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October 15, 2018

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beacon City School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Beacon City School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, in 2018 the District implemented Statements of Governmental Accounting Standards (GASB Statements) GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement 81, *Irrevocable Split-Interest Agreements*, GASB Statement 82, *Pension Issues – an amendment of GASB Statements 67, 68 and 73*, GASB Statement 85, *Omnibus 2017*, and GASB Statement 86, *Certain Debt Extinguishment Issues*. We noted no transactions entered into by Beacon City School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the Beacon City School District's financial statements were:

Management's estimate of the annual OPEB costs, deferred inflows and outflows of resources and related obligation which are based on a census of employee data and other relevant data provided to an independent actuarial firm. We evaluated the key factors and assumptions used to develop the annual OPEB costs and related obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Depreciation of fixed assets is based on estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the annual pension costs and its proportionate share of related net pension assets, deferred outflows, net pension liabilities and deferred inflows which are based on information provided by New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) and other relevant data provided to independent actuarial firms hired by the retirement systems. We evaluated the key factors and assumptions used by the retirement systems to develop the annual pension costs and the District's proportionate share of related net pension assets, deferred outflows, net pension liabilities and deferred inflows in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management. See attached detail of audit adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2018.