

CITY OF BEACON, NEW YORK

Basic Financial Statements  
Supplementary Information and  
Independent Auditors' Report

December 31, 2019

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, 2019, 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, 2019, 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 restated net position as of December 31, 2018 to correct financial reporting errors. Our opinions are not modified with respect to this matter.

### 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 February 11, 2021, 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  
February 11, 2021

CITY OF BEACON, NEW YORK  
Management's Discussion and Analysis  
December 31, 2019

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, 2019. Please read it in conjunction with the City's basic financial statements, which begin on page 13.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position (page 13) and the statement of activities (on page 14) 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 15. 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 statement provides 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 13. 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 7. The fund financial statements begin on page 15 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 a separate statement of fiduciary net position on page 22. 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>2019</u>	<u>2018*</u>	<u>Change</u>
<b>Assets:</b>			
Cash and equivalents	\$ 10,231,062	13,697,713	(3,466,651)
Receivables	2,361,806	2,794,080	(432,274)
Due from other governments	718,141	1,017,999	(299,858)
Internal balances	3,411,260	848,496	2,562,764
Investments - LOSAP	630,008	599,091	30,917
Prepaid expenses	432,005	401,579	30,426
Capital assets	<u>55,193,658</u>	<u>52,845,569</u>	<u>2,348,089</u>
Total assets	<u>72,977,940</u>	<u>72,204,527</u>	<u>773,413</u>
Deferred outflows of resources	<u>8,525,031</u>	<u>4,229,532</u>	<u>4,295,499</u>
<b>Liabilities:</b>			
Accounts payable and other liabilities	6,726,783	5,188,360	1,538,423
Bonds payable	23,864,946	25,910,409	(2,045,463)
Total OPEB liability	46,065,947	43,858,483	2,207,464
Total pension liability - LOSAP	1,181,156	1,272,790	(91,634)
Net pension liabilities, proportionate share	<u>2,496,251</u>	<u>1,494,528</u>	<u>1,001,723</u>
Total liabilities	<u>80,335,083</u>	<u>77,724,570</u>	<u>2,610,513</u>
Deferred inflows of resources	<u>9,694,066</u>	<u>7,983,265</u>	<u>1,710,801</u>
<b>Net position (deficit):</b>			
Net investment in capital assets	33,757,006	32,112,746	1,644,260
Restricted	178,750	92,709	86,041
Unrestricted (deficit)	<u>(42,461,934)</u>	<u>(41,479,231)</u>	<u>(982,703)</u>
Total net position (deficit)	\$ <u>(8,526,178)</u>	<u>(9,273,776)</u>	<u>747,598</u>

\* Restated as described in note 14.

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

Statement of Activities - Governmental Activities

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Program revenue:			
Charges for services	\$ 1,846,604	1,960,639	(114,035)
Operating and capital grants	1,083,466	959,289	124,177
General revenue:			
Real property taxes and tax items	11,464,994	11,881,201	(416,207)
Other taxes	5,598,962	5,437,421	161,541
Unrestricted grants and contributions	1,537,578	2,956,312	(1,418,734)
Interest earnings	322,277	69,693	252,584
Other revenues	<u>758,166</u>	<u>1,925,201</u>	<u>(1,167,035)</u>
Total revenue	<u>22,612,047</u>	<u>25,189,756</u>	<u>(2,577,709)</u>
Expenses:			
General government support	3,187,332	2,694,220	493,112
Public safety	10,608,983	10,051,395	557,588
Transportation	4,608,957	4,387,838	221,119
Culture and recreation	1,176,496	1,144,522	31,974
Home and community services	1,499,135	1,502,394	(3,259)
Interest	<u>783,546</u>	<u>758,549</u>	<u>24,997</u>
Total expenses	<u>21,864,449</u>	<u>20,538,918</u>	<u>1,325,531</u>
Change in net position	\$ <u>747,598</u>	<u>4,650,838</u>	<u>(3,903,240)</u>

The City's governmental activities statement of net position reflects an overall increase of \$747,598 as revenues exceeded expenses.

The governmental activities shows a cash balance \$10,231,062. This is a combination of general fund cash of \$7,556,855, capital projects cash of \$2,296,174, cash of \$367,231 in the non-major fund and cash of \$10,802 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 \$55,193,658 which is net of depreciation. The City capitalized \$5,016,443 of expenditures, \$32,500 to land, \$63,736 to building improvements, \$713,818 to machinery and equipment, and \$4,206,389 to construction in progress of which \$3,821,952 was related to streets and sidewalks, \$282,398 was for building improvements, and \$102,039 for park improvements. Also, \$12,825,470 of construction in progress was placed into service while machinery and equipment with a cost of \$488,578 and accumulated depreciation of \$487,939 was disposed.

Bonds payable decreased \$2,045,463 a result of principal payments on long-term debt.

The liabilities also showed an increase of \$1,001,723 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 2019, the general fund revenues decreased by \$2,228,466 and expenditures increased by \$945,328. With the adoption of the 2019 budget, the City appropriated \$464,573 of fund balance and increased the tax levy \$370,990 and managed to stay under the 2% tax cap. Specific results to note were revenues received in excess of budget:

- \$222,314 in additional sales tax (growth) from Dutchess County.
- \$695,412 more in tax interest, back tax collection and installment agreements.
- \$113,659 in licenses and permits.
- \$141,595 in sale of property and compensation for loss.

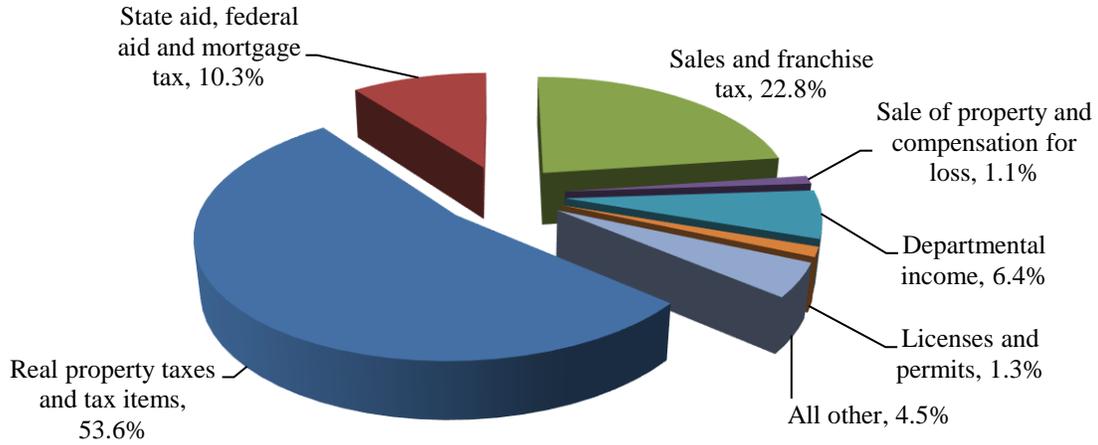
The City saved in almost every department budget across the board and only spent 98% of its expenditure budget. The City approximately saved:

- \$207,608 in salaries.
- \$302,522 in contractual items.
- Employee benefits were overspent due to higher than anticipated health insurance costs.

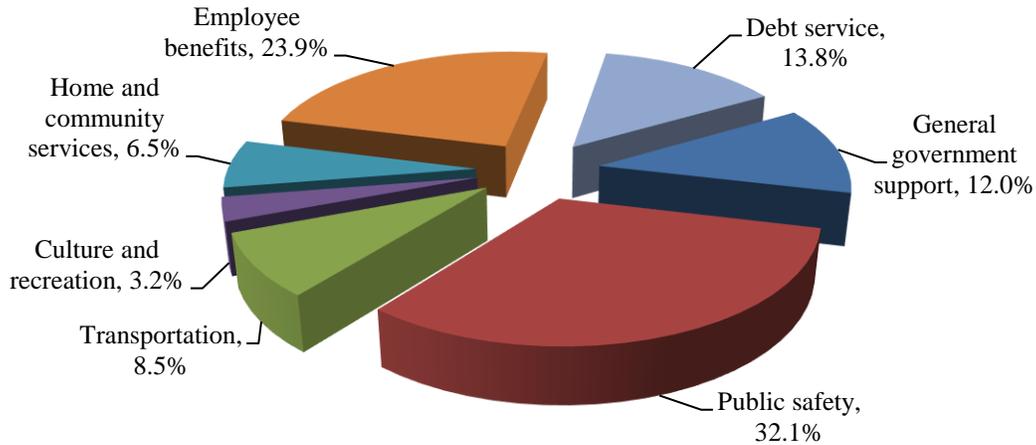
CITY OF BEACON, NEW YORK  
Management's Discussion and Analysis, Continued

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 17 of the financial statements.

**General Fund Revenue 2019**



**General Fund Expenses 2019**



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

**CAPITAL PROJECTS FUND**

Starting in 2011 and continuing through 2019, the City has had several major projects underway. These projects are accounted for in the capital projects fund and were originally financed primarily through the use of short-term bond anticipation notes (BANs). The City has since converted all outstanding BANs to bonds.

In 2019, the City spent \$4,270,125 on various roads, sidewalks, building upgrades, parking lots and parks and \$674,861 was expended on machinery and equipment which have been included as capitalized assets 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 2019 versus 2018 balances and operations.

Statement of Net Position - Business-type Activities

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets:			
Cash and equivalents	\$ 3,274,922	6,207,252	(2,932,330)
Receivables	2,217,149	2,391,952	(174,803)
Internal balances	(3,309,210)	(848,496)	(2,460,714)
Prepaid expenses	54,340	43,173	11,167
Capital assets	<u>26,646,501</u>	<u>21,083,784</u>	<u>5,562,717</u>
Total assets	<u>28,883,702</u>	<u>28,877,665</u>	<u>6,037</u>
Deferred outflows of resources	<u>1,416,248</u>	<u>528,316</u>	<u>887,932</u>
Liabilities:			
Accounts payable and other liabilities	736,485	712,442	24,043
Bonds payable	15,722,755	16,751,927	(1,029,172)
Total OPEB liability	8,668,740	8,245,345	423,395
Net pension liabilities, proportionate share	<u>341,507</u>	<u>152,521</u>	<u>188,986</u>
Total liabilities	<u>25,469,487</u>	<u>25,862,235</u>	<u>(392,748)</u>
Deferred inflows of resources	<u>1,717,476</u>	<u>1,318,581</u>	<u>398,895</u>
Net position (deficit):			
Net investment in capital assets	11,434,428	6,291,248	5,143,180
Unrestricted (deficit)	<u>(8,321,441)</u>	<u>(4,066,083)</u>	<u>(4,255,358)</u>
Total net position	\$ <u>3,112,987</u>	<u>2,225,165</u>	<u>887,822</u>

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 \$887,822 in net position. Capital assets increased as additions of \$6,505,803 were greater than depreciation of \$943,086. Liabilities decreased \$392,748 mainly due scheduled reductions in long-term debt of \$1,029,172 which were offset by an increase in the total OPEB liability of \$423,395, and an increase in the net pension liabilities of \$188,986, which is determined by the New York State Comptroller.

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Program revenue - Charges for services and grants	\$ 8,183,652	7,360,169	823,483
General revenue - Investment earnings	<u>69,178</u>	<u>41,680</u>	<u>27,498</u>
Total revenues	<u>8,252,830</u>	<u>7,401,849</u>	<u>850,981</u>
Expenses:			
Water	3,354,950	3,105,890	249,060
Sewer	<u>4,010,058</u>	<u>4,293,309</u>	<u>(283,251)</u>
Total expenses	<u>7,365,008</u>	<u>7,399,199</u>	<u>(34,191)</u>
Change in net position	\$ <u>887,822</u>	<u>2,650</u>	<u>885,172</u>

The water fund shows an increase in net position of \$340,002 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 2019, other postemployment benefit costs amounted to \$197,276 and depreciation expense amounted to \$373,842.

The sewer fund shows an increase in net position of \$547,820 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 \$226,119 and depreciation on fixed assets of \$569,244 are calculated in that figure.

**ACTIVITIES REGARDING CAPITAL ASSETS**

The City has \$3,954,892 of construction in progress as of December 31, 2019. Most of this pertains to road reconstruction, sidewalks, lighting projects, and water and sewer main improvements.

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

**LONG TERM DEBT**

Total long term serial bond debt as of December 31, 2019 was \$39,587,701. \$23,864,946 of this balance is general fund debt. The water and sewer portions of the debt amount to \$4,647,332 and \$11,075,423 , respectively. Water and sewer debt is paid by the water and sewer customers. The general fund paid \$2,043,328 in long-term debt principal in 2019. The water and sewer funds paid \$313,339 and \$715,333, respectively, in long-term debt principal in 2019.

**SIGNIFICANT ECONOMIC FACTORS**

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 2019 were issued for:

- 30 Beekman Street: The building structure, common areas, parking garage, lounge, roof top decks, exercise room and 42 condo units.
- 1 Liam Drive: 28 Units
- 2 Liam Drive: 45 Units
- 20 Single Family Houses, complete renovations
- 511 Fishkill Avenue: Brewery portion

These properties added significantly to the tax base and therefore lowering the tax rate for 2020's budget. As a result of the development and interest in Beacon, the City added \$133 million to the tax base, \$114 million to Homestead and \$19 million to Non-Homestead. The increased tax base helped the City to provide a tax rate decrease for 4 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 a brewery and restaurant, a music school, 10 hotel rooms, 18 townhouses and a rehab of 2,862 sq. ft. of commercial building. These projects will be issued certificates of occupancy in 2020 and 2021, therefore expanding the tax base in 2021 and 2022.

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

The increased population of 14,271 (U.S. 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](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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and equivalents	\$ 10,231,062	3,274,922	13,505,984
Receivables	2,361,806	2,107,064	4,468,870
Due from other governments	718,141	110,085	828,226
Internal balances	3,411,260	(3,309,210)	102,050
Investments - LOSAP	630,008	-	630,008
Prepaid expenses	432,005	54,340	486,345
Total current assets	<u>17,784,282</u>	<u>2,237,201</u>	<u>20,021,483</u>
<b>Noncurrent assets:</b>			
Land	10,729,558	1,061,955	11,791,513
Infrastructure, net of accumulated depreciation	24,408,024	14,833,853	39,241,877
Buildings, improvements, machinery and equipment, net of accumulated depreciation	16,101,184	3,130,810	19,231,994
Construction in progress	3,954,892	7,619,883	11,574,775
Total noncurrent assets	<u>55,193,658</u>	<u>26,646,501</u>	<u>81,840,159</u>
Total assets	<u>72,977,940</u>	<u>28,883,702</u>	<u>101,861,642</u>
Deferred outflows of resources	<u>8,525,031</u>	<u>1,416,248</u>	<u>9,941,279</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	2,601,458	425,994	3,027,452
Accrued liabilities	268,815	72,361	341,176
Due to other governments	1,629,939	-	1,629,939
Current portion of long-term liabilities:			
Compensated absences	147,180	16,669	163,849
Landfill remediation liability	8,000	-	8,000
Bonds payable, non-capital	53,830	-	53,830
Bonds payable, capital	2,057,675	1,053,493	3,111,168
Total current liabilities	<u>6,766,897</u>	<u>1,568,517</u>	<u>8,335,414</u>
<b>Noncurrent liabilities:</b>			
Judgments and claims	60,000	-	60,000
Compensated absences	1,955,391	221,461	2,176,852
Landfill remediation liability	56,000	-	56,000
Bonds payable, non-capital	78,290	-	78,290
Bonds payable, capital	21,675,151	14,669,262	36,344,413
Total OPEB liability	46,065,947	8,668,740	54,734,687
Total pension liability - LOSAP	1,181,156	-	1,181,156
Net pension liabilities, proportionate share	2,496,251	341,507	2,837,758
Total noncurrent liabilities	<u>73,568,186</u>	<u>23,900,970</u>	<u>97,469,156</u>
Total liabilities	<u>80,335,083</u>	<u>25,469,487</u>	<u>105,804,570</u>
Deferred inflows of resources	<u>9,694,066</u>	<u>1,717,476</u>	<u>11,411,542</u>
<b>Net position (deficit):</b>			
Net investment in capital assets	33,757,006	11,434,428	45,191,434
Restricted	178,750	-	178,750
Unrestricted (deficit)	<u>(42,461,934)</u>	<u>(8,321,441)</u>	<u>(50,783,375)</u>
Total net position (deficit)	<u>\$ (8,526,178)</u>	<u>3,112,987</u>	<u>(5,413,191)</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK  
Statement of Activities  
Year ended December 31, 2019

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net Revenue (Expense) and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities:							
General government support	\$ 3,187,332	518,988	2,144	-	(2,666,200)	-	(2,666,200)
Public safety	10,608,983	617,625	83,007	12,254	(9,896,097)	-	(9,896,097)
Transportation	4,608,957	306,356	-	857,555	(3,445,046)	-	(3,445,046)
Culture and recreation	1,176,496	290,321	14,903	60,000	(811,272)	-	(811,272)
Home and community services	1,499,135	113,314	53,603	-	(1,332,218)	-	(1,332,218)
Interest	783,546	-	-	-	(783,546)	-	(783,546)
Total governmental activities	<u>21,864,449</u>	<u>1,846,604</u>	<u>153,657</u>	<u>929,809</u>	<u>(18,934,379)</u>	<u>-</u>	<u>(18,934,379)</u>
Business-type activities:							
Water fund	3,354,950	3,660,890	-	-	-	305,940	305,940
Sewer fund	4,010,058	4,440,256	-	82,506	-	512,704	512,704
Total business-type activities	<u>7,365,008</u>	<u>8,101,146</u>	<u>-</u>	<u>82,506</u>	<u>-</u>	<u>818,644</u>	<u>818,644</u>
	<u>\$ 29,229,457</u>	<u>9,947,750</u>	<u>153,657</u>	<u>1,012,315</u>	<u>(18,934,379)</u>	<u>818,644</u>	<u>(18,115,735)</u>
General revenue:							
Taxes:							
Real property taxes					10,674,582	-	10,674,582
Real property tax items					790,412	-	790,412
Sales tax distribution					4,543,314	-	4,543,314
Mortgage tax					611,714	-	611,714
Utilities tax					207,401	-	207,401
Franchise tax					236,533	-	236,533
Unrestricted grants and contributions					1,537,578	-	1,537,578
Interest earnings					322,277	69,178	391,455
Sale of property and compensation for loss					242,798	-	242,798
Miscellaneous					515,368	-	515,368
Total general revenue					<u>19,681,977</u>	<u>69,178</u>	<u>19,751,155</u>
Change in net position					<u>747,598</u>	<u>887,822</u>	<u>1,635,420</u>
Net position at beginning of year, before restatement					(8,733,648)	2,225,165	(6,508,483)
Restatement (note 14)					<u>(540,128)</u>	<u>-</u>	<u>(540,128)</u>
Net position (deficit) at beginning of year, as restated					<u>(9,273,776)</u>	<u>2,225,165</u>	<u>(7,048,611)</u>
Net position (deficit) at end of year					<u>\$ (8,526,178)</u>	<u>3,112,987</u>	<u>(5,413,191)</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK  
Balance Sheet - Governmental Funds  
December 31, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<u>Assets</u>				
Cash and equivalents	\$ 7,556,855	2,296,174	367,231	10,220,260
Receivables:				
Taxes	2,065,619	-	-	2,065,619
Other	280,611	-	-	280,611
Mortgage loans receivable	-	-	15,291	15,291
Due from other funds	4,114,399	3,206,069	-	7,320,468
Due from other governments	527,524	-	-	527,524
State and federal receivables	167,208	23,409	-	190,617
Prepaid expenditures	428,105	-	-	428,105
Total assets	<u>\$15,140,321</u>	<u>5,525,652</u>	<u>382,522</u>	<u>21,048,495</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts payable	733,611	1,445,498	-	2,179,109
Accrued expenses	159,954	-	-	159,954
Retainage payable	-	422,349	-	422,349
Due to other funds	144,588	3,755,130	9,490	3,909,208
Due to other governments	1,629,939	-	-	1,629,939
Total liabilities	<u>2,668,092</u>	<u>5,622,977</u>	<u>9,490</u>	<u>8,300,559</u>
Deferred inflows of resources	<u>589,311</u>	<u>-</u>	<u>15,291</u>	<u>604,602</u>
Fund balances (deficit):				
Nonspendable	428,105	-	-	428,105
Restricted for:				
Debt service	1,623	-	-	1,623
Miscellaneous	11,264	-	-	11,264
Community development	165,863	-	357,741	523,604
Assigned - appropriated	456,415	-	-	456,415
Unassigned (deficit)	<u>10,819,648</u>	<u>(97,325)</u>	<u>-</u>	<u>10,722,323</u>
Total fund balances (deficit)	<u>11,882,918</u>	<u>(97,325)</u>	<u>357,741</u>	<u>12,143,334</u>
Total liabilities, deferred inflows and fund balances (deficit)	<u>\$15,140,321</u>	<u>5,525,652</u>	<u>382,522</u>	<u>21,048,495</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, 2019

Total governmental fund balances	\$ 12,143,334
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.	55,193,658
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Compensated absences	(2,102,571)
Landfill remediation liability	(64,000)
Bonds payable	(23,822,246)
Judgments and claims	(60,000)
Total OPEB liability	(46,065,947)
Net pension liabilities, proportionate share	(2,496,251)
The internal service fund is reported separately at the fund level but blended in governmental activities in the statement of net position .	(508,384)
Certain uncollected revenue/receivables are deferred in the funds, but are fully accrued for governmental activity purposes.	589,311
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	2,472,035
Deferred inflows of resources - pensions	(1,075,146)
Deferred outflows of resources - OPEB	5,901,118
Deferred inflows of resources - OPEB	(8,422,818)
Premiums on long-term debt are revenues in the funds but liabilities in the statement of net position	(42,700)
Accrued interest on long-term debt is not recorded in the funds.	<u>(165,571)</u>
Net position - governmental activities	<u>\$ (8,526,178)</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, 2019

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Revenue:				
Real property taxes	\$10,903,896	-	-	10,903,896
Real property tax items	790,412	-	-	790,412
Non property tax items	4,987,248	-	-	4,987,248
Departmental income	1,398,591	-	2,745	1,401,336
Intergovernmental charges	126,848	-	-	126,848
Use of money and property	216,971	26,340	3,129	246,440
Licenses and permits	284,441	-	-	284,441
Fines and forfeitures	108,361	-	-	108,361
Sale of property and compensation for loss	242,798	-	-	242,798
Miscellaneous local sources	49,350	-	-	49,350
Interfund revenues	474,620	-	-	474,620
State aid	2,232,027	400,032	-	2,632,059
Federal aid	12,254	505,461	-	517,715
	<u>21,827,817</u>	<u>931,833</u>	<u>5,874</u>	<u>22,765,524</u>
Expenditures:				
General government support	2,445,555	291,779	-	2,737,334
Public safety	6,590,231	85,293	-	6,675,524
Transportation	1,751,490	4,478,779	-	6,230,269
Culture and recreation	655,740	120,611	-	776,351
Home and community services	1,328,212	40,488	-	1,368,700
Employee benefits	4,896,832	-	-	4,896,832
Debt service	2,840,071	-	-	2,840,071
	<u>20,508,131</u>	<u>5,016,950</u>	<u>-</u>	<u>25,525,081</u>
Excess (deficiency) revenue over expenditures	<u>1,319,686</u>	<u>(4,085,117)</u>	<u>5,874</u>	<u>(2,759,557)</u>
Other financing sources (uses):				
Transfers in	-	167,830	-	167,830
Transfers out	(167,830)	-	-	(167,830)
	<u>(167,830)</u>	<u>167,830</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenue over expenditures and other sources (uses)	1,151,856	(3,917,287)	5,874	(2,759,557)
Fund balances at beginning of year	<u>10,731,062</u>	<u>3,819,962</u>	<u>351,867</u>	<u>14,902,891</u>
Fund balances (deficit) at end of year	<u>\$11,882,918</u>	<u>(97,325)</u>	<u>357,741</u>	<u>12,143,334</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, 2019

Net change in fund balances	\$ (2,759,557)
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.	2,348,089
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. This is the amount of serial bond principal repaid and the amortization of deferred premiums.	2,045,463
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.	(431,199)
Increase in retirement expense as a result increases in the net pension liabilities.	(225,884)
Certain uncollected revenue/receivables are deferred in the funds, but are fully accrued for governmental activity purposes.	<u>(229,314)</u>
Change in net position of governmental activities	<u>\$ 747,598</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK  
Statement of Net Position - Proprietary Funds  
December 31, 2019

	<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>
Assets:				
Current assets:				
Cash and equivalents	\$ 2,477,549	797,373	3,274,922	10,802
Receivables:				
Charges for services	756,488	1,088,918	1,845,406	
Other	16,567	245,091	261,658	56,995
Due from other governments	27,579	82,506	110,085	-
Investments	-	-	-	630,008
Prepaid expenses	22,658	31,682	54,340	3,900
Total current assets	<u>3,300,841</u>	<u>2,245,570</u>	<u>5,546,411</u>	<u>701,705</u>
Capital assets:				
Land	993,722	68,233	1,061,955	-
Infrastructure, net of accumulated depreciation	5,525,020	9,308,833	14,833,853	-
Buildings, machinery and equipment, net of accumulated depreciation	1,279,756	1,851,054	3,130,810	-
Construction in progress	3,793,110	3,826,773	7,619,883	-
Total capital assets	<u>11,591,608</u>	<u>15,054,893</u>	<u>26,646,501</u>	<u>-</u>
Total assets	<u>14,892,449</u>	<u>17,300,463</u>	<u>32,192,912</u>	<u>701,705</u>
Deferred outflows of resources	<u>629,981</u>	<u>786,267</u>	<u>1,416,248</u>	<u>151,878</u>
Liabilities:				
Current liabilities:				
Accounts payable	203,683	222,311	425,994	-
Accrued expenses	22,381	49,980	72,361	-
Due to other funds	1,312,339	1,996,871	3,309,210	-
Current portion of compensated absences	6,970	9,699	16,669	-
Current portion of bonds payable	319,397	734,096	1,053,493	-
Total current liabilities	<u>1,864,770</u>	<u>3,012,957</u>	<u>4,877,727</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences	92,601	128,860	221,461	-
Bonds payable	4,327,935	10,341,327	14,669,262	-
Total OPEB liability	3,896,983	4,771,757	8,668,740	-
Total pension liability - LOSAP	-	-	-	1,181,156
Net pension liabilities, proportionate share	149,664	191,843	341,507	-
Total noncurrent liabilities	<u>8,467,183</u>	<u>15,433,787</u>	<u>23,900,970</u>	<u>1,181,156</u>
Total liabilities	<u>10,331,953</u>	<u>18,446,744</u>	<u>28,778,697</u>	<u>1,181,156</u>
Deferred inflows of resources	<u>770,585</u>	<u>946,891</u>	<u>1,717,476</u>	<u>180,811</u>
Net position (deficit):				
Net investment in capital assets	6,947,862	4,486,566	11,434,428	-
Unrestricted (deficit)	<u>(2,527,970)</u>	<u>(5,793,471)</u>	<u>(8,321,441)</u>	<u>(508,384)</u>
Total net position (deficit)	<u>\$ 4,419,892</u>	<u>(1,306,905)</u>	<u>3,112,987</u>	<u>(508,384)</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, 2019

	<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	\$ 3,660,890	4,440,256	8,101,146	62,553
Federal aid	-	82,506	82,506	-
Total operating revenue	<u>3,660,890</u>	<u>4,522,762</u>	<u>8,183,652</u>	<u>62,553</u>
Operating expenses:				
Personal services	691,617	759,634	1,451,251	6,188
Administrative expenses	599,459	283,363	882,822	
Maintenance, operations and contractual expenses	954,955	1,361,513	2,316,468	-
Employee benefits	614,180	721,067	1,335,247	48,322
Depreciation	373,842	569,244	943,086	-
Total operating expenses	<u>3,234,053</u>	<u>3,694,821</u>	<u>6,928,874</u>	<u>54,510</u>
Operating income	<u>426,837</u>	<u>827,941</u>	<u>1,254,778</u>	<u>8,043</u>
Nonoperating revenue (expenses):				
Investment income	34,062	35,116	69,178	75,837
Interest expense	(120,897)	(315,237)	(436,134)	-
Total nonoperating revenue (expenses)	<u>(86,835)</u>	<u>(280,121)</u>	<u>(366,956)</u>	<u>75,837</u>
Change in net position	<u>340,002</u>	<u>547,820</u>	<u>887,822</u>	<u>83,880</u>
Net position (deficit) at beginning of year	<u>4,079,890</u>	<u>(1,854,725)</u>	<u>2,225,165</u>	<u>(592,264)</u>
Net position (deficit) at end of year	<u>\$4,419,892</u>	<u>(1,306,905)</u>	<u>3,112,987</u>	<u>(508,384)</u>

See accompanying notes to the financial statements.

CITY OF BEACON, NEW YORK  
Statement of Cash Flows - Proprietary Funds  
Year ended December 31, 2019

	<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>
Cash flows from operating activities:				
Cash received from users	\$3,828,500	4,529,955	8,358,455	62,553
Cash paid for employees and employee benefits	(1,283,552)	(1,425,433)	(2,708,985)	(45,963)
Cash paid for operating expenses	<u>(1,479,245)</u>	<u>(1,655,601)</u>	<u>(3,134,846)</u>	<u>(6,188)</u>
Net cash provided by operating activities	<u>1,065,703</u>	<u>1,448,921</u>	<u>2,514,624</u>	<u>10,402</u>
Cash flows from investing activities - advances from other funds	<u>1,164,813</u>	<u>1,295,901</u>	<u>2,460,714</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,791,404)	(2,714,399)	(6,505,803)	-
Interest payments on debt	(122,515)	(319,856)	(442,371)	-
Repayments of debt	<u>(313,339)</u>	<u>(715,333)</u>	<u>(1,028,672)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(4,227,258)</u>	<u>(3,749,588)</u>	<u>(7,976,846)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income	34,062	35,116	69,178	19,127
Purchase of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,917)</u>
Net cash provided by (used in) investing activities	<u>34,062</u>	<u>35,116</u>	<u>69,178</u>	<u>(11,790)</u>
Net change in cash and equivalents	(1,962,680)	(969,650)	(2,932,330)	(1,388)
Cash and equivalents at beginning of year	<u>4,440,229</u>	<u>1,767,023</u>	<u>6,207,252</u>	<u>12,190</u>
Cash and equivalents at end of year	<u>\$2,477,549</u>	<u>797,373</u>	<u>3,274,922</u>	<u>10,802</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 426,837	827,941	1,254,778	8,043
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	373,842	569,244	943,086	-
Change in:				
Receivables	161,178	89,699	250,877	-
Due from other governments	6,432	(82,506)	(76,074)	-
Prepaid expenses	(4,763)	(6,404)	(11,167)	(720)
Accounts payable	88,786	5,567	94,353	-
Accrued expenses	(8,854)	(16,292)	(25,146)	-
Compensated absences	(49,334)	9,907	(39,427)	-
Net pension liabilities, proportionate share	82,144	106,842	188,986	-
Total OPEB liability	197,276	226,119	423,395	-
Pension liability - LOSAP	-	-	-	(91,634)
Deferred outflow of resources	(396,680)	(491,252)	(887,932)	21,233
Deferred inflow of resources	<u>188,839</u>	<u>210,056</u>	<u>398,895</u>	<u>73,480</u>
Net cash provided by operating activities	<u>\$1,065,703</u>	<u>1,448,921</u>	<u>2,514,624</u>	<u>10,402</u>

See accompanying notes to financial statements.

CITY OF BEACON, NEW YORK  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2019

	<u>Agency Funds</u>
Assets - cash and cash equivalents	\$ <u>522,946</u>
Liabilities:	
Due to other funds	102,050
Escrow funds returnable and other liabilities	<u>420,896</u>
Total liabilities	<u>522,946</u>
Net position	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

# CITY OF BEACON, NEW YORK

## Notes to Financial Statements

December 31, 2019

### (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 funds financial statement. 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, by 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

GAAP 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, 2019, 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	\$ 29,411	1,087	-	133,702	164,200
Interest bearing bearing accounts	<u>8,143,148</u>	<u>2,805,751</u>	<u>367,231</u>	<u>2,512,134</u>	<u>13,828,264</u>
	<u>\$ 8,172,559</u>	<u>2,806,838</u>	<u>367,231</u>	<u>2,645,836</u>	<u>13,992,464</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. GASB 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</u>	
		<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pensions	\$ -	2,472,035	305,770
Other postemployment benefits	-	5,901,118	1,110,478
Length of Service Award Program (LOSAP)	- _____	151,878 _____	- _____
	<u>\$ -</u>	<u>8,525,031</u>	<u>1,416,248</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</u>	
		<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 589,311	-	-
Rehabilitation loans	15,291	15,291	-
Pensions	-	1,075,146	132,461
Other postemployment benefits	-	8,422,818	1,585,015
Length of Service Award Program (LOSAP)	- _____	180,811 _____	- _____
	<u>\$ 604,602</u>	<u>9,694,066</u>	<u>1,717,476</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 Statement No. 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, 2019</u>
General fund:	
Nonspendable	\$ 428,105
Restricted:	
Debt service	1,623
Miscellaneous	11,264
Community development	<u>165,863</u>
Total restricted	178,750
Assigned - appropriated	456,415
Unassigned	<u>10,819,648</u>
Total general fund	11,882,918
Capital projects fund - unassigned (deficit)	(97,325)
Nonmajor fund - restricted (community development)	<u>357,741</u>
Total fund balance	\$ <u>12,143,334</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.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the City and its future results and financial position is not presently determinable.

(2) Receivables

Other receivables at December 31, 2019, consists of the following:

	<u>General Fund</u>
Franchise and utility fees	\$ 115,226
Other fees and reimbursements	157,305
NYMIR investment	<u>8,080</u>
Totals	\$ <u>280,611</u>

State and federal receivables as of December 31, 2019, consists of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
State aid receivable	\$ 167,208	-	167,208
Federal aid receivable	<u>-</u>	<u>23,409</u>	<u>23,409</u>
Totals	\$ <u>167,208</u>	<u>23,409</u>	<u>190,617</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, 2019:

	<u>Amount receivable</u>	<u>Amount payable</u>
General fund	\$ 4,114,399	144,588
Capital projects fund	3,206,069	3,755,130
Nonmajor funds	-	9,490
Proprietary funds:		
Water	-	1,312,339
Sewer	-	1,996,871
Agency	<u>-</u>	<u>102,050</u>
Totals	\$ <u>7,320,486</u>	<u>7,320,486</u>
	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	167,830
Capital projects fund	<u>167,830</u>	<u>-</u>
Totals	\$ <u>167,830</u>	<u>167,830</u>

(4) Capital Assets

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

	Balance January 1, 2019*	<u>Additions</u>	Transfers/ <u>Disposals</u>	Balance December 31, 2019
Governmental activities:				
Land	\$ 10,250,420	479,138	-	10,729,558
Buildings	5,576,023	9,717,966	-	15,293,989
Improvements	1,222,770	411,110	-	1,633,880
Machinery and equipment	11,111,246	713,818	(488,578)	11,336,486
Infrastructure	36,296,410	2,313,492	-	38,609,902
Construction in progress	<u>12,573,973</u>	<u>4,206,389</u>	<u>(12,825,470)</u>	<u>3,954,892</u>
Totals at historical cost	<u>77,030,842</u>	<u>17,841,913</u>	<u>(13,314,048)</u>	<u>81,558,707</u>
Less accumulated depreciation:				
Buildings	2,889,274	348,654	-	3,237,928
Improvements	802,289	56,232	-	858,521
Machinery and equipment	8,038,674	515,987	(487,939)	8,066,722
Infrastructure	<u>12,455,036</u>	<u>1,746,842</u>	<u>-</u>	<u>14,201,878</u>
Total accumulated depreciation	<u>24,185,273</u>	<u>2,667,715</u>	<u>(487,939)</u>	<u>26,365,049</u>
Governmental activities capital assets, net	\$ <u>52,845,569</u>	<u>15,174,198</u>	<u>(12,826,109)</u>	<u>55,193,658</u>

\* Restated as described in note 14.

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

(4) Capital Assets, Continued

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2019</u>
Business-type activities:				
Land	\$ 1,061,955	-	-	1,061,955
Buildings	10,850,042	-	-	10,850,042
Improvements	12,382	-	-	12,382
Machinery and equipment	749,521	306,524	-	1,056,045
Infrastructure	22,416,093	295,626	-	22,711,719
Construction in progress	<u>1,716,230</u>	<u>5,903,653</u>	-	<u>7,619,883</u>
Totals at historical cost	<u>36,806,223</u>	<u>6,505,803</u>	-	<u>43,312,026</u>
Less accumulated depreciation:				
Buildings	8,253,691	128,601	-	8,382,292
Improvements	5,770	333	-	6,103
Machinery and equipment	300,868	98,396	-	399,264
Infrastructure	<u>7,162,110</u>	<u>715,756</u>	-	<u>7,877,866</u>
Total accumulated depreciation	<u>15,722,439</u>	<u>943,086</u>	-	<u>16,665,525</u>
Business-type capital assets, net	\$ <u>21,083,784</u>	<u>5,562,717</u>	-	<u>26,646,501</u>

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

General government support	\$ 187,286
Public safety	261,887
Transportation	1,958,971
Culture and recreation	175,706
Home and community services	<u>83,865</u>
Total governmental activities	2,667,715
Business-type activities	<u>943,086</u>
Total depreciation expense	\$ <u>3,610,801</u>

(5) Liabilities

(a) Bond Anticipation Notes Payable

Liabilities for bond anticipation notes (BANs) 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 BANs outstanding in the governmental funds or business-type activities at December 31, 2019.

On June 30, 2020, The City issued BANs in the amount of \$16,289,215 to finance various City improvements. The BANs carry an interest rate of 1.75% and are due June 30, 2021.

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, 2019, are summarized as follows:

Governmental activities:

	Balance December 31, <u>2018</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2019</u>	Amounts due within <u>one year</u>
Serial bonds	\$ 25,910,409	-	(2,045,463)	23,864,946	2,111,505
Landfill costs	72,000	-	(8,000)	64,000	8,000
Judgments and claims	60,000	-	-	60,000	-
Compensated absences	1,937,451	165,120	-	2,102,571	147,180
Total OPEB liability	43,858,483	2,207,464	-	46,065,947	-
Total pension liability - LOSAP	1,272,790	-	(91,634)	1,181,156	-
Net pension liabilities - proportionate share	<u>1,494,528</u>	<u>1,001,723</u>	<u>-</u>	<u>2,496,251</u>	<u>-</u>
Total	<u>\$ 74,605,661</u>	<u>3,374,307</u>	<u>(2,145,097)</u>	<u>75,834,871</u>	<u>2,266,685</u>

Business-type activities:

	Balance December 31, <u>2018</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2019</u>	Amounts due within <u>one year</u>
Serial bonds	\$ 16,751,927	-	(1,029,172)	15,722,755	1,053,493
Compensated absences	277,557	-	(39,427)	238,130	16,669
Total OPEB liability	8,245,345	423,395	-	8,668,740	-
Net pension liabilities - proportionate share	<u>152,521</u>	<u>188,986</u>	<u>-</u>	<u>341,507</u>	<u>-</u>
Total	<u>\$ 25,427,350</u>	<u>612,381</u>	<u>(1,068,599)</u>	<u>24,971,132</u>	<u>1,070,162</u>

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, 2019, 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, 2019</u>
Public improvement	11/12/08	11/15/23	3.25-5.00%	\$ 6,135,000	2,035,000
Public improvement	03/15/11	08/15/20	2.00-4.00%	2,676,832	341,975
Public improvement	10/01/14	10/01/24	4.00-5.00%	5,942,700	3,467,706
Public improvement	05/15/16	05/15/39	2.00-3.00%	3,408,000	3,038,377
Public improvement	05/24/18	05/15/40	3.00-3.50%	<u>15,435,000</u>	<u>14,939,188</u>
				33,597,532	23,822,246
Deferred premium on bonds				<u>46,980</u>	<u>42,700</u>
Totals				\$ <u>33,644,512</u>	<u>23,864,946</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, 2019</u>
Wastewater treatment	03/14/02	4/15/21	1.21-4.98%	\$ 2,356,000	285,000
Public improvement - water	03/15/11	8/15/20	2.00-4.00%	145,380	16,193
Public improvement - sewer	03/15/11	8/15/20	2.00-4.00%	597,680	76,830
Public improvement - water	10/01/14	10/1/24	4.00-5.00%	1,255,500	759,169
Public improvement - sewer	10/01/14	10/1/24	4.00-5.00%	1,171,800	673,128
Public improvement - water	05/15/16	5/15/39	2.00-3.00%	4,343,000	3,871,970
Public improvement - sewer	05/15/16	5/15/39	2.00-3.00%	7,324,000	6,529,653
Public improvement - sewer	05/24/18	5/15/40	3.00-3.50%	<u>3,617,000</u>	<u>3,500,812</u>
				20,810,360	15,712,755
Deferred premium on bonds				<u>11,010</u>	<u>10,000</u>
Totals				\$ <u>20,821,370</u>	<u>15,722,755</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, 2019, are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,111,505	731,797	2,843,302	1,053,493	412,933	1,466,426
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	1,445,103	482,629	1,927,732	894,897	316,584	1,211,481
2025-2029	3,885,180	2,003,873	5,889,053	3,159,821	1,338,714	4,498,535
2030-2034	4,487,324	1,406,024	5,893,348	3,567,676	937,430	4,505,106
2035-3039	5,256,113	627,276	5,883,389	4,093,887	366,525	4,460,412
2040	<u>968,130</u>	<u>16,941</u>	<u>985,071</u>	<u>226,872</u>	<u>3,970</u>	<u>230,842</u>
Totals	<u>\$ 23,822,246</u>	<u>7,086,276</u>	<u>30,908,522</u>	<u>15,712,755</u>	<u>4,456,309</u>	<u>20,169,064</u>

The above general obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

In the event that the City were to default on the bond principal or interest payments, a court has the power, in proper and appropriate proceedings brought by the bond owners, to render judgment against the City. A court has the power to order payment of a judgment on such bonds from funds lawfully available or to order the City to take all lawful action to obtain the funds including raising of the fund in the next annual tax levy.

(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, 2019 amounted to \$13,788. These leases run for a maximum term of up to five years with renewal or purchase options available to the City.

At December 31, 2019, 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>
2020	\$ 13,705
2021	13,605
2022	13,035
2023	8,733
2024	<u>1,855</u>
	\$ <u>50,933</u>

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

(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, 2019, unpaid school taxes and interest of \$1,342,819 are due to the Beacon City School District and unpaid taxes of \$287,120 are due to Dutchess County. However, delinquent taxes and interest of \$943,455 have not yet been collected by the City and are included in Taxes Receivable.

(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 or online at [www.osc.state.us/retire/publications](http://www.osc.state.us/retire/publications).

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'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, 2019, the City reported a liability of \$938,573 and \$1,899,185 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. 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, 2019, the City's proportionate share of the ERS liability was 0.0132468%, and 0.1132447% of the PFRS liability. The City's proportionate share of the ERS liability increased 0.0001270 and the City's proportionate share of the PFRS liability decreased 0.0078147 from the March 31, 2018 measurement date.

For the year ended December 31, 2019, the City recognized pension expense of \$610,934 for ERS, and \$1,163,042 for PFRS in the statement of activities. At December 31, 2019, 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	\$ 184,825	63,005	461,365	202,769
Changes of assumptions	235,919	-	690,024	-
Net difference between projected and actual investment earnings on pension plan investments	-	240,890	-	380,360
Changes in proportion and differences between the City's contributions and proportionate share of contributions	45,831	60,150	7,326	260,433
City's contributions subsequent to the measurement date	<u>377,571</u>	<u>-</u>	<u>774,944</u>	<u>-</u>
Total	\$ <u>844,146</u>	<u>364,045</u>	<u>1,933,659</u>	<u>843,562</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	\$ 538,376	231,584	1,933,659	843,562
Water fund	130,772	58,050	-	-
Sewer fund	<u>174,998</u>	<u>74,411</u>	<u>-</u>	<u>-</u>
	\$ <u>844,146</u>	<u>364,045</u>	<u>1,933,659</u>	<u>843,562</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, 2020. 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>
2020	\$ 192,309	298,644
2021	(189,358)	(145,327)
2022	(20,419)	40,112
2023	119,998	179,112
2024	-	22,816

Actuarial Assumptions

The total pension liability for the March 31, 2019 measurement date was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation for ERS and PFRS used the following actuarial assumptions:

Inflation	2.5%
Salary increases	4.2% in ERS, 5.0% 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, 2018 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 (1)	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%.

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net ERS pension asset (liability)	\$ (4,103,590)	(938,573)	1,720,266
City's proportionate share of the net PFRS pension asset (liability)	<u>(6,863,370)</u>	<u>(1,899,185)</u>	<u>2,246,486</u>
Total at December 31, 2019	\$ <u>(10,966,960)</u>	<u>(2,837,758)</u>	<u>3,966,572</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, 2019 were as follows:

	<u>Dollars in Millions</u>	
	<u>Employees’ Retirement System</u>	<u>Police and Fire Retirement System</u>
Employers’ total pension liability	\$ (189,803)	(34,128)
Fiduciary net position	<u>182,718</u>	<u>32,451</u>
Employers’ net pension liability	\$ <u>(7,085)</u>	<u>(1,677)</u>
Ratio of fiduciary net position to the employers’ total pension liability	96.3%	95.1%

(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 ended December 31, 2019, 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, 2019 reporting date (most recent available), the following participants were covered by benefit terms.

<u>Group</u>	
Active participants	18
Inactive participants currently receiving benefits	13
Inactive participants entitled to but not yet receiving benefits	<u>28</u>
Total	<u>59</u>

Measurement of Total Pension Liability

The total pension liability at the December 31, 2018 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018 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 3.64%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. 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, 2017 measurement date	\$ 1,272,790
Service cost	22,004
Interest on total pension liability	40,104
Changes of assumptions or other inputs	(94,957)
Differences between expected and actual experience	(7,405)
Benefit payments	<u>(51,380)</u>
Net change	<u>(91,634)</u>
Balance as of December 31, 2018 measurement date	\$ <u>1,181,156</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, 2018 measurement date, calculated using the discount rate of 3.64%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1% lower (2.64%) or 1% higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ <u>1,393,604</u>	<u>1,181,156</u>	<u>1,016,783</u>

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

For the year ended December 31, 2019, the City recognized pension expense of \$54,510.

Components of Pension Expense

Service cost	\$ 22,004
Interest on total pension liability	40,104
Changes of assumptions or other inputs	(11,125)
Differences between expected and actual experience	(2,661)
Pension plan administrative expenses	<u>6,188</u>
Total pension expenses	\$ <u>54,510</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, 2019, 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	\$ 17,506	29,259
Changes of assumptions or other inputs	82,944	151,552
Benefit payments and administrative expenses subsequent to the measurement date	<u>51,428</u>	<u>-</u>
Total	\$ <u>151,878</u>	<u>180,811</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 reporting year ending December 31, 2020.

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>	
2020	\$ (13,786)
2021	(13,786)
2022	(13,786)
2023	(13,786)
2024	(13,786)
Thereafter	(11,431)

(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 plan.

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

(9) Other Postemployment Benefits, Continued

Employees covered by benefit terms

At December 31, 2019, the following employees were covered by the benefit terms:

Active plan participants	93
Inactive plan participants	<u>167</u>
Total	<u>260</u>

Total OPEB Liability

The Town's total OPEB liability of \$54,734,687, allocated \$46,065,947 to governmental activities, \$3,896,983 to the water fund and \$4,771,757 to the sewer fund, was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 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	2.75%

	Trend Rate Next Period	Ultimate Trend Rate	Year of Ultimate Trend Rate
Healthcare cost trend rates			
Pre-65 medical	6.750%	3.784%	2075
Post-65 medical	4.500%	3.784%	2075
Prescription drugs	7.000%	3.784%	2075
Medicare Part B premium	6.200%	3.784%	2075

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

Mortality rates were based on RPH-2014 Headcount-Weighted Mortality Tables and adjusted for mortality improvements with Scale MP-2019 on a generational basis.

Changes in the Total OPEB Liability

Total OPEB liability as of January 1, 2019	\$ 52,103,828
Changes for the year:	
Service cost	1,150,472
Interest on total OPEB liability	1,826,072
Differences between expected and actual experience	(6,976,153)
Changes of assumptions or other inputs	8,404,997
Benefit payments	<u>(1,774,529)</u>
Total changes	<u>2,630,859</u>
Total OPEB liability as of December 31, 2019	\$ <u>54,734,687</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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ <u>63,994,465</u>	<u>54,734,687</u>	<u>47,343,367</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>46,913,482</u>	<u>54,734,687</u>	<u>64,684,225</u>

For the year ended December 31, 2019, the City recognized OPEB expense of \$2,159,255. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	5,819,629
Changes of assumptions or other inputs	<u>7,011,596</u>	<u>4,188,204</u>
	<u>\$ 7,011,596</u>	<u>10,007,833</u>
Total to financial statements:		
Governmental activities	\$ 5,901,118	8,422,818
Water Fund	499,209	712,535
Sewer Fund	<u>611,269</u>	<u>872,480</u>
Total	<u>\$ 7,011,596</u>	<u>10,007,833</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>	
2020	\$ (817,789)
2021	(817,789)
2022	(817,789)
2023	(788,829)
2024	236,877
Thereafter	7,582

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 2019, the City expended \$8,000 in landfill maintenance and monitoring costs. The estimated unfunded balance of postclosure costs of \$64,000 is recorded as landfill remediation liability, over the remaining 8 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 year ended December 31, 2019, the City abated city property taxes totaling \$15,020 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.

(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.

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

(12) Commitments and Contingencies, Continued

(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 has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 84 - Fiduciary Activities. Effective for fiscal years beginning after December 15, 2019.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

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

(14) Restatement

During the year ended December 31, 2019, the City determined that certain amounts included as construction in progress had been reclassified to land in prior years but not removed from construction in progress. The effect of this restatement was:

Net position (deficit), as previously stated	\$ (8,733,648)
Restatement	<u>(540,128)</u>
Net position (deficit), as restated	\$ <u>(9,273,776)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:				
Real property taxes	\$10,964,181	10,964,181	10,903,896	(60,285)
Real property tax items	95,000	95,000	790,412	695,412
Non property tax items	4,691,000	4,691,000	4,987,248	296,248
Departmental income	1,249,235	1,256,763	1,398,591	141,828
Intergovernmental charges	209,627	209,627	126,848	(82,779)
Use of money and property	41,500	41,500	216,971	175,471
Licenses and permits	316,250	316,250	284,441	(31,809)
Fines and forfeitures	153,000	153,000	108,361	(44,639)
Sale of property and compensation for loss	81,000	101,203	242,798	141,595
Miscellaneous local sources	15,073	18,423	49,350	30,927
Interfund revenues	474,620	474,620	474,620	-
State aid	2,079,476	2,079,476	2,232,027	152,551
Federal aid	-	10,000	12,254	2,254
	<u>20,369,962</u>	<u>20,411,043</u>	<u>21,827,817</u>	<u>1,416,774</u>
Appropriation of prior year's fund balance	<u>464,573</u>	<u>563,673</u>	<u>-</u>	<u>(563,673)</u>
	<u>20,834,535</u>	<u>20,974,716</u>	<u>21,827,817</u>	<u>853,101</u>
Expenditures:				
General government support	2,828,438	2,600,061	2,445,555	154,506
Public safety	6,398,055	6,761,092	6,590,231	170,861
Transportation	1,984,913	1,908,319	1,751,490	156,829
Culture and recreation	721,460	730,615	655,740	74,875
Home and community services	1,331,645	1,404,605	1,328,212	76,393
Employee benefits	4,729,953	4,729,953	4,896,832	(166,879)
Debt service	2,840,071	2,840,071	2,840,071	-
	<u>20,834,535</u>	<u>20,974,716</u>	<u>20,508,131</u>	<u>466,585</u>
Excess of revenue and appropriation of prior year's fund balance over expenditures	-	-	1,319,686	1,319,686
Other financing uses - operating transfers out	-	-	(167,830)	(167,830)
Excess of revenue and appropriation of prior year's fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>1,151,856</u>	<u>1,151,856</u>

CITY OF BEACON, NEW YORK  
 Required Supplementary Information  
 Schedule of City's Proportionate Share of the Net Pension Liability  
 Year ended December 31, 2019

<u>ERS System</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.0132468%	0.0131198%	0.0121427%	0.0126580%	0.0120469%
The City's proportionate share of the net pension liability	\$ 938,573	423,433	1,140,954	2,031,646	406,970
The City's covered payroll	\$3,833,625	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	24.48%	11.88%	31.28%	59.38%	12.51%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%
<u>PFRS System</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability	0.1132447%	0.1210594%	0.1197326%	0.1223309%	0.1314506%
The City's proportionate share of the net pension liability	\$1,899,185	1,223,616	2,481,640	3,621,959	361,830
The City's covered payroll	\$4,824,181	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	39.37%	28.17%	55.40%	83.12%	8.85%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	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, 2019

<u>ERS System</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 503,428	479,934	481,656	491,510	544,748
Contribution in relation to the contractually required contribution	<u>503,428</u>	<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>	<u>-</u>
City's covered payroll	\$3,833,625	3,563,541	3,647,850	3,421,431	3,253,830
Contribution as a percentage of covered payroll	13.13%	13.47%	13.20%	14.37%	16.74%
<u>PFRS System</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$1,033,259	921,852	956,179	971,273	804,014
Contribution in relation to the contractually required contribution	<u>1,033,259</u>	<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>	<u>-</u>
City's covered payroll	\$4,824,181	4,343,747	4,479,457	4,357,633	4,088,698
Contribution as a percentage of covered payroll	21.42%	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.

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, 2019

Measurement Date as of December 31,	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 22,004	23,018
Interest on total pension liability	40,104	43,482
Changes of assumptions or other inputs	(94,957)	108,864
Differences between expected and actual experience	(7,405)	(30,251)
Benefit payments	<u>(51,380)</u>	<u>(42,660)</u>
Net change in total pension liability	(91,634)	102,453
Total pension liability - beginning	<u>1,272,790</u>	<u>1,170,337</u>
Total pension liability - ending	<u>\$1,181,156</u>	<u>1,272,790</u>
Covered payroll*	N/A	N/A
Total pension liability as a percentage of covered payroll	N/A	N/A

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

Notes to Required Supplementary Information

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.

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:

<u>2018</u>	<u>2017</u>
3.64%	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 Changes in the City's Total OPEB Liability and Related Ratios  
December 31, 2019

Measurement Date as of December 31,	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$ 1,150,472	1,499,123
Interest on total OPEB liability	1,826,072	1,898,302
Differences between expected and actual experience	(6,976,153)	-
Changes of assumptions or other inputs	8,404,997	(6,296,536)
Benefit payments	<u>(1,774,529)</u>	<u>(1,696,886)</u>
Net change in total OPEB liability	<u>2,630,859</u>	<u>(4,595,997)</u>
Total OPEB liability - beginning	<u>52,103,828</u>	<u>56,699,825</u>
Net change in total OPEB liability - ending	<u>\$54,734,687</u>	<u>52,103,828</u>
Covered payroll	<u>\$ 9,443,539</u>	<u>9,149,118</u>
Total OPEB liability as a percentage of covered payroll	579.6%	569.5%

Notes to Required Supplementary Information

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.

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:

<u>2019</u>	<u>2018</u>
2.75%	3.71%

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2021.

**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  
February 11, 2021