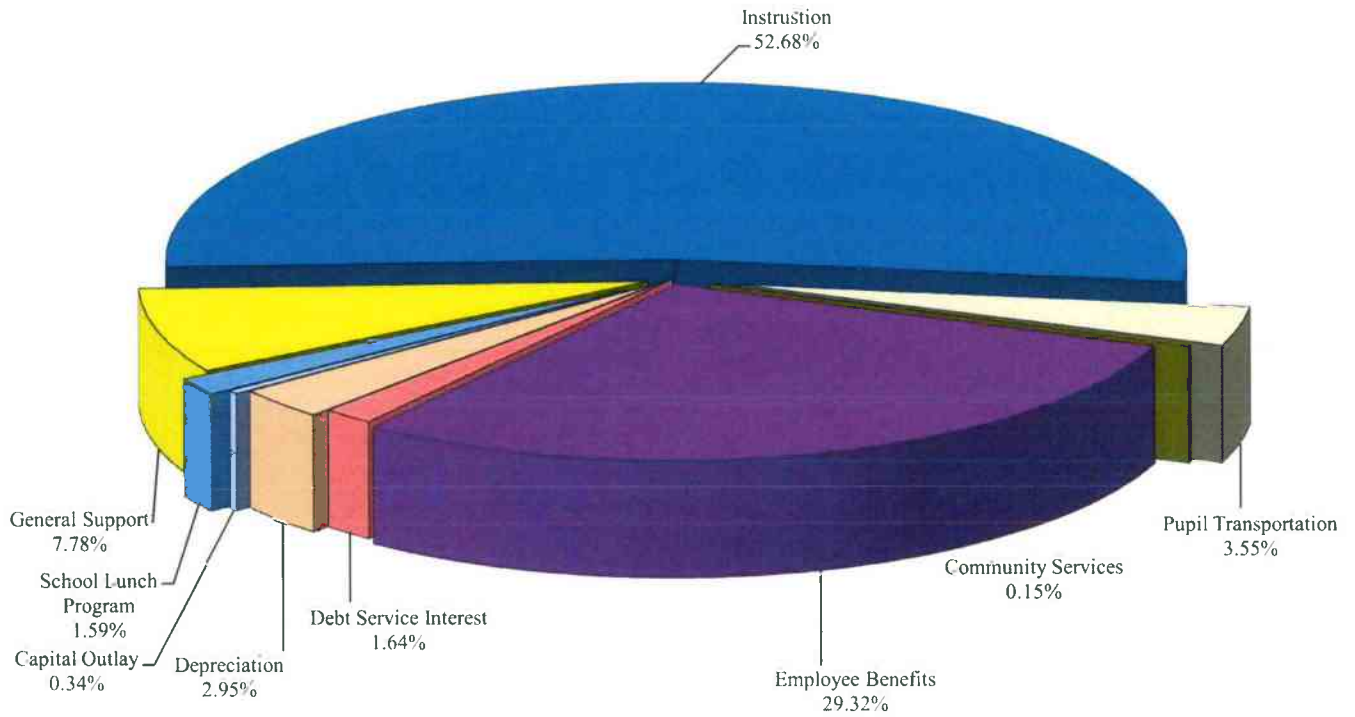


**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2017**

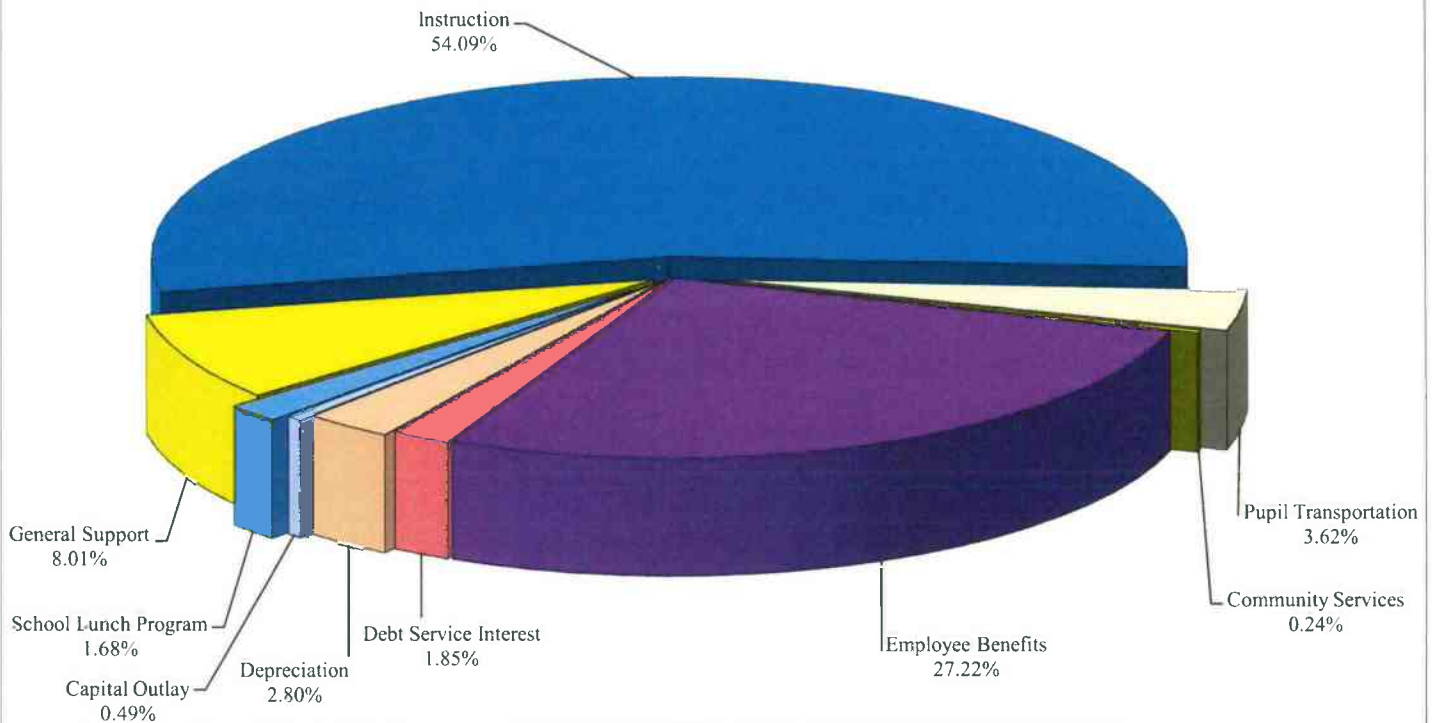


**BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK**

EXPENSES FOR THE YEAR ENDED JUNE 30, 2018



EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

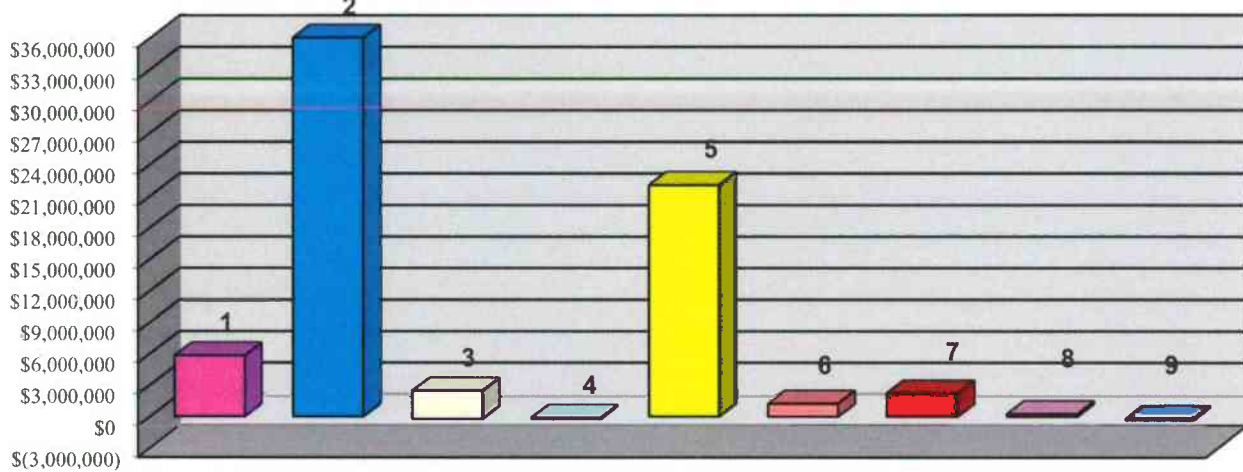


BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

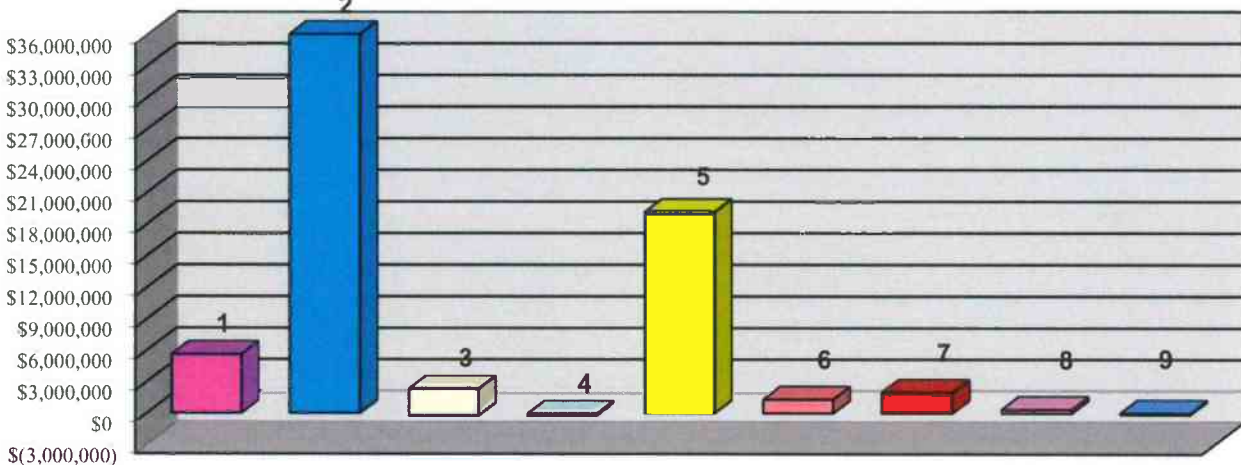
The following information is provided to disclose the net cost of governmental activities:

| | | TOTAL COST OF SERVICES 2017-2018 | NET COST OF SERVICES 2017-2018 | TOTAL COST OF SERVICES 2016-2017 | NET COST OF SERVICES 2016-2017 |
|-------------------------|---|--|--------------------------------------|--|--------------------------------------|
| General Support | 1 | \$ 5,851,311 | \$ 5,813,882 | \$ 5,627,920 | \$ 5,597,898 |
| Instruction | 2 | 39,596,272 | 37,849,708 | 38,004,496 | 36,276,531 |
| Pupil Transportation | 3 | 2,669,669 | 2,669,669 | 2,547,116 | 2,547,116 |
| Community Services | 4 | 109,154 | 109,154 | 166,092 | 166,092 |
| Employee Benefits | 5 | 22,037,772 | 22,037,772 | 19,124,607 | 19,124,607 |
| Debt Service - Interest | 6 | 1,231,604 | 1,231,604 | 1,302,223 | 1,302,223 |
| Depreciation | 7 | 2,214,968 | 2,214,968 | 1,968,900 | 1,968,900 |
| Capital Outlay | 8 | 256,675 | 256,675 | 345,358 | 345,358 |
| School Lunch Program | 9 | 1,194,133 | (97,489) | 1,180,910 | (130,528) |
| | | <u>\$ 75,161,558</u> | <u>\$ 72,085,943</u> | <u>\$ 70,267,622</u> | <u>\$ 67,198,197</u> |

NET COSTS 2017-2018



NET COSTS 2016-2017



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, 2018 | | | | |
|------------------|------------------|---------------------|---------------------|---------------------|----------------------|
| | Nonspendable | Restricted | Assigned | Unassigned | Total |
| General | \$ 0 | \$ 4,674,430 | \$ 3,889,800 | \$ 4,110,094 | \$ 12,674,324 |
| Special Aid | 0 | 362,621 | 0 | 0 | 362,621 |
| School Lunch | 56,338 | 273,166 | 0 | 0 | 329,504 |
| Capital Projects | 0 | 0 | 0 | (15,329) | (15,329) |
| Debt Service | 0 | 2,179,616 | 0 | 0 | 2,179,616 |
| | <u>\$ 56,338</u> | <u>\$ 7,489,833</u> | <u>\$ 3,889,800</u> | <u>\$ 4,094,765</u> | <u>\$ 15,530,736</u> |

| | June 30, 2017 | | | | |
|------------------|------------------|---------------------|---------------------|---------------------|----------------------|
| | Nonspendable | Restricted | Assigned | Unassigned | Total |
| 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> |

General Fund Budgetary Highlights

For the year ended June 30, 2018, actual revenues were less than revised budgeted revenues by \$1,638,884 (2.37%). The revenue source that was significantly under budget was miscellaneous revenue as this category was under budget by \$2,634,360 offset by other sources being greater than budgeted by \$1,254,483.

Concerning the expenditures for the year ended June 30, 2018, actual expenditures were less than revised budgeted expenditures by \$1,560,218 (2.22%). Costs within various budget codes were less than budgeted amounts, in particular Employee Benefits was less than budgeted by \$1,101,258, Central Services was less than budgeted by \$533,938, Pupil Transportation was less than budgeted by \$425,012 and Teaching – Regular Schools was less than budgeted by \$186,656. Once again, the District kept fiscal constraints on purchases.

For year 2018-2019, the District has appropriated \$2,500,000 of fund balance to reduce the tax levy.

BEACON CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

General Fund Budgetary Highlights (Continued)

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.

Management believes that the budget adopted for 2018-2019 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 \$362,624. 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 \$135,883 from the General fund budgeted amounts to the Special Aid fund to cover the costs of the summer handicap program for the current year.

resents the residuFund ended the year with a fund balance of \$329,504. During the year revenues exceeded expenditures by \$56,872.

The Capital Projects Fund ended the year with a fund balance of (\$15,329).

Debt Service Fund ended the year with a fund balance of \$2,179,616. 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, 2018, was \$65,408,246. The District's investment in capital assets, net of accumulated depreciation as of June 30, 2017 was \$66,653,435. The total decrease in this net investment was -1.87% for the District as a whole (see schedule below). The District expended \$969,805 to acquire and construct capital assets during the year ended June 30, 2018, depreciation expense for the year was \$2,214,968 and the District had a \$26 loss on the disposition of assets.

BEACON CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

CAPITAL ASSETS
Net of Accumulated Depreciation

| | <u>School District Activities</u> | | <u>% Change</u> |
|--------------------------------|-----------------------------------|-----------------------------|-----------------|
| | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| <u>Non-Depreciable Assets:</u> | | | |
| Land | \$ 3,852,640 | \$ 3,852,640 | 0.00% |
| Construction in Progress | 390,335 | 0 | n/a |
| <u>Depreciable Assets:</u> | | | |
| Land Improvements | 56,107 | 71,842 | -21.90% |
| Building and Improvements | 59,731,185 | 61,592,903 | -3.02% |
| Furniture and Equipment | 212,764 | 161,870 | 31.44% |
| Vehicles | 1,165,215 | 974,180 | 19.61% |
| TOTALS | <u><u>\$ 65,408,246</u></u> | <u><u>\$ 66,653,435</u></u> | -1.87% |

Long-Term Debt

At the end of the year, the District had total long term debt outstanding of \$33,665,068. 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 | \$ 33,770,000 | \$ 2,645,000 | \$ 6,060,000 | \$ 30,355,000 |
| Energy Performance Contract | 3,531,994 | 0 | 221,926 | 3,310,068 |
| Total Bonded Debt Outstanding | <u><u>\$ 37,301,994</u></u> | <u><u>\$ 2,645,000</u></u> | <u><u>\$ 6,281,926</u></u> | <u><u>\$ 33,665,068</u></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, 2018

ASSETS

| | |
|---|-------------------|
| Unrestricted Cash | \$ 10,328,596 |
| Restricted Cash | 7,489,833 |
| Taxes Receivable | 1,487,274 |
| State & Federal Aid Receivable | 3,356,379 |
| Due from Fiduciary Funds | 11 |
| Other Receivables, Net | 110,289 |
| Inventories | 56,338 |
| TRS Net Pension Asset-Proportionate Share | 1,209,157 |
| Capital Assets, Net | 65,408,246 |
| TOTAL ASSETS | 89,446,123 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-------------------|
| Deferred Charges on Refunding | 532,547 |
| Pensions | 18,025,337 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 18,557,884 |

LIABILITIES

| | |
|--|--------------------|
| Accounts Payable | 545,547 |
| Accrued Liabilities | 496,203 |
| Due to Other Governments | 16,383 |
| Due to Teachers' Retirement System | 2,802,869 |
| Due to Employees' Retirement System | 282,402 |
| Other Liabilities | 61,197 |
| Bond Anticipation Notes | 980,000 |
| Unearned Revenues | 16,755 |
| Long-term Liabilities: | |
| Due and Payable Within One Year: | |
| Bonds Payable (including deferred amount on refunding) | 3,688,266 |
| Installment Purchase Debt | 227,668 |
| Due and Payable In More Than One Year: | |
| Bonds Payable (including deferred amount on refunding) | 28,872,358 |
| Installment Purchase Debt | 3,082,400 |
| Compensated Absences | 889,309 |
| ERS Net Pension Liability-Proportionate Share | 666,325 |
| Other Postemployment Benefits | 145,380,112 |
| TOTAL LIABILITIES | 188,007,794 |

DEFERRED INFLOWS OF RESOURCES

| | |
|----------|-----------|
| Pensions | 5,534,574 |
|----------|-----------|

NET POSITION

| | |
|----------------------------------|------------------------|
| Net Investment in Capital Assets | 30,070,101 |
| Restricted | 20,523,428 |
| Unrestricted | (136,131,890) |
| TOTAL NET POSITION | \$ (85,538,361) |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| <u>FUNCTIONS & PROGRAMS</u> | <u>EXPENSES</u> | <u>PROGRAM REVENUES</u> | | <u>NET (EXPENSE) REVENUE & CHANGES IN NET POSITION</u> |
|--|------------------------|-------------------------------------|-----------------------------|--|
| | | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS</u> | |
| General Support | \$ (8,661,295) | \$ 37,429 | \$ 0 | \$ (8,623,866) |
| Instruction | (59,416,786) | 0 | 1,746,564 | (57,670,222) |
| Pupil Transportation | (4,150,844) | 0 | 0 | (4,150,844) |
| Community Services | (109,154) | 0 | 0 | (109,154) |
| Debt Service - Interest | (1,231,604) | 0 | 0 | (1,231,604) |
| Capital Outlay | (256,675) | 0 | 0 | (256,675) |
| School Lunch Program | (1,335,200) | 563,066 | 728,556 | (43,578) |
| | | | | |
| TOTAL FUNCTIONS & PROGRAMS | <u>\$ (75,161,558)</u> | <u>\$ 600,495</u> | <u>\$ 2,475,120</u> | <u>(72,085,943)</u> |
| | | | | |
| <u>GENERAL REVENUES</u> | | | | |
| Real Property Taxes | | | | 33,964,715 |
| Other Tax Items | | | | 3,666,051 |
| Use of Money & Property | | | | 438,809 |
| Sale of Property & Compensation for Loss | | | | 13,869 |
| Miscellaneous | | | | 470,640 |
| State Sources | | | | 28,745,786 |
| | | | | |
| TOTAL GENERAL REVENUES | | | | <u>67,299,870</u> |
| | | | | |
| CHANGE IN NET POSITION | | | | (4,786,073) |
| | | | | |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | <u>(80,752,288)</u> |
| | | | | |
| NET POSITION, END OF YEAR | | | | <u>\$ (85,538,361)</u> |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

| | GENERAL | SPECIAL AID | SCHOOL LUNCH | CAPITAL PROJECTS | DEBT SERVICE | TOTAL GOVERNMENTAL FUNDS |
|---|----------------------|---------------------|-------------------|---------------------|---------------------|--------------------------------|
| <u>ASSETS</u> | | | | | | |
| Unrestricted Cash | \$ 9,772,714 | \$ 0 | \$ 13,706 | \$ 542,176 | \$ 0 | \$ 10,328,596 |
| Restricted Cash | 5,096,463 | 119,768 | 273,166 | 0 | 2,000,436 | 7,489,833 |
| Taxes Receivable | 1,487,274 | 0 | 0 | 0 | 0 | 1,487,274 |
| State & Federal Aid Receivable | 2,435,626 | 920,753 | 0 | 0 | 0 | 3,356,379 |
| Due from Other Funds | 834,678 | 130,934 | 741 | 0 | 179,180 | 1,145,533 |
| Other Receivables, Net | 107,878 | 0 | 2,411 | 0 | 0 | 110,289 |
| Prepaid Expenditures | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | 0 | 0 | 56,338 | 0 | 0 | 56,338 |
| TOTAL ASSETS | <u>\$ 19,734,633</u> | <u>\$ 1,171,455</u> | <u>\$ 346,362</u> | <u>\$ 542,176</u> | <u>\$ 2,179,616</u> | <u>\$ 23,974,242</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES</u> | | | | | | |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 193,140 | \$ 0 | \$ 0 | \$ 352,407 | \$ 0 | \$ 545,547 |
| Accrued Liabilities | 106,485 | 0 | 0 | 0 | 0 | 106,485 |
| Due to Other Governments | 16,280 | 0 | 103 | 0 | 0 | 16,383 |
| Due to Other Funds | 131,590 | 808,834 | 0 | 205,098 | 0 | 1,145,522 |
| Due to Teachers' Retirement System | 2,802,869 | 0 | 0 | 0 | 0 | 2,802,869 |
| Due to Employees' Retirement System | 282,402 | 0 | 0 | 0 | 0 | 282,402 |
| Other Liabilities | 61,197 | 0 | 0 | 0 | 0 | 61,197 |
| Bond Anticipation Notes | 980,000 | 0 | 0 | 0 | 0 | 980,000 |
| Unearned Revenues | 0 | 0 | 16,755 | 0 | 0 | 16,755 |
| TOTAL LIABILITIES | <u>4,573,963</u> | <u>808,834</u> | <u>16,858</u> | <u>557,505</u> | <u>0</u> | <u>5,957,160</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | |
| Deferred Tax Revenues | 1,487,274 | 0 | 0 | 0 | 0 | 1,487,274 |
| Deferred State Sources | 999,072 | 0 | 0 | 0 | 0 | 999,072 |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | <u>7,060,309</u> | <u>808,834</u> | <u>16,858</u> | <u>557,505</u> | <u>0</u> | <u>8,443,506</u> |
| <u>FUND BALANCES</u> | | | | | | |
| Nonspendable | 0 | 0 | 56,338 | 0 | 0 | 56,338 |
| Restricted | 4,674,430 | 362,621 | 273,166 | 0 | 2,179,616 | 7,489,833 |
| Assigned | 3,889,800 | 0 | 0 | 0 | 0 | 3,889,800 |
| Unassigned | 4,110,094 | 0 | 0 | (15,329) | 0 | 4,094,765 |
| TOTAL FUND BALANCES | <u>12,674,324</u> | <u>362,621</u> | <u>329,504</u> | <u>(15,329)</u> | <u>2,179,616</u> | <u>15,530,736</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES | <u>\$ 19,734,633</u> | <u>\$ 1,171,455</u> | <u>\$ 346,362</u> | <u>\$ 542,176</u> | <u>\$ 2,179,616</u> | <u>\$ 23,974,242</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, 2018

| <u>ASSETS</u> | TOTAL GOVERNMENTAL FUNDS | LONG-TERM ASSETS & LIABILITIES | RECLASSIFICATIONS & ELIMINATIONS | STATEMENT OF NET POSITION |
|---|--------------------------------|--------------------------------------|-------------------------------------|------------------------------|
| Unrestricted Cash | \$ 10,328,596 | \$ 0 | \$ 0 | \$ 10,328,596 |
| Restricted Cash | 7,489,833 | 0 | 0 | 7,489,833 |
| Taxes Receivable | 1,487,274 | 0 | 0 | 1,487,274 |
| State & Federal Aid Receivable | 3,356,379 | 0 | 0 | 3,356,379 |
| Due from Other Funds | 1,145,533 | 0 | (1,145,533) | 0 |
| Due from Fiduciary Funds | 0 | 0 | 11 | 11 |
| Other Receivables, Net | 110,289 | 0 | 0 | 110,289 |
| Inventories | 56,338 | 0 | 0 | 56,338 |
| TRS Net Pension Asset-Proportionate Share | 0 | 1,209,157 | 0 | 1,209,157 |
| Capital Assets, Net | 0 | 65,408,246 | 0 | 65,408,246 |
| TOTAL ASSETS | 23,974,242 | 66,617,403 | (1,145,522) | 89,446,123 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | | |
| Deferred Charges | 0 | 532,547.00 | 0 | 532,547 |
| Pensions | 0 | 18,025,337 | 0 | 18,025,337 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 23,974,242 | \$ 85,175,287 | \$ (1,145,522) | \$ 108,004,007 |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 545,547 | \$ 0 | \$ 0 | \$ 545,547 |
| Accrued Liabilities | 106,485 | 389,718 | 0 | 496,203 |
| Due to Other Governments | 16,383 | 0 | 0 | 16,383 |
| Due to Other Funds | 1,145,522 | 0 | (1,145,522) | 0 |
| Due to Teachers' Retirement System | 2,802,869 | 0 | 0 | 2,802,869 |
| Due to Employees' Retirement System | 282,402 | 0 | 0 | 282,402 |
| Other Liabilities | 61,197 | 0 | 0 | 61,197 |
| Bond Anticipation Notes | 980,000 | 0 | 0 | 980,000 |
| Unearned Revenues | 16,755 | 0 | 0 | 16,755 |
| Bonds Payable (including deferred amount on refunding) | 0 | 32,560,624 | 0 | 32,560,624 |
| Installment Purchase Debt | 0 | 3,310,068 | 0 | 3,310,068 |
| ERS Net Pension Liability-Proportionate Share | 0 | 666,325 | 0 | 666,325 |
| Compensated Absences | 0 | 889,309 | 0 | 889,309 |
| Other Postemployment Benefits | 0 | 145,380,112 | 0 | 145,380,112 |
| TOTAL LIABILITIES | 5,957,160 | 183,196,156 | (1,145,522) | 188,007,794 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Deferred Tax Revenues | 1,487,274 | (1,487,274) | 0 | 0 |
| Deferred State Sources | 999,072 | (999,072) | 0 | 0 |
| Pensions | 0 | 5,534,574 | 0 | 5,534,574 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,486,346 | 3,048,228 | 0 | 5,534,574 |
| FUND BALANCES / NET POSITION | 15,530,736 | (101,069,097) | 0 | (85,538,361) |
| TOTAL LIABILITIES & FUND BALANCES / NET POSITION | \$ 23,974,242 | \$ 85,175,287 | \$ (1,145,522) | \$ 108,004,007 |

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, 2018

| | GENERAL | SPECIAL AID | SCHOOL LUNCH | CAPITAL PROJECTS | DEBT SERVICE | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|-------------------|-------------------|---------------------|---------------------|--------------------------------|
| REVENUES | | | | | | |
| Real Property Taxes | \$ 33,909,512 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 33,909,512 |
| Other Tax Items | 3,666,051 | 0 | 0 | 0 | 0 | 3,666,051 |
| Charges for Services | 37,429 | 0 | 0 | 0 | 0 | 37,429 |
| Use of Money & Property | 420,488 | 0 | 260 | 0 | 18,061 | 438,809 |
| Sale of Property & Compensation for Loss | 13,893 | 0 | 0 | 0 | 0 | 13,893 |
| Miscellaneous | 470,640 | 0 | 0 | 0 | 0 | 470,640 |
| State Sources | 27,594,311 | 904,225 | 23,862 | 0 | 0 | 28,522,398 |
| Federal Sources | 0 | 1,746,564 | 704,694 | 0 | 0 | 2,451,258 |
| Sales | 0 | 0 | 563,066 | 0 | 0 | 563,066 |
| TOTAL REVENUES | 66,112,324 | 2,650,789 | 1,291,882 | 0 | 18,061 | 70,073,056 |
| EXPENDITURES | | | | | | |
| General Support | 5,880,413 | 0 | 0 | 0 | 0 | 5,880,413 |
| Instruction | 37,141,972 | 2,454,300 | 0 | 0 | 0 | 39,596,272 |
| Pupil Transportation | 2,540,618 | 129,051 | 0 | 0 | 0 | 2,669,669 |
| Community Services | 109,154 | 0 | 0 | 0 | 0 | 109,154 |
| Employee Benefits | 14,416,983 | 203,321 | 118,917 | 0 | 0 | 14,739,221 |
| Debt Service: | | | | | | |
| Principal | 4,876,409 | 0 | 0 | 0 | 0 | 4,876,409 |
| Interest | 1,258,588 | 0 | 0 | 0 | 0 | 1,258,588 |
| Cost of Sales | 0 | 0 | 1,191,834 | 0 | 0 | 1,191,834 |
| Capital Outlay | 799,791 | 0 | 0 | 428,987 | 0 | 1,228,778 |
| TOTAL EXPENDITURES | 67,023,928 | 2,786,672 | 1,310,751 | 428,987 | 0 | 71,550,338 |
| EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES | (911,604) | (135,883) | (18,869) | (428,987) | 18,061 | (1,477,282) |
| OTHER SOURCES & USES | | | | | | |
| Bond Anticipation Notes Paid from Current Appropriations | 1,254,483 | 0 | 0 | 0 | 0 | 1,254,483 |
| Proceeds from Advanced Refunding Bonds | 0 | 0 | 0 | 0 | 2,884,488 | 2,884,488 |
| Payments to Escrow Agent (Advanced Refunding Bonds) | 0 | 0 | 0 | 0 | (2,884,488) | (2,884,488) |
| Operating Transfers In | 0 | 135,883 | 75,741 | 250,000 | 163,045 | 624,669 |
| Operating Transfers (Out) | (461,624) | 0 | 0 | (163,045) | 0 | (624,669) |
| TOTAL OTHER SOURCES & USES | 792,859 | 135,883 | 75,741 | 86,955 | 163,045 | 1,254,483 |
| NET CHANGE IN FUND BALANCE | (118,745) | 0 | 56,872 | (342,032) | 181,106 | (222,799) |
| FUND BALANCES, BEGINNING OF YEAR | 12,793,069 | 362,621 | 272,632 | 326,703 | 1,998,510 | 15,753,535 |
| FUND BALANCES, END OF YEAR | \$ 12,674,324 | \$ 362,621 | \$ 329,504 | \$ (15,329) | \$ 2,179,616 | \$ 15,530,736 |

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, 2018

| | 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 | \$ 33,909,512 | \$ 55,203 | \$ 0 | \$ 0 | \$ 0 | \$ 33,964,715 |
| Other Tax Items | 3,666,051 | 0 | 0 | 0 | 0 | 3,666,051 |
| Charges for Services | 37,429 | 0 | 0 | 0 | 0 | 37,429 |
| Use of Money & Property | 438,809 | 0 | 0 | 0 | 0 | 438,809 |
| Sale of Property & Compensation for Loss | 13,893 | 0 | (24) | 0 | 0 | 13,869 |
| Miscellaneous | 470,640 | 0 | 0 | 0 | 0 | 470,640 |
| State Sources | 28,522,398 | 247,250 | 0 | 0 | 0 | 28,769,648 |
| Federal Sources | 2,451,258 | 0 | 0 | 0 | 0 | 2,451,258 |
| Sales | 563,066 | 0 | 0 | 0 | 0 | 563,066 |
| TOTAL REVENUES | <u>70,073,056</u> | <u>302,453</u> | <u>(24)</u> | <u>0</u> | <u>0</u> | <u>70,375,485</u> |
| <u>EXPENDITURES</u> | | | | | | |
| General Support | 5,880,413 | (29,102) | 132,898 | 0 | 2,677,086 | 8,661,295 |
| Instruction | 39,596,272 | 0 | 1,794,124 | 0 | 18,026,390 | 59,416,786 |
| Pupil Transportation | 2,669,669 | 0 | 265,796 | 0 | 1,215,379 | 4,150,844 |
| Community Services | 109,154 | 0 | 0 | 0 | 0 | 109,154 |
| Employee Benefits | 14,739,221 | 7,298,551 | 0 | 0 | (22,037,772) | 0 |
| Debt Service: | | | | | | |
| Principal | 4,876,409 | 0 | 0 | (4,876,409) | 0 | 0 |
| Interest | 1,258,588 | 2,615 | 0 | (29,599) | 0 | 1,231,604 |
| Cost of Sales | 1,191,834 | 0 | 22,150 | 0 | 121,216 | 1,335,200 |
| Capital Outlay | 1,228,778 | 0 | (969,804) | 0 | (2,299) | 256,675 |
| TOTAL EXPENDITURES | <u>71,550,338</u> | <u>7,272,064</u> | <u>1,245,164</u> | <u>(4,906,008)</u> | <u>0</u> | <u>75,161,558</u> |
| EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES | <u>(1,477,282)</u> | <u>(6,969,611)</u> | <u>(1,245,188)</u> | <u>4,906,008</u> | <u>0</u> | <u>(4,786,073)</u> |
| <u>OTHER SOURCES & USES</u> | | | | | | |
| Bond Anticipation Notes Paid from Current Appropriations | 1,254,483 | 0 | 0 | (1,254,483) | 0 | 0 |
| Proceeds from Advanced Refunding Bonds | 2,884,488 | 0 | 0 | (2,884,488) | 0 | 0 |
| Payments to Escrow Agent (Advanced Refunding Bonds) | (2,884,488) | 0 | 0 | 2,884,488 | 0 | 0 |
| Operating Transfers In | 624,669 | 0 | 0 | 0 | (624,669) | 0 |
| Operating Transfers (Out) | (624,669) | 0 | 0 | 0 | 624,669 | 0 |
| TOTAL OTHER SOURCES & USES | <u>1,254,483</u> | <u>0</u> | <u>0</u> | <u>(1,254,483)</u> | <u>0</u> | <u>0</u> |
| NET CHANGE FOR THE YEAR | <u>\$ (222,799)</u> | <u>\$ (6,969,611)</u> | <u>\$ (1,245,188)</u> | <u>\$ 3,651,525</u> | <u>\$ 0</u> | <u>\$ (4,786,073)</u> |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| <u>ASSETS</u> | <u>PRIVATE PURPOSE TRUSTS</u> | <u>AGENCY</u> |
|---|---------------------------------------|-------------------|
| Cash | \$ 136,951 | \$ 130,775 |
| TOTAL ASSETS | <u>\$ 136,951</u> | <u>\$ 130,775</u> |
| <u>LIABILITIES & NET POSITION</u> | | |
| <u>LIABILITIES</u> | | |
| Due to Other Funds | \$ 0 | \$ 11 |
| Extraclassroom Activity Balances | 0 | 115,924 |
| Other Liabilities | 0 | 14,840 |
| TOTAL LIABILITIES | <u>0</u> | <u>\$ 130,775</u> |
| <u>NET POSITION</u> | | |
| Restricted for Scholarships | <u>136,951</u> | |
| TOTAL LIABILITIES & NET POSITION | <u>\$ 136,951</u> | |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>PRIVATE PURPOSE TRUSTS</u> |
|---------------------------------|---------------------------------------|
| <u>ADDITIONS</u> | |
| Gifts and Contributions | \$ 53,678 |
| Investment Earnings | 448 |
| TOTAL ADDITIONS | <u>54,126</u> |
| <u>DEDUCTIONS</u> | |
| Scholarships & Awards | 7,200 |
| Other Expenses | 64,854 |
| TOTAL DEDUCTIONS | <u>72,054</u> |
| CHANGE IN NET POSITION | (17,928) |
| NET POSITION, BEGINNING OF YEAR | <u>154,879</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 136,951</u></u> |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018, the Beacon City School District was billed \$5,006,217 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$937,208. 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 Net Position presents the financial position of the District at year end. 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, 2018

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, 2018

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

D. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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, 2017. Taxes were collected during the period September 15, 2017 through November 13, 2017.

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, 2018

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 10. 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, 2018

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 inventoriable 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

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

M. Capital Assets

Capital assets are reported at cost for acquisitions. For assets acquired prior to June 30, 2002, estimated historical costs based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction-in-process are not depreciated. 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, 2018

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 District has three items that qualify for reporting in this category. The District reports deferred amounts on refunding in the Statement of Net Position as a deferred outflow of resources. A deferred amount 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 deferred outflow is related to pensions reported in the Statement of Net Position. For additional information on these deferred outflows related to pensions, See Note 9. The third deferred outflow is related to other post-employment benefits reported in the Statement of Net Position. For additional information on these deferred outflows related to other post-employment benefits, see Note 11.

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 two items that qualify for reporting in this category. The District reports deferred inflows of resources in the Statement of Net Position related to pensions reported in the district-wide statements. For additional information on deferred inflows related to pensions, see Note 9. The District also reports deferred inflows of resources in the Statement of Net Position related to other post-employment benefits reported in the district-wide statements. For additional information on deferred inflows related to other post-employment benefits see Note 11.

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, 2018

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

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 full time 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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Q. Short-Term Debt (Continued)

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.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

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, other postemployment benefits 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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

S. Equity Classifications (Continued)

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 \$56,338.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated.

There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The 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.

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.

BEACON CITY SCHOOL DISTRICT
 BEACON, NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

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.

Restricted fund balance at June 30, 2018 consisted of:

| | | |
|--|--------------|--------------|
| General Fund: | | |
| Capital Reserve | \$ 1,000,000 | |
| Unemployment Insurance Reserve | 267,055 | |
| Insurance Reserve | 500,000 | |
| Tax Reduction | 200,200 | |
| Tax Certiorari Reserve | 731,482 | |
| Employee Benefit Accrued Liability Reserve | 1,103,340 | |
| Retirement Contribution Reserve | 872,353 | \$ 4,674,430 |
| Special Aid Fund | | 362,621 |
| School Lunch Fund | | 273,166 |
| Debt Service Fund: | | 2,179,616 |
| Total Restricted Fund Balance | | \$ 7,489,833 |

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, 2018.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

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.

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, 2018, the District implemented the following new standards issued by GASB:

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018.
- GASB Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending June 30, 2018.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

T. New Accounting Standards (Continued)

- GASB Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending June 30, 2018.
- GASB Statement 85, *Omnibus 2017*, effective for the year ending June 30, 2018.
- GASB Statement 86, *Certain Debt Extinguishment Issues*, effective for the year ending June 30, 2018.

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 has implemented Statement 75, as required.

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 has implemented Statement 81, as required.

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 has implemented Statement 82, as required.

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 has implemented Statement 85, as required.

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 has implemented Statement 86, as required.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

U. Future Changes in Accounting Standards

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 (AROs), 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 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 financial statements.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2021 financial statements.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information of certain component units. 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.

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.

1. 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, 2018 were as follows:

| | |
|---------------------------------|----------------------|
| Original Cost of Capital Assets | \$ 108,533,352 |
| Accumulated Depreciation | <u>(43,125,106)</u> |
| | <u>\$ 65,408,246</u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:
(Continued)

2. 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, 2018 were as follows:

| | |
|---|-----------------|
| TRS Net Pension Asset - Proportionate Share | \$ 1,209,157.00 |
| Deferred Outflows of Resources - Pensions | 18,025,337 |
| ERS Net Pension liability - Proportionate Share | (666,325) |
| Deferred Inflows of Resources - Pensions | (5,534,574) |
| | \$ 13,033,595 |

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 | \$ (2,486,346) |
|---------------------------------|----------------|

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, 2018 was as follows:

| | |
|------------------|------------|
| Accrued Interest | \$ 389,718 |
|------------------|------------|

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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: (Continued)

5. Long-term liabilities reported in the Statement of Net Position, but not in the Balance Sheet, because the liabilities are not due and payable in the current period. The balances at June 30, 2018 were as follows:

| | |
|-------------------------------|-----------------------|
| Bonds Payable | \$ 30,355,000 |
| Deferred Premium on Refunding | 2,205,624 |
| Installment Purchase Debt | 3,310,068 |
| Compensated Absences | 889,309 |
| Other Postemployment Benefits | <u>145,380,112</u> |
| | <u>\$ 182,140,113</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 five 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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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)

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.

5. Other Post Employment Benefit (OPEB) Related Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

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) | \$ 71,327,539 |
| 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. | 302,453 |
| Upon disposition of assets totaling \$8,800, the cost exceeded the accumulated depreciation of \$8,774. | (24) |
| Repayment of BANs is reported as revenue in the governmental funds, but is recorded as a liability in the Statement of Net Position and does not affect the Statement of Activities. | <u>(1,254,483)</u> |
| Total revenues in the Statement of Activities (Schedule 2) | <u><u>\$ 70,375,485</u></u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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)

Total Expenditures & Other Uses/Expenses

Total expenditures and other uses reported in governmental funds (Schedule 5) \$ 71,550,338

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 \$969,805 were less than depreciation of \$2,214,968 in the current year. 1,245,163

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). This is the amount by which compensated absences incurred exceeded the amounts paid or payable during the year. (29,102)

In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and changes in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year. 6,914,766

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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)

Total Expenditures and Other Uses/Expenses (Continued)

| | |
|---|-----------------------------|
| 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 this year exceeds the interest payable last year. | 2,615 |
| 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. | (29,599) |
| Repayment of BANs is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. | (1,254,483) |
| 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. | 383,786 |
| 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>(3,621,926)</u> |
| Total expenses in the Statement of Activities (Schedule 2) | <u><u>\$ 75,161,558</u></u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES.

For the year ended June 30, 2018, the District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses and deferred outflows and deferred inflows of resources related to OPEB. See note 18 for the financial statement impact of the implementation of the statement.

NOTE 4. 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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018.

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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4. STEWARDSHIP AND COMPLIANCE. (Continued)

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.

The Capital Projects Fund had a deficit fund balance of \$15,329. This will be funded when the District obtains permanent financing for its current construction projects.

NOTE 5. 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 its trust department or agent, but not in the District's name | \$ 19,409,410. |

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 \$7,489,833 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.

The District participates in a multi-municipal cooperative investment pool agreements pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the New York Liquid Asset Fund cooperative as of year-end are \$87,140,760, which consisted of \$32,810,000 in repurchase agreements, \$44,064,745 in U. S. Treasury Securities, and \$10,266,015 in collateralized bank deposits, with various interest rate and due dates.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL. (Continued)

The following amounts invested in this cooperative are included as unrestricted and restricted cash:

| <u>Fund</u> | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|--------------|---------------------|------------------------|
| General Fund | \$ 1,002,606 | \$ 1,002,606 |

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of New York Liquid Asset Fund.

BEACON CITY SCHOOL DISTRICT
 BEACON, NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 6. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2018, 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 | 0 | 390,335 | 0 | 390,335 |
| Total Nondepreciable Assets | <u>3,852,640</u> | <u>390,335</u> | <u>0</u> | <u>4,242,975</u> |
| Capital assets that are depreciated: | | | | |
| Land Improvements | 628,262 | 0 | 0 | 628,262 |
| Buildings and Improvements | 93,148,353 | 45,294 | 0 | 93,193,647 |
| Furniture & Equipment | 3,377,550 | 80,711 | (8,800) | 3,449,461 |
| Vehicles | 6,565,542 | 453,465 | 0 | 7,019,007 |
| Total Depreciable Assets | <u>103,719,707</u> | <u>579,470</u> | <u>(8,800)</u> | <u>104,290,377</u> |
| Less: Accumulated Depreciation | <u>(40,918,912)</u> | <u>(2,214,968)</u> | <u>8,774</u> | <u>(43,125,106)</u> |
| Capital Assets, Net | <u>\$ 66,653,435</u> | <u>\$ (1,245,163)</u> | <u>\$ (26)</u> | <u>\$ 65,408,246</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------|---------------------|
| General Support | \$ 132,898 |
| Instruction | 1,794,124 |
| Transportation | 265,796 |
| Cost of Sales | <u>22,150</u> |
| Total Depreciation | <u>\$ 2,214,968</u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. SHORT-TERM DEBT.

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

| | Beginning Balance | Issued | Paid/ Redeemed | Ending Balance |
|--------------------------------|----------------------|---------------------|---------------------|-------------------|
| BAN maturing 06/21/19 at 2.75% | \$ 0 | \$ 980,000 | \$ 0 | \$ 980,000 |
| BAN maturing 06/22/18 at 1.48% | 0 | 380,000 | 380,000 | 0 |
| BAN maturing 06/22/18 at 1.20% | 874,483 | 0 | 874,483 | 0 |
| Total Short-Term Debt | <u>\$ 874,483</u> | <u>\$ 1,360,000</u> | <u>\$ 1,254,483</u> | <u>\$ 980,000</u> |

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

| | |
|------------------|------------------|
| Interest Expense | <u>\$ 14,105</u> |
|------------------|------------------|

NOTE 8. 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 | \$ 33,770,000 | \$ 0 | \$ 3,415,000 | \$ 30,355,000 | \$ 3,470,000 |
| Deferred Amount on Refunding | 2,172,429 | 239,691 | 206,496 | 2,205,624 | 218,266 |
| Installment Purchase Debt | 3,531,994 | 0 | 221,926 | 3,310,068 | 227,668 |
| Total Bonds and Notes Payable | <u>39,474,423</u> | <u>239,691</u> | <u>3,843,422</u> | <u>35,870,692</u> | <u>3,915,934</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 918,411 | 889,309 | 918,411 | 889,309 | 0 |
| Other Postemployment Benefits | 138,465,346 | 10,094,560 | 3,179,794 | 145,380,112 | 0 |
| Net Pension Liability Proportionate Share | 3,598,803 | 268,961 | 3,201,439 | 666,325 | 0 |
| Total Other Liabilities | <u>142,982,560</u> | <u>11,252,830</u> | <u>7,299,644</u> | <u>146,935,746</u> | <u>0</u> |
| Total Long-Term Liabilities | <u>\$ 182,456,983</u> | <u>\$ 11,492,521</u> | <u>\$ 11,143,066</u> | <u>\$ 182,806,438</u> | <u>\$ 3,915,934</u> |

At June 30, 2018, the deferred amount on refunding includes unamortized premiums of \$2,205,624. This amount is being amortized over the life of the debt issuance to which it relates.

BEACON CITY SCHOOL DISTRICT
 BEACON, NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 8. LONG-TERM LIABILITIES. (Continued)

Existing serial bond and installment purchase obligations are as follows:

| <u>Description of Issue</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Balance</u> |
|-----------------------------|-----------------------|---------------------------|--------------------------|---------------------|
| Serial Bonds | Various | Various | Various | \$30,355,000 |
| Installment Purchase Debt | Various | Various | Various | 3,310,067 |
| | | | | <u>\$33,665,067</u> |

The following is a summary of maturing debt service requirements:

| <u>For the Year Ended June 30,</u> | <u>Bonds and Notes Payable</u> | |
|------------------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2019 | \$ 3,697,668 | \$ 1,149,223 |
| 2020 | 3,813,559 | 1,056,832 |
| 2021 | 3,914,602 | 945,214 |
| 2022 | 3,415,802 | 835,039 |
| 2023 | 2,867,162 | 732,941 |
| 2024 - 2028 | 11,902,124 | 2,099,642 |
| 2029 - 2033 | 4,054,152 | 191,112 |
| TOTAL | <u>\$33,665,069</u> | <u>\$ 7,010,003</u> |

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

| | |
|---|---------------------|
| Interest paid | \$ 1,244,483 |
| Less: Interest accrued in the prior year | (387,103) |
| Amortization of premiums, deferred amounts on refunding and bond issue costs. | (29,599) |
| Plus: Interest accrued in the current year | <u>389,718</u> |
| Total interest expense | <u>\$ 1,217,499</u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. 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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tier 6 (Continued)

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.

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.

Disability Retirement Benefits

Disability retirement benefits are available to ERS and PFRS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets or other benefits depend on a members tier, years of service, and plan.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

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.

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, 2018

NOTE 9. 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> |
|-------------|---------------|---------------|
| 2017 - 2018 | \$ 2,540,915 | \$ 907,703 |
| 2016 - 2017 | 2,910,870 | 818,024 |
| 2015 - 2016 | 3,204,999 | 892,135 |

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, 2018, 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, 2018 for ERS and June 30, 2017 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, 2018, the District's proportion of the NYSERS net pension asset/(liability) was 0.0206456%, which was a increase of 0.000005955% from its proportion measured as of March 31, 2017.

At June 30, 2017, the District's proportion of the NYSTRS net pension asset/(liability) was 0.159079%, which was an decrease of 0.000010320% from its proportion measured as of June 30, 2016.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. 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, 2018, the District's recognized pension expense of \$852,789 for ERS and \$3,039,030 for TRS. At June 30, 2018 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 | \$ 237,657 | \$ 994,839 | \$ 1,232,496 |
| Changes of Assumptions | 441,829 | 12,303,408 | 12,745,237 |
| Net difference between projected and actual earnings on pension plan investments | 967,785 | 0 | 967,785 |
| Changes in proportion and difference between the District's contributions and proportionate share of contributions | 134,311 | 62,854 | 197,165 |
| District's contributions subsequent to the measurement date | <u>282,402</u> | <u>2,600,252</u> | <u>2,882,654</u> |
| Total | <u>\$ 2,063,984</u> | <u>\$ 15,961,353</u> | <u>\$ 18,025,337</u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. 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 | | |
|--|----------------------------------|---------------------|---------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>Total</u> |
| Differences between expected and actual experience | \$ 196,391 | \$ 471,436 | \$ 667,827 |
| Changes of Assumptions | 0 | 0 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 1,910,310 | 2,847,914 | 4,758,224 |
| Changes in proportion and difference between the District's contributions and proportionate share of contributions | 14,374 | 94,149 | 108,523 |
| District's contributions subsequent to the measurement date | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$ 2,121,075</u> | <u>\$ 3,413,499</u> | <u>\$ 5,534,574</u> |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | | |
|------------|----|-----------|----|-------------|
| 2018 | \$ | 0 | \$ | (279,077) |
| 2019 | | (189,878) | | (3,254,368) |
| 2020 | | (137,999) | | (2,328,669) |
| 2020 | | 461,094 | | (577,537) |
| 2021 | | 206,277 | | (2,321,891) |
| Thereafter | | 0 | | (1,186,059) |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

Actuarial Assumptions

The total ERS pension liability at March 31, 2018 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, 2018. The total TRS pension liability at June 30, 2017 was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions. Significant actuarial assumptions used in the actuarial valuations referred to above were as follows:

| | <u>ERS</u> | <u>TRS</u> | | | | | | | | | | |
|----------------------------|--|--|----------------|-------------|---|-------|----|-------|----|-------|----|-------|
| Measurement Date | March 15, 2018 | June 30, 2017 | | | | | | | | | | |
| Investment Rate of Return | 7.00% compounded annually, net of investment expense | 7.25% 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 | April 1, 2010 - March 31, 2015 System's Experience | July 1, 2009 - June 30, 2014 System's Experience | | | | | | | | | | |
| 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 | | | | | | | | | | |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

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.

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

| Measurement Date | ERS | | Measurement Date | TRS | |
|----------------------------|-------------------|---|------------------------------------|-------------------|---|
| | March 15, 2018 | | | June 30, 2017 | |
| | Target Allocation | Long-term expected real rate of return | | Target Allocation | Long-term expected real rate of return |
| Asset Class: | | | Asset Class: | | |
| Domestic Equity | 36% | 4.55% | Domestic Equities | 35% | 5.90% |
| International Equity | 14% | 6.35% | International Equities | 18% | 7.40% |
| Private Equity | 10% | 7.50% | Real Estate | 11% | 4.30% |
| Real Estate | 10% | 5.55% | Private Equity | 8% | 9.00% |
| Absolute Return Strategies | 2% | 3.78% | Domestic fixed income securities | 16% | 1.60% |
| Opportunistic Portfolio | 3% | 5.68% | Global fixed income securities | 2% | 1.30% |
| Real Assets | 3% | 5.29% | High Yield Fixed Income Securities | 1% | 3.90% |
| Bonds and Mortgages | 17% | 1.31% | Mortgages | 8% | 2.80% |
| Cash | 1% | -0.25% | Short-term | 1% | 0.60% |
| Inflation-indexed bonds | 4% | 1.25% | | | |
| | | | | 100% | |
| Total | 100% | | | | |

The real rate of return is net of the long-term inflation assumption of 2.50%

* Real rates of return are net of a long-term inflation assumption of 2.2%.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% 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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

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:

| ERS | 1% Decrease 6.00% | Current Assumption 7.00% | 1% Increase 8.00% |
|--|-------------------------|--------------------------------|-------------------------|
| Employer's Proportionate Share of the Net Pension Asset/(Liability) | \$ (5,041,598) | \$ (666,325) | \$ 3,034,980 |

| TRS | 1% Decrease 6.25% | Current Assumption 7.25% | 1% Increase 8.25% |
|--|-------------------------|--------------------------------|-------------------------|
| Employer's Proportionate Share of the Net Pension Asset/(Liability) | (20,830,194) | 1,209,157 | 19,666,019 |

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:

| Measurement Date | (Dollars in Thousands) | |
|---|------------------------|-----------------------|
| | ERS March 15, 2018 | TRS June 30, 2017 |
| Employers' total pension asset/(liability) | \$ (183,400,590) | \$ (114,708,261,032) |
| Plan net position | (180,173,145) | (115,468,360,316) |
| Employer's net pension asset/(liability) | <u>\$ (3,227,445)</u> | <u>\$ 760,099,284</u> |
| Ratio of plan net position to the employers' total pension asset/(liability) | 98.24% | 100.66% |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS. (Continued)

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, 2018 represent the projected employer contributions for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$282,402 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the year ended June 30, 2018 are paid to the System in September, October and November 2018 through state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the year ended June 30, 2018. 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, 2018 amounted to \$2,802,869.

NOTE 10. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2018, were as follows:

| | Interfund | | Interfund | |
|-------------------------------|---------------------|---------------------|-------------------|-------------------|
| | Receivable | Payable | Other Sources | Other Uses |
| General Fund | \$ 834,678 | \$ 131,590 | \$ 0 | \$ 461,624 |
| Special Aid Fund | 130,934 | 808,834 | 135,883 | 0 |
| School Lunch Fund | 741 | 0 | 75,741 | 0 |
| Capital Fund | 0 | 205,098 | 250,000 | 163,045 |
| Debt Service Fund | 179,180 | 0 | 163,045 | 0 |
| Total Governmental Activities | 1,145,533 | 1,145,522 | 624,669 | 624,669 |
| Fiduciary Agency Fund | 0 | 11 | 0 | 0 |
| Totals | <u>\$ 1,145,533</u> | <u>\$ 1,145,533</u> | <u>\$ 624,669</u> | <u>\$ 624,669</u> |

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. POST-EMPLOYMENT BENEFITS.

General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan (“the District’s OPEB plan”), provides OPEB for eligible retired employees, their spouses and their dependent children. The District’s OPEB plan is a single-employer defined benefit OPEB plan administered by the District based on employment contracts. As these employment contracts are renegotiated, eligibility and benefits may change over time. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District’s OPEB plan subsidizes the cost of healthcare eligible to retired employees, their spouses and their dependent children. Medical coverage, including prescription drugs as part of the medical plan, is offered to retirees on a fully insured basis through NYSIP Empire Plan, MVP Health and CDPHP. No subsidized coverage is provided to retirees for dental, vision or life insurance, except for six (6) existing retirees that receive subsidized dental and life insurance coverage through Ameritas and First Reliance Life. Minimum eligibility requirements for post-employment benefits are as follows:

- Eligibility for retirement is based on meeting a criteria of minimum age and/or years of service (YOS) requirement, Administrators in the BEAA bargaining unit are assumed to be eligible for retirement with a minimum age of fifty-five (55) and a minimum fifteen (15) YOS. All other employees are assumed to be eligible for retirement with a minimum age of fifty-five (55) and a minimum ten (10) YOS.
- The Retiree pays the Medicare Part B premium and is reimbursed by the District. The District does not reimburse Medicare Part D premiums to retirees.
- The retiree is receiving retirement benefits from the NYS Employees’ Retirement System or the NYS Teachers’ Retirement System

Retiree contribution rates, as a percentage of premium, vary based on bargaining unit and coverage tier selected. Contribution rates for current retirees were included in the census provided by the District and valued as such. Contribution rates for future retirees (active employees) are based on the following schedule:

| <u>Bargaining Unit</u> | <u>% of Single</u> | <u>% of Family</u> |
|------------------------|--------------------|--------------------|
| BAOP | 15% | 30% |
| BEAA | 11% | 11% |
| BFW and Nurses | 15% | 30% |
| BTA | 15% | 15% |
| Para Professionals | 50% | 50% |
| FSW - Food Service | 25% | 25% |
| Non-Affiliated | 7% to 10% | 10% to 20% |

If a specific plan cost is greater than the plan cost of NYSHIP, then the incremental cost will be covered by the retiree.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. POST-EMPLOYMENT BENEFITS. (Continued)

General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 445 |
| Active employees | <u>206</u> |
| Total Employees Covered by Benefit Terms | <u><u>651</u></u> |

Total OPEB Liability

The District's total OPEB liability of \$145,380,112 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, with update procedures used to roll forward the actuarial accrued liability to June 30, 2018.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. POST-EMPLOYMENT BENEFITS. (Continued)

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation Rate | N/A |
| Discount Rate | 3.50% |
| Healthcare Cost Trend Rates | Pre-65: 9.0% for 2018, decreasing to an ultimate rate of 1.0% for 2022 and later years |
| | Post-65: 9.0% for 2018, decreasing to an ultimate rate of 1.0% for 2022 and later years |
| Current Retirees' Share of Benefit Related Costs | Retirees pay 7% - 50% of the cost of single coverage and 10% - 50% for the spouse/family based on bargaining unit and coverage tier elected. |
| Future Retirees' Share of Benefit Related Costs | Retirees pay 7% - 50% of the cost of single coverage and 10% - 50% for the spouse/family based on bargaining unit and coverage tier elected. |

The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments.

Mortality rates were based on the RP-2014 Healthy Male and Female Tables which are based on the Combined Healthy Table for both pre and post-retirement projected with mortality improvements using Projection Scale AA for 2.5 years, plus seven years generational improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study included in the valuation which reflects rate of retirement from the active plan and is based on age and gender. This is the assumption used for the NYS Employees' Retirement System (ERS) and the NYS Teachers' Retirement System (TRS).

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. POST-EMPLOYMENT BENEFITS. (Continued)

Changes in the Total OPEB Liability

| | |
|------------------------------|----------------|
| Balance at June 30, 2017 | \$ 138,465,346 |
| <u>Changes for the Year:</u> | |
| Service cost | 5,303,919 |
| Interest | 4,790,641 |
| Benefit payments | (3,179,794) |
| Net Changes | 6,914,766 |
| Balance at June 30, 2018 | \$ 145,380,112 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate:

| | 1% Decrease (2.50%) | Current Discount Rate (3.50%) | 1% Increase (4.50%) |
|----------------------|---------------------------|-------------------------------------|---------------------------|
| Total OPEB Liability | \$ 181,014,286 | \$ 145,380,112 | \$ 119,250,312 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease | Current Health Care Cost Trend Rates | 1% Increase |
|----------------------|----------------|---|----------------|
| Total OPEB Liability | \$ 116,257,350 | \$ 145,380,112 | \$ 188,413,024 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$10,094,560. At June 30, 2018, the District did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. 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.

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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13. 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 \$889,309 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, 2018, there was approximately \$1,506,414 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, 2018 there is an established tax certiorari reserve in the amount \$731,482 which will be used to absorb finalized claims.

NOTE 14. 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, 2018 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, 2018 as follows:

| | |
|--------------|--------------------|
| General Fund | <u>\$1,389,800</u> |
|--------------|--------------------|

NOTE 15. 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.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16. 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, the agreement 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 \$934,263 of which \$908,461 was through agreements with the IDA and \$25,802 was through agreements with the City of Beacon under the property tax abatement agreements. The District received \$278,969 from local businesses in PILOT’s.

NOTE 17. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 15, 2018 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18. RESTATEMENT OF NET POSITION.

For the year ended June 30, 2018, the District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position (if any). The District's net position has been restated as follows:

| | |
|--|-----------------------------------|
| Net Position Beginning of Year, as Previously Stated | <u>\$ 40,341,823</u> |
| <u>GASB Statement 75 Implementation</u> | |
| Removal of Total OPEB Liability under Statement 45 | 17,371,235 |
| Restated Total OPEB Liability under Statement 75 | <u>(138,465,346)</u> |
| Net Change in Net Position for Statement 75 Implementation | <u>(121,094,111)</u> |
| Net Position Beginning of Year, As Restated | <u><u>\$ (80,752,288)</u></u> |

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

| | 06/30/18 |
|--|----------------|
| <u>Total OPEB Liability</u> | |
| Service cost | \$ 5,303,919 |
| Interest | 4,790,641 |
| Benefit payments | (3,179,794) |
| Net change in total OPEB liability | 6,914,766 |
| Total OPEB liability-beginning | 138,465,346 |
| Total OPEB liability-ending | \$ 145,380,112 |
| Covered-employee payroll | \$ 28,394,319 |
| Total OPEB liability as a percentage of covered-employee payroll | 512.00% |

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

* GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

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, 2018

| <u>REVENUES</u> | <u>ORIGINAL BUDGET</u> | <u>REVISED BUDGET</u> | <u>CURRENT YEAR'S REVENUES</u> | <u>OVER (UNDER) REVISED BUDGET</u> |
|--|----------------------------|---------------------------|--|--|
| LOCAL SOURCES: | | | | |
| Real Property Taxes | \$ 37,179,812 | \$ 34,273,503 | \$ 33,909,512 | \$ (363,991) |
| Other Tax Items | 280,000 | 3,567,000 | 3,666,051 | 99,051 |
| Charges for Services | 30,500 | 30,500 | 37,429 | 6,929 |
| Use of Money & Property | 273,500 | 273,500 | 420,488 | 146,988 |
| Sale of Property & Compensation for Loss | 11,000 | 11,000 | 13,893 | 2,893 |
| Miscellaneous | 3,105,000 | 3,105,000 | 470,640 | (2,634,360) |
| STATE SOURCES | 27,745,188 | 27,745,188 | 27,594,311 | (150,877) |
| OTHER SOURCES: | | | | |
| Bond Anticipation Notes Paid from Current Appropriations | 0 | 0 | 1,254,483 | 1,254,483 |
| TOTAL REVENUES & OTHER SOURCES | 68,625,000 | 69,005,691 | <u>\$ 67,366,807</u> | <u>\$ (1,638,884)</u> |
| APPROPRIATED FUND BALANCE | 1,400,272 | 1,429,879 | | |
| TOTAL REVENUES, OTHER SOURCES & APPROPRIATED FUND BALANCE | <u>\$ 70,025,272</u> | <u>\$ 70,435,570</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, 2018

| <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 | \$ 37,500 | \$ 46,070 | \$ 43,338 | \$ 0 | \$ 2,732 |
| Central Administration | 305,243 | 298,002 | 288,699 | 50 | 9,253 |
| Finance | 649,920 | 692,709 | 661,631 | 0 | 31,078 |
| Staff | 428,016 | 440,410 | 423,648 | 0 | 16,762 |
| Central Services | 4,965,098 | 4,647,750 | 3,859,983 | 253,830 | 533,937 |
| Special Items | 844,917 | 745,598 | 659,135 | 0 | 86,463 |
| INSTRUCTIONAL: | | | | | |
| Instruction, Administration & Improvement | 2,487,908 | 2,502,321 | 2,450,188 | 4,916 | 47,217 |
| Teaching - Regular School | 18,341,308 | 18,871,129 | 18,251,886 | 432,587 | 186,656 |
| Programs for Children with Handicapping Conditions | 11,565,452 | 11,647,632 | 11,583,816 | 31,638 | 32,178 |
| Teaching - Special Schools | 2,000 | 2,000 | 1,616 | 0 | 384 |
| Instructional Media | 2,689,872 | 2,574,941 | 1,921,013 | 648,559 | 5,369 |
| Pupil Services | 2,982,407 | 3,274,626 | 3,245,643 | 16,120 | 12,863 |
| PUPIL TRANSPORTATION | 3,272,672 | 3,399,310 | 2,972,198 | 2,100 | 425,012 |
| COMMUNITY SERVICES | 136,109 | 114,461 | 109,154 | 0 | 5,307 |
| EMPLOYEE BENEFITS | 15,656,480 | 15,518,241 | 14,416,983 | 0 | 1,101,258 |
| DEBT SERVICE: | | | | | |
| Debt Service - Principal | 3,861,408 | 3,914,975 | 4,876,409 | 0 | (961,434) |
| Debt Service - Interest | 1,323,962 | 1,270,395 | 1,258,588 | 0 | 11,807 |
| TOTAL EXPENDITURES | 69,550,272 | 69,960,570 | 67,023,928 | 1,389,800 | 1,546,842 |
| OTHER USES: | | | | | |
| Operating Transfers Out | 475,000 | 475,000 | 461,624 | 0 | 13,376 |
| TOTAL EXPENDITURES & OTHER USES | \$ 70,025,272 | \$ 70,435,570 | 67,485,552 | \$ 1,389,800 | \$ 1,560,218 |
| EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES | | | \$ (118,745) | | |

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, 2018

| | NYSERS Pension Plan Last 10 Fiscal Years* | | | | |
|---|--|----------------|----------------|--------------|--------------|
| | 3/31/2018 | 3/31/2017 | 3/31/2016 | 3/31/2015 | 3/31/2014 |
| District's proportion of the net pension asset/(liability) | 0.0206456% | 0.0200501% | 0.0203918% | 0.0209535% | 0.0209535% |
| District's proportionate share of the net pension asset/(liability) | \$ (666,325) | \$ (1,883,951) | \$ (3,272,948) | \$ (707,861) | \$ (946,860) |
| District's covered-employee payroll | \$ 5,832,620 | \$ 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 | -11.42% | -31.15% | -57.32% | -12.10% | -18.12% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.24% | 94.70% | 90.70% | 97.95% | 97.15% |

| | NYSTRS Pension Plan Last 10 Fiscal Years* | | | | |
|---|--|----------------|---------------|---------------|---------------|
| | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2014 | 6/30/2013 |
| District's proportion of the net pension asset/(liability) | 0.159079% | 0.160111% | 0.158666% | 0.157879% | 0.156752% |
| District's proportionate share of the net pension asset/(liability) | \$ 1,209,157 | \$ (1,714,852) | \$ 16,480,368 | \$ 17,586,777 | \$ 1,031,827 |
| District's covered-employee payroll | \$ 26,533,180 | \$ 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 | 4.56% | -6.80% | 66.70% | 74.37% | 4.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 100.66% | 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 third 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, 2018

| NYSERS Pension Plan Last 10 Fiscal Years* | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | <u>3/31/2018</u> | <u>3/31/2017</u> | <u>3/31/2016</u> | <u>3/31/2015</u> | <u>3/31/2014</u> |
| Contractually required contribution | \$ 872,353 | \$ 834,110 | \$ 939,750 | \$ 1,095,342 | \$ 953,885 |
| Contributions in relation to the contractually required contribution | <u>872,353</u> | <u>834,110</u> | <u>939,750</u> | <u>1,095,342</u> | <u>953,885</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered Employee Payroll | \$ 5,832,620 | \$ 6,047,936 | \$ 5,710,256 | \$ 5,852,509 | \$ 5,226,682 |
| Contributions as a percentage of its covered-employee payroll | 14.96% | 13.79% | 16.46% | 18.72% | 18.25% |

| NYSTRS Pension Plan Last 10 Fiscal Years* | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2014</u> | <u>6/30/2013</u> |
| Contractually required contribution | \$ 2,954,466 | \$ 3,276,105 | \$ 4,178,070 | \$ 3,789,702 | \$ 2,718,559 |
| Contributions in relation to the contractually required contribution | <u>2,954,466</u> | <u>3,276,105</u> | <u>4,178,070</u> | <u>3,789,702</u> | <u>2,718,559</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Covered Employee Payroll | \$ 26,533,180 | \$ 25,208,753 | \$ 24,706,678 | \$ 23,646,578 | \$ 22,960,801 |
| Contributions as a percentage of its covered-employee payroll | 11.13% | 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 third 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, 2018

CHANGE FROM ADOPTED TO FINAL BUDGET

| | |
|----------------------------------|-----------------------------|
| ADOPTED BUDGET | \$ 68,668,551 |
| ADDITIONS: | |
| Encumbrances from Prior Year | 1,356,721 |
| ORIGINAL BUDGET | 70,025,272 |
| BUDGET REVISIONS: | |
| Bond Anticipation Note for Buses | 380,691 |
| Other Revisions | 29,607 |
| FINAL BUDGET | <u><u>\$ 70,435,570</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|--|--------------|
| 2018/2019 Voter-approved expenditure budget | \$ 2,820,800 |
| Maximum allowed (4% of 2018/2019 budget of \$70,520,000) | |

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

| | |
|--|------------------|
| Unrestricted Fund Balance: | |
| Assigned Fund Balance | \$ 3,889,800 |
| Unassigned Fund Balance | 4,110,094 |
| Total Unrestricted Fund Balance | <u>7,999,894</u> |
| Less: | |
| Appropriated Fund Balance | 2,500,000 |
| Encumbrances Included in Assigned Fund Balance | 1,389,800 |
| Total Adjustments | <u>3,889,800</u> |

| | |
|--|----------------------------|
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u><u>\$ 4,110,094</u></u> |
|--|----------------------------|

| | |
|-------------------|-------|
| Actual Percentage | 5.83% |
|-------------------|-------|

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, 2018

| | ORIGINAL APPROPRIATION | REVISED APPROPRIATION | EXPENDITURES TO DATE | | | | UNEXPENDED BALANCE | METHODS OF FINANCING | | | FUND BALANCE JUNE 30, 2018 | |
|-----------------------------------|---------------------------|--------------------------|----------------------|-------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------------|-------------------|----------------------------------|--------------------|
| | | | PRIOR YEARS | CURRENT YEAR | INTERFUND TRANSFER | TOTAL | | PROCEEDS FROM DEBT | STATE AID | LOCAL SOURCES | | TOTAL |
| New Capital Project | \$ 8,995,000 | \$ 8,995,000 | \$ 0 | \$ 390,336 | \$ 0 | \$ 390,336 | \$ 8,604,664 | \$ 0 | \$ 0 | \$ 375,007 | \$ 375,007 | \$ (15,329) |
| Various EXCEL Aided Projects 2009 | 12,000,000 | 12,000,000 | 11,798,304 | 38,651 | 163,045 | 12,000,000 | 0 | 10,583,929 | 1,416,071 | 0 | 12,000,000 | 0 |
| | <u>\$ 20,995,000</u> | <u>\$ 20,995,000</u> | <u>\$ 11,798,304</u> | <u>\$ 428,987</u> | <u>\$ 163,045</u> | <u>\$ 12,390,336</u> | <u>\$ 8,604,664</u> | <u>\$ 10,583,929</u> | <u>\$ 1,416,071</u> | <u>\$ 375,007</u> | <u>\$ 12,375,007</u> | <u>\$ (15,329)</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, 2018

| | | |
|--|------------------|-----------------------------|
| CAPITAL ASSETS, NET | | \$ 65,408,246 |
| ADDITIONS: | | |
| Deferred Charges on Refunding | | 532,547 |
| DEDUCTIONS: | | |
| Short-term Portion of Bonds Payable (including unamortized Bond Premium \$218,266) | 3,688,266 | |
| Long-term Portion of Bonds Payable (including unamortized Bond Premium \$1,987,358) | 28,872,358 | |
| Short-term Portion of Installment Debt | 227,668 | |
| Long-term Portion of Installment Debt | <u>3,082,400</u> | |
| Total Deductions | | <u>35,870,692</u> |
| NET INVESTMENT IN CAPITAL ASSETS | | <u><u>\$ 30,070,101</u></u> |

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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Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, 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 Beacon City School District, as of and for the year ended June 30, 2018, 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 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Beacon City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 15, 2018



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
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Report on Compliance for Each Major Federal Program

We have audited 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 Beacon City School District's major federal programs for the year ended June 30, 2018. 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 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 Beacon City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2018.

Report on Internal Control over Compliance

Management of 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montgomery, New York
October 15, 2018

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

| <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 | 0032-17-0171 | \$ 0 | \$ 5,725 |
| IDEA - Part B, Section 611 | 84.027 | 0032-18-0171 | 98,144 | 790,857 |
| IDEA - Part B, Section 619 | 84.173 | 0033-18-0171 | 22,452 | 42,906 |
| Total Special Education Cluster | | | <u>\$ 120,596</u> | <u>839,488</u> |
| Title I Parts A&D, Basic Program | 84.010 | 0021-18-0640 | | 771,679 |
| Title III Part A, LEP | 84.365 | 0293-18-0640 | | 6,370 |
| Title II Part A, Teacher & Principal Training & Recruiting | 84.367 | 0147-18-0640 | | <u>129,027</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | <u>1,746,564</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 | | 554,596 |
| National School Breakfast Program | 10.553 | N/A | | <u>93,286</u> |
| Cash Assistance Subtotal | | | | 647,882 |
| Non-Cash Assistance (food distribution) | | | | |
| Commodity Supplemental Food Program | 10.555 | N/A | | <u>56,812</u> |
| TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER | | | | <u>704,694</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 2,451,258</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, 2018

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 \$56,812 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, 2018

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:

| <u>CFDA NUMBERS</u> | <u>NAME OF FEDERAL PROGRAM OR CLUSTER</u> |
|---------------------|---|
| 84.010 | Title I |

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).



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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

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Report on Financial Statements

We have audited the accompanying financial statements of the Beacon City School District's extraclassroom activity funds, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2018, 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 an opinion 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 opinion.

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

Page 2

Opinion

In our opinion, the financial statements referred to in the first paragraph 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, 2018, and its cash receipts and cash disbursements for the year then ended, in accordance with the basis of accounting described in Note #1.

Basis of Accounting

We draw your 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 opinion is not modified with respect to that matter.

Montgomery, New York
October 15, 2018

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
JUNE 30, 2018

ASSETS

| | |
|------------------|-------------------|
| Cash in Checking | <u>\$ 115,930</u> |
|------------------|-------------------|

FUND BALANCE

| | |
|---------------------------------------|-------------------|
| Fund Balance, Beginning of Year | \$ 95,795 |
| Excess of Receipts over Disbursements | <u>20,135</u> |
| Fund Balance, End of Year | <u>\$ 115,930</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, 2018

| | CASH BALANCE JUNE 30, 2017 | RECEIPTS | DISBURSEMENTS | CASH BALANCE JUNE 30, 2018 |
|----------------------------|----------------------------------|-------------------|-------------------|----------------------------------|
| Class of 2019 | \$ 2,217 | \$ 13,093 | \$ 15,252 | \$ 58 |
| Class of 2021 | 0 | 4,713 | 1,973 | 2,740 |
| General Student Org. | (1,394) | 186 | 86 | (1,294) |
| Class of 2020 | 1,175 | 1,751 | 1,029 | 1,897 |
| Class of 2017 | 643 | 0 | 643 | - |
| Class of 2018 | 995 | 36,330 | 29,829 | 7,496 |
| BHS Band | 961 | 4,127 | 2,504 | 2,584 |
| BHS Drama | 17,481 | 58,445 | 56,004 | 19,922 |
| BHS Video Club | 1,171 | 1,690 | 1,164 | 1,697 |
| BHS Chorus | 323 | 3,169 | 2,878 | 614 |
| BHS Student Council | 2,881 | 0 | 0 | 2,881 |
| BHS Yearbook | 10,165 | 2,415 | 8,740 | 3,840 |
| Gay/Straight Alliance | 550 | 0 | 0 | 550 |
| BHS SADD | 2,642 | 107 | 295 | 2,454 |
| BHS National Honor Society | 1,631 | 1,271 | 617 | 2,285 |
| Rombout Band 6th Grade | 2,418 | 0 | 0 | 2,418 |
| Rombout Band 7th-8th Grade | 6,071 | 22,400 | 20,965 | 7,506 |
| Rombout Chorus | 461 | 12,337 | 9,772 | 3,026 |
| Rombout Drama Club | 4,433 | 7,412 | 6,856 | 4,989 |
| Rombout Student Council | 2,906 | 2,490 | 2221 | 3,175 |
| Rombout Yearbook | 11,387 | 3,628 | 2,208 | 12,807 |
| Wrestling | 961 | 5,190 | 1,371 | 4,780 |
| Bowling | 115 | 0 | 61 | 54 |
| Varsity Cheerleading | 690 | 482 | 0 | 1,172 |
| Girls Basketball | 1,100 | 6,194 | 4,061 | 3,233 |
| Varsity Baseball | 7,419 | 10,314 | 12,533 | 5,200 |
| Girls Var. Soccer | 654 | 3,505 | 3,321 | 838 |
| Golf | 3,082 | 525 | 888 | 2,719 |
| Varsity Football | 1,589 | 4,006 | 5,552 | 43 |
| Softball | 6,706 | 5,375 | 4,282 | 7,799 |
| Swim Team | (133) | 8,256 | 7,997 | 126 |
| BHS Track | 2,284 | 3,115 | 2,391 | 3,008 |
| Boys Basketball | 1,544 | 4,198 | 1,786 | 3,956 |
| Varsity Volleyball | 0 | 105 | 0 | 105 |
| Boys Soccer | 0 | 1,800 | 1,360 | 440 |
| Girls Lacrosse | 667 | 216 | 99 | 784 |
| RMS Jr. Honor Society | 0 | 28 | 0 | 28 |
| | <u>\$ 95,795</u> | <u>\$ 228,873</u> | <u>\$ 208,738</u> | <u>\$ 115,930</u> |

See notes to financial statement.

BEACON CITY SCHOOL DISTRICT
BEACON, NEW YORK
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.