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CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

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October 20, 2017

To the Board of Education of
Beacon City School District
10 Education Drive
Beacon, NY

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Beacon City School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 May 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, in 2017 the District implemented Statements of Governmental Accounting Standards (GASB statements) Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement 77, *Tax Abatement Disclosures*, GASB Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, GASB Statement 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement 80, *Blending Requirements for Certain Component Units- an Amendment of GASB Statement No. 14*. The application of existing policies was not changed during the year June 30, 2017, as a result. 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 estimates of Other Postemployment Benefits based on actuarial assumptions and depreciation of fixed assets based on estimated useful lives. We evaluated the key factors and assumptions used to develop those estimates in determining that they are 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, and 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. (See attached detail of audit adjustments.) Management has corrected all such misstatements.

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 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Beacon City School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Beacon City School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

General Fund

1. We reviewed the District's compliance with New York State Real Property Tax Law §1318 which limits the amount of unreserved, undesignated fund balance to an amount not greater than 4% of the District's budget for the upcoming school year. We found that the District's 2017-2018 approved General Fund budget was \$68,625,000 and unassigned fund balance at June 30, 2017 was \$4,741,395 which was 6.91% of the subsequent year's budget. The excess funds retained were \$1,996,395.

We recommend that the District not retain fund balance in excess of the 4% limitation required by New York State Law. We also recommend that the District establish and fund, new and existing reserves within applicable general municipal and education law prior to the end of the fiscal year when, in its judgment, taking such action is in the best interest of the District and its taxpayers.

2. Our review of the fund balance and reserves identified that the District is not making all of the necessary adjustments to the reserves at year end.

We recommend that the District review each reserve at year end and determine what adjustments if any need to be made to establish a reserve or adjust the balances of existing reserves at year end. Furthermore, a fund balance reconciliation should be completed by the District to ensure the accuracy.

School Lunch Fund

1. Our review of the School Lunch Fund found that the District is not properly recording the funds that are owed to the District from Heartland (the credit card processing company).

We recommend that the District setup an accounts receivable for the credit card transactions as they occur. When payments are received from Heartland, they should be posted against the receivable. This will also assist the District in reconciling the monthly credit card transactions with the deposits received so that they can verify the balance that is still owed to them by Heartland.

2. The year-end adjustments for surplus food and the change in inventory were not recorded properly.

We recommend that the District carefully review and understand how to properly record the adjustments to reconcile the surplus food and year-end inventory balances.

Federal Fund

1. Our review of the Federal Fund found that Summer Handicap receivable was not accurate; accordingly adjustments were needed to reconcile the receivable at year end.

We recommend the District ensure that all entries are posted and amounts reconciled before the commencement of the audit.

Capital Fund

1. Our review of the capital fund revealed that the District has posted funds transferred from the General Fund to a capital reserve account rather than as interfund revenue.

We recommend that the District implement procedures to ensure that the interfund revenue and expenditures agree.

Extraclassroom Activity Fund

1. Our audit of the Extraclassroom Activity Fund found that two club's had a negative balance as of the end of the year.

We recommend that each club reconcile their accounts throughout the month to ensure that funds are available before submitting a request for payment. Furthermore, no payments should be authorized without the club having funds to cover the payment.

Other Matters

We applied certain limited procedures to the Schedule of Funding Progress – Other Post- Employment Benefits schedule and the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, the Schedule of the Local Government's Proportionate Share of the Net Pension Liability and the Schedule of Local Government Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, the Schedule of Capital Projects Fund – Project Expenditures and Financing Sources, the Net Investment in Capital Assets, the Statement of Indebtedness, and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with prescribed New York State Education Department guidelines and Uniform Guidance requirements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Beacon City School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



NUGENT & HAEUSSLER, P.C.

Client: **BEAC1021 - Beacon City School District**
 Engagement: **BEAC1021** - Beacon City School District**
 Period Ending: **6/30/2017**
 Trial Balance: **3000A.00 - Fund A TB**
 Workpaper: **3700A.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust for additional salaries recorded in Federal for 611 grant - client entry				
A200	CASH - M&T MAIN CHECKING ACCOUNT		5,845.60	
A522.2250.152-00	INSTRUCTIONAL SALARIES- Directors			5,845.60
Total			5,845.60	5,845.60
Adjusting Journal Entries JE # 2				
To adjust for misposting of prior year Capital Fund Excel Aid Receivable				
A630	DUE TO OTHER FUNDS		311,275.00	
A980.3289	OTHER			311,275.00
Total			311,275.00	311,275.00
Adjusting Journal Entries JE # 3				
To record Capital BOA account balance to applied to Sept 2017 debt payment				
A480	PREPAID EXPENSES		3,384.91	
A630	DUE TO OTHER FUNDS			3,384.91
Total			3,384.91	3,384.91
Adjusting Journal Entries JE # 4				
To adjust for overstated receivable in PY				
A980.3101	BASIC AID		1,000.00	
A410	DUE FROM STATE & FED GOVT			1,000.00
Total			1,000.00	1,000.00
Adjusting Journal Entries JE # 5				
To adjust Due to ERS per calculation				
A637	DUE TO ERS		12,263.27	
A522.9010.800-00	EMPLOYEE RETIREMENT			12,263.27
Total			12,263.27	12,263.27
Adjusting Journal Entries JE # 6				
To reverse entry #299				
A980.2801	INTERFUND REVENUE		33,590.05	
A522.9020.800-00	TEACHER RETIREMENT			33,590.05
Total			33,590.05	33,590.05
Adjusting Journal Entries JE # 7				
To reclassify indirect costs moved to Federal misposted to interfund revenue - should be a reduction of expenses in General Fund				
A980.2801	INTERFUND REVENUE		26,238.95	
A522.9060.800-00	HOSPITAL & MEDICAL INSURANCE			26,238.95
Total			26,238.95	26,238.95
Adjusting Journal Entries JE # 9				
To adjust for PY Warrant reductions misposted				
A522.1964.414-00	REFUND REAL PROPERTY TAX		54,163.41	
A342	ALLOWANCE FOR UNCOLLECTIBLE			54,163.41
Total			54,163.41	54,163.41

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 Workpaper: **3700A.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 10				
To adjust for 06/30/16 reserve entry #30 not recorded by Client				
A911	FUND BALANCE UNRESERVED		1,416,356.00	
A827	RESERVE FOR RET CONTRIBUTION			529,514.00
A874	RESERVE FOR TAX CERT 2015-2016			886,842.00
Total			1,416,356.00	1,416,356.00
Adjusting Journal Entries JE # 11				
To adjust tax cert reserves per calculation and year end pending claims schedules.				
A874	RESERVE FOR TAX CERT 2015-2016		886,841.14	
A875	RESERVE FOR TAX CERT 2016-2017		51,289.39	
A911	FUND BALANCE UNRESERVED			938,130.53
Total			938,130.53	938,130.53
Adjusting Journal Entries JE # 12				
To adjust encumbrances to agree to O/S encumbrances and A521				
A911	FUND BALANCE UNRESERVED		6,085.58	
A821	RESERVE FOR ENCUMBRANCES			6,085.58
Total			6,085.58	6,085.58
Adjusting Journal Entries JE # 13				
To adjust amount designated for subsequent years to actual amount.				
A909	DESIGNATED FOR SUB YEARS		3,001,731.82	
A911	FUND BALANCE UNRESERVED			3,001,731.82
Total			3,001,731.82	3,001,731.82
Adjusting Journal Entries JE # 14				
To adjust balance in ret Contribution Reserve based on 16/17 final bill				
A827	RESERVE FOR RET CONTRIBUTION		81,573.00	
A911	FUND BALANCE UNRESERVED			81,573.00
Total			81,573.00	81,573.00
Adjusting Journal Entries JE # 15				
To adjust for write off of old summer handicap receivables from Federal Fund				
A522.2825.400-00	CONTRACTUAL EXPENSE		44,888.73	
A630	DUE TO OTHER FUNDS			44,888.73
Total			44,888.73	44,888.73
Adjusting Journal Entries JE # 16				
To to adjust for reconciling difference in TA payroll account that has been an issue for 2 years.				
A522.1240.150-00	INSTRUCTIONAL SALARIES		807.99	
A630	DUE TO OTHER FUNDS			807.99
Total			807.99	807.99
Adjusting Journal Entries JE # 17				
To reclassify medicaid payments received in 16/17 for PY receivable misposted to revenue in current year.				
A980.4601	MEDICAID		7,388.41	
A410	DUE FROM STATE & FED GOVT			7,388.41
Total			7,388.41	7,388.41

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 Period Ending: **6/30/2017**
 Trial Balance: **3000A.00 - Fund A TB**
 Workpaper: **3700A.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 18				
To reclassify principle and interest payments on \$7,070,000 Bond misposted to BAN accounts				
A522.9711.600-00	SERIAL BONDS CONSTRUCTION- Principle		475,000.00	
A522.9711.700-00	SERIAL BONDS CONSTRUCTION-Interest		109,568.75	
A522.9731.600-00	BOND ANTICIP NOTES -CONSTRUCTION -			475,000.00
A522.9731.700-00	BOND ANTICIP NOTES-CONSTRUCTION -			109,568.75
Total			<u>584,568.75</u>	<u>584,568.75</u>
Adjusting Journal Entries JE # 19				
To adjust for capital fund expenses misposted to General Fund in prior year.				
A391	DUE FROM OTHER FUNDS		7,385.00	
A980.2703	REFUND PRIOR YEARS EXPENSES,			7,385.00
Total			<u>7,385.00</u>	<u>7,385.00</u>
Adjusting Journal Entries JE # 20				
To record transfer to capital to account for prior year BAN Proceeds misposted.				
A522.9950.900-00	TRANSFER TO CAPITAL FUNDS		397,500.00	
A391	DUE FROM OTHER FUNDS			397,500.00
Total			<u>397,500.00</u>	<u>397,500.00</u>
Adjusting Journal Entries JE # 21				
To record transfer of funds to establish a capital reserve fund.				
A911	FUND BALANCE UNRESERVED		1,000,000.00	
A878	Capital Reserve			1,000,000.00
Total			<u>1,000,000.00</u>	<u>1,000,000.00</u>

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 Period Ending: **6/30/2017**
 Trial Balance: **3000C.00 - TB - C FUND**
 Workpaper: **3700C.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust Surplus Foods at 6/30/17				
C522.2860.410-00	FOOD PURCHASES		85,313.00	
C980.4190	SURPLUS FOODS			85,313.00
Total			85,313.00	85,313.00
Adjusting Journal Entries JE # 2				
To record funds owed from Heartland (Credit Card Activity) and adjust for misposting				
C380	ACCOUNTS RECEIVABLE		1,565.00	
C980.1445	SALES - OTHER		4,924.00	
C691	DEFERRED REVENUE			6,489.00
Total			6,489.00	6,489.00
Adjusting Journal Entries JE # 3				
To reverse entry #410				
C845	RESERVE FOR INVENTORY		4,880.50	
C909	FUND BALANCE, UNRESERVED		4,880.50	
C845	RESERVE FOR INVENTORY			4,880.50
C980.4190	SURPLUS FOODS			4,880.50
Total			9,761.00	9,761.00

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 Period Ending: **6/30/2017**
 Trial Balance: **3000F.00 - Fund F TB**
 Workpaper: **3700F.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To record additional salaries for 611 grant - per client				
F522. 2252.150-00-17	SECTION 619 - Salaries for 2016 2017		5,845.60	
F200.1	CASH - MULTI FUND ACCOUNT			5,845.60
Total			<u>5,845.60</u>	<u>5,845.60</u>
Adjusting Journal Entries JE # 2				
To adjust rec"b for summer handicap				
F980. 4289.225.31.7	SUMMER HANDICAP 16-17		121,217.00	
F410	STATE & FED'L RCVBL			121,217.00
Total			<u>121,217.00</u>	<u>121,217.00</u>
Adjusting Journal Entries JE # 3				
to adjust revenue for 619 grant				
F410	STATE & FED'L RCVBL		5,846.00	
F980. 4256.225.21.7	SECTION 619			5,846.00
Total			<u>5,846.00</u>	<u>5,846.00</u>
Adjusting Journal Entries JE # 5				
to adjust posting of revenue and accrual for Pre-K for 15-16				
F410	STATE & FED'L RCVBL		1,303.00	
F980. 3289.251.01.6	UNIV PRE K			1,303.00
Total			<u>1,303.00</u>	<u>1,303.00</u>
Adjusting Journal Entries JE # 6				
To adjust amounts to GF for refund of prior year expenses due to excess funds received for SH				
F410	STATE & FED'L RCVBL		10,377.00	
F630	DUE TO OTHER FUNDS			10,377.00
Total			<u>10,377.00</u>	<u>10,377.00</u>
Adjusting Journal Entries JE # 7				
To move old receivables to GF				
F630	DUE TO OTHER FUNDS		55,265.73	
F410	STATE & FED'L RCVBL			55,265.73
Total			<u>55,265.73</u>	<u>55,265.73</u>
Adjusting Journal Entries JE # 8				
To reclassify and show as one total				
F630	DUE TO OTHER FUNDS		121,217.00	
F391	DUE FROM OTHER FUNDS			121,217.00
Total			<u>121,217.00</u>	<u>121,217.00</u>

Client: **BEAC1021 - Beacon City School District**
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 Period Ending: **6/30/2017**
 Trial Balance: **3000H.00 - Fund H TB**
 Workpaper: **3700H.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust due to/from balances to show as one total				
H630	DUE TO OTHER FUNDS		311,275.00	
H391	DUE FROM OTHER FUNDS			311,275.00
Total			311,275.00	311,275.00
Adjusting Journal Entries JE # 2				
To record balance of funds in BOA account withdrawn from account by BOA to close out and to be applied to Sept 2017 debt payment.				
H630	DUE TO OTHER FUNDS		3,384.91	
H202	CASH - BANKOF AMERICA - ENERGY			3,384.91
Total			3,384.91	3,384.91
Adjusting Journal Entries JE # 3				
To reclassify transfer from General Fund as Interfund Revenue				
H878	CAPITAL RESERVE		250,000.00	
H980.5031	Interfund Transfers			250,000.00
Total			250,000.00	250,000.00
Adjusting Journal Entries JE # 4				
To record transfer of excess funds to General on closed EPC project				
H522.9901.93	Interfund Transfer		75,153.00	
H630	DUE TO OTHER FUNDS			75,153.00
Total			75,153.00	75,153.00
Adjusting Journal Entries JE # 5				
To adjust due to for Prior year BAN proceeds				
H630	DUE TO OTHER FUNDS		397,500.00	
H980.5031	Interfund Transfers			397,500.00
Total			397,500.00	397,500.00
Adjusting Journal Entries JE # 6				
To record additional expenses for the \$12 million capital project.				
H522.2114.293-04-09	RMS-Phase 4 - General Contracting		7,385.00	
H630	DUE TO OTHER FUNDS			7,385.00
Total			7,385.00	7,385.00
Adjusting Journal Entries JE # 7				
To cancel encumbrances.				
H821	RESERVE FOR ENCUMBRANCES		46,062.00	
H909	FUND BALANCE, UNRESERVED			46,062.00
Total			46,062.00	46,062.00

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 Period Ending: **6/30/2017**
 Trial Balance: **3000T.00 - Fund T TB**
 Workpaper: **3700T.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust for immaterial reconciling difference that has been a issue for 2 years.				
TA630	DUE TO OTHER FUNDS		807.99	
TA205	PAYROLL			807.99
Total			807.99	807.99
Adjusting Journal Entries JE # 3				
To adjust prior year change in fiduciary accounts to TE92 and show as one total				
TE909	FUND BALANCE, UNRESERVED		24,869.00	
TE92	EXPENDABLE TRUSTS			24,869.00
Total			24,869.00	24,869.00
Adjusting Journal Entries JE # 4				
To reclassify income and expense on scholarship accounts				
TE522.2100.1	Awards - Scholarships		2,627.45	
TE522.2100.1	Awards - Scholarships		4,961.03	
TE522.2100.1	Awards - Scholarships		7,850.00	
TE92	EXPENDABLE TRUSTS		3,049.51	
TE980.201.1	Interest Income - Scholarships			77.36
TE980.201.2	Contributions - Scholarships			18,410.63
Total			18,487.99	18,487.99

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 Trial Balance: **3000V.00 - Fund V TB**
 Workpaper: **3700V.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To record transfer of excess funds related to EPC project.				
V391	DUE FROM OTHER FUNDS		75,153.00	
V980.5032	Interfund Transfers (From Capital)			75,153.00
Total			<u>75,153.00</u>	<u>75,153.00</u>