

CITY OF BEACON, NEW YORK

Basic Financial Statements
Supplementary Information and
Independent Auditors' Report

December 31, 2018

CITY OF BEACON, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Beacon, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beacon, New York (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beacon, New York, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 14 to the financial statements, the City implemented certain provisions of Governmental Accounting Standards Board (GASB) Statement No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The City also implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended December 31, 2018. Our opinions are not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2019, on our consideration of the City of Beacon, New York'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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Beacon, New York's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 18, 2019

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis
December 31, 2018

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the City's basic financial statements, which begin on page 14.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position (page 14) and the statement of activities (on page 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements reflect business-type activities, but on the same basis as the government-wide statements. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The statements for the City as a whole begin on page 14. One of the most important questions about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. These two statements report the City's *net position* and changes in them. You can think of the City's net position - assets and deferred outflows less liabilities and deferred inflows - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the city council established other funds to show that it is meeting legal responsibilities for using certain grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations after each governmental funds financial statement.
- **Proprietary funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows. The City's Volunteer Firefighter Length of Service Award Program (LOSAP) is included in the proprietary funds as an internal service fund. When reported in the government-wide statements it is blended with the governmental activities.

The City as Trustee

The City is responsible for other assets in an agency capacity. All of the City's fiduciary activities are reported in separate statements of fiduciary net position on page 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

FINANCIAL HIGHLIGHTS

GOVERNMENTAL ACTIVITIES

Statement of Net Position - Governmental Activities

	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Assets:			
Cash and investments	\$ 13,697,713	14,128,422	(430,709)
Receivables	3,812,079	2,864,503	947,576
Internal balances	848,496	517,139	331,357
Investments - LOSAP	599,091	621,362	(22,271)
Prepaid expenses	401,579	412,329	(10,750)
Capital assets	<u>53,385,697</u>	<u>52,359,677</u>	<u>1,026,020</u>
Total assets	<u>72,744,655</u>	<u>70,903,432</u>	<u>1,841,223</u>
Deferred outflows of resources	<u>4,229,532</u>	<u>3,295,163</u>	<u>934,369</u>
Liabilities:			
Accounts payable and other accrued liabilities	5,188,360	5,165,633	22,727
Notes and bonds payable	25,910,409	27,959,283	(2,048,874)
Total OPEB liability	43,858,483	47,735,721	(3,877,238)
Total pension liability - LOSAP	1,272,790	1,170,337	102,453
Net pension liabilities, proportionate share	<u>1,494,528</u>	<u>3,211,622</u>	<u>(1,717,094)</u>
Total liabilities	<u>77,724,570</u>	<u>85,242,596</u>	<u>(7,518,026)</u>
Deferred inflows of resources	<u>7,983,265</u>	<u>2,340,485</u>	<u>5,642,780</u>
Net position:			
Net investment in capital assets	32,112,746	29,040,252	3,072,494
Restricted	92,709	83,172	9,537
Unrestricted	<u>(40,939,103)</u>	<u>(42,507,910)</u>	<u>1,568,807</u>
Total net position	\$ <u>(8,733,648)</u>	<u>(13,384,486)</u>	<u>4,650,838</u>

*2017 amounts have been restated as a result of implementation of GAB Statement No. 73 and No. 75 as described in note 14.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

Statement of Activities - Governmental Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program revenues:			
Charges for services	\$ 1,960,639	1,999,735	(39,096)
Grants and contributions	959,289	658,281	301,008
General revenues:			
Property taxes	11,881,201	10,557,848	1,323,353
Other taxes	5,437,421	5,158,523	278,898
Unrestricted grants and contributions	2,956,312	1,557,826	1,398,486
Interest earnings	69,693	83,724	(14,031)
Other revenues	<u>1,925,201</u>	<u>860,047</u>	<u>1,065,154</u>
Total revenues	<u>25,189,756</u>	<u>20,875,984</u>	<u>4,313,772</u>
Expenses:			
General government support	2,694,220	3,119,272	(425,052)
Public safety	10,051,395	10,711,845	(660,450)
Transportation	4,387,838	4,773,390	(385,552)
Culture and recreation	1,144,522	1,150,288	(5,766)
Home and community services	1,502,394	1,524,196	(21,802)
Interest	<u>758,549</u>	<u>449,252</u>	<u>309,297</u>
Total expenses	<u>20,538,918</u>	<u>21,728,243</u>	<u>(1,189,325)</u>
Change in net position before transfers	4,650,838	(852,259)	5,503,097
Transfers	<u> -</u>	<u>(1,062,376)</u>	<u>1,062,376</u>
Change in net position	\$ <u>4,650,838</u>	<u>(1,914,635)</u>	<u>6,565,473</u>

The City's governmental activities statement of net position reflects an overall increase of \$4,650,838 as revenues exceeded expenses.

The governmental activities shows a cash balance \$13,697,713. This is a combination of general fund cash of \$11,620,237, capital projects cash of \$1,713,419, cash of \$351,867 in the non-major fund and cash of \$12,190 in the internal service fund. Capital projects cash is a result of unspent monies for projects currently underway.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

Governmental activities related projects (roads, sidewalks, buildings, highway and public safety equipment) are reflected in the capital assets of \$53,385,697 which is net of depreciation. The City capitalized \$3,578,383 of expenditures, \$2,165,723 of which was related to road, sidewalk and related lighting improvements, \$982,058 to vehicles, \$226,279 to building improvements, and \$204,323 of other items.

Bonds payable and bond anticipation notes decreased \$2,048,874 a result of principal payments on short-term debt and long-term debt.

The liabilities also showed a decrease of \$1,717,094 in the net pension liabilities, proportionate share. These amounts are determined by New York State and reported to the City.

GENERAL FUND

The City's general fund accounts for the general operations of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Overall in 2018, the general fund revenues increased by \$4,242,813 and expenditures increased by \$94,940. With the adoption of the 2018 budget, the City appropriated \$179,446 of fund balance and increased the tax levy \$273,972 and managed to stay under the 2% tax cap. Specific results to note were revenues received in excess of budget:

- \$182,715 in additional sales tax (growth) from Dutchess County.
- \$562,829 more in tax interest, back tax collection and installment agreements.
- \$113,659 in licenses and permits.
- \$202,286 in sale of property and compensation for loss.
- \$1,408,070 in state aid as deferred amounts were recognized per Office of the State Comptroller.

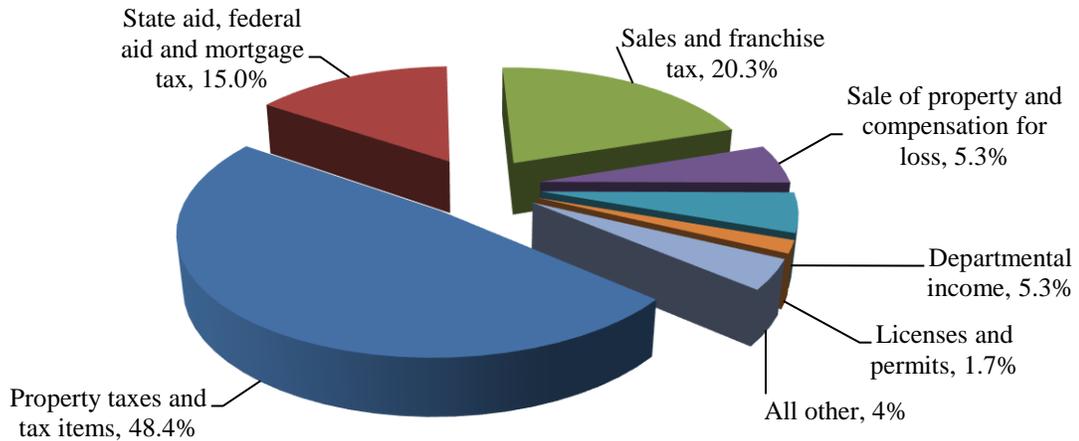
The City saved in almost every department budget across the board and only spent 95% of its expenditure budget. The City approximately saved:

- \$260,000 in salaries.
- \$658,000 in contractual items.
- Employee benefits were overspent due to higher than anticipated health insurance costs.

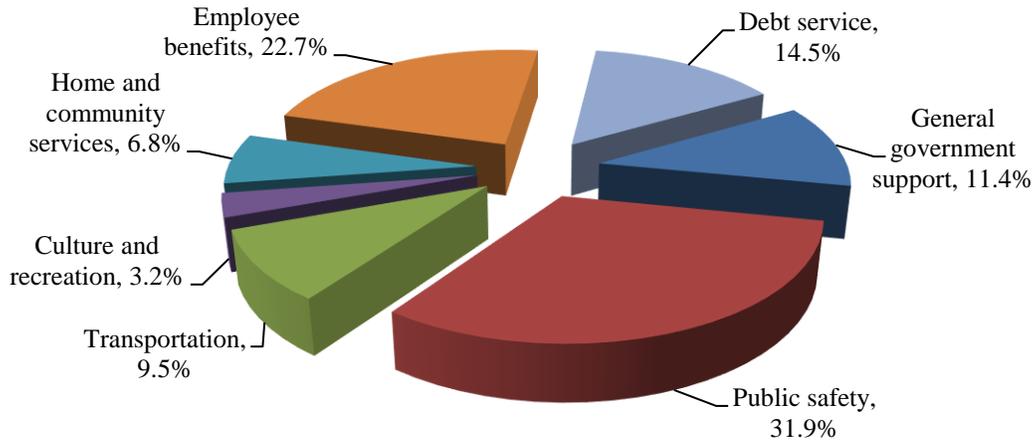
CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

Below are graphs of the general fund's revenues and expenditures to illustrate the sources and uses of the operating fund. Specific amounts can be found on page 18 of the financial statements.

General Fund Revenue 2018



General Fund Expenses 2018



CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

CAPITAL PROJECTS FUND

Starting in 2011 and continuing through 2018, the City has had several major projects underway. These projects are accounted for in the capital projects fund and have been primarily financed through the use of short-term bond anticipation notes (BANs). During 2018, the City converted all outstanding BANs to bonds.

In 2018, the City spent \$2,392,002 on various roads, sidewalks and building upgrades and parking lots and \$982,058 was expended on vehicles within governmental activities.

PROPRIETARY FUNDS

Water and sewer funds of the City are considered to be proprietary funds (business-type). Below is an analysis to show the 2018 versus 2017 balances and operations.

Statement of Net Position - Business-type Activities

	<u>2018</u>	<u>2017*</u>	<u>Change</u>
Assets:			
Cash and equivalents	\$ 6,207,252	7,028,978	(821,726)
Receivables	2,391,952	2,623,405	(231,453)
Internal balances	(848,496)	(517,139)	(331,557)
Prepaid expenses	43,173	43,372	(199)
Capital assets	<u>21,083,784</u>	<u>21,002,106</u>	<u>81,678</u>
Total assets	<u>28,877,665</u>	<u>30,180,722</u>	<u>(1,303,057)</u>
Deferred outflows of resources - pensions	<u>528,316</u>	<u>369,883</u>	<u>158,433</u>
Liabilities:			
Accounts payable and other accrued liabilities	712,442	579,107	133,335
Notes and bonds payable	16,751,927	18,264,417	(1,512,490)
Total OPEB liability	8,245,345	8,964,104	(718,759)
Net pension liabilities, proportionate share	<u>152,521</u>	<u>410,972</u>	<u>(258,451)</u>
Total liabilities	<u>25,862,235</u>	<u>28,218,600</u>	<u>(2,356,365)</u>
Deferred inflows of resources	<u>1,318,581</u>	<u>109,490</u>	<u>1,209,091</u>
Net position:			
Net investment in capital assets	6,291,248	7,257,504	(966,256)
Unrestricted	<u>(4,066,083)</u>	<u>(5,034,989)</u>	<u>968,906</u>
Total net position	\$ <u><u>2,225,165</u></u>	<u><u>2,222,515</u></u>	<u><u>2,650</u></u>

*2017 amounts have been restated as a result of implementation of GAB Statement No. 73 and No. 75 as described in note 14.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

The City's water and sewer funds (business-type activities) show a combined increase of \$2,650 in net position. Capital assets increased as additions of \$978,760 were greater than depreciation of \$897,082. Liabilities decreased \$2,356,365 mainly due scheduled payments on short and long-term debt, implementation of GASB Statement No. 75 which reduced the total OPEB liability, and a decrease in the net pension liability which is determined by the New York State Comptroller.

Statement of Revenue, Expenditures and Changes in
Net Position - Business-type Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Program revenues - Charges for services	\$ 7,360,169	7,991,621	(631,452)
General revenues - Investment earnings	<u>41,680</u>	<u>31,861</u>	<u>9,819</u>
Total revenues	<u>7,401,849</u>	<u>8,023,482</u>	<u>(621,633)</u>
Expenses:			
Water	3,105,890	2,977,378	128,512
Sewer	<u>4,293,309</u>	<u>3,852,724</u>	<u>440,585</u>
Total expenses	<u>7,399,199</u>	<u>6,830,102</u>	<u>569,097</u>
Excess before transfers	2,650	1,193,380	(1,190,730)
Transfers in	<u>-</u>	<u>1,062,376</u>	<u>(1,062,376)</u>
Increase in net position	\$ <u><u>2,650</u></u>	<u><u>2,255,756</u></u>	<u><u>(2,253,106)</u></u>

The water fund shows a change/gain in net position of \$268,986 from current year activities. As these financial statements are on a full accrual basis, postemployment benefits, as described above, compensated absences (unused but earned employee leave time) and depreciation on fixed assets are included expenses. For 2018, other postemployment benefit costs amounted to \$161,342 and depreciation expense amounted to \$351,833.

The sewer fund shows a change/decrease in net position of \$266,336 from current year activities. As noted with the water fund above these financial statements are on a full accrual basis as described above, expenses such as other postemployment benefits amounting to \$205,115 and depreciation on fixed assets of \$545,249 are calculated in that figure.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

ACTIVITIES REGARDING CAPITAL ASSETS

The City has \$14,830,331 of construction in progress as of December 31, 2018. Most of this pertains to road reconstruction, sidewalks, lighting projects, and water and sewer main improvements.

LONG TERM DEBT

Total long term serial bond debt as of December 31, 2018 was \$42,607,001. \$25,910,409 of this balance is general fund debt. The water and sewer portions of the debt amount to \$4,960,671 and \$11,791,256, respectively. Water and sewer debt is paid by the water and sewer customers. The general fund paid \$1,504,759 in long-term debt principal in 2018. The water and sewer funds paid \$307,840 and \$592,400 respectively in long term debt service.

SIGNIFICANT ECONOMIC FACTORS

As the United States economies are still recovering from the recession, the City of Beacon enjoys continuing development interest in a variety of areas of the community.

Some of the current projects are described below:

Certificates of Occupancy in 2018 were issued for:

- 445 Main St. renovation and restoration was completed to convert the existing theatre to 30 apartments and a theatre.
- 18 West Main St. renovation of an existing building into a 6,283 sq. ft. hardware store.
- 344 Main St. was completed and houses 24 apartments.
- 7 Creek Dr. was completed and houses 46 apartments.
- 11 Hastings was completed and houses 68 senior apartments.

These properties added significantly to the tax base and therefore lowering the tax rate for 2018's budget. As a result of the development and interest in Beacon, the City added 55 million to the tax base, 31 million to Homestead and 24 million to Non-Homestead. The increased tax base helped the City to provide a tax rate decrease for 3 consecutive years to homestead and non-homestead parcels after 10 years of rate increases.

The City also has several projects approved for and currently under construction including 116 apartments, seven condominiums, 18 townhouses and commercial space. These projects will be issued certificates of deposits in 2019 and 2020, therefore expanding the tax base in 2020 and 2021.

CITY OF BEACON, NEW YORK
Management's Discussion and Analysis, Continued

The increased population of 14,271 (US Census 2016 estimate) will help keep Main Street which features many restaurants and art galleries, alive during lowered tourist activity during the weekdays.

New York State Comptroller's Office Fiscal Stress Monitoring system which objectively reviews a variety of financial and environmental factors continues to classify the City as "No Designation" indicating that the City is below their threshold of being susceptible to fiscal stress. More information on Fiscal Stress Monitoring system can be found here: <http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

Moody's reviews the City's financial condition with annually and continues to classify the City with an outstanding bond rating of Aa2. The City's latest credit opinion can be found here: https://www.moodys.com/research/Moodys-assigns-Aa2-to-the-City-of-Beacon-NYs-20--PR_904574717.

After several years of recession and downward spirals of property assessments, the City is currently on an upward swing with property prices and assessments on the rise. The City of Beacon continues to enjoy a strong real estate market for both residential and commercial. Following the national trend, people are moving back to the City to enjoy our services, shopping, nightlife and walkable nature of the City.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Beacon, New York's finances. Questions about this report should be addressed to Office of the City Administrator, 1 Municipal Plaza, Beacon, New York 12508.

CITY OF BEACON, NEW YORK
Statement of Net Position
December 31, 2018

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and equivalents	\$ 13,697,713	6,207,252	19,904,965
Receivables	2,794,080	2,368,953	5,163,033
Due from other governments	1,017,999	22,999	1,040,998
Internal balances	848,496	(848,496)	-
Investments - LOSAP	599,091	-	599,091
Prepaid expenses	401,579	43,173	444,752
Total current assets	19,358,958	7,793,881	27,152,839
Noncurrent assets:			
Land	10,250,420	1,061,955	11,312,375
Infrastructure, net of accumulated depreciation	23,841,374	15,253,983	39,095,357
Buildings, improvements, machinery and equipment, net of accumulated depreciation	6,179,802	3,051,616	9,231,418
Construction in progress	13,114,101	1,716,230	14,830,331
Total noncurrent assets	53,385,697	21,083,784	74,469,481
Total assets	72,744,655	28,877,665	101,622,320
Deferred outflows of resources	4,229,532	528,316	4,757,848
Liabilities:			
Current liabilities:			
Accounts payable	1,297,675	331,641	1,629,316
Accrued liabilities	324,677	103,244	427,921
Due to other governments	1,496,557	-	1,496,557
Current portion of long-term liabilities:			
Compensated absences	135,622	19,430	155,052
Landfill remediation liability	8,000	-	8,000
Bonds payable, non-capital	52,500	-	52,500
Bonds payable, capital	1,990,827	1,028,673	3,019,500
Total current liabilities	5,305,858	1,482,988	6,788,846
Noncurrent liabilities:			
Judgments and claims	60,000	-	60,000
Compensated absences	1,801,829	258,127	2,059,956
Landfill remediation liability	64,000	-	64,000
Bonds payable, non-capital	184,816	-	184,816
Bonds payable, capital	23,682,266	15,723,254	39,405,520
Total OPEB liability	43,858,483	8,245,345	52,103,828
Total pension liability - LOSAP	1,272,790	-	1,272,790
Net pension liabilities, proportionate share	1,494,528	152,521	1,647,049
Total noncurrent liabilities	72,418,712	24,379,247	96,797,959
Total liabilities	77,724,570	25,862,235	103,586,805
Deferred inflows of resources	7,983,265	1,318,581	9,301,846
Net position (deficit):			
Net investment in capital assets	32,112,746	6,291,248	38,403,994
Restricted	92,709	-	92,709
Unrestricted (deficit)	(40,939,103)	(4,066,083)	(45,005,186)
Total net position (deficit)	\$ (8,733,648)	2,225,165	(6,508,483)

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Statement of Activities
Year ended December 31, 2018

Functions	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position		Total
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	
Governmental activities:							
General government support	\$ 2,694,220	481,311	-	-	(2,212,909)	-	(2,212,909)
Public safety	10,051,395	722,401	228,414	15,287	(9,085,293)	-	(9,085,293)
Transportation	4,387,838	287,374	-	691,909	(3,408,555)	-	(3,408,555)
Culture and recreation	1,144,522	373,406	19,905	-	(751,211)	-	(751,211)
Home and community services	1,502,394	96,147	3,774	-	(1,402,473)	-	(1,402,473)
Interest	758,549	-	-	-	(758,549)	-	(758,549)
Total governmental activities	<u>20,538,918</u>	<u>1,960,639</u>	<u>252,093</u>	<u>707,196</u>	<u>(17,618,990)</u>	<u>-</u>	<u>(17,618,990)</u>
Business-type activities:							
Water fund	3,105,890	3,359,537	-	-	-	253,647	253,647
Sewer fund	4,293,309	4,000,632	-	-	-	(292,677)	(292,677)
Total business-type activities	<u>7,399,199</u>	<u>7,360,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,030)</u>	<u>(39,030)</u>
	<u>\$ 27,938,117</u>	<u>9,320,808</u>	<u>252,093</u>	<u>707,196</u>	<u>(17,618,990)</u>	<u>(39,030)</u>	<u>(17,658,020)</u>
General revenue:							
Taxes:							
Real property tax					11,008,389	-	11,008,389
Real property tax items					872,812	-	872,812
Sales tax distribution					4,461,401	-	4,461,401
Mortgage tax					548,980	-	548,980
Utilities tax					186,660	-	186,660
Franchise tax					240,380	-	240,380
Payments from other governments					160,085	-	160,085
Grants and contributions not restricted to specific programs					2,956,312	-	2,956,312
Unrestricted investment earnings					69,693	37,753	107,446
Sale of property and compensation for loss					1,115,569	3,927	1,119,496
Miscellaneous					649,547	-	649,547
Total general revenue					<u>22,269,828</u>	<u>41,680</u>	<u>22,311,508</u>
Change in net position					<u>4,650,838</u>	<u>2,650</u>	<u>4,653,488</u>
Net position at beginning of year, before restatement					16,758,629	7,810,410	24,569,039
Cumulative effect of change in accounting principle					<u>(30,143,115)</u>	<u>(5,587,895)</u>	<u>(35,731,010)</u>
Net position (deficit) at beginning of year, as restated					<u>(13,384,486)</u>	<u>2,222,515</u>	<u>(11,161,971)</u>
Net position (deficit) at end of year					<u>\$ (8,733,648)</u>	<u>2,225,165</u>	<u>(6,508,483)</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<u>Assets</u>				
Cash and equivalents	\$11,620,237	1,713,419	351,867	13,685,523
Receivables:				
Taxes	2,291,795	-	-	2,291,795
Other	328,963	155,000	-	483,963
Mortgage loans receivable	-	-	18,037	18,037
Due from other funds	1,137,230	2,458,824	-	3,596,054
Due from other governments	495,297	52,300	-	547,597
State and federal receivables	18,062	452,340	-	470,402
Prepaid expenditures	398,399	-	-	398,399
Total assets	<u>\$16,289,983</u>	<u>4,831,883</u>	<u>369,904</u>	<u>21,491,770</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts payable	371,155	865,097	-	1,236,252
Accrued expenses	204,754	-	-	204,754
Retainage payable	-	61,423	-	61,423
Due to other funds	2,662,157	85,401	-	2,747,558
Due to other governments	1,496,557	-	-	1,496,557
Other liabilities	5,673	-	-	5,673
Total liabilities	<u>4,740,296</u>	<u>1,011,921</u>	<u>-</u>	<u>5,752,217</u>
Deferred inflows of resources	<u>818,625</u>	<u>-</u>	<u>18,037</u>	<u>836,662</u>
Fund balances:				
Nonspendable	398,399	-	-	398,399
Restricted for:				
Debt service	1,623	-	-	1,623
Miscellaneous	11,264	-	-	11,264
Community development	79,822	-	351,867	431,689
Assigned - appropriated	462,948	3,819,962	-	4,282,910
Unassigned	9,777,006	-	-	9,777,006
Total fund balances	<u>10,731,062</u>	<u>3,819,962</u>	<u>351,867</u>	<u>14,902,891</u>
Total liabilities, deferred inflows and fund balances	<u>\$16,289,983</u>	<u>4,831,883</u>	<u>369,904</u>	<u>21,491,770</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
 Reconciliation of Balance Sheet - Governmental Funds
 to the Statement of Net Position
 December 31, 2018

Total governmental fund balances	\$ 14,902,891
Total net position reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,385,697
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Compensated absences	(1,937,451)
Landfill remediation liability	(72,000)
Bonds payable	(25,865,574)
Judgments and claims	(60,000)
Total OPEB liability	(43,858,483)
Net pension liabilities, proportionate share	(1,494,528)
The internal service fund is reported separately at the fund level but blended in governmental activities in the statement of net position .	(592,264)
Certain uncollected revenue/receivables are deferred in the funds, but are fully accrued for governmental activity purposes.	824,298
Deferred outflows and inflows of resources related to pension systems and total OPEB liability are not reported in the funds.	
Deferred outflows of resources - pensions	4,056,421
Deferred inflows of resources - pensions	(3,435,371)
Deferred inflows of resources - OPEB	(4,422,526)
Premiums on long-term debt are revenues in the funds but liabilities in the statement of net position	(44,835)
Accrued interest on long-term debt is not recorded in the funds.	<u>(119,923)</u>
Net position - governmental activities	<u>\$ (8,733,648)</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended December 31, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenue:				
Real property taxes	\$10,763,051	-	-	10,763,051
Real property tax items	872,812	-	-	872,812
Non property tax items	4,888,441	-	-	4,888,441
Departmental income	1,269,993	90,500	3,774	1,364,267
Intergovernmental charges	218,023	-	-	218,023
Use of money and property	82,269	18,199	1,486	101,954
Licenses and permits	397,409	-	-	397,409
Fines and forfeitures	152,155	-	-	152,155
Sale of property and compensation for loss	1,268,286	135,004	-	1,403,290
Miscellaneous local sources	81,305	291,369	-	372,674
Interfund revenues	458,320	-	-	458,320
State aid	3,604,219	451,879	-	4,056,098
Federal aid	-	215,906	-	215,906
Total revenue	<u>24,056,283</u>	<u>1,202,857</u>	<u>5,260</u>	<u>25,264,400</u>
Expenditures:				
General government support	2,228,475	51,576	-	2,280,051
Public safety	6,236,830	747,095	-	6,983,925
Transportation	1,857,728	2,744,362	-	4,602,090
Culture and recreation	628,650	85,811	-	714,461
Home and community services	1,337,624	-	-	1,337,624
Employee benefits	4,439,157	-	-	4,439,157
Debt service	2,834,339	-	-	2,834,339
Total expenditures	<u>19,562,803</u>	<u>3,628,844</u>	<u>-</u>	<u>23,191,647</u>
Excess (deficiency) revenue over expenditures	<u>4,493,480</u>	<u>(2,425,987)</u>	<u>5,260</u>	<u>2,072,753</u>
Other financing sources (uses):				
BANS redeemed from appropriations	-	554,975	-	554,975
Proceeds from issuance of debt	-	15,435,000	-	15,435,000
Premiums on issuance of debt	-	46,980	-	46,980
Transfers in	215,439	2,491,000	-	2,706,439
Transfers out	(2,491,000)	(215,439)	-	(2,706,439)
Total other financing sources (uses)	<u>(2,275,561)</u>	<u>18,312,516</u>	<u>-</u>	<u>16,036,955</u>
Excess of revenue over expenditures and other sources (uses)	2,217,919	15,886,529	5,260	18,109,708
Fund balances (deficit) at beginning of year	<u>8,513,143</u>	<u>(12,066,567)</u>	<u>346,607</u>	<u>(3,206,817)</u>
Fund balances at end of year	<u>\$10,731,062</u>	<u>3,819,962</u>	<u>351,867</u>	<u>14,902,891</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 Year ended December 31, 2018

Net change in fund balances	\$18,109,708
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,026,020
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayment of serial bond principal	1,506,904
Proceeds from issuance of debt	(15,435,000)
Premiums on issuance of debt	(46,980)
Some expenses reported in the statement of activities, such as accrued interest, compensated absences, internal service fund, landfill remediation liability and postemployment benefits do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(549,059)
Increase in retirement expense as a result increases in the net pension liabilities.	(206,093)
Certain uncollected revenue/receivables are deferred in the funds, but are fully accrued for governmental activity purposes.	<u>245,338</u>
Change in net position of governmental activities	<u><u>\$ 4,650,838</u></u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Statement of Net Position - Proprietary Funds
December 31, 2018

	<u>Business-type Activities</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Length of Service</u> <u>Award Program</u>
	<u>Fund</u>	<u>Fund</u>		
Assets:				
Current assets:				
Cash and equivalents	\$ 4,440,229	1,767,023	6,207,252	12,190
Receivables:				
Charges for services	922,679	1,165,227	2,087,906	-
Other	22,566	258,481	281,047	285
Due from other governments	22,999	-	22,999	-
Investments			-	599,091
Prepaid expenses	<u>17,895</u>	<u>25,278</u>	<u>43,173</u>	<u>3,180</u>
Total current assets	<u>5,426,368</u>	<u>3,216,009</u>	<u>8,642,377</u>	<u>614,746</u>
Capital assets:				
Land	993,722	68,233	1,061,955	-
Infrastructure, net of accumulated depreciation	5,775,480	9,478,503	15,253,983	-
Buildings, machinery and equipment, net of accumulated depreciation	1,182,846	1,868,770	3,051,616	-
Construction in progress	<u>221,998</u>	<u>1,494,232</u>	<u>1,716,230</u>	<u>-</u>
Total capital assets	<u>8,174,046</u>	<u>12,909,738</u>	<u>21,083,784</u>	<u>-</u>
Total assets	<u>13,600,414</u>	<u>16,125,747</u>	<u>29,726,161</u>	<u>614,746</u>
Deferred outflows of resources	<u>233,301</u>	<u>295,015</u>	<u>528,316</u>	<u>173,111</u>
Liabilities:				
Current liabilities:				
Accounts payable	114,897	216,744	331,641	-
Accrued expenses	32,853	70,391	103,244	-
Due to other funds	147,526	700,970	848,496	-
Current portion of compensated absences	10,424	9,006	19,430	-
Current portion of bonds payable	<u>307,841</u>	<u>715,333</u>	<u>1,023,174</u>	<u>-</u>
Total current liabilities	<u>613,541</u>	<u>1,712,444</u>	<u>2,325,985</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences	138,481	119,646	258,127	-
Bonds payable	4,652,830	11,075,923	15,728,753	-
Total OPEB liability	3,699,707	4,545,638	8,245,345	-
Total pension liability - LOSAP	-	-	-	1,272,790
Net pension liabilities, proportionate share	<u>67,520</u>	<u>85,001</u>	<u>152,521</u>	<u>-</u>
Total noncurrent liabilities	<u>8,558,538</u>	<u>15,826,208</u>	<u>24,384,746</u>	<u>1,272,790</u>
Total liabilities	<u>9,172,079</u>	<u>17,538,652</u>	<u>26,710,731</u>	<u>1,272,790</u>
Deferred inflows of resources	<u>581,746</u>	<u>736,835</u>	<u>1,318,581</u>	<u>107,331</u>
Net position (deficit):				
Net investment in capital assets	4,753,055	1,538,193	6,291,248	-
Unrestricted (deficit)	<u>(673,165)</u>	<u>(3,392,918)</u>	<u>(4,066,083)</u>	<u>(592,264)</u>
Total net position (deficit)	<u>\$ 4,079,890</u>	<u>(1,854,725)</u>	<u>2,225,165</u>	<u>(592,264)</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Statement of Revenue, Expenses and Changes in Net Position -
Proprietary Funds
Year ended December 31, 2018

	<u>Business-type Activities</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Length of Service</u>
	<u>Fund</u>	<u>Fund</u>		<u>Award Program</u>
Operating revenue - charges for services and other fees	<u>\$3,359,537</u>	<u>4,000,632</u>	<u>7,360,169</u>	<u>61,722</u>
Operating expenses:				
Personal services	588,795	820,274	1,409,069	-
Administrative expenses	739,827	293,003	1,032,830	5,490
Maintenance, operations and contractual expenses	798,494	1,680,074	2,478,568	-
Employee benefits	508,400	669,636	1,178,036	69,224
Depreciation	<u>351,833</u>	<u>545,249</u>	<u>897,082</u>	<u>-</u>
Total operating expenses	<u>2,987,349</u>	<u>4,008,236</u>	<u>6,995,585</u>	<u>74,714</u>
Operating income (loss)	<u>372,188</u>	<u>(7,604)</u>	<u>364,584</u>	<u>(12,992)</u>
Nonoperating revenue (expenses):				
Sale of property	3,927	-	3,927	-
Investment income	11,412	26,341	37,753	(32,261)
Interest expense	<u>(118,541)</u>	<u>(285,073)</u>	<u>(403,614)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(103,202)</u>	<u>(258,732)</u>	<u>(361,934)</u>	<u>(32,261)</u>
Change in net position	<u>268,986</u>	<u>(266,336)</u>	<u>2,650</u>	<u>(45,253)</u>
Net position at beginning of year, before restatement	6,287,061	1,523,349	7,810,410	(202,080)
Cumulative effect of change in accounting principle	<u>(2,476,157)</u>	<u>(3,111,738)</u>	<u>(5,587,895)</u>	<u>(344,931)</u>
Net position (deficit) at beginning of year, as restated	<u>3,810,904</u>	<u>(1,588,389)</u>	<u>2,222,515</u>	<u>(547,011)</u>
Net position (deficit) at end of year	<u>\$4,079,890</u>	<u>(1,854,725)</u>	<u>2,225,165</u>	<u>(592,264)</u>

See accompanying notes to the financial statements.

CITY OF BEACON, NEW YORK
Statement of Cash Flows - Proprietary Funds
Year ended December 31, 2018

	<u>Business-type Activities</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Length of Service</u> <u>Award Program</u>
	<u>Fund</u>	<u>Fund</u>		
Cash flows from operating activities:				
Cash received from users	\$3,628,857	3,962,765	7,591,622	61,722
Cash paid for employees and employee benefits	(1,037,504)	(1,425,608)	(2,463,112)	(46,432)
Cash paid for operating expenses	<u>(1,532,015)</u>	<u>(1,888,454)</u>	<u>(3,420,469)</u>	<u>(5,490)</u>
Net cash provided by operating activities	<u>1,059,338</u>	<u>648,703</u>	<u>1,708,041</u>	<u>9,800</u>
Cash flows from investing activities - advances from (payments to) other funds				
	<u>454,773</u>	<u>(123,416)</u>	<u>331,357</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(324,118)	(654,642)	(978,760)	-
Interest payments on debt	(122,129)	(289,935)	(412,064)	-
Proceeds from issuance of debt	-	3,628,010	3,628,010	-
Repayments of debt	<u>(811,340)</u>	<u>(4,328,650)</u>	<u>(5,139,990)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(1,257,587)</u>	<u>(1,645,217)</u>	<u>(2,902,804)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income	11,412	26,341	37,753	(32,546)
Purchase of investments	-	-	-	22,271
Sale of property	<u>3,927</u>	<u>-</u>	<u>3,927</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>15,339</u>	<u>26,341</u>	<u>41,680</u>	<u>(10,275)</u>
Net change in cash and equivalents	271,863	(1,093,589)	(821,726)	(475)
Cash and equivalents at beginning of year	<u>4,168,366</u>	<u>2,860,612</u>	<u>7,028,978</u>	<u>12,665</u>
Cash and equivalents at end of year	<u>\$4,440,229</u>	<u>1,767,023</u>	<u>6,207,252</u>	<u>12,190</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 372,188	(7,604)	364,584	(12,992)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	351,833	545,249	897,082	-
Change in:				
Receivables	269,320	(37,867)	231,453	
Prepaid expenses	83	116	199	140
Accounts payable	2,783	79,048	81,831	-
Accrued expenses	3,440	5,575	9,015	-
Compensated absences	11,194	39,235	50,429	-
Net pension liabilities, proportionate share	(102,824)	(155,627)	(258,451)	
Total OPEB liability	(316,452)	(402,307)	(718,759)	-
Pension liability - LOSAP	-	-	-	102,453
Deferred outflow of resources	(79,988)	(78,445)	(158,433)	(173,111)
Deferred inflow of resources	<u>547,761</u>	<u>661,330</u>	<u>1,209,091</u>	<u>93,310</u>
Net cash provided by operating activities	<u>\$1,059,338</u>	<u>648,703</u>	<u>1,708,041</u>	<u>9,800</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	<u>Agency Funds</u>
Assets - cash and cash equivalents	\$ <u>395,416</u>
Liabilities - escrow funds returnable and other liabilities	<u>395,416</u>
Net position	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK

Notes to Financial Statements

December 31, 2018

(1) Summary of Significant Accounting Policies

The City of Beacon, New York (the City) was incorporated on May 15, 1913, under the provisions of the State of New York. The City operates under a Charter form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities.

The financial statements of the City of Beacon have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

(a) Financial Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Beacon, New York. The financial statements include organizations, functions and activities that are controlled by or dependent upon the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. The City has determined that the following entities are not component units for the purposes of the financial statements of the City of Beacon: City of Beacon Housing Authority, Beacon City School District and The Howland Public Library.

(b) Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and the fund financial statements (reporting the City's major funds and fiduciary funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Government-Wide Financial Statements, Continued

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general revenues (property and sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or mortgage taxes, intergovernmental revenues, interest income, etc).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

(c) Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund is at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

(1) Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basic Financial Statements - Fund Financial Statements, Continued

(1) Governmental Funds, Continued

The following is a description of the governmental funds of the City:

- General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- Nonmajor governmental fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

(2) Proprietary Funds

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Most revenues are considered operating revenues, except for investment income. The City's sewer and water funds are reported as proprietary funds. Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost reimbursement basis. The City has classified its Length of Service Award Program as an internal service fund.

(3) Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

(d) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Basis of Accounting, Continued

(1) Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(2) Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

(e) Fund Balances

Fund balance is broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The City is the decision-making authority that can, by city ordinance prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment 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. The City, city ordinance, has authorized the City administrator to assign fund balance.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the City spends funds in the following order: restricted, committed, assigned, unassigned.

See note 1(p) for an analysis of the City's classified fund balances.

(f) Fair Value Measurement

Generally accepted accounting principles provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical asset or liabilities that the component units have the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of financial instruments classified as current assets or liabilities, including cash, investments, accounts receivable, and accounts payable and accrued expenses approximate carrying value, principally because of the short maturity of those items. Bonds payable are carried at cost, which approximates the fair value based on current rates at which the City could borrow funds with similar maturities.

(g) Cash and Equivalents

Cash includes amounts in demand and time deposits as well as short-term investments. State statutes govern the investment policies of the City. Special time deposits and certificates of deposit not covered by Federal Deposit Insurance must be collateralized by the banking institutions with investments governed under state statutes.

For purposes of the proprietary funds statement of cash flows, the City considers all cash and cash equivalents with an original maturity of three months or less to be cash equivalents.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Cash and Equivalents, Continued

The cash in financial institutions of the City at December 31, 2018, is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Fund</u>	<u>Business- Type Activities</u>	<u>Total</u>
Non-interest bearing accounts	\$ 300	-	-	-	300
Interest bearing bearing accounts	<u>9,522,825</u>	<u>5,778,881</u>	<u>361,357</u>	<u>4,210,886</u>	<u>19,873,949</u>
	<u>\$ 9,523,125</u>	<u>5,778,881</u>	<u>361,357</u>	<u>4,210,886</u>	<u>19,874,249</u>

The carrying amount of cash on the financial statements represent the cash balances less reconciling items, such as deposits in transit and outstanding checks.

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. While the City does not have a specific policy for custodial credit risk, New York State statues govern the City’s investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 - “Deposit and Investment Risk Disclosure,” directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the City or its agent in the City’s name. The City’s cash balances not covered by depository insurance were fully collateralized with securities held by the City’s third party custodian and not subject to custodial credit risk.

(h) Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Water and sewer system	30-40 years
Machinery and equipment	8-15 years
Improvements	20 years
Other infrastructure	15 years

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Compensated Absences

Vacation, sick days and personal days are accumulated at varying rates pertaining to the type of City employee. The City accrues a liability for compensated absences which meet the following criteria:

- The City's obligations relating to employees rights to compensation for future absences are attributable to employee's services already rendered;
- The obligation relates to rights that vest or accumulate;
- Payment of the compensation is probable;
- The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation and sick pay which has been earned and not taken by City employees. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. It is anticipated that none of these liabilities will be liquidated with expendable available financial resources.

(j) Interfund Activity

Interfund activity is reported as, either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

(k) Budgets

The City employs formal budgetary accounting as a management tool, on a basis consistent with generally accepted accounting principles. During the year, a budget was adopted and modified by the city council for the general fund. Budgetary controls are established or adopted for the capital projects fund on a project basis and continue until the project is completed. Unused appropriations of the annually budgeted funds lapse at the end of the year.

(l) Insurance

The City of Beacon assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The City has recorded an estimated liability, \$60,000, in the statement of net position for uninsured deductible amounts; see long-term liabilities (note 5). Workers' compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Property Taxes

The City approves the budget for the current year on the first Monday in December. Property taxes are levied on January 1. Penalties and interest are assessed after February 28. Unpaid taxes are converted to tax sale certificates for a period of two years and then sold at auction.

(n) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources is a separate financial statement element that represents a consumption of net position which applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City reported the following deferred outflows of resources:

	<u>Balance Sheet - Governmental Funds</u>	<u>Statement of Net Position Governmental Activities</u>	<u>Business-type Activities</u>
Pensions	\$ -	4,056,421	528,316
Length of Service Award Program (LOSAP)	- <u> </u>	173,111 <u> </u>	- <u> </u>
	\$ <u> </u>	<u>4,229,532</u>	<u>528,316</u>

Deferred inflows of resources is 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 City reported the following deferred inflows of resources:

	<u>Balance Sheet - Governmental Funds</u>	<u>Statement of Net Position Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 818,625	-	-
Rehabilitation loans	18,037	18,037	-
Pensions	-	3,435,371	498,737
Other postemployment benefits	-	4,422,526	819,844
Length of Service Award Program (LOSAP)	- <u> </u>	107,331 <u> </u>	- <u> </u>
	\$ <u>836,662</u>	<u>7,983,265</u>	<u>1,318,581</u>

(o) Long-Term Liabilities

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the long-term liabilities.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Classifications of Fund Balance

In accordance with GASB 54, the City has classified fund balances based on the constraints imposed on resources. The following provides the description and amounts of these classifications:

	<u>Balance at December 31, 2018</u>
General fund:	
Nonspendable	\$ 398,399
Restricted:	
Debt service	1,623
Miscellaneous	11,264
Community development	<u>79,822</u>
Total restricted	92,709
Assigned - appropriated	462,948
Unassigned	<u>9,777,006</u>
Total general fund	10,731,062
Capital projects fund - assigned	3,819,962
Nonmajor fund - restricted (community development)	<u>351,867</u>
Total fund balance	\$ <u>14,902,891</u>

(q) Allowance for Uncollectible Accounts

The City has not recorded an estimated allowance for un-collectible property taxes. Any amounts not received through regular collections will be recouped through foreclosure. No allowance has been recorded for un-collectible utility accounts in the proprietary funds. Any amounts not received through regular collections will be recouped through installment plans or foreclosure.

(r) Use of Estimates

The preparation of basic financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

(s) Overexpenditure of Certain Appropriations

General funds appropriations were overexpended within the employee benefits category, which was due to the City not making year end budget adjustments for higher than anticipated health insurance costs.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(t) Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued.

(u) Change in Accounting Principles

During the year ended December 31, 2018, the City implemented certain provisions of Government Accounting Standards Board Statement (GASB) No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The City also implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Effects of implementation are described in note 14.

(2) Receivables

Other receivables at December 31, 2018, consists of the following:

	General <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Franchise and utility fees	\$ 115,226	-	115,226
Other fees and reimbursements	203,867	155,000	358,867
NYMIR investment	<u>9,870</u>	<u>-</u>	<u>9,870</u>
Totals	\$ <u>328,963</u>	<u>155,000</u>	<u>483,963</u>

State and federal receivables as of December 31, 2018, consists of the following:

	General <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
State aid receivable	\$ 18,062	373,245	391,307
Federal aid receivable	<u>-</u>	<u>79,095</u>	<u>79,095</u>
Totals	\$ <u>18,062</u>	<u>452,340</u>	<u>470,402</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(3) Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds as of December 31, 2018:

	<u>Amount receivable</u>	<u>Amount payable</u>
General fund	\$ 1,137,230	2,662,157
Capital projects fund	2,458,824	85,401
Proprietary funds:		
Water	-	147,526
Sewer	-	<u>700,970</u>
Totals	<u>\$ 3,596,054</u>	<u>3,596,054</u>
	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 215,439	2,491,000
Capital projects fund	<u>2,491,000</u>	<u>215,439</u>
Totals	<u>\$ 2,706,439</u>	<u>2,706,439</u>

(4) Capital Assets

The following is a summary of changes in the capital assets:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2018</u>
Governmental activities:				
Land	\$ 10,538,141	-	(287,721)	10,250,420
Buildings	5,435,715	140,308	-	5,576,023
Improvements	1,127,597	95,173	-	1,222,770
Machinery and equipment	10,265,873	1,186,381	(341,008)	11,111,246
Infrastructure	34,116,899	2,179,511	-	36,296,410
Construction in progress	<u>13,205,532</u>	<u>2,185,290</u>	<u>(2,276,721)</u>	<u>13,114,101</u>
Totals at historical cost	<u>74,689,757</u>	<u>5,786,663</u>	<u>(2,905,450)</u>	<u>77,570,970</u>
Less accumulated depreciation:				
Buildings	2,734,980	154,294	-	2,889,274
Improvements	783,316	18,973	-	802,289
Machinery and equipment	7,886,060	493,622	(341,008)	8,038,674
Infrastructure	<u>10,925,724</u>	<u>1,529,312</u>	<u>-</u>	<u>12,455,036</u>
Total accumulated depreciation	<u>22,330,080</u>	<u>2,196,201</u>	<u>(341,008)</u>	<u>24,185,273</u>
Governmental activities capital assets, net	<u>\$ 52,359,677</u>	<u>3,590,462</u>	<u>(2,564,442)</u>	<u>53,385,697</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2018</u>
Business-type activities:				
Land	\$ 1,061,955	-	-	1,061,955
Buildings	10,850,042	-	-	10,850,042
Improvements	12,505	6,652	(6,775)	12,382
Machinery and equipment	576,769	172,752		749,521
Infrastructure	21,410,964	1,005,129		22,416,093
Construction in progress	<u>1,922,003</u>	<u>799,356</u>	(1,005,129)	<u>1,716,230</u>
Totals at historical cost	<u>35,834,238</u>	<u>1,983,889</u>	(1,011,904)	<u>36,806,223</u>
Less accumulated depreciation:				
Buildings	8,125,090	128,601	-	8,253,691
Improvements	12,505	40	(6,775)	5,770
Machinery and equipment	233,402	67,466	-	300,868
Infrastructure	<u>6,461,135</u>	<u>700,975</u>	-	<u>7,162,110</u>
Total accumulated depreciation	<u>14,832,132</u>	<u>897,082</u>	(6,775)	<u>15,722,439</u>
Business-type capital assets, net	\$ <u>21,002,106</u>	<u>1,086,807</u>	(1,005,129)	<u>21,083,784</u>

Depreciation was charged to governmental and business-type activities as follows:

General government support	\$ 150,926
Public safety	262,292
Transportation	1,525,233
Culture and recreation	173,885
Home and community services	<u>83,865</u>
Total governmental activities	2,196,201
Business-type activities	<u>897,082</u>
Total depreciation expense	\$ <u>3,093,283</u>

(5) Liabilities

(a) Bond Anticipation Notes Payable

Liabilities for bond anticipation notes of governmental funds are generally accounted for in the capital projects fund, since maturities cannot exceed one year. However, state law allows the notes to be renewed, up to five years for capital purposes and up to the period of probable usefulness for assessable improvements, provided that stipulated annual reductions of principal are made.

There were no bond anticipation notes outstanding in the governmental funds or business-type activities at December 31, 2018.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(5) Liabilities, Continued

(b) Long-Term Debt

The City borrows money in order to acquire or construct buildings and public improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. Long-term debt also consists of landfill costs, judgments and claims, compensated absences and other postemployment benefits. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

(1) Changes

The changes in the City's indebtedness during the year ended December 31, 2018, are summarized as follows:

Governmental activities:

	Balance December 31,			Balance Amounts December 31, due within	
	<u>2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018</u>	<u>one year</u>
Serial bonds	\$ 11,935,333	15,481,980	(1,506,904)	25,910,409	2,043,327
Landfill costs	80,000	-	(8,000)	72,000	8,000
Judgments and claims	60,000	-	-	60,000	-
Compensated absences	1,895,300	42,151	-	1,937,451	135,622
Total OPEB liability*	47,735,721	-	(3,877,238)	43,858,483	-
Total pension liability - LOSAP*	1,170,337	102,453	-	1,272,790	-
Net pension liabilities - proportionate share	<u>3,211,622</u>	<u>-</u>	<u>(1,717,094)</u>	<u>1,494,528</u>	<u>-</u>
Total	\$ <u>66,088,313</u>	<u>15,626,584</u>	<u>(7,109,236)</u>	<u>74,605,661</u>	<u>2,186,949</u>

Business-type activities:

	Balance December 31,			Balance Amounts December 31, due within	
	<u>2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>2018</u>	<u>one year</u>
Serial bonds	\$ 14,024,667	3,628,010	(900,750)	16,751,927	1,023,174
Compensated absences	227,128	50,429	-	277,557	19,430
Total OPEB liability*	8,964,104	-	(718,759)	8,245,345	-
Net pension liabilities - proportionate share	<u>410,972</u>	<u>-</u>	<u>(258,451)</u>	<u>152,521</u>	<u>-</u>
Total	\$ <u>23,626,871</u>	<u>3,678,439</u>	<u>(1,877,960)</u>	<u>25,427,350</u>	<u>1,042,604</u>

* Total OPEB liability and total pension liability - LOSAP have been restated due to implementation of provisions of GASB No. 73 and GASB No. 75 as described in note 14.

Compensated absences are shown net, since it is impracticable to determine the changes separately.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(5) Liabilities, Continued

(b) Long-Term Debt, Continued

(2) Description

Serial bonds payable as of December 31, 2018, are as follows:

Governmental activities:

<u>Purpose</u>	<u>Original issue date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Original amount of issue</u>	<u>Amount outstanding at December 31, 2018</u>
Public improvement	11/12/08	11/15/23	3.25-5.00%	\$ 6,135,000	2,495,000
Public improvement	03/15/11	08/15/20	2.00-4.00%	2,676,832	668,227
Public improvement	10/01/14	10/01/24	4.00-5.00%	5,942,700	4,104,631
Public improvement	05/15/16	05/15/39	2.00-3.00%	3,408,000	3,162,716
Public improvement	05/24/18	05/15/40	3.00-3.50%	<u>15,435,000</u>	<u>15,435,000</u>
				33,597,532	25,865,574
Deferred premium on bonds				<u>46,980</u>	<u>44,835</u>
Totals				\$ <u>33,644,512</u>	<u>25,910,409</u>

Business-type activities:

<u>Purpose</u>	<u>Original issue date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Original amount of issue</u>	<u>Amount outstanding at December 31, 2018</u>
Wastewater treatment	03/14/02	4/15/21	1.21-4.98%	\$ 2,356,000	420,000
Public improvement - water	03/15/11	8/15/20	2.00-4.00%	145,380	31,643
Public improvement - sewer	03/15/11	8/15/20	2.00-4.00%	597,680	150,129
Public improvement - water	10/01/14	10/1/24	4.00-5.00%	1,255,500	898,607
Public improvement - sewer	10/01/14	10/1/24	4.00-5.00%	1,171,800	796,764
Public improvement - water	05/15/16	5/15/39	2.00-3.00%	4,343,000	4,030,421
Public improvement - sewer	05/15/16	5/15/39	2.00-3.00%	7,324,000	6,796,863
Public improvement - sewer	05/24/18	5/15/40	3.00-3.50%	<u>3,617,000</u>	<u>3,617,000</u>
				20,810,360	16,741,427
Deferred premium on bonds				<u>11,010</u>	<u>10,500</u>
Totals				\$ <u>20,821,370</u>	<u>16,751,927</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(5) Liabilities, Continued

(b) Long-Term Debt, Continued

(3) Annual Amortization

The annual requirements to amortize bonded debt as of December 31, 2018, are as follows:

Year ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 2,043,327	796,747	2,840,074	1,028,673	442,372	1,471,045
2020	2,111,507	731,796	2,843,303	1,053,493	412,932	1,466,425
2021	1,834,228	664,093	2,498,321	985,772	382,610	1,368,382
2022	1,882,177	611,225	2,493,402	852,823	360,843	1,213,666
2023	1,952,486	542,418	2,494,904	877,514	336,700	1,214,214
2024-2028	4,510,912	2,130,154	6,641,066	3,394,089	1,416,134	4,810,223
2029-2033	4,354,688	1,535,844	5,890,532	3,475,312	1,029,696	4,505,008
2034-3038	5,086,548	800,767	5,887,315	3,978,452	491,910	4,470,362
2039-2040	2,089,701	69,979	2,159,680	1,095,299	25,483	1,120,782
Totals	<u>\$ 25,865,574</u>	<u>7,883,023</u>	<u>33,748,597</u>	<u>16,741,427</u>	<u>4,898,680</u>	<u>21,640,107</u>

(6) Operating Leases

The City is committed under various leases for office and communication equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended December 31, 2018 amounted to \$2,821. These leases run for a maximum term of up to five years with renewal or purchase options available to the City.

At December 31, 2018, the approximate future annual operating lease commitments, subject to appropriation of funds, were as follows:

<u>Year ending December 31,</u>	<u>Operating leases</u>
2019	\$ <u>420</u>

(7) Due to Other Governments

The City collects unpaid property taxes and payments in lieu of taxes (PILOT) on behalf of the Beacon City School District and Dutchess County. At December 31, 2018, unpaid school taxes and interest of \$1,496,557 are due to the Beacon City School District. However, delinquent taxes and interest of \$952,520 have not yet been collected by the City and are included in Taxes Receivable.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans

(a) New York State and Local Retirement Systems

Plan Description

The City of Beacon participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and tier V is required to contribute 3% of their salary, and tier VI is required to contribute a minimum of 3.5% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The City is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 479,434	921,852
2017	481,656	959,179
2016	491,510	971,273

The City's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2018, the City reported a liability of \$423,433 and \$1,223,616 for its proportionate share of the net ERS and PFRS pension liabilities, respectively. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

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

At March 31, 2018, the City's proportionate share of the ERS liability was 0.0131198%, and 0.1210594% of the PFRS liability. The City's proportionate share of the ERS liability and the PFRS liability increased 0.0009771 and 0.0013268, respectively, from the March 31, 2017 measurement date.

For the year ended December 31, 2018, the City recognized pension expense of \$513,915 for ERS, and \$1,114,256 for PFRS in the statement of activities. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 151,025	124,801	503,628	325,143
Changes of assumptions	280,771	-	927,111	-
Net difference between projected and actual investment earnings on pension plan investments	615,004	1,213,955	990,374	1,994,560
Changes in proportion and differences between the City's contributions and proportionate share of contributions	56,702	45,856	9,157	229,793
City's contributions subsequent to the measurement date	<u>359,576</u>	<u>-</u>	<u>691,389</u>	<u>-</u>
Total	<u>\$ 1,463,078</u>	<u>1,384,612</u>	<u>3,121,659</u>	<u>2,549,496</u>

Total to financial statements:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	\$ 934,762	885,875	3,121,659	2,549,496
Water fund	233,301	220,789	-	-
Sewer fund	<u>295,015</u>	<u>277,948</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,463,078</u>	<u>1,384,612</u>	<u>3,121,659</u>	<u>2,549,496</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

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

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

<u>Year ending December 31,</u>	<u>ERS</u>	<u>PFRS</u>
2019	\$ 92,650	192,936
2020	71,653	164,966
2021	(306,375)	(310,606)
2022	(139,038)	(200,191)
2023	-	33,669

Actuarial Assumptions

The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation for ERS and PFRS used the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.8% in ERS, 4.5% in PFRS
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized on the next page:

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Actuarial Assumptions, Continued

	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Asset type:		
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.50%
Real estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bonds and mortgages	17%	1.31%
Cash	1%	(0.25%)
Inflation - indexed bonds	<u>4%</u>	1.25%
	<u>100%</u>	

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 determined. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (<u>6.0%</u>)	Current Assumption (<u>7.0%</u>)	1% Increase (<u>8.0%</u>)
City's proportionate share of the net ERS pension asset (liability)	\$ (3,203,812)	(423,433)	1,928,655
City's proportionate share of the net PFRS pension asset (liability)	(<u>5,993,605</u>)	(<u>1,223,616</u>)	<u>2,777,285</u>
Total at December 31, 2018	\$ (<u>9,197,417</u>)	(<u>1,647,049</u>)	<u>4,705,940</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(a) New York State and Local Retirement Systems, Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows:

	<u>Dollars in Thousands</u>	
	Employees' Retirement System	Police and Fire Retirement System
Employers' total pension liability	\$ (183,400)	(32,914)
Fiduciary net position	<u>180,173</u>	<u>31,903</u>
Employers' net pension liability	\$ <u>(3,227)</u>	<u>(1,011)</u>
Ratio of fiduciary net position to the employers' total pension liability	98.2%	96.9%

(b) Volunteer Firefighter Length of Service Award Program (LOSAP)

Program Description

The City established a defined benefit Service Award Program (referred to as a "LOSAP" - Length of Service Award Program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 2001 for the active volunteer firefighter members of the City of Beacon Fire Department.

The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The city council of the City of Beacon is the trustee and plan administrator for the Service Award Program.

The information contained in this note is based on information for the City's Service Award Program for the program year ending on December 31, 2018, which is the most recent information available.

Participation, Vesting and Service Credit

In a defined benefit LOSAP, participating volunteers begin to be paid a service award upon attainment of the program's entitlement age. An eligible program participant is defined by the program sponsor to be an active volunteer firefighter who is at least 16 years of age and has earned one (1) year of Service Award Program service credit. The amount of service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Participants acquire a right to be paid a service award after earning credit for five (5) years of service, upon attaining the program's entitlement age while an active volunteer, or becoming total and permanently disabled while an active volunteer. The program's entitlement age is age 62. An active volunteer firefighter earns a year of Service Award

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(b) Volunteer Firefighter Length of Service Award Program (LOSAP), Continued

Program service credit for each calendar year after the establishment of the program in which he or she accumulated fifty (50) points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive Service Award Program service credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the City of Beacon Fire Department.

Benefits

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of Service Award Program service credit earned by the participant under the point system. The maximum number of years of service credit a participant may earn under the program is 20 years.

Currently, there are no other forms of payment of a participant's account balance under the program. Except in the case of pre-entitlement age death or total and permanent disablement, a participant's service award will not be paid until he or she attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments.

Fiduciary Investment and Control

After the end of each calendar year, the fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned fifty points. The certified list is delivered to the city council for the council's review and approval. The fire department must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the council. The city council has retained Penflex, Inc. (Penflex) to assist in the administration of the program.

Based on the certified calendar year volunteer firefighter listings, Penflex determines and certifies in writing to the city council the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the city council then authorizes, in writing, the custodian of the City of Beacon LOSAP Trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex and the written directive from an authorized representative of the city council.

Penflex bills the City of Beacon for the services it provides. Penflex's invoices are authorized for payment by the city council in the same manner as any other invoice presented to the City for payment. The City pays Penflex invoices from its general fund.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(b) Volunteer Firefighter Length of Service Awards Program (LOSAP), Continued

Fiduciary Investment and Control, Continued

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of operation and administration of the program. The city council created a Service Award Program trust fund through the adoption of a Trust Document, a copy of which is available from the fire department secretary. The city council is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule. Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the City. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

At the December 31, 2018 measurement date (most recent available), the following participants were covered by benefit terms.

<u>Group</u>	
Active participants	21
Inactive participants currently receiving benefits	14
Inactive participants entitled to but not yet receiving benefits	<u>27</u>
Total	<u>62</u>

Measurement of Total Pension Liability

The total pension liability at the December 31, 2017 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP 2014 Mortality Table without projection for mortality improvement.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(b) Volunteer Firefighter Length of Service Awards Program (LOSAP), Continued

Discount Rate

The discount rate used to measure the total pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Liability

Balance as of December 31, 2016 measurement date	\$ 1,170,337
Service cost	23,018
Interest	43,482
Changes of assumptions or other inputs	108,864
Differences between expected and actual experience	(30,251)
Benefit payments	<u>(42,660)</u>
Net change	<u>102,453</u>
Balance as of December 31, 2017 measurement date	\$ <u>1,272,790</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the City as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1% lower (2.16%) or 1% higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ <u>1,561,826</u>	<u>1,272,790</u>	<u>1,085,542</u>

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

For the year ended December 31, 2018, the City recognized pension expense of \$74,714.

Components of Pension Expense

Service cost	\$ 23,018
Interest on total pension liability	43,482
Changes of assumptions or other inputs	4,190
Differences between expected and actual experience	(1,466)
Pension plan administrative expenses	<u>5,490</u>
Total pension expenses	\$ <u>74,714</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(8) Pension Plans, Continued

(b) Volunteer Firefighter Length of Service Awards Program (LOSAP), Continued
Components of Pension Expense, Continued

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,640	26,650
Changes of assumptions or other inputs	95,904	80,681
Benefit payments and administrative expenses subsequent to the measurement date	<u>57,567</u>	<u>-</u>
Total	\$ <u>173,111</u>	<u>107,331</u>

Deferred outflows of resources related to pensions resulting from City transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 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:

<u>Year ending December 31,</u>	
2019	\$ 2,724
2020	2,724
2021	2,724
2022	2,724
2023	2,724
Thereafter	(5,407)

(9) Other Postemployment Benefits

In addition to providing pension benefits, the City, provides certain health care benefits for retired employees through a single employer defined benefit plan. The plan provides for continuation of benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The plan does not issue a stand alone financial report as there are no legally segregated assets for the sole purpose of paying benefits under the Program.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the benefit terms:

Active plan participants	99
Inactive plan participants	<u>186</u>
Total	<u>274</u>

Total OPEB Liability

The Town's total OPEB liability of \$52,103,828 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Rate of compensation increases	2.50%
Discount rate	3.71%

	Trend Rate Next Period	Ultimate Trend Rate	Year of Ultimate Trend Rate
Healthcare cost trend rates			
Pre-65 medical	7.000%	3.784%	2075
Post-65 medical	5.000%	3.784%	2075
Prescription drugs	9.500%	3.784%	2075

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index.

Mortality rates were based on RP-2014 mortality table and MP-2018 projection.

Changes in the Total OPEB Liability

Original OPEB obligation as of January 1, 2018 (under GASB 45)	\$ 21,313,746
Cumulative effect of change in accounting principle (required by GASB 75)	<u>35,386,079</u>
Total OPEB liability as of January 1, 2018	56,699,825
Changes for the year:	
Service cost	1,499,123
Interest on total OPEB liability	1,898,302
Changes of assumptions or other inputs	(6,296,536)
Benefit payments	<u>(1,696,886)</u>
Total changes	<u>(4,595,997)</u>
Total OPEB liability as of December 31, 2018	\$ <u>52,103,828</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.17%) or 1-percentage-point higher (4.17%) than the current discount rate:

		1% Decrease (2.17%)	Discount Rate (3.17%)	1% Increase (4.17%)
Total OPEB liability	\$	<u>60,940,693</u>	<u>52,103,828</u>	<u>45,059,037</u>

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$	<u>44,956,791</u>	<u>52,103,828</u>	<u>61,139,325</u>

For the year ended December 31, 2018, the City recognized OPEB expense of \$2,342,259. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$	<u>-</u>	<u>5,242,370</u>
Total to financial statements:			
Governmental activities	\$	-	4,422,526
Water Fund		-	360,957
Sewer Fund		-	<u>458,887</u>
Total	\$	<u>-</u>	<u>5,242,370</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	
2019	\$ (1,054,166)
2020	(1,054,166)
2021	(1,054,166)
2022	(1,054,166)
2023	(1,025,706)
Thereafter	-

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(10) Landfill Remediation Liability

Under terms of a consent order signed by the City with the New York Department of Environmental Conservation, the City was obligated to close its landfill with a modified completion date of May 31, 1996, and has since been closed.

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the site for thirty years after closure. This period began in 1997. For the year 2018, the City expended \$8,000 in landfill maintenance and monitoring costs. The estimated unfunded balance of postclosure costs of \$72,000 is recorded as landfill remediation liability, over the remaining 9 years; see long-term debt (note 5). The actual costs may be higher due to inflation, changes in technology, or changes in regulations.

(11) Tax Abatements

The City is authorized under Section 577 of the Private Housing Finance Law of the State of New York (PHFL) to exempt housing projects of a housing development fund company from local and municipal taxes, including school taxes, other than assessments for local improvements, to the extent of all or part of the value of the property included in the completed project.

For the fiscal year ended December 31, 2018, the City abated city property taxes totaling \$15,496 under this authority, which including the following:

- A 52% real property tax abatement for the construction, maintenance and operation of a housing project for senior citizens of low income.

Certain real property taxes on real property within the City have been abated by the Dutchess County Industrial Development Agency (the Agency), a public-benefit corporation created by state law in 1976 to promote economic development and job creation in Dutchess County.

The Agency enters into and administers Payment in Lieu of Taxes (PILOT) agreements for various unrelated business entities located in Dutchess County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. During the period in which the Agency holds title, the business entity pays a PILOT to the Agency based on a calculation defined by the specific agreement. The PILOTs allow the companies to make payments that are less than the property taxes that would be paid on the related property's assessed value. Once the PILOT is received, the Agency remits the PILOT to the respective taxing authorities. Certain requirements, as defined by each agreement, are to be met by the company to be able to maintain its PILOT agreement. At the completion of the PILOT, title to the property is transferred back to the third-party business owner, and the property goes back on the tax rolls. The Agency is not responsible for collecting and remitting the funds, and ultimately the City bears the risk of loss if PILOT payments are not paid by the respective companies.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(11) Tax Abatements, Continued

For the fiscal year ended December 31, 2018, the Agency abated City property taxes totaling \$58,042, which included the following:

- A 47% real property tax abatement on increased assessments resulting from the acquisition, construction and equipping of a manufacturing plant.

(12) Commitments and Contingencies

(a) Litigation

The City is a defendant in various lawsuits and tax certiorari cases, some of which are covered by insurance. In the opinion of counsel, the resolution of most of these cases and lawsuits will not have a material adverse effect on the financial condition of the City. However, the outcome of some of these cases and lawsuits is presently not determinable.

The City has completed construction related to water system improvements in 1997; however, litigation, some of which was settled during 1999, continues pertaining to certain claims for extra costs. The City is unable to determine an estimate of a settlement, if any, which might be due.

(b) State and Federal Assisted Programs

The City of Beacon Community Development has received, or is owed, amounts from grantor agencies, principally the Department of Housing and Urban Development. Any allowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time.

(13) New Reporting Standards

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(13) New Reporting Standards, Continued

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were 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 an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(13) New Reporting Standards, Continued

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to 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 for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the City. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the City.

(14) Cumulative Effect of Changes in Accounting Principle

During the year ended December 31, 2018, the City implemented certain provisions of Government Accounting Standards Board Statement (GASB) No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Implementation this provision required restatement of the prior year net position of the Length of Service Award Program and reporting of the total pension liability as of December 31, 2017. The effect of this restatement was:

Internal Service Fund - Length of Service Award Program:		
Net position (deficit), as previously stated		\$ (202,080)
Add amounts as previously stated	\$ 839,427	
Less amounts as restated	<u>(1,184,358)</u>	
Cumulative effect of adjustment		<u>(344,931)</u>
Net position (deficit), as restated		\$ <u>(547,011)</u>

CITY OF BEACON, NEW YORK
Notes to Financial Statements, Continued

(14) Cumulative Effect of Changes in Accounting Principle, Continued

During the year ended December 31, 2018, the City also implemented Government Accounting Standards Board Statement (GASB) No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Implementation of GASB Statement No. 75 required restatement of the prior year government-wide net position as of December 31, 2017 resulting in the reporting the entire actuarial accrued liability for other postemployment benefits. The effect of this restatement was:

Net position, as previously stated	\$ <u>24,569,039</u>
Cumulative effect of adjustments:	
GASB 75 implementation - beginning total OPEB liability	(56,699,825)
GASB 45 OPEB obligation at beginning of year	<u>21,313,746</u>
Cumulative effect of GASB No. 75	(35,386,079)
Cumulative effect of GASB No. 73	<u>(344,931)</u>
Total cumulative effect	<u>(35,731,010)</u>
Net position as restated	\$ <u>(11,161,971)</u>

CITY OF BEACON, NEW YORK
Required Supplementary Information
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenue:				
Real property taxes	\$10,593,191	10,593,191	10,763,051	169,860
Real property tax items	309,983	309,983	872,812	562,829
Non property tax items	4,648,686	4,648,686	4,888,441	239,755
Departmental income	1,189,175	1,243,900	1,269,993	26,093
Intergovernmental charges	163,787	163,787	218,023	54,236
Use of money and property	14,300	14,300	82,269	67,969
Licenses and permits	283,750	283,750	397,409	113,659
Fines and forfeitures	182,000	186,401	152,155	(34,246)
Sale of property and compensation for loss	66,000	1,066,000	1,268,286	202,286
Miscellaneous local sources	20,066	31,370	81,305	49,935
Interfund revenues	458,320	458,320	458,320	-
State aid	2,031,751	2,044,115	3,604,219	1,560,104
Federal aid	10,000	10,000	-	(10,000)
Total revenue	<u>19,971,009</u>	<u>21,053,803</u>	<u>24,056,283</u>	<u>3,002,480</u>
Appropriation of prior year's fund balance	<u>179,446</u>	<u>1,726,445</u>	<u>-</u>	<u>(1,726,445)</u>
Total revenue and appropriation of prior year's fund balance	<u>20,150,455</u>	<u>22,780,248</u>	<u>24,056,283</u>	<u>1,276,035</u>
Expenditures:				
General government support	2,901,611	2,596,040	2,228,475	367,565
Public safety	6,377,975	6,536,650	6,236,830	299,820
Transportation	1,907,782	2,063,004	1,857,728	205,276
Culture and recreation	747,731	771,497	628,650	142,847
Home and community services	1,268,009	1,415,823	1,337,624	78,199
Employee benefits	4,345,639	4,345,639	4,439,157	(93,518)
Debt service	2,601,708	2,834,340	2,834,339	1
Total expenditures	<u>20,150,455</u>	<u>20,562,993</u>	<u>19,562,803</u>	<u>1,000,190</u>
Excess of revenue and appropriation of prior year's fund balance over expenditures	-	2,217,255	4,493,480	2,276,225
Other financing sources (uses):				
Operating transfers in	-	273,745	215,439	(58,306)
Operating transfers out	-	(2,491,000)	(2,491,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(2,217,255)</u>	<u>(2,275,561)</u>	<u>(58,306)</u>
Excess of revenue and appropriation of prior year's fund balance over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>2,217,919</u>	<u>2,217,919</u>

CITY OF BEACON, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 December 31, 2018

Measurement Date as of December 31,	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 1,499,123
Interest on total OPEB liability	1,898,302
Changes of assumptions or other inputs	(6,296,536)
Benefit payments	<u>(1,696,886)</u>
Net change in total OPEB liability	<u>(4,595,997)</u>
Total OPEB liability - beginning	<u>56,699,825</u>
Net change in total OPEB liability - ending	<u>\$52,103,828</u>
Covered payroll	<u>\$ 9,149,118</u>
Total OPEB liability as a percentage of covered payroll	569.5%

Notes to Required Supplementary Information

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of assumptions or other inputs - The discount rate used to measure the total pension liability was based on the yield to maturity of the Fidelity General Obligation 20 Year AA Municipal Bond Index and was as follows:

January 1, 2018	3.31%
December 31, 2018	3.64%

CITY OF BEACON, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the City's Total Pension Liability
 Length of Service Award Program
 December 31, 2018

Measurement Date as of December 31,	<u>2017</u>
Total pension liability:	
Service cost	\$ 23,018
Interest	43,482
Changes of assumptions or other inputs	108,864
Differences between expected and actual experience	(30,251)
Benefit payments	<u>(42,660)</u>
Net change in total pension liability	102,453
Total pension liability - beginning	<u>1,170,337</u>
Total pension liability - ending	<u>\$1,272,790</u>
Covered payroll*	N/A
Total pension liability as a percentage of covered payroll	N/A

* This program was established to cover volunteer firefighters and therefore they are not employees of the Town.

Notes to Required Supplementary Information

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of assumptions or other inputs - The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2016	3.71%
December 31, 2017	3.16%

Trust assets - There are no assets accumulated in trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

CITY OF BEACON, NEW YORK
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net Pension Liability
 Year ended December 31, 2018.

<u>ERS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.0131198%	0.0121427%	0.0126580%	0.0120469%
The City's proportionate share of the net pension liability	\$ 423,433	1,140,954	2,031,646	406,970
The City's covered payroll	\$3,563,541	3,647,850	3,421,431	3,253,830
The City's proportionate share of the net pension liability as a percentage of covered payroll	11.88%	31.28%	59.38%	12.51%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%
<u>PFRS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.1210594%	0.1197326%	0.1223309%	0.1314506%
The City's proportionate share of the net pension liability	\$1,223,616	2,481,640	3,621,959	361,830
The City's covered payroll	\$4,343,747	4,479,457	4,357,633	4,088,698
The City's proportionate share of the net pension liability as a percentage of covered payroll	28.17%	55.40%	83.12%	8.85%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.2%	97.9%

* The amounts presented for each fiscal year were determined as of the System's measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF BEACON, NEW YORK
 Required Supplementary Information
 Schedule of City's Pension Contributions
 Year ended December 31, 2018

<u>ERS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 479,934	481,656	491,510	544,748
Contribution in relation to the contractually required contribution	<u>479,934</u>	<u>481,656</u>	<u>491,510</u>	<u>544,748</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$3,563,541	3,647,850	3,421,431	3,253,830
Contribution as a percentage of covered payroll	13.47%	13.20%	14.37%	16.74%
<u>PFRS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 921,852	956,179	971,273	804,014
Contribution in relation to the contractually required contribution	<u>921,852</u>	<u>956,179</u>	<u>971,273</u>	<u>804,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$4,343,747	4,479,457	4,357,633	4,088,698
Contribution as a percentage of covered payroll	21.22%	21.35%	22.29%	19.66%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Honorable Mayor and
Members of the City Council
City of Beacon, New York

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beacon, New York (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 18, 2019