

WATERTOWN CITY
SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

Table of Contents

WATERTOWN CITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
AUDITED BASIC FINANCIAL STATEMENTS	23
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	23
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES	24
BALANCE SHEET - GOVERNMENTAL FUNDS	26
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	28
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	30
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	32
STATEMENT OF FIDUCIARY NET POSITION	34
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	35
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	36
REQUIRED SUPPLEMENTARY INFORMATION	90
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS	90
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND	92
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN	94
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN	95

SUPPLEMENTARY INFORMATION _____	96
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND _____	96
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES _____	97
COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS _____	98
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS _____	99
NET INVESTMENT IN CAPITAL ASSETS _____	100
FEDERAL AWARD PROGRAM INFORMATION _____	101
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> _____	102
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE _____	104
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	107
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	109
SCHEDULE OF FINDINGS AND QUESTIONED COSTS _____	111
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS _____	112
EXTRA CLASSROOM ACTIVITY FUNDS _____	113
INDEPENDENT AUDITOR’S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS _____	114
EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS _____	116
EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT _____	118



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION WATERTOWN CITY SCHOOL DISTRICT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Watertown City School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-22), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 90), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 92-93), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 94), and Schedule of District's Contributions – NYSLRS Pension Plan (page 95) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watertown City School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 96-100), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (pages 107-108) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, Net Investment in Capital Assets (pages 96-100) and the Schedule of Expenditures of Federal Awards (pages 107-108) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, Net Investment in Capital Assets (pages 96-100) and the Schedule of Expenditures of Federal Awards (pages 107-108) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020 on our consideration of the Watertown City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watertown City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watertown City School District's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
October 2, 2020

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

INTRODUCTION

The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2020. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. Responsibility for completeness and fairness of the information contained rests with the School District.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Watertown City School District (the "School District") is considered a Small City School District. The School District has land area of approximately 30 square miles and an estimated population of 30,000, centers around the City of Watertown, and includes all of the City and portions of the Towns of LeRay, Pamelaia, Rutland, and Watertown. It is located in the center of Jefferson County, in the northern sector of New York State. The Jefferson County Seat is located in the City of Watertown.

The city government of Watertown is a separate political body and corporation. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing authority for these city services.

The School District operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered five-year terms. The Board of Education is the policy-making body of the School District. The President and the Vice President are elected by the Board members. The President of the Board is the chief fiscal officer of the School District.

The duties of the administrative officers of the School District are to implement the policies of the Board of Education and supervise the operation of the school system.

The School District is staffed by 740 full-time and part-time employees who provide services to 4,000 students and other community members. The School District currently operates five elementary schools (K-4), one intermediate school (5-6), one middle school (7-8) and a high school (9-12).

Extra Classroom Activity Funds – These funds are considered a component unit of the School District. Financial Statements can be found in the School District's business office at 1351 Washington Street, PO Box 586, Watertown, NY 13601.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING
ENTITY - Continued**

Parent Teacher Organizations – The School District is not involved in the budgeting or management, is not responsible for any debt, and has minimal influence over these organizations.

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**USING THIS GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP) REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Watertown City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. The General Fund is by far the most significant fund for the Watertown City School District.

This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section of the Management's Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had \$64,973,219 in incoming monies and \$67,256,969 in monies coming out. The General Fund's fund balance decreased \$2,283,750 from 2019.
- The unappropriated fund balance will be used over the next three to four years to control the tax levy. The School District finished the 2019-20 fiscal year in good financial condition. We had a 1.99% increase in the tax levy for 2019-20 which resulted in a \$316,367 increase in the levy of taxes for the 2019-20 fiscal year.
- District-wide revenues totaled \$76,517,904 and total expenses were \$85,511,730. The change in net position was (\$8,993,826). Net position at year end was (\$128,075,144).
- General revenues accounted for \$65,816,576 or 86% of all revenues. Program specific revenues in the form of charges for services and operating grants amounted to \$10,701,328 or 14% of total revenues of \$76,517,904.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **District-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column. The fund financial statements comprise the remaining statements.
 - **Governmental funds statements** tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - **Fiduciary fund statements** provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially from July 1, 2019 through June 30, 2020?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Some examples of non-financial factors include the School District’s property tax base, current property tax laws in New York State restricting revenue growth, facility condition, unfunded required educational programs required by the New York State Education Department.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District’s programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of school buildings, pupil transportation and extracurricular activities. The School District does not have any business-like activities.

REPORTING THE SCHOOL DISTRICT’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General, Special Aid, and Capital Project- District Wide funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual, 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 School District'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 educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$128,075,144 at the close of the most recent fiscal year. This represents a \$8,993,826 decrease in the statement of net position for the year, as restated. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2020, the OPEB liability was \$211,326,485 compared to \$188,164,259 reported at the close of the prior fiscal year. See Note 11 for additional OPEB information.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The following schedule summarizes the School District's Net Position. The complete Statement of Net Position can be found in the School District's basic financial statements.

Table 1: Condensed Statement of Net Position

	2019 (Restated)	2020
Assets		
Current and Other Assets	\$ 32,886,107	\$ 28,758,947
Capital Assets, Net	65,849,449	65,241,905
Net Pension Asset - Proportionate Share	2,649,805	3,880,214
Total Assets	<u><u>\$ 101,385,361</u></u>	<u><u>\$ 97,881,066</u></u>
Deferred Outflows of Resources		
Other Postemployment Benefits	\$ 19,366,440	\$ 31,571,367
Pensions	15,305,546	16,086,595
Deferred Charge on Refunding	172,664	123,123
Total Deferred Outflows of Resources	<u><u>\$ 34,844,650</u></u>	<u><u>\$ 47,781,085</u></u>
Liabilities		
Current Liabilities	\$ 22,213,446	\$ 19,768,537
Long-Term Liabilities	210,927,253	234,099,126
Total Liabilities	<u><u>\$ 233,140,699</u></u>	<u><u>\$ 253,867,663</u></u>
Deferred Inflows of Resources		
Other Postemployment Benefits	\$ 18,146,572	\$ 14,212,566
Pensions	4,024,058	5,657,066
Total Deferred Inflows of Resources	<u><u>\$ 22,170,630</u></u>	<u><u>\$ 19,869,632</u></u>
Net Position (Deficit)		
Net Investment in Capital Assets	\$ 32,137,802	\$ 34,918,774
Restricted	5,673,646	5,955,288
Unrestricted (Deficit)	(156,892,766)	(168,949,206)
Total Net Position (Deficit)	<u><u>\$ (119,081,318)</u></u>	<u><u>\$ (128,075,144)</u></u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Unrestricted net position, the part of net position that can be used to finance day-to-day activities of the School District, decreased by \$12,056,440. This decrease was largely due to the requirements for GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The resulting net adjustment was a decrease of \$7,023,293. This was the main factor for the decrease in total net position of \$8,993,826.

Table 2: Condensed Statement of Activities

	2019	2020	Percentage Change
Revenues			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 14,576,063	\$ 16,345,583	12.14%
Other Tax Items	3,002,978	1,567,330	-47.81%
State Aid Formula	43,382,934	46,607,632	7.43%
Other	1,572,356	1,296,031	
<i>Program Revenues</i>			
Charges for Services	356,037	195,703	-45.03%
Operating Grants	10,439,917	10,210,879	-2.19%
Capital Grants	1,520,000	294,746	-80.61%
Total Revenues	<u>74,850,285</u>	<u>76,517,904</u>	<u>2.23%</u>
Expenses			
General Support	10,395,968	12,922,834	24.31%
Instruction	63,558,389	66,772,202	5.06%
Pupil Transportation	2,938,640	2,740,888	-6.73%
School Food Service	2,346,353	2,204,030	-6.07%
Debt Service	1,053,449	871,776	-17.25%
Total Expenses	<u>80,292,799</u>	<u>85,511,730</u>	<u>6.50%</u>
Change in Net Position	<u>\$ (5,442,514)</u>	<u>\$ (8,993,826)</u>	<u>65.25%</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

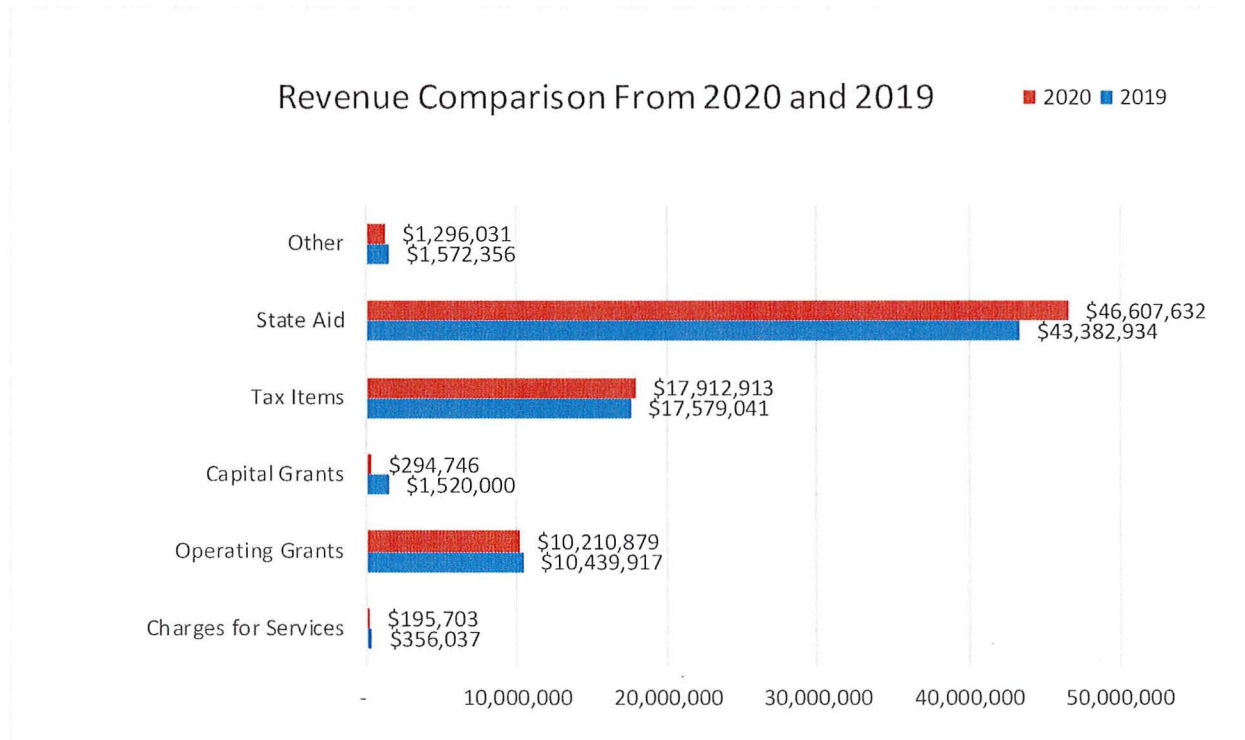
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues

Total revenues increased 2.23%.

The State Aid-General Aid increased by approximately \$3 million from 2018-2019 to 2019-2020.

The Tax Levy increased \$316,367 from 2018-19 to 2019-20.

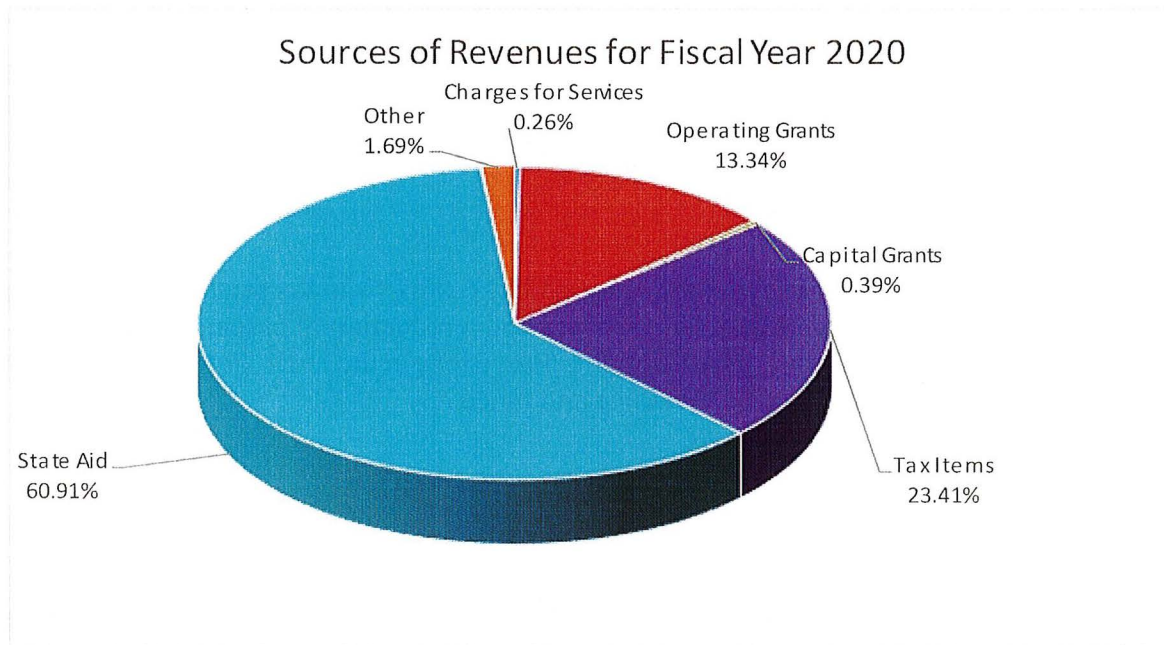


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

Revenues - Continued



Expenses

Total expenses increased 6.50%.

General Support

General support consists of the Board of Education, Central Administration, Finance, Human Resources, Maintenance, Utilities, Central Printing, Central Data Processing, Fire and Liability Insurance, and BOCES Administrative costs. The large increase in comparison to prior year is the District's share of the BOCES capital project of \$1,848,242.

Instruction

Instruction includes costs associated with teachers and entire instructional staff including aides and assistants. The large increase in this function in comparison to the prior year can largely be attributed to the allocation of the Other Postemployment Benefits.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

Pupil Transportation

Pupil transportation costs have decreased an additional 6.73% in 2020 as a result of the contract to First Student that began in the 2018-19 school year which showed a 21.32% decrease in costs.

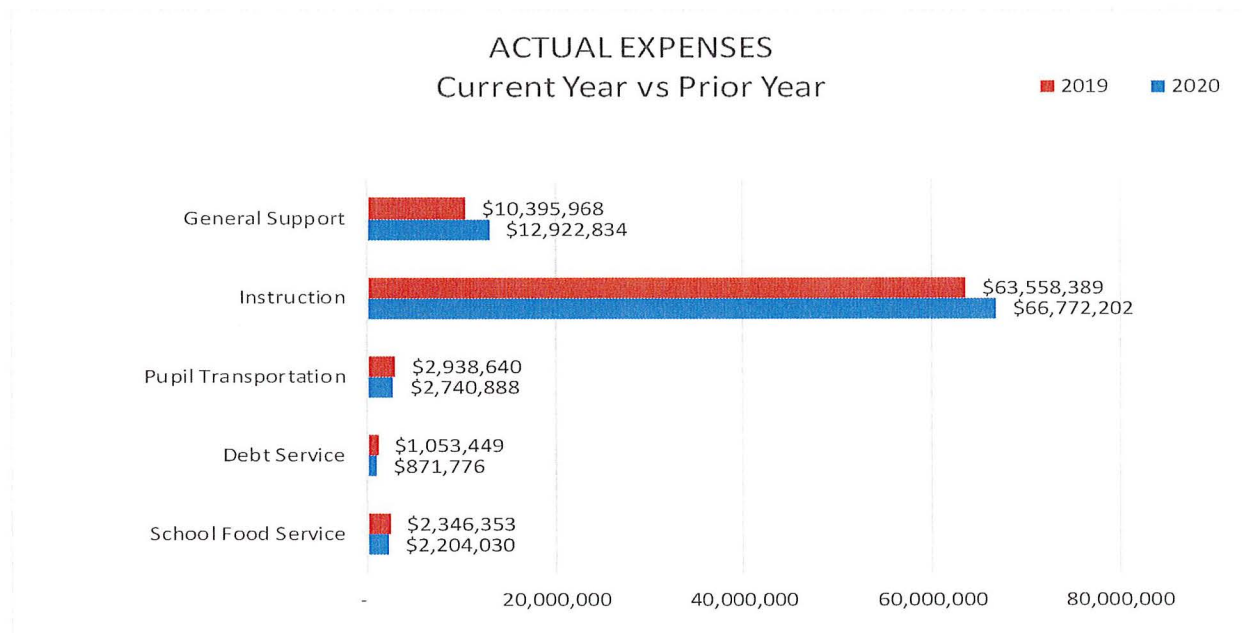
School Food Service Program

The School Food Service Program expenses decreased by 6.06% from the prior year. The decrease was related to the District being closed due to Covid and a reduction of associated expenses. The District was eligible for CEP (Community Eligibility Provision) in the 2019-20 school year whereas the students were able to receive a free breakfast and lunch.

Debt Service

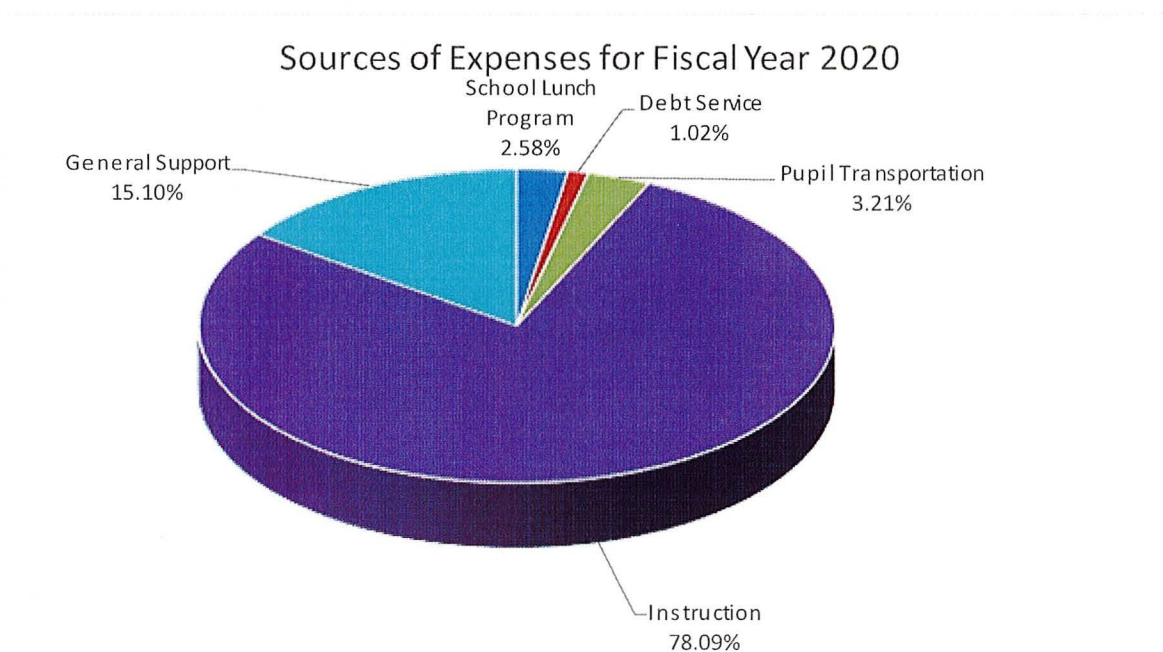
Debt service decreased by 17.25%. See note 6 and 7 for more details.

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2020 in comparison to the prior year:



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued**Expenses - Continued****CAPITAL ASSETS & DEBT ADMINISTRATION**

At the end of the fiscal year 2020, the School District had \$65,241,905 invested in land, buildings, furniture and equipment, and vehicles.

Table 3: Capital Assets (Net of Accumulated Depreciation) at June 30, 2020

This table compares fiscal 2019 balances to 2020.

	2019	2020	Total Percentage Change
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	261,116	1,453,221	456.54%
Buildings and Improvements	64,739,831	62,911,412	-2.82%
Furniture and Equipment	193,525	222,295	14.87%
Total	\$ 65,849,449	\$ 65,241,905	-0.92%

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

The voters approved a capital project on September 23, 2014, in the amount of \$12,572,147. The State Education Department approved the construction of a storage building, field house, and press box on February 4, 2016, in the amount of \$631,850. This portion of the project is completed. The State Education Department also approved renovations to North Elementary, Knickerbocker Elementary, Sherman Elementary, Ohio Elementary, Wiley Intermediate, and Watertown High School on May 27, 2016, in the amount of \$9,086,856. Phase II of the project incorporated the remaining funds from the original \$12,572,147 and was approved to replace boilers and provide entrance/security upgrades to buildings. This is slated to be completed prior to the end of the 2020 calendar year.

Total Net Capital Assets decreased \$607,544 as a result of current year depreciation over current year additions to capital assets. Land is not depreciable.

Short-Term Debt

The District renewed a Bond Anticipation Note in the amount of \$10,598,186 on June 29, 2020 to finance the capital project in the short-term.

For more information refer to Note 6.

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 2012 to 2016. The earliest bond issue, 2016, will be complete on June 1, 2022. The last date that bonds will be paid is March 15, 2031.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2020 and 2019:

	2018-2019	2019-2020
Due and Payable in One Year, Net	\$ 3,750,159	\$ 3,993,159
Due and Payable After One Year, Net	<u>20,622,189</u>	<u>16,506,030</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 24,372,348</u>	<u>\$ 20,499,189</u>

For more information refer to Note 7.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Revenues for the District's governmental funds totaled \$75,394,627. Expenditures for the year ended June 30, 2020, were \$78,773,066, resulting in a deficiency of revenues over expenditures of \$(3,378,439).

Table 4: Summary of Governmental Funds Expenditures

The cost of the District's activities for 2020 and 2019 were as follows:

	2019	2020
General Support	\$ 7,065,445	\$ 9,138,904
Instruction	40,734,440	41,044,726
Pupil Transportation	2,743,208	2,602,508
Employee Benefits	18,092,892	18,230,923
Debt Service	4,726,723	5,509,100
Capital Expenditures	1,965,817	1,292,105
Cost of Sales - School Food Service	<u>1,151,619</u>	<u>954,800</u>
Total Expenditures	<u>\$ 76,480,144</u>	<u>\$ 78,773,066</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Financial Position (Year to Year) – General Fund

The General Fund showed an end of year fund balance of \$19,476,532. This is down from the prior year's fund balance as restated of \$21,760,282. Of this end of year fund balance, \$4,163,977 was restricted, \$10,067,726 was assigned to the 2020-21 budget as a source of funds plus encumbrances, leaving \$5,244,829 as unassigned. This represented 6.81% of the 2020-2021 budget and is above the 4% limit established by New York Real Property Tax Law §1318(1). The District plans to establish appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

Capital Projects Fund & Debt Service Fund

The District finalized the storage building, field house, and press box in the amount of \$631,850. Renovations of the North, Knickerbocker, Ohio, Wiley, and Watertown High School Buildings began in the amount of \$9,086,856. Case Middle School was approved on October 3, 2017 in the amount of \$1,939,242. The District issued a BAN on July 13, 2017, in the amount of \$12,572,147. The BAN was renewed on July 12, 2018 in the amount of \$12,572,147. This was most recently renewed on June 29, 2020 in the amount of \$10,598,186.

School Food Service Fund

The School Food Service Fund Balance had expenditures exceeding revenues by \$40,233 in the current year. In 2018-19, there was an excess of revenues over expenditures of \$214,164. The current year decrease and change in fund balance was due mainly to a decrease in revenue from fewer meals being served with school closing in March due to the COVID pandemic. The District started Community Eligibility Provision (CEP) in December 2016. This provision provides meals to students in our district at no cost to the families. The District is then reimbursed at a percentage of free and paid rates via the National School Lunch Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Special Aid Fund

Federal and State grants provide funding for specific purposes ranging from academic intervention services to meeting the needs of students with disabilities. The following chart indicates the 2019-2020 revenues for each grant.

Purpose		2019-2020
Title I	Improving Academic Achievement	\$ 2,133,325
Title II	Improving Teacher Quality	252,525
Title III	Limited English Proficiency	1,038
Title IV	English Language	151,750
DODEA III	Dept. of Defense - Math Matters	555,456
DODEA IV	Department of Defense Grant	148,907
IDEA	School Age Special Ed	1,086,866
IDEA	Preschool Special Ed	40,750
UPK	Universal Pre-K	3,048,648
Section 4408	Summer School Handicapped	103,912
		<hr/>
		<hr/>
		\$ 7,523,177

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District budgeted to pay the amortization for the Employees' Retirement System costs. We were financially able to pay cash without going into debt.

The board was able to accomplish the above as we ended the fiscal year 2020 with revenues above the projected estimates.

The School District continues to be in excellent financial condition with a total of \$19,476,532 in fund balance of which \$10,067,726 is restricted for the 2020-21 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$5,244,829 unassigned for emergency, unanticipated expenditures and future tax levies.

Table 5: Final Revenue Budget Compared to Actual Revenues

	Final Budget	Actual	Variance
Tax Items	\$ 17,651,766	\$ 17,912,913	\$ 261,147
Charges for Services	161,400	123,806	(37,594)
Use of Money and Property	45,000	99,491	54,491
Sale of Property and Compensation for Loss	6,500	92,958	86,458
Miscellaneous	375,000	570,170	195,170
Interfund Revenue	250,000	-	(250,000)
State Sources	45,908,954	45,867,781	(41,173)
Federal Sources	380,000	306,100	(73,900)
	<u>\$ 64,778,620</u>	<u>\$ 64,973,219</u>	<u>\$ 194,599</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2019-2020 is \$194,599. This difference is made up in large part of differences in three areas, tax items, miscellaneous sources and sale of property and compensation for loss. Miscellaneous sources of revenue were over budget by \$195,170. This is due to a refund in prior year BOCES expense. Tax items were over budget by \$261,147 and the variance can be attributed to payments made on back taxes due. State sources were under budget due to reclassification of State Aid receivables from revenues to deferred inflow of resources as a result of NYS 20% hold back of \$739,851. Due to the uncertainty and timing of payment the "availability" criteria was not met to record revenues in the current year. There were also multiple items that were under budget that reduced the overall difference, the largest being an interfund transfer from debt service for \$250,000 which did not occur.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Table 6: Final Expenditure Budget Compared to Actual Expenditures

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 9,685,247	\$ 8,121,772	\$ 1,563,475
Instruction	38,995,308	33,894,206	5,101,102
Pupil Transportation	3,329,041	2,602,508	726,533
Employee Benefits	18,873,589	17,124,006	1,749,583
Debt Service	5,611,788	5,509,100	102,688
Transfers to Other Funds	205,000	100,000	105,000
	<u>\$ 76,699,973</u>	<u>\$ 67,351,592</u>	<u>\$ 9,348,381</u>

The total difference Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$9,348,381. This variance is due mainly to variances in two areas, Instruction and Employee Benefits. Instruction was under expended by \$5,101,102. This variance is due to extra funds built into the budget in areas such as teacher salaries and special education. Employee Benefits was under expended by \$1,749,583 as actual rates did not meet budgeted expectations.

CURRENT FINANCIAL ISSUES AND CONCERNS

The Watertown City School District is financially stable. The School District is proud of its community support of the public schools.

The financial and economic condition of the School District could be affected by a variety of factors, some of which are beyond the School District's control. There can be no assurance that adverse events in the city, state and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code, Tax Certioraris or otherwise, will not occur which might adversely affect the School District. Over the past fourteen years, the School District has set up reserves that will help with the impact of these adversities.

The School District is heavily dependent on financial assistance from the State and Federal Governments and the local property tax. Sixty-nine percent of our revenues are from the State and Federal Governments. Another twenty-three percent is levied on property located within the School District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CURRENT FINANCIAL ISSUES AND CONCERNS - Continued

As a result of the COVID pandemic, NYS has announced a deferment of 20% of certain State Aid payments as part of the State's budget process. This may have a future impact on the District, but the District has reserves and fund balance available to help cover some of the potential reductions in State Aid.

These issues require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the Watertown City School District has committed itself to financial stability for many years. The School District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Joshua Hartshorne, Business Manager
Watertown City School District
1351 Washington Street
PO Box 586
Watertown, New York 13601
email: jhartshorne@watertowncsd.org

WATERTOWN CITY SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2020

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 11,190,747
Restricted	7,946,191
Receivables	
Taxes	356,549
State and Federal Aid	5,315,229
Due from Other Governments	3,681,958
Due from Fiduciary Funds	392
Other	117,576
Inventories	150,305
Capital Assets, Net	65,241,905
Net Pension Asset - Proportionate Share	3,880,214
TOTAL ASSETS	<u>\$ 97,881,066</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$ 16,086,595
Other Postemployment Benefits	31,571,367
Deferred Charge on Refunding	123,123
Total Deferred Outflows of Resources	<u>\$ 47,781,085</u>
LIABILITIES	
Payables	
Accounts Payable	\$ 871,546
Accrued Liabilities	1,253,828
Due to Fiduciary Funds	78,758
Accrued Interest on Bonds Payable	122,535
Due to Teachers' Retirement System	2,501,640
Due to Employees' Retirement System	212,902
Compensated Absences Payable - Current	24,155
Notes Payable	
Bond Anticipation Note	10,598,186
Unearned Credits	
Unearned Revenues - Other	111,828
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	3,993,159
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	16,506,030
Compensated Absences Payable	797,347
Net Pension Liability - Proportionate Share	5,469,264
Other Postemployment Benefits Payable	211,326,485
TOTAL LIABILITIES	<u>\$ 253,867,663</u>
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 14,212,566
Pensions	5,657,066
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 19,869,632</u>
NET POSITION	
Net Investment in Capital Assets	\$ 34,918,774
Restricted	
Debt Service	1,791,311
Other Legal Restrictions	4,163,977
Unrestricted (Deficit)	(168,949,206)
TOTAL NET POSITION	<u>\$ (128,075,144)</u>

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2020

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
	Expenses	Services	Grants	Grants	Changes in
					Net Position
FUNCTIONS/PROGRAMS					
General Support	\$ 12,922,834	\$ -	\$ -	\$ 294,746	\$ (12,628,088)
Instruction	66,772,202	123,806	8,076,319	-	(58,572,077)
Pupil Transportation	2,740,888	-	-	-	(2,740,888)
Debt Service - Interest	871,776	-	-	-	(871,776)
School Food Service Program	<u>2,204,030</u>	<u>71,897</u>	<u>2,134,560</u>	<u>-</u>	<u>2,427</u>
Total Functions and Programs	<u><u>\$85,511,730</u></u>	<u><u>\$ 195,703</u></u>	<u><u>\$ 10,210,879</u></u>	<u><u>\$ 294,746</u></u>	<u><u>(74,810,402)</u></u>
GENERAL REVENUES					
Real Property Taxes					16,345,583
Other Tax Items					1,567,330
Use of Money and Property					329,008
Sale of Property and Compensation for Loss					90,753
State Sources					46,607,632
Medicaid Reimbursements					112,730
Federal Sources					193,370
Miscellaneous					<u>570,170</u>
Total General Revenues					<u>65,816,576</u>
Change in Net Position					<u>(8,993,826)</u>
Net Position - Beginning of Year, As Restated					<u>(119,081,318)</u>
Net Position - End of Year					<u><u>\$ (128,075,144)</u></u>

See notes to audited basic financial statements.

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BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Special Aid Fund
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 10,048,623	\$ 156,484
Restricted	4,163,977	-
Receivables		
Taxes	356,549	-
State and Federal Aid	814,149	4,076,038
Due from Other Funds	16,790,662	101,783
Due from Fiduciary Funds	392	-
Due from Other Governments	3,681,928	-
Other	117,576	-
Inventories	-	-
TOTAL ASSETS	\$ 35,973,856	\$ 4,334,305
LIABILITIES		
Payables		
Accounts Payable	\$ 370,834	\$ 363,267
Accrued Liabilities	1,123,536	84,804
Due to Other Funds	11,445,648	3,774,392
Due to Fiduciary Funds	78,758	-
Due to Teachers' Retirement System	2,501,640	-
Due to Employees' Retirement System	212,902	-
Compensated Absences Payable	24,155	-
Notes Payable		
Bond Anticipation Note Payable	-	-
Unearned Credits		
Unearned Revenues- Other	-	111,828
Total Liabilities	15,757,473	4,334,291
DEFERRED INFLOWS OF RESOURCES		
Deferred State Aid	739,851	803,514
Total Deferred Inflows of Resources	739,851	803,514
FUND BALANCES (DEFICITS)		
Nonspendable	-	-
Restricted	4,163,977	-
Assigned	10,067,726	-
Unassigned (Deficit)	5,244,829	(803,500)
Total Fund Balances (Deficits)	19,476,532	(803,500)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 35,973,856	\$ 4,334,305

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - District Wide	Non-Major Funds	Total Governmental Funds
\$ -	\$ 985,640	\$ 11,190,747
2,478,458	1,303,756	7,946,191
-	-	356,549
-	425,042	5,315,229
23,950,168	487,555	41,330,168
-	-	392
-	30	3,681,958
-	-	117,576
-	150,305	150,305
<u>\$ 26,428,626</u>	<u>\$ 3,352,328</u>	<u>\$ 70,089,115</u>
\$ 132,708	\$ 4,737	\$ 871,546
-	45,488	1,253,828
25,644,797	465,331	41,330,168
-	-	78,758
-	-	2,501,640
-	-	212,902
-	-	24,155
10,598,186	-	10,598,186
-	-	111,828
<u>36,375,691</u>	<u>515,556</u>	<u>56,983,011</u>
-	294,746	1,838,111
-	294,746	1,838,111
-	150,305	150,305
-	1,791,311	5,955,288
-	895,156	10,962,882
(9,947,065)	(294,746)	(5,800,482)
<u>(9,947,065)</u>	<u>2,542,026</u>	<u>11,267,993</u>
<u>\$ 26,428,626</u>	<u>\$ 3,352,328</u>	<u>\$ 70,089,115</u>

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2020

Total Fund Balance - Governmental Funds \$ 11,267,993

Amounts reported for governmental activities in the Statement of Net Position are different because:

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Asset - Proportionate Share - TRS	3,880,214	
Net Pension Liability - Proportionate Share - ERS	(5,469,264)	

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:

Other Postemployment Benefits	\$ 14,212,566	
Pensions	<u>5,657,066</u>	(19,869,632)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:

Other Postemployment Benefits	\$ 31,571,367	
Pensions	16,086,595	
Deferred Charge on Refunding	<u>123,123</u>	47,781,085

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long term revenue difference related to Smart Schools Bond Funding is reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental fund.

294,746

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas, the Statement of Activities reports revenues when earned. Therefore, deferred inflows of resources are not reported on the Statement of Net Position. The amount consists of reductions in subsequent payments from the following State funding sources which are not considered available within the governmental funds:

BOCES Aid	\$ 574,870	
Excess Cost Aid	164,981	
Special Aid Grants	<u>803,514</u>	1,543,365

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION -CONTINUED**

June 30, 2020

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 96,268,327	
Accumulated Depreciation is	<u>(31,026,422)</u>	65,241,905

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 18,295,000	
Accrued Interest on Bonds Payable	122,535	
Compensated Absences Payable	797,347	
Other Postemployment Benefits Payable	211,326,485	
Premium on Bond Issue	<u>2,204,189</u>	<u>(232,745,556)</u>

Total Net Position - Governmental Activities		<u><u>\$ (128,075,144)</u></u>
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See notes to audited basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	General Fund	Special Aid Fund
REVENUES		
Real Property Taxes	\$ 16,345,583	\$ -
Other Tax Items	1,567,330	-
Charges for Services	123,806	-
Sale of Property and Compensation for Loss	92,958	-
Use of Money and Property	99,491	-
Miscellaneous	570,170	-
State Sources	45,867,781	3,152,559
Medicaid Reimbursements	112,730	-
Federal Sources	193,370	4,370,618
Surplus Food	-	-
Sales - School Food Service	-	-
Total Revenues	<u>64,973,219</u>	<u>7,523,177</u>
EXPENDITURES		
General Support	8,105,359	37,660
Instruction	33,815,996	7,228,730
Pupil Transportation	2,602,508	-
Employee Benefits	17,124,006	809,915
Debt Service:		
Principal	3,932,257	-
Interest	1,576,843	-
Cost of Sales - School Food Service	-	-
Capital Outlay	-	-
Total Expenditures	<u>67,156,969</u>	<u>8,076,305</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,183,750)</u>	<u>(553,128)</u>
OTHER FINANCING SOURCES AND (USES)		
Operating Transfers In	-	-
Operating Transfers (Out)	(100,000)	-
Premium on Debt Issuance	-	-
BANs Redeemed from Appropriations	-	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balances	(2,283,750)	(553,128)
Fund Balances (Deficits) - Beginning of Year, as Restated	<u>21,760,282</u>	<u>(250,372)</u>
Fund Balances (Deficits) - End of Year	<u>\$ 19,476,532</u>	<u>\$ (803,500)</u>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund- District Wide	Non-Major Funds	Total Governmental Funds
\$ -	\$ -	\$ 16,345,583
-	-	1,567,330
-	-	123,806
-	-	92,958
-	74,522	174,013
-	10,224	580,394
-	53,601	49,073,941
-	-	112,730
-	1,880,626	6,444,614
-	200,333	200,333
-	61,673	61,673
-	2,280,979	74,777,375
-	995,885	9,138,904
-	-	41,044,726
-	-	2,602,508
-	297,002	18,230,923
-	-	3,932,257
-	-	1,576,843
-	954,800	954,800
1,158,476	133,629	1,292,105
1,158,476	2,381,316	78,773,066
(1,158,476)	(100,337)	(3,995,691)
-	100,000	100,000
-	-	(100,000)
-	154,995	154,995
462,257	-	462,257
462,257	254,995	617,252
(696,219)	154,658	(3,378,439)
(9,250,846)	2,387,368	14,646,432
\$ (9,947,065)	\$ 2,542,026	\$ 11,267,993

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (3,378,439)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial individual cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on disposal exceeded capital outlays in the current period.

Capital Outlays	\$ 1,492,828	
Loss on Disposal	(2,205)	
Depreciation Expense	<u>(2,098,167)</u>	(607,544)

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.

3,470,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The following items resulted in a net decrease in interest expense being reported in the Statement of Activities:

Change in Accrued Interest Payable	\$ 351,449	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding	<u>353,618</u>	705,067

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement)-- are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(102,284)

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES – CONTINUED**

Year Ended June 30, 2020

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long term revenue difference related to Smart Schools Bond Funding is reported as revenue in the Statement of Activities and deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 294,746

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences relating to 20% reduction in Excess Cost Aid, BOCES Aid and Special Aid State grants is reported as revenue in the Statement of Activities and deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 1,292,993

In the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (7,023,293)

(Increases) decreases in proportionate share of net pension asset/liability and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$ (2,535,156)	
Employees' Retirement System	<u>(1,109,916)</u>	<u>(3,645,072)</u>

Change in Net Position of Governmental Activities		<u>\$ (8,993,826)</u>
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WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Private Purpose Trusts	Agency
	<hr/>	<hr/>
ASSETS		
Cash and Cash Equivalents		
Restricted	\$ 17,068	\$ 470,507
Due From Governmental Funds	<hr/> -	<hr/> 78,758
Total Assets	<hr/> \$ 17,068	<hr/> \$ 549,265
LIABILITIES		
Due to Governmental Funds	\$ -	\$ 392
Extra Classroom Activity Balances	-	110,876
Other Liabilities	<hr/> -	<hr/> 437,997
Total Liabilities	<hr/> -	<hr/> \$ 549,265
NET POSITION		
Restricted for Scholarships	<hr/> \$ 17,068	

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2020

	Private Purpose Trusts
ADDITIONS	
Interest Earnings/Total Additions	<u>\$ 208</u>
DEDUCTIONS	
Scholarships and Awards/Total Deductions	<u>1,110</u>
Change in Net Position	(902)
Net Position - Beginning of Year	<u>17,970</u>
Net Position - End of Year	<u><u>\$ 17,068</u></u>

See notes to audited basic financial statements.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Watertown City School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

Reporting Entity

The Watertown City School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital costs is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$8,745,458 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to \$4,696,948. This represents state aid distributions of \$4,354,910 and 2019 fund balance returned to schools of \$342,038. However, \$574,870 of BOCES state aid distributions has not been recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds since it is not considered "available" as State aid distributions are being reduced by 20% subsequent to yearend. This amount has been recorded as a deferred inflow on the governmental funds Balance Sheet.

Financial statements for the BOCES are available from the BOCES administrative office.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Statements

The fund statements provide information about the District's funds, including each type of fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for the acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used.

There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as an agent for various student groups or Extra Classroom Activity Funds and for payroll or employee withholding.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year as it matches the liquidation of related obligations.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 3, 2019. Taxes are collected during the period October 1, 2019 to December 3, 2019.

The City and County in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with the associated legal requirements, many of which are described elsewhere in these Notes.

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

However, \$1,543,365 of State Aid payments included in State and Federal Aid Receivable have been held back by NYS Division of Budget, but are not deemed uncollectible at this time. Therefore, the amounts have not been recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds as revenues since they are not considered available, but were recognized as revenue in the Statement of Activities and Changes in Net Position under the accrual method of accounting.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories) have been identified as not available for other subsequent expenditures.

Other Assets

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to July 1, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**Capital Assets - Continued**

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings & Improvements	\$ 10,000	SL	7-50 yrs
Furniture and Equipment	5,000	SL	3-20 yrs

The District does not possess any infrastructure.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources - Continued

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as deferred state aid – BOCES Aid, Excess Cost Aid, Special Aid Fund State Grant, and Smart Schools Bond Act payments which have subsequently been reduced by 20%, or not yet received. This represents a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-Wide Statement of Activities. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS system) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenue is recognized.

Vested Employee BenefitsCompensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits - Continued

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements only, the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

Other Benefits

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt - Continued

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes are converted to long-term financing within five years after the original issue date.

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

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full, in a timely manner, from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Equity Classifications

District-Wide Statements

In the District-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Restricted Net Position – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

In the fund basis statements, there are five classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$150,305.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued**Unemployment Insurance**

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Liability Claims and Property Loss

According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population under 125,000. This reserve is accounted for in the General Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued**Repairs**

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

Capital

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all existing provisions of General Municipal Law §6-r.

Restricted fund balance includes the following at June 30, 2020:

General Fund

Capital Reserve	\$ 952,848
Employee Benefit Accrued Liability	620,587
Liability Claims	101,970
Insurance	100,255
Property Loss	100,258
Repairs	28,994
Retirement Contributions- NYSERS	751,140
Retirement Contributions- NYSTRS	512,484
Tax Certiorari	440,443
Unemployment Insurance	554,998
Debt Service Fund	<u>1,791,311</u>
 Total Restricted Funds	 <u><u>\$ 5,955,288</u></u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2020.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District implemented the following new statements issued by GASB:

GASB has issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 90, *Majority Equity Interests- an, amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021, except for GASB No. 93 paragraphs 13-14 effective for the year ending June 30, 2022.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2022.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide statements, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue and Expense Differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS- Continued**

**Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of
Activities - Continued**

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset (liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences:

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

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY - Continued**

Budgets - Continued

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year ended June 30, 2020.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Special Revenue Funds have not been included in comparison because they do not have a legally authorized (appropriated) budget.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred, or the commitment is paid.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY - Continued**

Other

The portion of the District's fund balance subject to the New York State Real Property Tax Law Section 1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include the establishment of appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

The Capital Projects Fund had a deficit balance of \$10,241,811. This will be funded when the District obtains permanent financing for its current construction project, as well as receipt of State Aid under the Smart Bond Act.

The Special Aid Fund had a deficit balance of \$803,500 at June 30, 2020. This will be funded when State grants are paid out for the 20% retained subsequent to June 30, 2020 and Empire State Development makes payment on the awarded grant from 2019.

The District's School Food Service fund balance was in excess of the allowable 3 months average expenditures under 7 CFR §210.9b by \$220,850, however, the District has an approved plan with the New York State Education Department to reduce the excess fund balance to an amount within the allowable limits.

**NOTE 4 - CASH AND CASH EQUIVALENTS- CUSTODIAL
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,
AND FOREIGN CURRENCY RISKS**

Cash

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 11,679,669

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 4 - CASH AND CASH EQUIVALENTS- CUSTODIAL
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,
AND FOREIGN CURRENCY RISKS - Continued**

Cash – Continued

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$4,163,977 restricted for various fund balance reserves in the general fund, \$2,478,458 restricted for a voter approved capital project in the capital project- district wide fund, and \$1,303,756 restricted for debt service within the governmental funds. Restricted cash also includes \$470,507 restricted for extra classroom and payroll related liabilities and \$17,068 for scholarships in the fiduciary fund.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2020 all deposits were fully insured and collateralized by the District's agent in the District's name.

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Investment Pool - NYCLASS

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 4 – CASH AND CASH EQUIVALENTS - CUSTODIAL
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,
AND FOREIGN CURRENCY RISKS - Continued**

Investment Pool – NYCLASS - Continued

Total amounts held represent the cost of the investment pool shares and are considered to approximate net asset value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NYCLASS. At June 30, 2020, the District held \$7,800,657 in the investment pool.

Pooled Accounts

The following funds participated in pooled money market accounts:

General Fund	\$ 4,365,398
School Food Service Fund	844,231
Special Aid Fund	<u>91</u>
Total Pooled Book Balance	<u>\$ 5,209,720</u>

WATERTOWN CITY SCHOOL DISTRICT**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30 are as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 654,977	\$ -	\$ -	\$ 654,977
Construction in Progress	261,116	1,292,105	(100,000)	1,453,221
Total Nondepreciable Assets	916,093	1,292,105	(100,000)	2,108,198
Capital Assets That Are Depreciated:				
Buildings and Improvements	95,628,725	13,500	(5,042,540)	90,599,685
Furniture and Equipment	6,459,194	187,223	(3,085,973)	3,560,444
Total Depreciable Assets	102,087,919	200,723	(8,128,513)	94,160,129
Less Accumulated Depreciation				
Buildings and Improvements	30,888,894	1,939,001	(5,140,335)	27,687,560
Furniture and Equipment	6,265,669	159,166	(3,085,973)	3,338,862
Total Accumulated Depreciation	37,154,563	2,098,167	(8,226,308)	31,026,422
Total Depreciated Assets, Net	64,933,356	(1,897,444)	97,795	63,133,707
Capital Assets, Net	\$ 65,849,449	\$ (605,339)	\$ (2,205)	\$ 65,241,905

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 2,024,731
Instruction	52,454
School Food Service	20,982
Total Depreciation Expense	<u>\$ 2,098,167</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - SHORT-TERM DEBT

Short-term debt may be authorized and issued to fund the following:

Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuances of bond anticipation notes (BANs).

Details related to the short-term debt activity for the fiscal year ended June 30, 2020 are as follows:

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/12/2019	2.75%	\$ 12,572,147	\$ -	\$ 12,572,147	\$ -
BAN	6/30/2020	2.25%	-	12,357,147	12,357,147	-
BAN	6/29/2021	1.50%	-	10,598,186	-	10,598,186
			<u>\$ 12,572,147</u>	<u>\$ 22,955,333</u>	<u>\$ 24,929,294</u>	<u>\$ 10,598,186</u>

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

Interest Paid	\$ 615,274
Less: Accrued Interest in the Prior Year	(333,420)
Plus: Accrued Interest in the Current Year	<u>-</u>
Total Interest on Short-Term Debt	<u>\$ 281,854</u>

The proceeds of the BAN were used as short-term financing for a capital project.

WATERTOWN CITY SCHOOL DISTRICT**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

Serial Bonds

The District borrows money in order to acquire land or equipment, construct buildings, or make 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. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

Long-term liability balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 21,765,000	\$ -	\$ 3,470,000	\$ 18,295,000	\$ 3,590,000
Premium on Bonds	2,607,348	-	403,159	2,204,189	403,159
Total Bonds & Notes Payable	24,372,348	-	3,873,159	20,499,189	3,993,159
Other Liabilities					
Compensated Absences Payable	695,063	102,284	-	797,347	-
Other Postemployment Benefits Liability	188,164,259	23,162,226	-	211,326,485	-
Net Pension Liability Proportionate Share	1,445,742	4,023,522	-	5,469,264	-
Total Other Liabilities	190,305,064	27,288,032	-	217,593,096	-
Total Governmental Activities	\$214,677,412	\$ 27,288,032	\$ 3,873,159	\$238,092,285	\$ 3,993,159

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefits.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bond	6/14/2012	3/15/2031	2.0-5.0%	\$ 5,900,000
Serial Bond	10/31/2012	6/1/2026	2.0-5.0%	7,810,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	1,825,000
Serial Bond	5/27/2016	6/1/2022	2.0-4.0%	<u>2,760,000</u>
				<u><u>\$ 18,295,000</u></u>

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2021	\$ 3,590,000	\$ 824,019	\$ 4,414,019
2022	3,765,000	661,294	4,426,294
2023	2,470,000	485,894	2,955,894
2024	2,590,000	361,269	2,951,269
2025	2,310,000	240,894	2,550,894
2026-2030	3,430,000	254,209	3,684,209
2031	<u>140,000</u>	<u>2,363</u>	<u>142,363</u>
Total	<u><u>\$ 18,295,000</u></u>	<u><u>\$ 2,829,942</u></u>	<u><u>\$ 21,124,942</u></u>

Advanced Refunding/Defeased Bonds

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Bonds outstanding in the amount of \$9,223,000 are considered defeased.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

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

Interest Paid	\$ 961,569
Less: Interest Accrued in the Prior Year	(140,564)
Plus: Interest Accrued in the Current Year	122,535
Less: Amortization of Bond Premium	(403,159)
Plus: Amortization of Deferred Charge on Refunding	49,541
Total Interest on Long-Term Debt	<u>\$ 589,922</u>

NOTE 8 - PENSION PLANS

General Information

The District participates in New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Teachers' Retirement System (TRS) Plan Description

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

Employees' Retirement System (ERS) Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Service Retirements - Continued

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2019 is 1.0%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous four years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

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

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2019 and received an overall discount of \$ 6,916).

The District's share of the required contributions based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2019-2020	\$ 2,647,516	\$ 814,342
2018-2019	2,339,211	829,712
2017-2018	2,714,699	826,463

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

Funding Policies - Continued

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

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

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (5,469,264)	\$ 3,880,214
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0206539%	0.149353%
Change in Proportion Since the Prior Measurement Date	0.0002491%	0.002814%

WATERTOWN CITY SCHOOL DISTRICT**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2020

NOTE 8 - PENSION PLANS - Continued**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended June 30, 2020, the District's recognized pension expense of \$1,109,916 for ERS and \$2,535,156 for TRS. At June 30, 2020, the District's 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>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 321,888	\$ 2,629,522	\$ -	\$ 288,540
Changes of Assumptions	110,125	7,330,243	95,091	1,787,321
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,803,811	-	-	3,111,731
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	143,348	220,568	11,151	363,232
District's Contributions Subsequent to the Measurement Date	212,902	2,314,188	-	-
Total	<u>\$ 3,592,074</u>	<u>\$ 12,494,521</u>	<u>\$ 106,242</u>	<u>\$ 5,550,824</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2021, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2021	\$ 581,999	\$ 1,741,152
2022	838,155	97,077
2023	1,033,316	1,734,789
2024	819,460	1,109,776
2025	-	106,201
Thereafter	-	(159,486)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

Actuarial Assumptions

The total pension asset (liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset (liability) to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Interest Rate	6.8%	7.1%
Salary Scale	4.2%	1.3%
Decrement Tables	April 1, 2010 - March 31, 2015	July 1, 2014 - June 30, 2018
	System's Experience	System's Experience
Inflation Rate	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on July 1, 2014 – June 30, 2018 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2018.

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued**Actuarial Assumptions – Continued**

	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Asset Type		
Domestic Equity	4.05%	6.30%
International Equity	6.15%	7.80%
Private Equity	6.75%	9.90%
Global Equity		7.20%
Real Estate	4.95%	4.60%
Absolute Return Strategies	3.25%	
Opportunistic Portfolio	4.65%	
Real Assets	5.95%	
Bonds and Mortgages	0.75%	
Cash	0.00%	0.30%
Inflation - Indexed Bonds	0.50%	
Private Debt		6.50%
Real Estate Debt		2.90%
Domestic Fixed Income Securities		1.30%
Global Fixed Income Securities		0.90%
High-Yield Fixed Income Securities		3.60%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' 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 asset (liability).

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued

Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

<u>ERS</u>	<u>1% Decrease (5.80%)</u>	<u>Current Assumption (6.80%)</u>	<u>1% Increase (7.80%)</u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (10,037,644)	\$ (5,469,264)	\$ (1,261,767)
<u>TRS</u>	<u>1% Decrease (6.10%)</u>	<u>Current Assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (17,514,880)	\$ 3,880,214	\$ 21,828,284

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (liability) of the employers as of the respective measurement dates, were as follows:

	<u>ERS</u>	<u>(In Thousands) TRS</u>	<u>Total</u>
Measurement Date	March 31, 2020	June 30, 2019	
Employer's Total Pension Asset (Liability)	\$ (194,596,261)	\$ (119,879,474)	\$ (314,475,735)
Plan Net Position	<u>168,115,682</u>	<u>122,477,481</u>	<u>290,593,163</u>
Employer's Net Pension Asset (Liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>	<u>\$ (23,882,572)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	86.39%	102.17%	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS - Continued**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$212,902. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$2,501,640.

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2020 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 16,791,054	\$ 11,524,406	\$ -	\$ 100,000
Special Aid	101,783	3,774,392	-	-
School Food Service	-	170,585	-	-
Debt Service	487,555	-	-	-
Capital Projects	23,950,168	25,939,543	100,000	-
Total Governmental Funds	41,330,560	41,408,926	100,000	100,000
Fiduciary	78,758	392	-	-
Total	\$ 41,409,318	\$ 41,409,318	\$ 100,000	\$ 100,000

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2020:

Fund Balances	General	Capital Projects- District Wide	Special Aid	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Inventory	\$ -	\$ -	\$ -	\$ 150,305	\$ 150,305
Restricted					
Capital Reserve	952,848	-	-	-	952,848
Employee Benefit					
Accrued Liability	620,587	-	-	-	620,587
Liability Claims	101,970	-	-	-	101,970
Insurance	100,255	-	-	-	100,255
Property Loss	100,258	-	-	-	100,258
Repairs	28,994	-	-	-	28,994
NYSERS	751,140	-	-	-	751,140
NYSTRS	512,484	-	-	-	512,484
Tax Certiorari	440,443	-	-	-	440,443
Unemployment					
Insurance	554,998	-	-	-	554,998
Debt Service	-	-	-	1,791,311	1,791,311
Assigned					
General Support	16,413	-	-	-	16,413
Instruction	78,210	-	-	-	78,210
Designated for Next					
Fiscal year	9,973,103	-	-	-	9,973,103
School Food Service Fund	-	-	-	895,156	895,156
Unassigned (Deficit)					
General Fund	5,244,829	-	-	-	5,244,829
Special Aid	-	-	(803,500)	-	(803,500)
Capital Projects	-	(9,947,065)	-	(294,746)	(10,241,811)
Total Governmental Fund Balance					
(Deficit)	<u>\$19,476,532</u>	<u>\$ (9,947,065)</u>	<u>\$ (803,500)</u>	<u>\$2,542,026</u>	<u>\$ 11,267,993</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**General Information about the OPEB Plan**

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District’s Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	410
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>536</u>
Total Covered Employees	<u><u>946</u></u>

The District participates in the Jefferson-Lewis et. al. Employees’ Healthcare Plan (the "Plan"). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

Eligible participants are those who are at least age 55 with 5 years of service, with the exception of CSEA employees hired on or after July 1, 2016 and are required to be age 55 with 15 years of service. Employees must also be eligible to retire under the ERS or TRS.

Surviving spouses are permitted to continue coverage after the death of the retiree but are responsible for paying 100% of the plan premium.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS - Continued**

General Information about the OPEB Plan - Continued

Retirees and dependents contribute to postemployment health care benefits based on the schedule as follows:

Union	Retiree Contribution
CSEA	<u>Retirees:</u> Hired Pre 7/1/16: Based on YOS - See table below Hired Post 7/1/16: < 15 YOS: ineligible 15-19 YOS: twice current active contribution % 20+ YOS: current active contribution <u>Active Contribution:</u> 15% for post 7/1/13 Hires
WEA (Watertown Education Association)	<u>Retirees:</u> Hired pre 7/1/06 with Post 7/1/2012 retirement with 10+YOS: 1/2 active contribution rate at time of retirement Hired Post 7/1/06 with 25+YOS: 1/2 active contribution rate at time of retirement Otherwise based on YOS - See table below <u>Active Contribution:</u> 13% effective 7/1/16 14% effective 7/1/17 15% effective 7/1/18 Buyout option available to actives only
COADMIN (Management Confidential Employees)	<u>Retirees:</u> Hired Pre 7/1/2012: 0% Contribution Hired Post 7/1/2012: Active contribution rate at time of retirement <u>Active Contribution:</u> 13%
WITAA (Watertown Instructional Teachers Assistant Association)	<u>Retirees:</u> Hired Pre 7/1/06: 0% Contribution Hired Post 7/1/06: Based on YOS - See table below
All Other	Based on YOS - See table below

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued**General Information about the OPEB Plan - Continued**

Years of Service	Retiree Contribution	Spousal Contribution
5 - 9	75% of Single Premium	75% of Family Premium Less Single Premium
10 - 19	50% of Single Premium	50% of Family Premium Less Single Premium
20 - 24	25% of Single Premium	25% of Family Premium Less Single Premium
25 +	0% of Single Premium	0% of Family Premium Less Single Premium

- Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees only.
- Retiree medical and prescription drug benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
 - The Traditional Plan is a self-insured indemnity plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.
 - The Provider Choice POS Plan is a self-insured POS plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2020, the District recognized \$4,906,689 for its share of insurance premiums for currently enrolled retirees.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2020 which indicates that the total liability for other postemployment benefits is \$211,326,485 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2019 and was determined by actuarial valuation as of July 1, 2018.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS - Continued****Total OPEB Liability - Continued**

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	6/30/2019
Rate of Compensation Increase	3.50%
Inflation Rate (CPI)	2.25%
Discount Rate	3.14%

Assumed Pre-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2075

Assumed Post-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2075

Assumed Prescription Drug Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	10.25%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2075

Assumed Medicare Part B Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	4.60%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.886%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2075

Assumed Trend Rates for Additional Benefits at June 30

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS - Continued**

Total OPEB Liability - Continued

Trend for Administrative Fees per Annum	3.250%
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Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	6.238
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on the average of three 20-year bond indices as of June 30, 2019.

Mortality rates were based on the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 mortality improvement scale on a generational basis.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 188,164,259
Changes for the Year	
Service Cost	5,467,354
Interest	5,825,852
Differences Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	17,124,157
Benefit Payments	<u>(5,255,137)</u>
Net Changes	<u>23,162,226</u>
Balance at June 30, 2020	<u><u>\$ 211,326,485</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62 percent as of July 1, 2018 to 3.14 percent as of June 30, 2019.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

Changes in the Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.14 percent) or 1 percentage point higher (4.14 percent) than the current discount rate:

	1% Decrease 2.14%	Discount Rate 3.14%	1% Increase 4.14%
Total OPEB Liability	<u>\$ 249,426,959</u>	<u>\$ 211,326,485</u>	<u>\$ 178,288,151</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.886 percent) or 1 percentage point higher (trend increasing to 4.886 percent) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 2.886%)	Healthcare Cost Trend Rates (Trend at 3.886%)	Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Increasing to 4.886%)
Total OPEB Liability	<u>\$ 168,817,274</u>	<u>\$ 211,326,485</u>	<u>\$ 271,186,548</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)**BENEFITS - Continued**

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$7,023,293. At June 30, 2020, the District 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	\$ 14,379,021	\$ -
Changes of Assumptions or Other Inputs	11,580,713	14,212,566
Benefit Payments Subsequent to the Measurement Date	5,611,633	-
	<u>\$ 31,571,367</u>	<u>\$ 14,212,566</u>

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

Fiscal Year Ending June 30,

2021	\$ 1,781,458
2022	1,744,113
2023	2,075,010
2024	1,981,891
2025	3,019,774
Thereafter	<u>1,144,922</u>
	<u>\$ 11,747,168</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Consortiums and Self-Insured Plans

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$-0-.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

During the year ended June 30, 2020, the District was served with multiple Notice of Claims. The actions have not been settled, but the District does not expect to incur any significant financial impact.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 14 – TAX ABATEMENTS

The District receives revenue through a number of Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Development Agency or directly by the municipalities where the properties are located. The purpose of the PILOT agreements is to provide real property tax abatement for value added construction on renovations.

For the fiscal year ended June 30, 2020, the District's portion of the Pilots was approximately \$421,000 and the District abated the following taxes:

Owner Name	Start Date	End Date	2019 % Abated	Assessed Value	(A) Abated Total	(B) Appr. Tax Rate	(A) * (B) Appr. Taxes Foregone
JCIDA - WICLDC	2017	2025	100%	\$ 1,374,000	\$ 1,374,000	10.53791	\$ 14,479
JCIDA - Roth Industries	2006	2032	100%	2,722,400	2,722,400	10.53791	28,688
JCIDA - Woolworth Watertown LLC	2015	2029	100%	2,708,800	2,708,800	10.53791	28,545
JCIDA - New York Airbrake	2017	2032	100%	960,000	960,000	10.53791	10,116
JCIDA - Current Applications	2016	2030	100%	435,700	435,700	10.53791	4,591
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	10.53791	632
JCIDA - COR	2015	2025	100%	7,129,000	7,129,000	10.53791	75,125
JCIDA - Morgan Watertown Housing Authority	2015	2030	100%	22,733,800	22,733,800	10.53791	239,567
HKBBE Apartments	various	n/a	100%	19,873,900	19,873,900	10.53791	209,429
Creekwood Housing Development Fund Company Inc.	2017	2058	100%	11,258,300	11,258,300	10.53791	118,639
Creekwood Housing Development Fund Company Inc.	2013	2022	94%	3,024,200	2,837,607	10.53791	29,902
Creekwood Housing Development Fund Company Inc.	2013	2022	92%	2,188,300	2,004,702	10.53791	21,125
Watertown Associates	1982	2021	100%	4,887,350	4,887,350	10.53791	51,502
Total Approximate Taxes Foregone							<u>\$ 832,340</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 15 – RESTATEMENTS

During the year ended June 30, 2020, an evaluation was performed on the balance of the fiduciary funds trust and agency account which determined that amounts included in Trust and Agency and held for future payments of health insurance was overstated by \$613,044. The overstatement was transferred from the Trust and Agency fund to the General Fund in the current year. The transfer resulted in an increase in opening fund balance in the General Fund and the opening net position of governmental activities as of July 1, 2019 by \$613,044 as seen below.

The above restatement had the following effect on beginning net position within the Statement of Activities and Changes in Net Position – Governmental Activities:

Net Position Beginning of Year, as Previously Stated	\$ (119,694,362)
Transfer from Fiduciary Funds - Overstated Health Insurance Liability	<u>613,044</u>
Net Position Beginning of Year, as Restated	<u><u>\$ (119,081,318)</u></u>

During the year ended June 30, 2020, it was determined that the receivable from Empire State Development in the Special Aid Fund from the 2019 fiscal year was not subsequently collected in the current year, and therefore deemed unavailable as of June 30, 2019. In the governmental funds, the transaction resulted in a decrease in opening fund balance in the Special Aid Fund as of July 1, 2019 by \$250,372 with a corresponding increase to deferred inflows of resources – deferred state aid.

The above restatements had the following effect on beginning fund balance within the Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds:

	General Fund	Special Aid Fund
Fund Balance Beginning of Year, as Previously Stated	\$ 21,147,238	\$ -
Transfer from Fiduciary Funds - Overstated Health Insurance Liability	613,044	-
Empire State Development Grant Deferral	<u>-</u>	<u>(250,372)</u>
Fund Balance Beginning of Year, as Restated	<u><u>\$ 21,760,282</u></u>	<u><u>\$ (250,372)</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions that have occurred between June 30, 2020 and October 2, 2020, which is the date the financial statements were available to be issued. Management has determined that such events have occurred:

In recent months, the COVID-19 outbreak in the United States has resulted in business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the District expects this matter to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**LAST THREE FISCAL YEARS**

Ended June 30, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	5,825,852	6,137,603	5,421,746
Difference between Expected and Actual Experience	-	17,071,252	-
Changes in Assumptions or Other Inputs	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(5,255,137)	(4,315,731)	(3,990,766)
Net Change in Total OPEB Liability	<u>23,162,226</u>	<u>18,558,884</u>	<u>(12,223,397)</u>
Total OPEB Liability - Beginning	<u>188,164,259</u>	<u>169,605,375</u>	<u>181,828,772</u>
Total OPEB Liability - Ending	<u>\$ 211,326,485</u>	<u>\$ 188,164,259</u>	<u>\$ 169,605,375</u>
Covered Payroll	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	677.05%	602.84%	566.69%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2020

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 16,342,796	\$ 16,342,796
Other Tax Items	1,308,970	1,308,970
Charges for Services	161,400	161,400
Use of Money and Property	45,000	45,000
Sale of Property and Compensation for Loss	6,500	6,500
Miscellaneous	375,000	375,000
Total Local Sources	18,239,666	18,239,666
State Sources	45,908,954	45,908,954
Federal Sources	380,000	380,000
Total Revenues	64,528,620	64,528,620
OTHER FINANCING SOURCES		
Transfers from Other Funds	250,000	250,000
Total Revenues and Other Financing Sources	64,778,620	64,778,620
 EXPENDITURES		
General Support		
Board of Education	26,701	26,702
Central Administration	273,968	273,968
Finance	592,753	592,753
Staff	376,972	410,972
Central Services	5,532,039	5,527,038
Special Items	2,675,073	2,853,814
Total General Support	9,477,506	9,685,247
Instruction		
Instruction, Administration and Improvement	2,510,584	2,530,584
Teaching-Regular School	21,090,750	21,310,750
Programs for Children with Handicapping Conditions	6,918,771	6,389,271
Teaching - Special School	470,098	470,099
Occupational Education	2,078,771	2,027,771
Instructional Media	3,041,166	2,880,924
Pupil Services	3,335,409	3,385,909
Total Instruction	39,445,549	38,995,308
Pupil Transportation	3,361,636	3,329,041
Employee Benefits	18,598,494	18,873,589
Debt Service	5,611,788	5,611,788
Total Expenditures	76,494,973	76,494,973
OTHER FINANCING USES		
Transfers to Other Funds	205,000	205,000
Total Expenditures and Other Financing Uses	76,699,973	76,699,973
Net Change in Fund Balance	(11,921,353)	(11,921,353)
Fund Balance - Beginning As Restated	21,760,282	21,760,282
Fund Balance - Ending	\$ 9,838,929	\$ 9,838,929

WATERTOWN CITY SCHOOL DISTRICT

Actual		Final Budget Variance With Actual	
\$	16,345,583	\$	2,787
	1,567,330		258,360
	123,806		(37,594)
	99,491		54,491
	92,958		86,458
	570,170		195,170
	18,799,338		559,672
	45,867,781		(41,173)
	306,100		(73,900)
	64,973,219		444,599
	-		(250,000)
	64,973,219	\$	194,599
Year-End Encumbrances		Final Budget Variance with Actual And Encumbrances	
	\$ 130	\$	11,166
15,406	-		24,232
249,736	-		108,548
484,205	-		50,871
360,101	-		1,317,989
4,209,049	-		50,669
2,786,862	16,283		1,563,475
8,105,359	16,413		
2,166,921	-		363,663
18,244,655	62,858		3,003,237
5,830,218	-		559,053
124,310	-		345,789
1,955,899	-		71,872
2,561,169	15,052		304,703
2,932,824	300		452,785
33,815,996	78,210		5,101,102
2,602,508	-		726,533
17,124,006	-		1,749,583
5,509,100	-		102,688
67,156,969	94,623		9,243,381
100,000	-		105,000
67,256,969	\$ 94,623	\$	9,348,381
(2,283,750)			
21,760,282			
\$ 19,476,532			

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN
LAST SIX FISCAL YEARS**

Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)						
District's Proportion of the Net Pension Asset (Liability)	0.149353%	0.146539%	0.146169%	0.142023%	0.147088%	0.150523%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 3,880,214	\$ 2,649,805	\$ 1,111,029	\$ (1,521,131)	\$ 15,277,757	\$ 16,767,331
District's Covered Payroll	\$ 25,570,611	\$ 23,869,500	\$ 23,162,957	\$ 21,915,656	\$ 22,121,967	\$ 22,234,730
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>15.17%</u>	<u>11.10%</u>	<u>4.80%</u>	<u>6.94%</u>	<u>69.06%</u>	<u>75.41%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)						
District's Proportion of the Net Pension Asset (Liability)	0.0206539%	0.0204048%	0.0194381%	0.0178569%	0.0192270%	0.0189420%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (5,469,264)	\$ (1,445,742)	\$ (627,352)	\$ (1,677,873)	\$ (3,199,004)	\$ (639,906)
District's Covered Payroll	\$ 5,975,565	\$ 5,870,077	\$ 5,647,489	\$ 5,197,849	\$ 5,223,625	\$ 5,398,372
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>91.53%</u>	<u>24.63%</u>	<u>11.11%</u>	<u>32.28%</u>	<u>61.24%</u>	<u>11.85%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN

LAST SIX FISCAL YEARS

Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)						
Contractually Required Contribution	\$ 2,647,516	\$ 2,339,211	\$ 2,714,699	\$ 2,906,016	\$ 3,873,186	\$ 3,741,295
Contribution	<u>2,647,516</u>	<u>2,339,211</u>	<u>2,714,699</u>	<u>2,906,016</u>	<u>3,873,186</u>	<u>3,741,295</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 25,570,611	\$ 23,869,500	\$ 23,162,957	\$ 21,915,656	\$ 22,121,967	\$ 22,234,730
Contributions as a Percentage of Covered Payroll	10.35%	9.80%	11.72%	13.26%	17.51%	16.83%
Employees' Retirement System (ERS)						
Contractually Required Contribution	\$ 814,342	\$ 829,712	\$ 826,463	\$ 783,160	\$ 905,777	\$ 1,043,107
Contribution	<u>814,342</u>	<u>829,712</u>	<u>826,463</u>	<u>783,160</u>	<u>905,777</u>	<u>1,043,107</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,975,565	\$ 5,870,077	\$ 5,647,489	\$ 5,197,849	\$ 5,223,625	\$ 5,398,372
Contributions as a Percentage of Covered Payroll	13.63%	14.13%	14.63%	15.07%	17.34%	19.32%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE
REAL PROPERTY TAX LIMIT – GENERAL FUND**

Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 76,661,734
Add: Prior Year's Encumbrances	<u>38,239</u>
Original Budget	76,699,973
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 76,699,973</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 Voter Approved Expenditure Budget	<u>\$ 77,006,009</u>
Maximum Allowed 4% of 2020 - 2021 Budget	<u><u>\$ 3,080,240</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 10,067,726
Unassigned Fund Balance	<u>5,244,829</u>
Total Unrestricted Fund Balance	<u><u>15,312,555</u></u>

Less:	
Appropriated Fund Balance	9,973,103
Encumbrances Included in Assigned Fund Balance	<u>94,623</u>
Total Adjustments	<u><u>10,067,726</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,244,829</u></u>
Actual Percentage	<u><u>6.81%</u></u>

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2020

PROJECT TITLE	Expenditures					Methods of Financing				Fund Balance (Deficit) 6/30/2020
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$ 3,624,125	\$ 3,624,125	\$ 261,117	\$ 33,629	\$ 294,746	\$ 3,329,379	\$ -	\$ -	\$ -	\$ (294,746)
Mini Renovation Project	100,000	100,000	-	100,000	100,000	-	-	100,000	100,000	-
Press Box/Maint Bldg	602,350	813,660	828,273	-	828,273	(14,613)	-	-	-	(828,273)
Additions & Renovations	11,969,797	11,758,487	9,942,573	1,158,476	11,101,049	657,438	1,520,000	462,257	1,982,257	(9,118,792)
Total	<u>\$ 16,296,272</u>	<u>\$ 16,296,272</u>	<u>\$ 11,031,963</u>	<u>\$ 1,292,105</u>	<u>\$ 12,324,068</u>	<u>\$ 3,972,204</u>	<u>\$ 1,520,000</u>	<u>\$ 462,257</u>	<u>\$ 1,982,257</u>	<u>\$ (10,241,811)</u>

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2020

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Mini Renovation	Total Non-Major Funds
ASSETS					
Cash and Cash Equivalents					
Unrestricted	\$ 985,640	\$ -	\$ -	\$ -	\$ 985,640
Restricted	-	1,303,756	-	-	1,303,756
Receivables					
Due From Other Funds	-	487,555	-	-	487,555
Due From Other Governments	30	-	-	-	30
State and Federal Aid	130,296	-	294,746	-	425,042
Inventories	150,305	-	-	-	150,305
TOTAL ASSETS	<u>\$ 1,266,271</u>	<u>\$ 1,791,311</u>	<u>\$ 294,746</u>	<u>\$ -</u>	<u>\$ 3,352,328</u>
LIABILITIES					
Payables					
Accounts Payable	\$ 4,737	\$ -	\$ -	\$ -	\$ 4,737
Accrued Liabilities	45,488	-	-	-	45,488
Due to Other Funds	170,585	-	294,746	-	465,331
Total Liabilities	<u>220,810</u>	<u>-</u>	<u>294,746</u>	<u>-</u>	<u>515,556</u>
DEFERRED INFLOW OF RESOURCES					
Deferred State Aid	-	-	294,746	-	294,746
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>294,746</u>	<u>-</u>	<u>294,746</u>
FUND BALANCES (DEFICIT)					
Nonspendable	150,305	-	-	-	150,305
Restricted	-	1,791,311	-	-	1,791,311
Assigned	895,156	-	-	-	895,156
Unassigned (Deficit)	-	-	(294,746)	-	(294,746)
Total Fund Balances (Deficit)	<u>1,045,461</u>	<u>1,791,311</u>	<u>(294,746)</u>	<u>-</u>	<u>2,542,026</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICIT)	<u>\$ 1,266,271</u>	<u>\$ 1,791,311</u>	<u>\$ 294,746</u>	<u>\$ -</u>	<u>\$ 3,352,328</u>

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Mini Renovation	Total Non-Major Funds
REVENUES					
Use of Money and Property	\$ 997	\$ 73,525	\$ -	\$ -	\$ 74,522
Miscellaneous	10,224	-	-	-	10,224
State Sources	53,601	-	-	-	53,601
Federal Sources	1,880,626	-	-	-	1,880,626
Surplus Food	200,333	-	-	-	200,333
Sales - School Food Service	61,673	-	-	-	61,673
Total Revenues	<u>2,207,454</u>	<u>73,525</u>	<u>-</u>	<u>-</u>	<u>2,280,979</u>
EXPENDITURES					
General Support	995,885	-	-	-	995,885
Employee Benefits	297,002	-	-	-	297,002
Cost of Sales - School Food Service	954,800	-	-	-	954,800
Capital Outlays	-	-	33,629	100,000	133,629
Total Expenditures	<u>2,247,687</u>	<u>-</u>	<u>33,629</u>	<u>100,000</u>	<u>2,381,316</u>
Excess of Revenues Over Expenditures	<u>(40,233)</u>	<u>73,525</u>	<u>(33,629)</u>	<u>(100,000)</u>	<u>(100,337)</u>
OTHER FINANCING SOURCES AND (USES)					
Operating Transfers In	-	-	-	100,000	100,000
Premium on Debt Issuance	-	154,995	-	-	154,995
Total Other Financing Sources and (Uses)	<u>-</u>	<u>154,995</u>	<u>-</u>	<u>100,000</u>	<u>254,995</u>
Net Change in Fund Balances	(40,233)	228,520	(33,629)	-	154,658
Fund Balances (Deficit) - Beginning of Year	<u>1,085,694</u>	<u>1,562,791</u>	<u>(261,117)</u>	<u>-</u>	<u>2,387,368</u>
Fund Balances (Deficit) - End of Year	<u>\$ 1,045,461</u>	<u>\$ 1,791,311</u>	<u>\$ (294,746)</u>	<u>\$ -</u>	<u>\$ 2,542,026</u>

See paragraph on supplementary schedule included in independent auditor's report.

WATERTOWN CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2020

Capital Assets, Net		\$ 65,241,905
Add:		
Deferred Charge on Refunding		<u>123,123</u>
Deduct:		
Bond Anticipation Note	\$ 10,598,186	
Less: Unspent Ban Proceeds	(651,121)	
Premium on Bonds Payable	2,204,189	
Short-Term Portion of Bonds Payable	3,590,000	
Long-Term Portion of Bonds Payable	<u>14,705,000</u>	<u>30,446,254</u>
Net Investment in Capital Assets		<u><u>\$ 34,918,774</u></u>

See paragraph on supplementary schedule included in independent auditor's report.

FEDERAL AWARD PROGRAM INFORMATION



CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S 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***

**TO THE BOARD OF EDUCATION
WATERTOWN CITY SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Watertown City School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Watertown City School District's basic financial statements and have issued our report thereon dated October 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Watertown City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Watertown City School District's internal control. Accordingly, we do not express an opinion of the effectiveness of the Watertown City School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

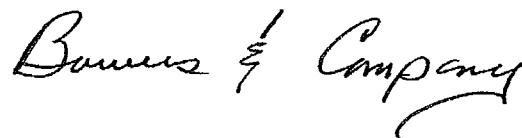
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Banner & Company". The signature is written in a cursive, flowing style.

Watertown, New York
October 2, 2020



BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE BOARD OF EDUCATION WATERTOWN CITY SCHOOL DISTRICT

Report on Compliance for Each Major Federal Program

We have audited Watertown City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Watertown City School District's major federal programs for the year ended June 30, 2020. Watertown City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Watertown City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watertown City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Watertown City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Watertown City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Watertown City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Watertown City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Watertown City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bowers & Company

Watertown, New York
October 2, 2020

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA Number	Agency or Pass-Through Number	Expenditures
<u>U. S. Department of Education</u>			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-20-1205	\$ 1,993,077
Title I Grants to Local Educational Agencies	84.010	0021-19-1205	53,135
Title I Grants to Local Educational Agencies	84.010	0011-20-2200	17,715
Title I Grants to Local Educational Agencies	84.010	0018-20-1205	59,219
Title I Grants to Local Educational Agencies	84.010	0011-20-2577	2,766
Title I Grants to Local Educational Agencies	84.010		6,504
Title I Grants to Local Educational Agencies	84.010	0016-19-1205	909
Total Title I Grants to Local Educational Agencies			<u>2,133,325</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	0032-20-0323	1,086,867
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-20-0323	40,750
Total Special Education Cluster			<u>1,127,617</u>
Improving Teacher Quality State Grant	84.367	0147-20-1205	<u>252,525</u>
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365	0293-19-1205	297
English Language Acquisition State Grant	84.365	0293-20-1205	741
Total English Language Acquisition State Grants			<u>1,038</u>
Student Support and Academic Enrichment	84.424	0204-19-1205	56,787
Student Support and Academic Enrichment	84.424	0204-20-1205	48,855
Student Support and Academic Enrichment	84.424	0204-20-1205	46,108
Total Student Support and Academic Enrichment			<u>151,750</u>
Total Passed Through NYS Education Department			<u>3,666,255</u>
Direct Program:			
Impact Aid	84.041		<u>193,370</u>
Total Direct Programs from U.S. Department of Education			<u>193,370</u>
Total U.S. Department of Education			<u>3,859,625</u>
<u>U. S. Department of Defense</u>			
Direct Programs:			
Achievement at Military Connected Schools	12.556		<u>704,363</u>
Total Direct Programs from U.S. Department of Defense			<u>704,363</u>
Total U.S. Department of Defense			<u>704,363</u>
Subtotal this Page			<u>\$ 4,563,988</u>

See paragraph on supplementary information included in independent auditor's report and
accompanying notes to schedule of expenditures of federal awards.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2020

Subtotal From Previous Page		\$ 4,563,988
<u>U. S. Department of Agriculture</u>		
Passed-Through NYS Education Department:		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	200,333
Non-Cash Assistance Subtotal		200,333
Cash Assistance		
School Breakfast Program	10.553	365,717
National School Lunch Program	10.555	1,010,497
Summer Food Service Program	10.559	504,412
Cash Assistance Subtotal		1,880,626
Total Child Nutrition Cluster		2,080,959
Total Passed Through NYS Education Department		2,080,959
Total U.S. Department of Agriculture		2,080,959
Total Federal Assistance		\$ 6,644,947

See paragraph on supplementary information included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable programs and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. The District has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

NOTE 2 – SUBRECIPIENTS

No amounts were provided to subrecipients.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

NOTE 3 – OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

This District is the recipient of a federal award program that does not result in cash received or disbursed. The District was granted \$200,333 of commodities under the National School Lunch Program (CFDA 10.555).

At June 30, 2020, the District had food commodities totaling \$35,349 in inventory.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Watertown City School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Watertown City School District.
3. No instances of noncompliance material to the financial statements of Watertown City School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of Watertown City School District.
5. The auditor's report on compliance for the major federal award programs for Watertown City School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award programs for Watertown City School District.
7. The Programs tested as major programs includes:

Special Education – Grants to States (IDEA, Part B)	84.027
Special Education – Preschool Grants (IDEA Preschool)	84.173
Improving Teacher Quality State Grants	84.367
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Watertown City School District was determined to be a low-risk auditee.

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings to report.

**NOTE C - FINDINGS AND QUESTIONED COSTS - MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

There were no findings to report.

WATERTOWN CITY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2020

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior year audit findings.

**NOTE B - FINDINGS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS



CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE BOARD OF EDUCATION WATERTOWN CITY SCHOOL DISTRICT

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Watertown City School District for the year ended June 30, 2020, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Watertown City School District for the year ended June 30, 2020, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Burns & Company

Watertown, New York
October 2, 2020

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2020

Account Name	Cash Balance 7/1/2019	Cash Receipts	Cash Disbursements	Cash Balance 6/30/20
CLASS OF:				
2020	\$ 6,090	\$ 12,905	\$ 18,995	\$ -
2021	6,572	5,755	2,675	9,652
2022	3,305	8,232	4,942	6,595
2023	-	1,566	108	1,458
Art Club	470	-	-	470
Band	1,124	1,842	842	2,124
Book Club	101	-	-	101
Business Club	1,136	-	250	886
Chorus	21,458	41,259	49,043	13,674
Chronicle	516	-	-	516
Diversity Club	855	334	526	663
Drama	637	-	-	637
Environmental Club	187	1,863	1,120	930
Fashion Club	1,142	255	379	1,018
Future Farmers of America	545	6,744	5,436	1,853
Gay Straight Alliance	122	-	-	122
Interact Club	850	1,251	1,316	785
International Club	2,512	34,348	35,972	888
National Honor Society	1,304	813	653	1,464
Ohio Reading Buddies	277	-	100	177
Photography Club	196	56	4	248
SADD	2,402	-	4	2,398
Student Council	10,941	3,876	2,642	12,175
Student Council - Special	16,019	28,970	23,080	21,909
Teen Aids Task Force	300	-	-	300
Truth Seekers	80	-	80	-
Video Club	713	1,339	843	1,209
Whiz Quiz	140	-	-	140
Yearbook	9,769	9,748	19,318	199
Subtotal This Page	<u>\$ 89,764</u>	<u>\$ 161,156</u>	<u>\$ 168,328</u>	<u>\$ 82,592</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED**

Year Ended June 30, 2020

Account Name	Cash Balance 7/1/2019	Cash Receipts	Cash Disbursements	Cash Balance 6/30/20
Subtotal Previous Page	\$ 89,764	\$ 161,156	\$ 168,328	\$ 82,592
Art Club	31	-	-	31
Wiley Student Council	2,182	430	1,600	1,012
7th Grade Constitution	3,630	842	357	4,115
8th Grade Constitution	3,346	3,595	3,467	3,474
Case Book Fair	73	-	-	73
Case Fitness and Nutrition	2,126	-	2,126	-
Case International Club	483	13,568	11,133	2,918
Case National Honor Society	463	-	-	463
Case SADD	4,152	13,015	12,266	4,901
Case Student Council	592	2,128	168	2,552
Ted ED	96	-	-	96
Case-Teen Aids Task Force	254	-	-	254
Case Yearbook	4,316	2,233	617	5,932
Koobraey (Yearbook)	1,285	1,382	204	2,463
	<u>\$ 112,793</u>	<u>\$ 198,349</u>	<u>\$ 200,266</u>	<u>\$ 110,876</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT

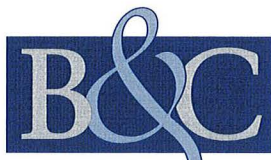
EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Watertown City School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the Watertown City School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.



BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 2, 2020

To the President and Members
Of the Board of Education
Watertown City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown City School District are described in Note 1 to the financial statements. Watertown City School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board ("GASB"), as described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by Watertown City School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation is based on economic useful lives of capital asset classes.

Management estimates actuarial assumptions that are used to determine pension asset (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

We evaluated the key factors and assumptions used to develop the depreciation calculations and actuarial assumptions in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule 2 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. The attached schedule 1 material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan*, and the *Schedule of Local Government Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds*, and *Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Bowers & Company

Schedule 1: Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 11

To adjust BOCES Aid and State Aid payment at yearend as 20% deemed not available for modified accrual basis of accounting, reporting as a deferred inflow of resources

A03310.1	Basic Formula State Aid	164,981.00	
A03310.3	BOCES Aid	574,870.00	
A00691	Deferred Inflow of Resources		739,851.00
Total		739,851.00	739,851.00

Special Aid Fund:

Adjusting Journal Entries JE # 2

To adjust Special Aid fund State grant payments at yearend as deemed not available for modified accrual basis of accounting, reporting as a deferred inflow of resources

F03328.10	U. Pre-K Other State Aid	315,844.00	
F03328.9	Other State Aid	11,131.00	
F03428.9	Empire State Other Federal Aid	226,168.00	
F00691.1	Deferred State Aid		553,143.00
Total		553,143.00	553,143.00

Adjusting Journal Entries JE # 3

To record prior period adjustment for ESD grant as prior year funds were not deemed available for modified accrual basis of accounting and reported as a deferred inflow of resources

F00909	Fund Balance, Unreserved	250,372.00	
F00691.1	Deferred State Aid		250,372.00
Total		250,372.00	250,372.00

Capital Projects Fund:

Adjusting Journal Entries JE # 5

To move BANS redeemed from appropriations revenues to correct account

H3573.1	BAN	462,257.00	
H05731	BANS Redeemed from Appropriations		462,257.00
Total		462,257.00	462,257.00

Schedule 1: Material Misstatements Corrected by Management - Continued

Capital Projects Fund - Continued:

Adjusting Journal Entries JE # 7

To record receivable for Smart Schools project and defer revenue as funds not available for modified accrual basis of accounting

H00410	Due from State	294,746.00	
H00691	Deferred Inflow of Resources		294,746.00
Total		294,746.00	294,746.00

Government-Wide:

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1

To adjust OPEB deferred outflows to actual at yearend

K00496.1	Deferred Outflows, OPEB	12,204,927.00	
K00159	Total Non-Current Governmental Assets		12,204,927.00
Total		12,204,927.00	12,204,927.00

Adjusting Journal Entries JE # 2

To adjust fixed asset accounts to actual at yearend

K00105	Construction in Progress	1,192,105.00	
K00112	Accumulated Depreciation - Buildings	3,201,334.00	
K00114	Accumulated Depreciation - Equipment	2,926,807.00	
K00159	Total Non-Current Governmental Assets	607,544.00	
K00102	Buildings		5,029,040.00
K00104	Equipment		2,898,750.00
Total		7,927,790.00	7,927,790.00

Adjusting Journal Entries JE # 3

To record adjustments to Net pension asset and deferred outflows for ERS & TRS

K00108	Net Pension Asset - Proportionate Share	1,230,409.00	
K00496	Deferred Outflows, Pensions	781,049.00	
K00159	Total Non-Current Governmental Assets		2,011,458.00
Total		2,011,458.00	2,011,458.00

Schedule 1: Material Misstatements Corrected by Management - Continued

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 1

To adjust Bonds Payable to actual

W00628 Bonds Payable	3,470,000.00	
W00129 Total Non-Current Governmental Liabilities		3,470,000.00
Total	3,470,000.00	3,470,000.00

Adjusting Journal Entries JE # 2

To adjust OPEB liability & accounts to actual

W00129 Total Non-Current Governmental Liabilities	19,228,220.00	
W00697.1 Deferred Inflow of Resources, OPEB	3,934,006.00	
W00683 OPEB		23,162,226.00
Total	23,162,226.00	23,162,226.00

Adjusting Journal Entries JE # 4

To adjust Pension liability and deferred inflow account for ERS & TRS to actual

W00129 Total Non-Current Governmental Liabilities	5,656,530.00	
W00638 Net Pension Liability- Proportionate Share		4,023,522.00
W00697 Deferred Inflow of Resources, Pension		1,633,008.00
Total	5,656,530.00	5,656,530.00

Schedule 2: Immaterial Misstatements Passed by Management

Governmental Funds

School Food Service Fund:

Passed Journal Entries JE # 1

Reduction of State aid payments as a result of reduction in subsequent payments, deemed not available for modified accrual basis of accounting

C003319 State Reimbursement – Lunch Program	2,632.00	
C00691 Deferred State Aid		2,632.00
Total	2,632.00	2,632.00



October 2, 2020

To the Board of Education
Watertown City School District

In planning and performing our audit of the financial statements of Watertown City School District for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated October 2, 2020, on the financial statements of Watertown City School District.

Condition: Non-Compliance with Real Property Tax Law

The School District did not comply with Section 1318 of the Real Property Tax Law which requires that no more than 4% of the subsequent year's expenditures be retained as unassigned fund balance.

Recommendation

We recommend school officials review fund balance during the budget process to ensure compliance with Real Property Tax Law.

Management's Response

The District's Finance, Audit and Facilities Committee will meet on a monthly basis to review and monitor the fund balance during the year so that appropriate measures can be put in place to comply with Section 1318 of the Real Property Tax Law. With COVID and 20% reduction in State Aid, this fund balance will be vital to sustain operations and absorb increased costs of instruction and disinfection.

Condition: Non-Compliance with Federal Regulations

The School District did not comply with federal regulation 7CFR Part 210.14(b) which requires School Food Service fund balance not to exceed three months' worth of expenses. The District has excess fund balance of \$220,850 as of June 30, 2020.

Recommendation

We recommend that management review fund balance and devise a plan to reduce excess fund balance in the School Food Service Fund.

Management's Response

Management has responded to notice of excess fund balance with a plan to spend down on excess fund balance through allowable equipment purchases. This is not an issue going forward because of the reduced meals served due to COVID reducing the aid received.

Condition: Long-Term Liabilities and Fixed Assets Not in General Ledger

The School District has not been tracking long-term liabilities and long-term assets, also known as K & W account groups, in the general ledger.

Recommendation

We recommend that both account groups be set up in nVision and opening balances as of July 1, 2020 be recorded as a starting point. During the year, all activity that will affect both long-term assets and long-term liabilities should be tracked and recorded to ensure year-end balances are up to date and accurate.

Management's Response

Management will add the account groups to nVision and track and make necessary adjustments going forward.

Condition: Internal Claims Auditor

The School District's internal claims auditor resigned during the current year and at that time, the duties were transitioned to someone within the business office, not to the Board approved deputy internal claims auditor. This transition caused there to be a lack of segregation of duties within the business office and the internal claims auditing process.

Recommendation

We recommend that the if the internal claims auditor nor deputy is available to audit claims that those claims are then moved to the Board for them to be audited, or the Board appoint someone independent to uphold the duties until replacement is approved.

Management's Response

We will rely on the deputy claims auditor and, if necessary, alter the appointment to someone familiar with the process.

Condition: Extra Classroom Activity Funds

The following items were noted during our audit of Extra Classroom Activity Funds:

- We tested 10 disbursements and noted that 2 disbursements selected had no evidence of being received prior to payment.
- We tested 5 fundraising events and noted that 2 of them did not have complete profit and loss statements.
- We reviewed all funds for activity and noted that several clubs had no activity in the current year with an ending balance.

Recommendation

We suggest the student treasurers and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding receipts, disbursements and record keeping within the Extra Classroom Activity Fund. If clubs with funds are deemed inactive, the club should be closed, and funds returned per District policy.

Management's Response

The central treasurer has attended training on Extra Classroom Activity Funds. She will work with management to ensure that these issues are rectified.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations.

Board of Education
Watertown City School District
October 2, 2020
Page 4

This communication is intended solely for the information and use of management, the Board of Education, and other within the District, and is not intended to be, and should not be, used by anyone other than specified parties.

Bowens & Company

Watertown, New York
October 2, 2020