

**W**ATERTOWN CITY  
SCHOOL DISTRICT

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*FINANCIAL STATEMENTS*  
June 30, 2021



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## *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, 2021, 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 4-21), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 87), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 88-89), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 90), and Schedule of District's Contributions – NYSLRS Pension Plan (page 91) 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.

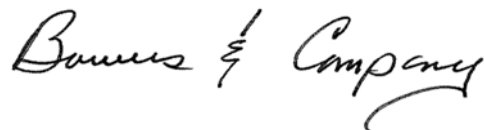
### *Other Information*

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 92-98), 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 105-106) 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 92-98) and the Schedule of Expenditures of Federal Awards (pages 105-106) 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 92-98) and the Schedule of Expenditures of Federal Awards (pages 105-106) 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 11, 2021 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.



Watertown, New York  
October 11, 2021

# WATERTOWN CITY SCHOOL DISTRICT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

### INTRODUCTION

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The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2021. 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

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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 850 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.



## **WATERTOWN CITY SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

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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, 2021. 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**

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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.

## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

#### FINANCIAL HIGHLIGHTS

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- Among major funds, the General Fund had \$67,231,679 in incoming monies and \$66,755,212 in monies coming out. The General Fund's fund balance increased \$476,467 from 2020.
- The unappropriated fund balance will be used over the next three to four years to control the tax levy. The School District finished the 2020-21 fiscal year in good financial condition. We had a 2.25% increase in the tax levy for 2020-21 which resulted in a \$367,713 increase in the levy of taxes for the 2020-21 fiscal year.
- District-wide revenues totaled \$77,128,018 and total expenses were \$88,318,018. The change in net position was (\$11,190,000). Net position at year end was (\$139,137,200).
- General revenues accounted for \$66,112,617 or 86% of all revenues. Program specific revenues in the form of charges for services and operating grants amounted to \$11,015,401 or 14% of total revenues of \$77,128,018.

#### OVERVIEW OF FINANCIAL STATEMENTS

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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.

**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**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
<b>Scope</b>	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 acts as a trustee or agent for resources that belong to others but does not have administrative control, such as property taxes collected on behalf of other governments
<b>Required Financial Statements</b>	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
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Asset / Liability Information</b>	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
<b>Type of Inflow / Outflow Information</b>	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, 2021

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**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, 2020 through June 30, 2021?" 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**

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**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 Fund and Capital Project - District Wide Fund. All other funds are reports as non-major funds.

## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

### REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

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#### 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.

#### Change in Accounting Principle

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of the statement establishes criteria for identifying fiduciary activities. For the District, this changed the reporting of scholarship activities, extra classroom activities, and library tax levy. See Note 16, 17, and 18 for the financial statement impact of the implementation of the Statement.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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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 \$139,137,200 at the close of the most recent fiscal year. This represents a \$11,190,000 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, 2021, the OPEB liability was \$227,107,076 compared to \$211,326,485 reported at the close of the prior fiscal year. See Note 12 for additional OPEB information.

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**WATERTOWN CITY SCHOOL DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

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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**

	<b>2020 Restated</b>	<b>2021</b>
<b>Assets</b>		
Current and Other Assets	\$ 28,886,891	\$ 29,179,475
Capital Assets, Net	65,241,905	65,602,616
Net Pension Asset - Proportionate Share	3,880,214	-
<b>Total Assets</b>	<u><u>\$ 98,009,010</u></u>	<u><u>\$ 94,782,091</u></u>
<b>Deferred Outflows of Resources</b>		
Other Postemployment Benefits	\$ 31,571,367	\$ 30,431,474
Pensions	16,086,595	18,895,924
Deferred Charge on Refunding	123,123	73,582
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 47,781,085</u></u>	<u><u>\$ 49,400,980</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 19,768,537	\$ 19,693,500
Long-Term Liabilities	234,099,126	244,381,798
<b>Total Liabilities</b>	<u><u>\$ 253,867,663</u></u>	<u><u>\$ 264,075,298</u></u>
<b>Deferred Inflows of Resources</b>		
Other Postemployment Benefits	\$ 14,212,566	\$ 10,574,749
Pensions	5,657,066	8,670,224
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 19,869,632</u></u>	<u><u>\$ 19,244,973</u></u>
<b>Net Position (Deficit)</b>		
Net Investment in Capital Assets	\$ 34,918,774	\$ 40,047,801
Restricted	5,955,288	5,805,853
Unrestricted (Deficit)	(168,821,262)	(184,990,854)
<b>Total Net Position (Deficit)</b>	<u><u>\$ (127,947,200)</u></u>	<u><u>\$ (139,137,200)</u></u>

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**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**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 \$16,169,592. 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 \$13,282,667. This was the main factor for the decrease in total net position of \$11,190,000.

**Table 2: Condensed Statement of Activities**

	2020 **	2021	Percentage Change
<b>Revenues</b>			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 16,345,583	\$ 16,710,509	2.23%
Other Tax Items	1,567,330	1,633,000	4.19%
State Aid Formula	46,607,632	44,316,069	-4.92%
Other	1,296,031	3,457,629	166.79%
<i>Program Revenues</i>			
Charges for Services	195,703	272,799	39.39%
Operating Grants	10,210,879	9,251,337	-9.40%
Capital Grants	294,746	1,491,265	405.95%
<b>Total Revenues</b>	<u>76,517,904</u>	<u>77,132,608</u>	<u>0.80%</u>
<b>Expenses</b>			
General Support	12,922,834	12,667,479	-1.98%
Instruction	66,772,202	70,930,256	6.23%
Pupil Transportation	2,740,888	2,260,963	-17.51%
School Food Service	2,204,030	1,849,786	-16.07%
Debt Service	871,776	609,534	-30.08%
<b>Total Expenses</b>	<u>85,511,730</u>	<u>88,318,018</u>	<u>3.28%</u>
<b>Change in Net Position</b>	<u>\$ (8,993,826)</u>	<u>\$ (11,185,410)</u>	<u>24.37%</u>

*\*\*2020 Statement of Activities has not been restated for GASB 84 implementation as such amounts were deemed immaterial.*

**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

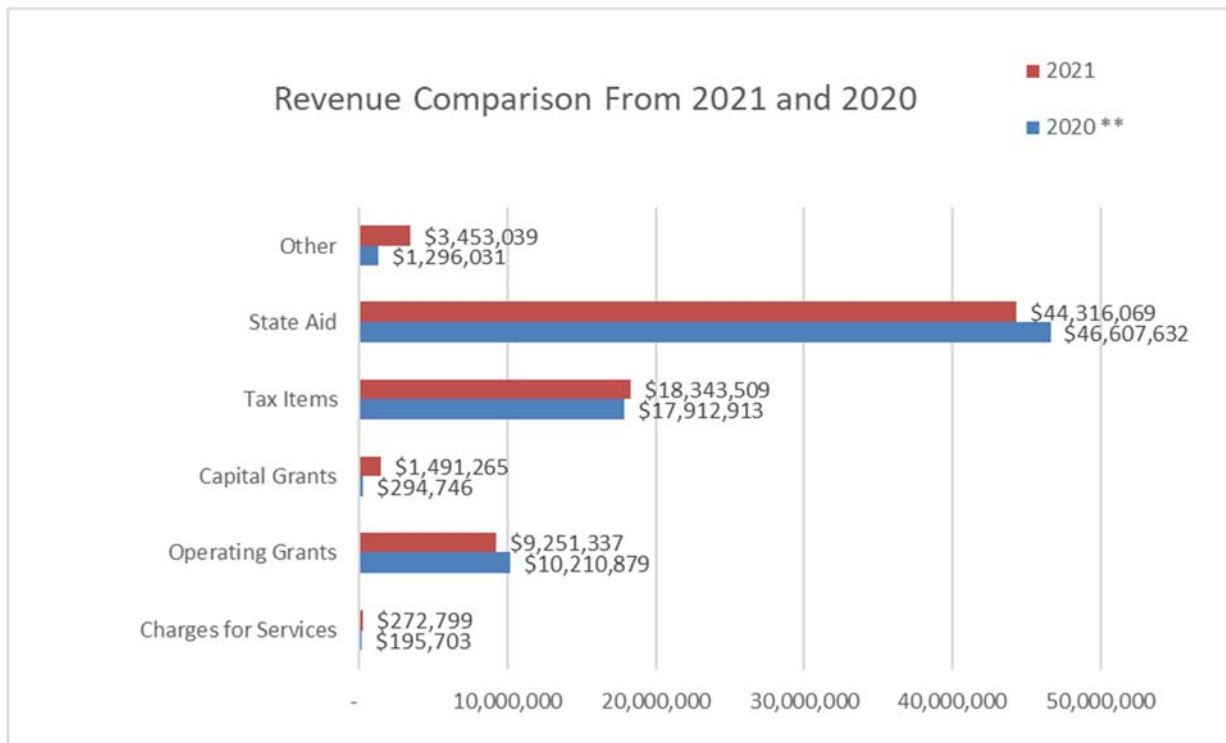
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued**

**Revenues**

Total revenues increased 0.80%.

State aid decreased by approximately \$2.3 million from 2019-2020 to 2020-2021.

The Tax Levy increased \$367,713 from 2019-20 to 2020-21.



*\*\* 2020 data has not been restated to reflect the changes as required by GASB 84 as such amounts were deemed immaterial*

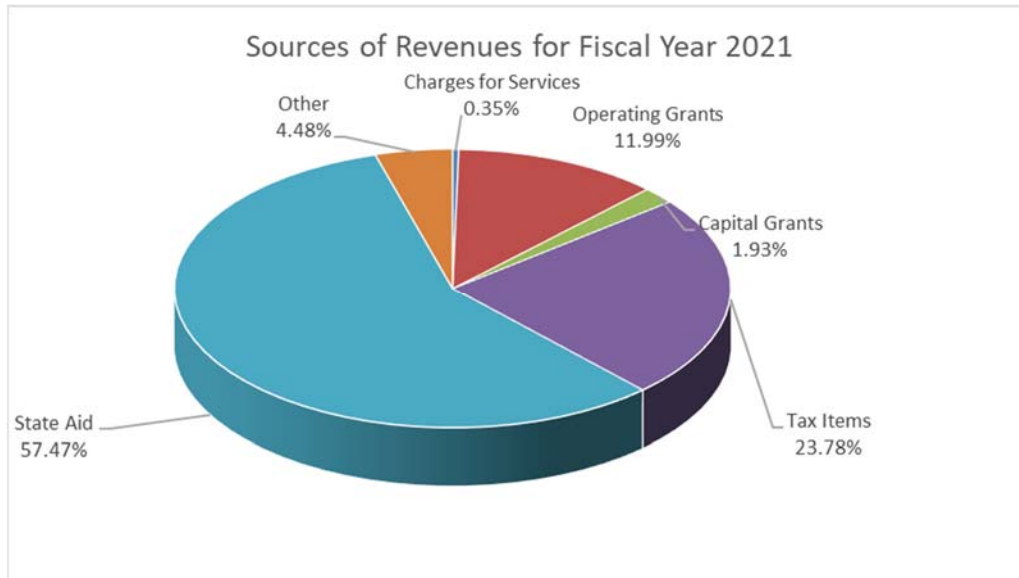


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total expenses decreased 3.28%.

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.

Instruction

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

Pupil Transportation

Pupil transportation costs have decreased an additional 17.51% in 2021 as a result of decreased athletics, field trips, and extracurriculars.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

**Expenses – Continued**

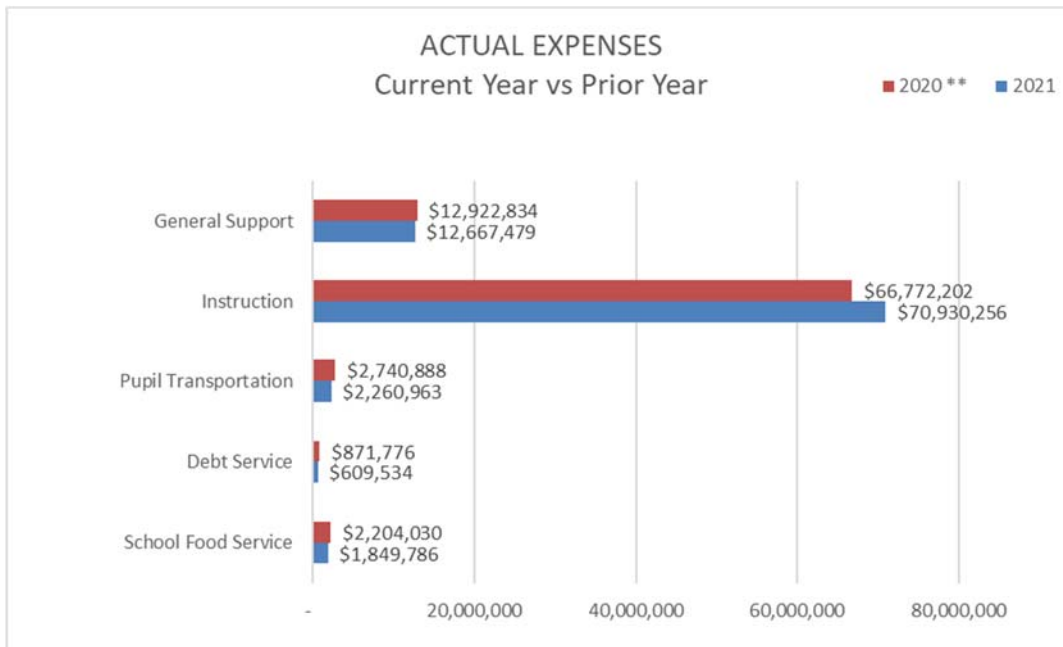
**School Food Service Program**

The School Food Service Program expenses decreased by 16.07% from the prior year. The decrease was related to the reduction in meals while having students in at half physical capacity due to Covid and a reduction of associated expenses. The District was eligible for CEP (Community Eligibility Provision) in the 2020-21 school year whereas all students were able to receive a free breakfast and lunch.

**Debt Service**

Debt service decreased by 30.08%. See note 7 and 8 for more details.

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2021 in comparison to the prior year:



*\*\* 2020 data has not been restated to reflect the changes as required by GASB 84 as such amounts were deemed immaterial*

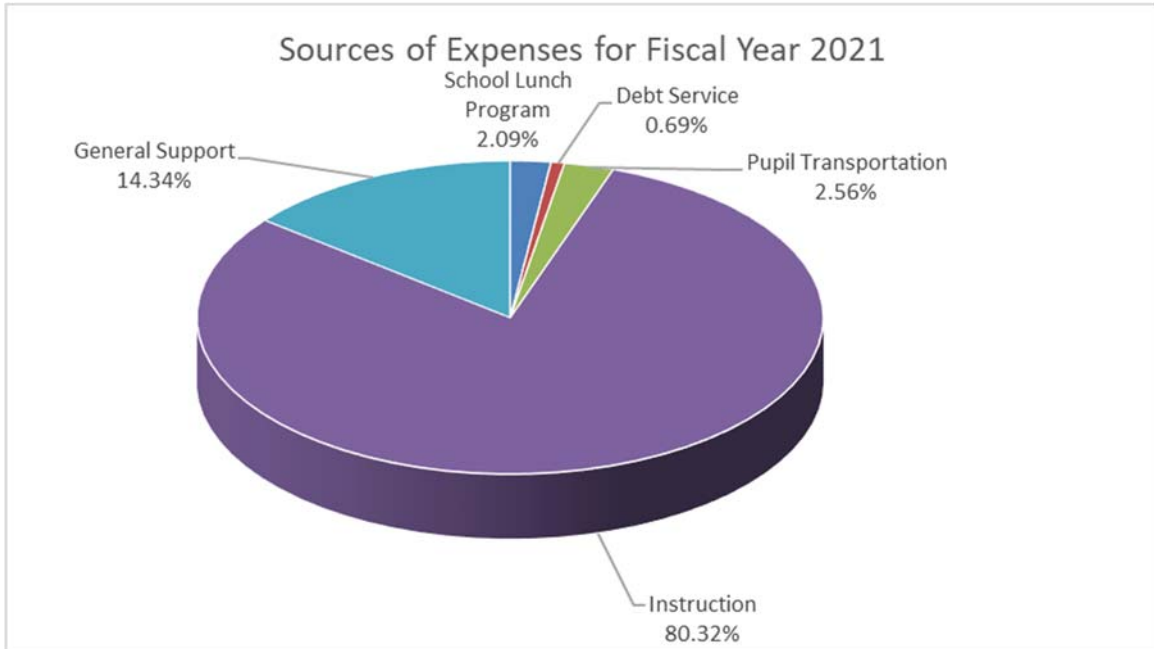
**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

**Expenses - Continued**



**CAPITAL ASSETS & DEBT ADMINISTRATION**

At the end of the fiscal year 2021, the School District had \$65,602,616 invested in land, buildings, furniture and equipment, and vehicles.

**Table 3: Capital Assets (Net of Accumulated Depreciation) at June 30, 2021**

This table compares fiscal 2020 balances to 2021.

	2020	2021	Total Percentage Change
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	1,453,221	3,452,974	137.61%
Buildings and Improvements	62,911,412	61,114,958	-2.86%
Furniture and Equipment	222,295	379,707	70.81%
<b>Total</b>	<b>\$ 65,241,905</b>	<b>\$ 65,602,616</b>	<b>0.55%</b>

## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

#### 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 2021 calendar year.

Total Net Capital Assets increased \$360,711 as a result of current year additions to capital assets exceeding current year depreciation. Land is not depreciable.

#### **Short-Term Debt**

The District renewed a Bond Anticipation Note in the amount of \$9,265,000 on June 28, 2021 to finance the capital project in the short-term.

For more information refer to Note 7.

#### **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.

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, 2021 and 2020:

	2019-2020	2020-2021
Due and Payable in One Year, Net	\$ 3,993,159	\$ 4,168,159
Due and Payable After One Year, Net	<u>16,506,030</u>	<u>12,337,871</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 20,499,189</u>	<u>\$ 16,506,030</u>

For more information refer to Note 8.

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**WATERTOWN CITY SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

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Revenues for the District's governmental funds totaled \$78,655,914. Expenditures for the year ended June 30, 2021 were \$78,293,013, resulting in a excess of revenues over expenditures of \$362,901.

**Table 4: Summary of Governmental Funds Expenditures**

The cost of the District's activities for 2021 and 2020 were as follows:

	<b>2020 **</b>	<b>2021</b>
General Support	\$ 9,138,904	\$ 8,312,842
Instruction	41,044,726	39,732,047
Pupil Transportation	2,602,508	2,120,075
Employee Benefits	18,230,923	18,838,821
Debt Service	5,509,100	5,906,178
Capital Expenditures	1,292,105	2,099,753
Other Expenditures	-	76,292
Cost of Sales - School Food Service	954,800	857,005
<b>Total Expenditures</b>	<u><u>\$ 78,773,066</u></u>	<u><u>\$ 77,943,013</u></u>

*\*\* 2020 data has not been restated to reflect the changes as required by GASB 84 as such amounts were deemed immaterial*

**Financial Position (Year to Year) – General Fund**

The General Fund showed an end of year fund balance of \$19,952,999. This is up from the prior year's fund balance as restated of \$19,476,532. Of this end of year fund balance, \$4,082,081 was restricted, \$9,233,770 was assigned to the 2021-22 budget as a source of funds plus encumbrances of \$1,305,995, leaving \$5,331,153 as unassigned. This represented 6.80% of the 2021-2022 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.

## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

#### ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

##### **Capital Projects Fund & Debt Service Fund**

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 renewed on June 29, 2020 in the amount of \$10,598,186. This was most recently renewed on June 28, 2021 in the amount of \$9,265,000.

##### **School Food Service Fund**

The School Food Service Fund Balance had expenditures exceeding revenues by \$161,548 in the current year. The current year increase and change in fund balance was due mainly to a decrease in revenue from fewer meals being served with school only housing students around 50% capacity 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.

##### **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 2020-2021 revenues for each grant.

	<b>Purpose</b>	<b>2020-2021</b>
Title I	Improving Academic Achievement	\$ 2,580,526
Title II	Supporting Effective Instruction State Grants	302,316
Title III	Limited English Proficiency	6,605
Title IV	English Language	54,549
DODEA IV	Department of Defense Grant	568,433
IDEA	School Age Special Ed	1,057,928
IDEA	Preschool Special Ed	25,474
UPK	Universal Pre-K	2,922,239
NSLP	Equipment Grant	39,995
Empire State	Empire State After School Grant	264,559
Section 4408	Summer School Handicapped	35,809
		<u>\$ 7,858,433</u>

**WATERTOWN CITY SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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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 2021 with revenues above the projected estimates.

The School District continues to be in excellent financial condition with a total of \$19,952,999 in fund balance of which \$14,621,846 is restricted for the 2021-22 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$5,331,153 unassigned for emergency, unanticipated expenditures and future tax levies.

**Table 5: Final Revenue Budget Compared to Actual Revenues**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Tax Items	\$ 18,112,776	\$ 18,343,509	\$ 230,733
Charges for Services	184,000	255,788	71,788
Use of Money and Property	55,000	18,762	(36,238)
Sale of Property and Compensation for Loss	7,000	44,424	37,424
Miscellaneous	380,000	489,898	109,898
Interfund Revenue	250,000	250,000	-
State Sources	45,292,798	45,055,920	(236,878)
Federal Sources	2,751,332	2,773,378	22,046
	<u>\$ 67,032,906</u>	<u>\$ 67,231,679</u>	<u>\$ 198,773</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2020-2021 is \$198,773. This difference is made up in large part of differences in three areas, tax items, miscellaneous sources, and state sources. Miscellaneous sources of revenue were over budget by \$109,898. This is due to a refund of prior year BOCES expense. Tax items were over budget by \$230,733 and the variance can be attributed to payments made on back taxes due. State sources were under budget due to reclassification of State Aid to federal aid in the current year with the CARES Act funds, and limitations to the States budget.

## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

#### GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

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**Table 6: Final Expenditure Budget Compared to Actual Expenditures**

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 10,163,506	\$ 7,716,533	\$ 2,446,973
Instruction	39,149,099	34,349,051	4,800,048
Pupil Transportation	2,935,112	2,355,506	579,606
Employee Benefits	19,032,351	17,633,939	1,398,412
Debt Service	5,615,564	5,906,178	(290,614)
Transfers to Other Funds	205,000	100,000	105,000
	<u>\$ 77,100,632</u>	<u>\$ 68,061,207</u>	<u>\$ 9,039,425</u>

The total difference Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$9,039,425. This variance is due mainly to variances in two areas, Instruction and General Support. Instruction was under expended by \$4,800,048. This variance is due to extra funds built into the budget in areas such as teacher salaries and special education. General Support was under expended by \$2,446,973 as actual rates did not meet budgeted expectations. Also, the COVID-19 pandemic hampered supply chain for many items the district attempted to purchase, such as computers.

#### CURRENT FINANCIAL ISSUES AND CONCERNS

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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.



## **WATERTOWN CITY SCHOOL DISTRICT**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

#### **CURRENT FINANCIAL ISSUES AND CONCERNS - Continued**

As a result of the COVID pandemic, there may be future cuts to State budgets and a potential 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](mailto:jhartshorne@watertowncsd.org)

**WATERTOWN CITY SCHOOL DISTRICT**

**AUDITED BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2021

<b>ASSETS</b>	
Cash and Cash Equivalents	
Unrestricted	\$ 12,784,764
Restricted	5,632,673
Receivables	
Taxes	544,248
State and Federal Aid	6,789,067
Due from Other Governments	3,214,220
Other	102,177
Inventories	112,326
Capital Assets, Net	65,602,616
<b>TOTAL ASSETS</b>	<u><u>\$ 94,782,091</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	\$ 18,895,924
Other Postemployment Benefits	30,431,474
Deferred Charge on Refunding	73,582
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 49,400,980</u></u>
<b>LIABILITIES</b>	
Payables	
Accounts Payable	\$ 1,310,816
Accrued Liabilities	1,732,585
Accrued Interest on Bonds Payable	102,695
Due to Other Governments	5
Due to Teachers' Retirement System	2,691,419
Due to Employees' Retirement System	238,244
Compensated Absences Payable - Current	77,202
Notes Payable	
Bond Anticipation Note	9,265,000
Unearned Credits	
Unearned Revenues - Other	107,375
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	4,168,159
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	12,337,871
Compensated Absences Payable	725,628
Net Pension Liability - Proportionate Share	4,211,223
Other Postemployment Benefits Payable	227,107,076
<b>TOTAL LIABILITIES</b>	<u><u>\$ 264,075,298</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Other Postemployment Benefits	\$ 10,574,749
Pensions	8,670,224
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>\$ 19,244,973</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 40,047,801
Restricted	
Debt Service	1,619,018
Other Legal Restrictions	4,186,835
Unrestricted (Deficit)	(184,990,854)
<b>TOTAL NET POSITION</b>	<u><u>\$ (139,137,200)</u></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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
<b>FUNCTIONS/PROGRAMS</b>					
General Support	\$ 12,667,479	\$ -	\$ -	\$ 1,491,265	\$ (11,176,214)
Instruction	70,930,256	255,788	7,266,899	-	(63,407,569)
Pupil Transportation	2,260,963	-	-	-	(2,260,963)
Debt Service - Interest	609,534	-	-	-	(609,534)
School Food Service Program	1,849,786	17,011	1,984,438	-	151,663
 Total Functions and Programs	 <u>\$88,318,018</u>	 <u>\$ 272,799</u>	 <u>\$ 9,251,337</u>	 <u>\$ 1,491,265</u>	 <u>(77,302,617)</u>
 <b>GENERAL REVENUES</b>					
Real Property Taxes					16,710,509
Other Tax Items					1,633,000
Use of Money and Property					96,836
Sale of Property and Compensation for Loss					44,424
Loss on Disposition of Equipment					(4,590)
State Sources					44,316,069
Medicaid Reimbursements					45,780
Federal Sources					2,727,598
Miscellaneous					542,991
 Total General Revenues					 <u>66,112,617</u>
 Change in Net Position					 <u>(11,190,000)</u>
Net Position - Beginning of Year, As Restated					<u>(127,947,200)</u>
Net Position - End of Year					<u>\$ (139,137,200)</u>

See notes to audited basic financial statements.

**WATERTOWN CITY SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2021

	<b>General Fund</b>	<b>Capital Projects Fund - District Wide</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents				
Unrestricted	\$ 10,526,998	\$ -	\$ 2,257,766	\$ 12,784,764
Restricted	4,082,081	383,092	1,167,500	5,632,673
Receivables				
Taxes	544,248	-	-	544,248
State and Federal Aid	1,730,911	-	5,058,156	6,789,067
Due from Other Funds	27,337,681	34,787,569	873,169	62,998,419
Due from Other Governments	3,212,368	-	1,852	3,214,220
Other	102,177	-	-	102,177
Inventories	-	-	112,326	112,326
<b>TOTAL ASSETS</b>	<b>\$ 47,536,464</b>	<b>\$ 35,170,661</b>	<b>\$ 9,470,769</b>	<b>\$ 92,177,894</b>
<b>LIABILITIES</b>				
Payables				
Accounts Payable	\$ 548,730	\$ 48,620	\$ 713,466	\$ 1,310,816
Accrued Liabilities	1,594,700	-	137,885	1,732,585
Due to Other Funds	22,433,170	34,979,408	5,585,841	62,998,419
Due to Other Governments	-	-	5	5
Due to Teachers' Retirement System	2,691,419	-	-	2,691,419
Due to Employees' Retirement System	238,244	-	-	238,244
Compensated Absences Payable	77,202	-	-	77,202
Notes Payable				
Bond Anticipation Note Payable	-	9,265,000	-	9,265,000
Unearned Credits				
Unearned Revenues- Other	-	-	107,375	107,375
Total Liabilities	<u>27,583,465</u>	<u>44,293,028</u>	<u>6,544,572</u>	<u>78,421,065</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred State Aid	-	-	1,997,991	1,997,991
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,997,991</u>	<u>1,997,991</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	112,326	112,326
Restricted	4,082,081	-	1,723,772	5,805,853
Assigned	10,539,765	-	1,094,683	11,634,448
Unassigned (Deficit)	5,331,153	(9,122,367)	(2,002,575)	(5,793,789)
Total Fund Balances (Deficits)	<u>19,952,999</u>	<u>(9,122,367)</u>	<u>928,206</u>	<u>11,758,838</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 47,536,464</b>	<b>\$ 35,170,661</b>	<b>\$ 9,470,769</b>	<b>\$ 92,177,894</b>

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, 2021

**Total Fund Balance - Governmental Funds** \$ 11,758,838

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

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

Net Pension Liability - Proportionate Share - TRS	\$ 4,190,049	
Net Pension Liability - Proportionate Share - ERS	21,174	(4,211,223)

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	\$ 10,574,749	
Pensions	8,670,224	(19,244,973)

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	\$ 30,431,474	
Pensions	18,895,924	
Deferred Charge on Refunding	73,582	49,400,980

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to Smart Schools Bond Funding and Empire State Grant 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.

Smart Schools Bond Funding	\$ 1,786,011	
Empire State After School Grant	211,980	1,997,991

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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, 2021

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	\$ 98,651,528	
Accumulated Depreciation is	<u>(33,048,912)</u>	65,602,616

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	\$ 14,705,000	
Accrued Interest on Bonds Payable	102,695	
Compensated Absences Payable	725,628	
Other Postemployment Benefits Payable	227,107,076	
Premium on Bond Issue	<u>1,801,030</u>	<u>(244,441,429)</u>

**Total Net Position - Governmental Activities**

**\$ (139,137,200)**

**WATERTOWN CITY SCHOOL DISTRICT**

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

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund- District Wide</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 16,710,509	\$ -	\$ -	\$ 16,710,509
Other Tax Items	1,633,000	-	-	1,633,000
Charges for Services	255,788	-	-	255,788
Sale of Property and Compensation for Loss	44,424	-	-	44,424
Use of Money and Property	18,762	-	10,523	29,285
Miscellaneous	489,898	-	53,898	543,796
State Sources	45,055,920	-	3,286,567	48,342,487
Medicaid Reimbursements	45,780	-	-	45,780
Federal Sources	2,727,598	-	6,428,894	9,156,492
Surplus Food	-	-	127,410	127,410
Sales - School Food Service	-	-	16,206	16,206
Total Revenues	<u>66,981,679</u>	<u>-</u>	<u>9,923,498</u>	<u>76,905,177</u>
<b>EXPENDITURES</b>				
General Support	7,563,144	-	749,698	8,312,842
Instruction	33,439,432	-	6,292,615	39,732,047
Pupil Transportation	2,120,075	-	-	2,120,075
Employee Benefits	17,626,383	-	1,212,438	18,838,821
Debt Service:				
Principal	4,923,186	-	-	4,923,186
Interest	982,992	-	-	982,992
Cost of Sales - School Food Service	-	-	857,005	857,005
Other Expenditures	-	-	76,292	76,292
Capital Outlay	-	508,488	1,591,265	2,099,753
Total Expenditures	<u>66,655,212</u>	<u>508,488</u>	<u>10,779,313</u>	<u>77,943,013</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>326,467</u>	<u>(508,488)</u>	<u>(855,815)</u>	<u>(1,037,836)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Operating Transfers In	250,000	-	100,000	350,000
Operating Transfers (Out)	(100,000)	-	(250,000)	(350,000)
Premium on Debt Issuance	-	-	67,551	67,551
BANs Redeemed from Appropriations	-	1,333,186	-	1,333,186
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>1,333,186</u>	<u>(82,449)</u>	<u>1,400,737</u>
Net Change in Fund Balances	476,467	824,698	(938,264)	362,901
Fund Balances (Deficits) - Beginning of Year, as Restated	<u>19,476,532</u>	<u>(9,947,065)</u>	<u>1,866,470</u>	<u>11,395,937</u>
Fund Balances (Deficits) - End of Year	<u>\$ 19,952,999</u>	<u>\$ (9,122,367)</u>	<u>\$ 928,206</u>	<u>\$ 11,758,838</u>

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, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$ 362,901

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 capital outlays exceeded loss on disposal and depreciation expense in the current period.

Capital Outlays	\$	2,406,344	
Loss on Disposal		(4,590)	
Depreciation Expense		(2,041,043)	360,711

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. 3,590,000

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	\$	19,840	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding		353,618	373,458

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). 71,719



**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, 2021

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to Smart Schools Bond Funding and Empire State Grant 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.

Smart Schools Bond Funding	\$ 1,491,265	
Empire State After School Grant	<u>211,980</u>	1,703,245

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Revenues related to the 20% reduction in Excess Cost Aid, BOCES Aid and Special Aid State grants was reported as revenue in the Statement of Activities in the prior year and as a deferred inflow in the governmental funds. When funds were collected in the current year, they were then reported as revenue in the governmental funds. The amounts represents prior year deferred inflow from the governmental funds.

(1,543,365)

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.

(13,282,667)

(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	\$ (3,146,709)	
Employees' Retirement System	<u>320,707</u>	<u>(2,826,002)</u>

**Change in Net Position of Governmental Activities** \$ (11,190,000)

**WATERTOWN CITY SCHOOL DISTRICT**

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**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2021

	<u>Custodial</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	
Restricted	\$ -
	<hr/>
Total Assets	\$ -
	<hr/> <hr/>
<b>NET POSITION</b>	
Restricted	\$ -
	<hr/> <hr/>

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See notes to audited basic financial statements.

**WATERTOWN CITY SCHOOL DISTRICT**

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2021

	<b>Custodial</b>
<b>ADDITIONS</b>	
Taxes Collected for Other Governments (Library Levy)	<u>\$ 75,000</u>
<b>DEDUCTIONS</b>	
Payments of Tax to Other Governments (Library Levy)	<u>75,000</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u>\$ -</u>

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See notes to audited basic financial statements.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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. Due to administrative involvement, the District accounts for assets in a special revenue fund. 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. Due to administrative involvement, the District accounts for assets in a special revenue fund.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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 \$8,039,144 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to \$4,645,723. This represents state aid distributions of \$4,283,157 and 2020 fund balance returned to schools of \$362,566. However, an additional \$574,870 of BOCES state aid distributions have been recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. This amount was recorded as a deferred inflow of resources on the Balance Sheet – Governmental Funds in the prior year since it was not considered "available" as state aid distributions were reduced by 20% subsequent to year-end.

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

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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, extra classroom activity funds which the District has administrative involvement 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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

Extra Classroom Activity Funds: Used to account for funds of the students of the District which are restricted as to use by the various student organizations where the District has administrative involvement over the funds.

Scholarships and Awards Fund: Used to account for proceeds received from various individuals and organizations that are restricted for specific scholarship and award programs not under specific trust arrangements.

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 is one class of fiduciary funds:

Custodial Funds: These funds are limited to assets that are being held for individuals, private organizations, or other governments that are not held in a trust. Assets are held by the District as agent for property taxes collected on behalf of other governments.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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 1, 2020. Taxes are collected during the period October 1, 2020 to December 1, 2020.

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.



## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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 10 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.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Impact of COVID-19 Pandemic on Financial Statements**

The COVID–19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID–19 on the District and financial results will depend on the future developments, which are highly uncertain and cannot be predicted, including but not limited to the duration, spread, severity, and impact of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID–19 may impact the District’s net position is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**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.

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**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
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 four 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 related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and the changes on assumptions and other inputs. The fourth 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.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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 inflow of resources for Special Aid Fund State Grant and Smart Schools Bond Act payments which have not yet been received within 60 days of year-end. They represent 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 Benefits**

###### Compensated 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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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 \$112,326.

**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.

##### **Scholarships and Awards Fund**

According to constraints placed on the use of resources established by various scholarship and award programs, must be used for the specific purpose outlined in the program. This reserve is accounted for in the Scholarships and Awards Fund.



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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications - Continued**

**Extra Classroom Activity Funds**

According to the regulations of the Commissioner of Education (8 NYCRR Part 172), the Board of Education of the District is required to make the rules and regulations for the establishment, conduct, operation, and maintenance of extra classroom activities and for the safeguarding, accounting and audit of all moneys received. According to the regulations of the Board of Education, the monies represent the funds of the students of the District and must be used by the student organizations of the District. This reserve is accounted for in the Extra Classroom Activity Funds.

**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.

**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications - Continued**

**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. These reserves are accounted for in the General Fund.

**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Equity Classifications - Continued**

**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.

**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. This reserve is accounted for in the General Fund.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Equity Classifications – Continued**

Restricted fund balance includes the following at June 30, 2021:

General Fund	
Capital Reserve	\$ 953,555
Employee Benefit Accrued Liability	621,047
Liability Claims	102,046
Insurance	100,329
Property Loss	100,332
Repairs	29,016
Retirement Contributions- NYSERS	751,697
Retirement Contributions- NYSTRS	512,863
Tax Certiorari	355,786
Unemployment Insurance	555,410
Debt Service Fund	1,619,018
Extra Classroom Activity Funds	87,877
Scholarships and Awards Fund	16,877
	<hr/>
Total Restricted Funds	\$ 5,805,853
	<hr/> <hr/>

**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, 2021.

**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Equity Classifications - Continued**

**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.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **New Accounting Standards**

The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new statements issued by GASB:

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

GASB 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 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.

##### **Future Changes in Accounting Standards**

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. 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. 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.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

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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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

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**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 – CHANGES IN ACCOUNTING PRINCIPLES**

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For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of the statement establishes criteria for identifying fiduciary activities of all school districts. See Note 16, Note 17, and Note 18 for the financial statement impact of the implementation of the statement.



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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**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.

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, 2021.

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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 4 - STEWARDSHIP, COMPLIANCE, AND  
ACCOUNTABILITY - Continued**

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**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 – District Wide had a deficit balance of \$9,122,367 and the Capital Projects Fund – Smart Bond Act had a deficit balance of \$1,786,011 at June 30, 2021. These 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 \$216,564 at June 30, 2021. This will be funded when 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 §210.14b by \$542,605, 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.

The District's General Fund debt service actual expenditures were over budget for the year by \$290,614.

**NOTE 5 - CASH AND CASH EQUIVALENTS- CUSTODIAL  
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,  
AND FOREIGN CURRENCY RISKS**

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**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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 5 - CASH AND CASH EQUIVALENTS- CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS - Continued**

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**Cash – Continued**

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	<u>\$ -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	<u>\$ 12,238,565</u>

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 \$4,082,081 restricted for various fund balance reserves in the General Fund, \$383,092 restricted for a voter approved capital project in the Capital Project - District Wide Fund, \$1,062,746 restricted for debt service in the Debt Service Fund, \$87,877 restricted for extra classroom activity funds in the Extra Classroom Activity Funds, and \$16,877 restricted for scholarships and awards within the Scholarships and Awards Fund within the governmental funds.

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, 2021, all deposits were fully insured and collateralized by the District’s agent, but not 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 Manager of the District.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 5 – CASH AND CASH EQUIVALENTS - CUSTODIAL  
CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE,  
AND FOREIGN CURRENCY RISKS - Continued**

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**Investment Pool**

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.

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, 2021, the District held \$5,528,727 in the investment pool which are included in unrestricted and restricted cash and cash equivalents.

**Pooled Accounts**

The following funds participated in pooled money market accounts:

General Fund	\$ 5,995,755
School Food Service Fund	736,256
Special Aid Fund	<u>1,183,763</u>
Total Pooled Book Balance	<u><u>\$ 7,915,774</u></u>

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 6 - CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements / Reclassifications</b>	<b>Ending Balance</b>
Capital Assets That Are Not Depreciated:				
Land	\$ 654,977	\$ -	\$ -	\$ 654,977
Construction in Progress	1,453,221	2,099,753	(100,000)	3,452,974
Total Nondepreciable Assets	<u>2,108,198</u>	<u>2,099,753</u>	<u>(100,000)</u>	<u>4,107,951</u>
Capital Assets That Are Depreciated:				
Buildings and Improvements	90,599,685	12,091	100,000	90,711,776
Furniture and Equipment	3,560,444	294,500	(23,143)	3,831,801
Total Depreciable Assets	<u>94,160,129</u>	<u>306,591</u>	<u>76,857</u>	<u>94,543,577</u>
Less Accumulated Depreciation				
Buildings and Improvements	27,687,560	1,909,258	-	29,596,818
Furniture and Equipment	3,338,862	131,785	(18,553)	3,452,094
Total Accumulated Depreciation	<u>31,026,422</u>	<u>2,041,043</u>	<u>(18,553)</u>	<u>33,048,912</u>
Total Depreciated Assets, Net	<u>63,133,707</u>	<u>(1,734,452)</u>	<u>95,410</u>	<u>61,494,665</u>
Capital Assets, Net	<u>\$ 65,241,905</u>	<u>\$ 365,301</u>	<u>\$ (4,590)</u>	<u>\$ 65,602,616</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 1,969,607
Instruction	51,026
School Food Service	20,410
Total Depreciation Expense	<u>\$ 2,041,043</u>

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 - 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, 2021 are as follows:

	<b>Maturity</b>	<b>Interest Rate (%)</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
BAN	6/29/2021	1.50%	\$ 10,598,186	\$ -	\$ 10,598,186	\$ -
BAN	6/28/2022	1.00%	-	9,265,000	-	9,265,000
			\$ 10,598,186	\$ 9,265,000	\$ 10,598,186	\$ 9,265,000

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

Interest Paid	\$ 158,973
Less: Accrued Interest in the Prior Year	-
Plus: Accrued Interest in the Current Year	-
Total Interest on Short-Term Debt	\$ 158,973

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, 2021

**NOTE 8 - 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:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 18,295,000	\$ -	\$ 3,590,000	\$ 14,705,000	\$ 3,765,000
Premium on Bonds	2,204,189	-	403,159	1,801,030	403,159
Total Bonds & Notes Payable	<u>20,499,189</u>	<u>-</u>	<u>3,993,159</u>	<u>16,506,030</u>	<u>4,168,159</u>
Other Liabilities					
Compensated Absences Payable	797,347	-	71,719	725,628	-
Other Postemployment Benefits Liability	211,326,485	15,780,591	-	227,107,076	-
Net Pension Liability Proportionate Share	5,469,264	-	1,258,041	4,211,223	-
Total Other Liabilities	<u>217,593,096</u>	<u>15,780,591</u>	<u>1,329,760</u>	<u>232,043,927</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 238,092,285</u></u>	<u><u>\$ 15,780,591</u></u>	<u><u>\$ 5,322,919</u></u>	<u><u>\$ 248,549,957</u></u>	<u><u>\$ 4,168,159</u></u>

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, 2021

**NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued**

Existing serial and statutory bond obligations:

<b>Description</b>	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Interest Rate (%)</b>	<b>Balance</b>
Serial Bond	6/14/2012	3/15/2031	2.0-5.0%	\$ 5,045,000
Serial Bond	10/31/2012	6/1/2026	2.0-5.0%	6,620,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	1,630,000
Serial Bond	5/27/2016	6/1/2022	2.0-4.0%	1,410,000
				<u>\$ 14,705,000</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,850,000	161,894	2,011,894
2027-2031	<u>1,720,000</u>	<u>94,678</u>	<u>1,814,678</u>
Total	<u>\$ 14,705,000</u>	<u>\$ 2,005,923</u>	<u>\$ 16,710,923</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 \$7,825,000 are considered defeased.



**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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**NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued**

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

Interest Paid	\$ 824,019
Less: Interest Accrued in the Prior Year	(122,535)
Plus: Interest Accrued in the Current Year	102,695
Less: Amortization of Bond Premium	(403,159)
Plus: Amortization of Deferred Charge on Refunding	49,541
	<hr/>
Total Interest on Long-Term Debt	<u>\$ 450,561</u>

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**NOTE 9 - PENSION PLANS**

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**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](http://www.nystrs.org).

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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](http://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).

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 9 - PENSION PLANS - Continued

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##### **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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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, 2020 and received an overall discount of \$7,054.

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

	<b>NYSTRS</b>	<b>NYSERS</b>
2020-2021	\$ 2,280,302	\$ 854,267
2019-2020	2,647,516	814,342
2018-2019	2,339,211	829,712



**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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, 2021, 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, 2021 for ERS and June 30, 2020 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.

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2021	June 30, 2020
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (21,174)	\$ (4,190,049)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0212646%	0.151634%
Change in Proportion Since the Prior Measurement Date	0.0006107%	0.002281%

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - 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, 2021, the District's recognized pension expense (credit) of (\$320,707) for ERS and \$3,146,709 for TRS. At June 30, 2021, 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	\$ 258,592	\$ 3,671,321	\$ -	\$ 214,732
Changes of Assumptions	3,893,217	5,299,437	73,427	1,888,972
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,736,469	6,082,422	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	131,913	156,811	7,668	403,003
District's Contributions Subsequent to the Measurement Date	238,244	2,509,920	-	-
Total	<u>\$ 4,521,966</u>	<u>\$ 14,373,958</u>	<u>\$ 6,163,517</u>	<u>\$ 2,506,707</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, 2022, 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:

	<b>ERS</b>	<b>TRS</b>
2022	\$ (300,573)	\$ 1,615,028
2023	(98,779)	3,277,743
2024	(318,436)	2,643,792
2025	(1,162,007)	1,624,617
2026	-	25,359
Thereafter	-	170,792

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2021	June 30, 2020
Actuarial Valuation Date	April 1, 2020	June 30, 2019
Interest Rate	5.9%	7.1%
Salary Scale	4.4%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020	July 1, 2009 - June 30, 2014
Inflation Rate	System's Experience 2.7%	System's Experience 2.2%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**Actuarial Assumptions – Continued**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2021	June 30, 2020
Asset Type		
Domestic Equity	4.05%	7.10%
International Equity	6.30%	7.70%
Private Equity	6.75%	10.40%
Global Equity		7.40%
Real Estate	4.95%	6.80%
Opportunistic / Absolute Return Strategies Portfolio	4.50%	
Credit	3.63%	
Real Assets	5.95%	
Cash	0.50%	0.70%
Private Debt		5.20%
Real Estate Debt		3.60%
Domestic Fixed Income Securities		1.80%
Global Fixed Income Securities		1.00%
High-Yield Bonds		3.90%

**Discount Rate**

The discount rate used to calculate the total pension asset (liability) was 5.9% 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, 2021

**NOTE 9 - 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 5.9% 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 (4.9% for ERS and 6.1% for TRS) or 1-percentage point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

<b>ERS</b>	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.9%)</b>	<b>1% Increase (6.90%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (5,877,086)	\$ (21,174)	\$ 5,379,347

<b>TRS</b>	<b>1% Decrease (6.10%)</b>	<b>Current Assumption (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (26,467,095)	\$ (4,190,049)	\$ 14,506,038

**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:

	<b>ERS</b>	<b>(In Thousands) TRS</b>	<b>Total</b>
Measurement Date	March 31, 2021	June 30, 2020	
Employer's Total Pension Asset (Liability)	\$ (220,680,157)	\$ (123,242,776)	\$ (343,922,933)
Plan Net Position	220,580,583	120,479,505	341,060,088
Employer's Net Pension Asset (Liability)	\$ (99,574)	\$ (2,763,271)	\$ (2,862,845)
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	99.95%	97.76%	

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 - PENSION PLANS - Continued**

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**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, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$238,244. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October, and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$2,691,419.

**NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

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Interfund balances at June 30, 2021 are as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General	\$ 27,337,681	\$ 22,433,170	\$ 250,000	\$ 100,000
Special Aid	276,769	3,652,217	-	-
School Food Service	40,128	147,613	-	-
Debt Service	556,272	-	-	250,000
Capital Projects	34,787,569	36,765,419	100,000	-
	<u>34,787,569</u>	<u>36,765,419</u>	<u>100,000</u>	<u>-</u>
Total	<u>\$ 62,998,419</u>	<u>\$ 62,998,419</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>

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. The Debt Service Fund transferred funds to the General Fund to cover a portion of current year debt payments. The General Fund transferred funds to the Capital Projects Fund to cover the cost of a mini renovation project, which will be recouped through State Aid in the 2022 year.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 11 – FUND BALANCE EQUITY**

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2021:

Fund Balances	General	Capital Projects- District Wide	Non-Major Funds	Total Governmental Funds
Non-Spendable				
Inventory	\$ -	\$ -	\$ 112,326	\$ 112,326
Restricted				
Capital Reserve	953,555	-	-	953,555
Employee Benefit Accrued Liability	621,047	-	-	621,047
Liability Claims	102,046	-	-	102,046
Insurance	100,329	-	-	100,329
Property Loss	100,332	-	-	100,332
Repairs	29,016	-	-	29,016
Retirement Contributions-NYSERS	751,697	-	-	751,697
Retirement Contributions-NYSTRS	512,863	-	-	512,863
Tax Certiorari	355,786	-	-	355,786
Unemployment Insurance	555,410	-	-	555,410
Debt Service	-	-	1,619,018	1,619,018
Extra Classroom Activity Funds	-	-	87,877	87,877
Scholarships and Awards Fund	-	-	16,877	16,877
Assigned				
General Support	153,389	-	-	153,389
Instruction	909,619	-	-	909,619
Pupil Transportation	235,431	-	-	235,431
Employee Benefits	7,556	-	-	7,556
Designated for Next Fiscal year	9,233,770	-	-	9,233,770
School Food Service Fund	-	-	1,094,683	1,094,683
Unassigned (Deficit)				
General Fund	5,331,153	-	-	5,331,153
Special Aid Fund	-	-	(216,564)	(216,564)
Capital Projects Funds	-	(9,122,367)	(1,786,011)	(10,908,378)
<b>Total Governmental Fund Balance (Deficit)</b>	<b>\$ 19,952,999</b>	<b>\$ (9,122,367)</b>	<b>\$ 928,206</b>	<b>\$ 11,758,838</b>

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS**

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**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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	441
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>613</u>
Total Covered Employees	<u>1,054</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**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS - Continued**

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**General Information about the OPEB Plan - Continued**

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

<b>Union</b>	<b>Retiree Contribution</b>
<b>CSEA</b>	<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
<b>WEA (Watertown Education Association)</b>	<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
<b>COADMIN (Management Confidential Employees)</b>	<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%
<b>WITAA ( Watertown Instructional Teachers Assistant Association)</b>	<u>Retirees:</u>
	Hired Pre 7/1/06: 0% Contribution
	Hired Post 7/1/06: Based on YOS - See table below
<b>All Other</b>	Based on YOS - See table below

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS - Continued**

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**General Information about the OPEB Plan - Continued**

<b>Years of Service</b>	<b>Retiree Contribution</b>	<b>Spousal Contribution</b>
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, 2021, the District recognized \$5,002,939 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, 2021 which indicates that the total liability for other postemployment benefits is \$227,107,076 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2020 and was determined by actuarial valuation as of July 1, 2020.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS - Continued**

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**Total OPEB Liability - Continued**

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2020 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	6/30/2020
Rate of Compensation Increase	3.00%
Inflation Rate (CPI)	2.25%
Discount Rate	2.44%

**Assumed Pre-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.75%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2031

**Assumed Post-65 Medical Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.75%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2031

**Additional Information**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	7.327
Method Used to Determine Actuarial Value of Assets	N/A

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS - Continued**

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**Total OPEB Liability - Continued**

The discount rate was based on the average of three 20-year bond indices as of June 30, 2020.

Mortality rates were based on Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

**Changes in the Total OPEB Liability**

Balance at June 30, 2020	\$ 211,326,485
Changes for the Year	
Service Cost	8,710,067
Interest	5,102,782
Differences Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	6,359,889
Benefit Payments	<u>(4,392,147)</u>
Net Changes	<u>15,780,591</u>
Balance at June 30, 2021	<u><u>\$ 227,107,076</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.14 percent as of July 1, 2019 to 2.44 percent as of July 1, 2020.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - 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 (1.44 percent) or 1 percentage point higher (3.44 percent) than the current discount rate:

	<b>1% Decrease 1.44%</b>	<b>Discount Rate 2.44%</b>	<b>1% Increase 3.44%</b>
Total OPEB Liability	\$ 281,797,501	\$ 227,107,076	\$ 185,938,238

*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 3.5 percent) or 1 percentage point higher (trend increasing to 5.5 percent) than the current healthcare cost trend rate:

	<b>Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 3.5%)</b>	<b>Healthcare Cost Trend Rates (Trend at 4.5%)</b>	<b>Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Increasing to 5.5%)</b>
Total OPEB Liability	\$ 181,871,553	\$ 227,107,076	\$ 289,537,024

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)  
BENEFITS - Continued**

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$13,282,667. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 8,906,574	\$ -
Changes of Assumptions or Other Inputs	17,125,767	10,574,749
Benefit Payments Subsequent to the Measurement Date	<u>4,399,133</u>	<u>-</u>
	<u>\$ 30,431,474</u>	<u>\$ 10,574,749</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,

2022	\$ 2,612,120
2023	2,943,017
2024	2,849,898
2025	3,887,781
2026	2,012,929
Thereafter	<u>1,151,847</u>
	<u>\$ 15,457,592</u>

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 13 - RISK MANAGEMENT**

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**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 14 – COMMITMENTS AND CONTINGENCIES**

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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, 2021, the District was served with multiple Notice of Claims and has open claims from prior years or that have the right of appeal from the plaintiff. All actions have not been settled, but the District does not expect to incur any significant financial impact and no additional accruals have been recognized related to such matters.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 15 – 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, 2021, the District’s portion of the Pilots was approximately \$445,000 and the District abated the following taxes:

Owner Name	Start Date	End Date	2020 % 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	10.8121	\$ 14,856
JCIDA - Roth Industries	2006	2032	100%	2,722,400	2,722,400	10.8121	29,435
JCIDA - Woolworth Watertown LLC	2015	2029	100%	2,622,700	2,622,700	10.8121	28,357
JCIDA - New York Airbrake	2017	2032	100%	960,000	960,000	10.8121	10,380
JCIDA - Current Applications	2016	2030	100%	435,700	435,700	10.8121	4,711
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	10.8121	649
JCIDA - COR	2015	2025	100%	24,371,000	24,371,000	10.8121	263,502
JCIDA - Morgan Watertown Housing Authority	2015	2030	100%	17,718,500	17,718,500	10.8121	191,574
various	various	n/a	100%	19,873,900	19,873,900	10.8121	214,879
HKBBE Apartments	2017	2058	100%	11,258,300	11,258,300	10.8121	121,726
Creekwood Housing Development Fund Company Inc.	2013	2022	94%	3,024,200	2,837,607	10.8121	30,680
Creekwood Housing Development Fund Company Inc.	2013	2022	92%	2,188,300	2,004,702	10.8121	21,675
Watertown Associates	1982	2021	100%	4,887,350	4,887,350	10.8121	52,843
Total Approximate Taxes Foregone							<u>\$ 985,267</u>



**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 16 – RESTATEMENT OF FUND BALANCE**

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Due to the District’s implementation of GASB Statement No. 84, *Fiduciary Activities*, a one-time prior-period adjustment of \$127,944 must be made to the beginning fund balance to reflect the transition to GASB 84. The Extra Classroom Activity fund balance has been restated to account for the transfer of the assets of the extra classroom activities in the prior year from the Agency Fund and to establish the prior year fund balance. The Scholarships and Awards fund balance has been restated to account for the transfer of fund balance in the prior year from the Private Purpose Trust Fund.

The following details the change in the District’s beginning of year fund balance:

Fund Balances (Deficits) - Beginning of Year, as Previously Stated	\$ 11,267,993
Increase in Extra Classroom Activity Fund Balance	110,876
Increase in Scholarships and Awards Fund Balance	<u>17,068</u>
Fund Balances (Deficits) - Beginning of Year, as Restated	<u><u>\$ 11,395,937</u></u>

**NOTE 17 – RESTATEMENT OF NET POSITION**

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Due to the District’s implementation of GASB Statement No. 84, *Fiduciary Activities*, a one-time prior-period adjustment of \$127,944 must be made to the beginning net position to reflect the transition to GASB 84 (See Note 16).

The following details the change in the District’s beginning of year Net Position:

Net Position - Beginning of Year, as Previously Stated	\$ (128,075,144)
Increase in Extra Classroom Activity Fund Balance	110,876
Increase in Scholarship and Awards Fund Balance	<u>17,068</u>
Net Position - Beginning of Year, as Restated	<u><u>\$ (127,947,200)</u></u>

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 18 – RESTATEMENT OF FIDUCIARY NET POSITION**

Due to the District’s implementation of GASB Statement No. 84, *Fiduciary Activities*, a one-time prior-period adjustment must be made to the beginning fiduciary net position to reflect the transition to GASB 84. The Private Purpose Trusts Fund net position has been restated with an adjustment of \$17,068 to account for the transfer of net position in the prior year to the Scholarships and Awards Fund in the governmental funds.

The following details the change in the District’s beginning of year Fiduciary Net Position:

Fiduciary Net Position - Beginning of Year, as Previously Stated	\$ 17,068
Decrease in Private Purpose Trusts	<u>(17,068)</u>
Fiduciary Net Position - Beginning of Year, as Restated	<u><u>\$ -</u></u>

**WATERTOWN CITY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

**LAST FOUR FISCAL YEARS**

Ended June 30, 2021

<b>Total OPEB Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 8,710,067	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	5,102,782	5,825,852	6,137,603	5,421,746
Difference between Expected and Actual Experience	-	-	17,071,252	-
Changes in Assumptions or Other Inputs	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
<b>Net Change in Total OPEB Liability</b>	<u>15,780,591</u>	<u>23,162,226</u>	<u>18,558,884</u>	<u>(12,223,397)</u>
<b>Total OPEB Liability - Beginning</b>	<u>211,326,485</u>	<u>188,164,259</u>	<u>169,605,375</u>	<u>181,828,772</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 227,107,076</u></u>	<u><u>\$ 211,326,485</u></u>	<u><u>\$ 188,164,259</u></u>	<u><u>\$ 169,605,375</u></u>
<b>Covered Payroll</b>	\$ 28,612,455	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	793.74%	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.

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

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

Year Ended June 30, 2021

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
Local Sources		
Real Property Taxes	\$ 16,710,509	\$ 16,710,509
Other Tax Items	1,402,267	1,402,267
Charges for Services	184,000	184,000
Use of Money and Property	55,000	55,000
Sale of Property and Compensation for Loss	7,000	7,000
Miscellaneous	380,000	380,000
Total Local Sources	<u>18,738,776</u>	<u>18,738,776</u>
State Sources	45,292,798	45,292,798
Federal Sources	2,751,332	2,751,332
Total Revenues	<u>66,782,906</u>	<u>66,782,906</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers from Other Funds	250,000	250,000
Total Revenues and Other Financing Sources	<u>67,032,906</u>	<u>67,032,906</u>
<b>EXPENDITURES</b>		
General Support		
Board of Education	44,108	44,108
Central Administration	318,765	318,765
Finance	602,079	677,079
Staff	401,620	436,620
Central Services	6,277,600	6,167,600
Special Items	2,519,334	2,519,334
Total General Support	<u>10,163,506</u>	<u>10,163,506</u>
Instruction		
Instruction, Administration and Improvement	2,481,855	2,481,855
Teaching-Regular School	19,864,333	20,361,933
Programs for Children with Handicapping Conditions	6,373,683	6,373,683
Teaching - Special School	232,400	225,400
Occupational Education	2,048,550	2,048,550
Instructional Media	4,118,956	4,025,856
Pupil Services	3,631,822	3,631,822
Total Instruction	<u>38,751,599</u>	<u>39,149,099</u>
Pupil Transportation	2,935,112	2,935,112
Employee Benefits	19,429,851	19,032,351
Debt Service	5,615,564	5,615,564
Total Expenditures	<u>76,895,632</u>	<u>76,895,632</u>
<b>OTHER FINANCING USES</b>		
Transfers to Other Funds	205,000	205,000
Total Expenditures and Other Financing Uses	<u>77,100,632</u>	<u>77,100,632</u>
Net Change in Fund Balance	(10,067,726)	(10,067,726)
Fund Balance - Beginning of Year	19,476,532	19,476,532
Fund Balance - End of Year	<u>\$ 9,408,806</u>	<u>\$ 9,408,806</u>

**WATERTOWN CITY SCHOOL DISTRICT**

<b>Actual</b>		<b>Final Budget Variance With Actual</b>	
\$ 16,710,509		\$ -	
1,633,000		230,733	
255,788		71,788	
18,762		(36,238)	
44,424		37,424	
489,898		109,898	
<u>19,152,381</u>		<u>413,605</u>	
45,055,920		(236,878)	
2,773,378		22,046	
<u>66,981,679</u>		<u>198,773</u>	
250,000		-	
<u>67,231,679</u>		<u>\$ 198,773</u>	

	<b>Year-End Encumbrances</b>	<b>Final Budget Variance with Actual And Encumbrances</b>	
12,396	\$ 40	\$ 31,672	
254,075	-	64,690	
491,912	35,367	149,800	
375,766	2,284	58,570	
3,943,646	115,698	2,108,256	
2,485,349	-	33,985	
<u>7,563,144</u>	<u>153,389</u>	<u>2,446,973</u>	
2,199,528	34,596	247,731	
18,558,362	23,727	1,779,844	
5,681,326	8,747	683,610	
89,296	-	136,104	
1,956,861	-	91,689	
2,221,868	841,067	962,921	
2,732,191	1,482	898,149	
<u>33,439,432</u>	<u>909,619</u>	<u>4,800,048</u>	
2,120,075	235,431	579,606	
17,626,383	7,556	1,398,412	
5,906,178	-	(290,614)	
<u>66,655,212</u>	<u>1,305,995</u>	<u>8,934,425</u>	
100,000	-	105,000	
<u>66,755,212</u>	<u>\$ 1,305,995</u>	<u>\$ 9,039,425</u>	
476,467			
<u>19,476,532</u>			
<u>\$ 19,952,999</u>			

**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 SEVEN FISCAL YEARS**

Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>							
District's Proportion of the Net Pension Asset (Liability)	0.151634%	0.149353%	0.146539%	0.146169%	0.142023%	0.147088%	0.150523%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,190,049)	\$ 3,880,214	\$ 2,649,805	\$ 1,111,029	\$ (1,521,131)	\$15,277,757	\$16,767,331
District's Covered Payroll	\$26,119,503	\$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>16.04%</u>	<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)	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
<b>Employees' Retirement System (ERS)</b>							
District's Proportion of the Net Pension Asset (Liability)	0.0212646%	0.0206539%	0.0204048%	0.0194381%	0.0178569%	0.0192270%	0.0189420%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (21,174)	\$ (5,469,264)	\$ (1,445,742)	\$ (627,352)	\$ (1,677,873)	\$ (3,199,004)	\$ (639,906)
District's Covered Payroll	\$ 6,375,526	\$ 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>0.33%</u>	<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)	99.95%	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 SEVEN FISCAL YEARS**

Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>Teachers' Retirement System (TRS)</b>							
Contractually Required Contribution	\$ 2,280,302	\$ 2,647,516	\$ 2,339,211	\$ 2,714,699	\$ 2,906,016	\$ 3,873,186	\$ 3,741,295
Required Contribution	<u>2,280,302</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 26,119,503	\$ 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	8.73%	10.35%	9.80%	11.72%	13.26%	17.51%	16.83%
<b>Employees' Retirement System (ERS)</b>							
Contractually Required Contribution	\$ 854,267	\$ 814,342	\$ 829,712	\$ 826,463	\$ 783,160	\$ 905,777	\$ 1,043,107
Required Contribution	<u>854,267</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 6,375,526	\$ 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	13.40%	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**

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

Year Ended June 30, 2021

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 77,006,009
Add: Prior Year's Encumbrances	<u>94,623</u>
Original Budget	77,100,632
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 77,100,632</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2021-22 Voter Approved Expenditure Budget	<u>\$ 78,377,057</u>
Maximum Allowed 4% of 2021 - 2022 Budget	<u><u>\$ 3,135,082</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 10,539,765
Unassigned Fund Balance	<u>5,331,153</u>
Total Unrestricted Fund Balance	<u><u>15,870,918</u></u>

Less:	
Appropriated Fund Balance	9,233,770
Encumbrances Included in Assigned Fund Balance	<u>1,305,995</u>
Total Adjustments	<u><u>10,539,765</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,331,153</u></u>
Actual Percentage	<u><u>6.80%</u></u>

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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, 2021

PROJECT TITLE	Expenditures					Methods of Financing			Fund Balance (Deficit) 6/30/2021	
	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	\$ 294,746	\$ 1,491,265	\$ 1,786,011	\$ 1,838,114	\$ -	\$ -	\$ -	\$ (1,786,011)
Mini Renovation Project	100,000	100,000	-	100,000	100,000	-	-	100,000	100,000	-
Additions & Renovations	11,969,797	11,758,487	11,101,049	508,488	11,609,537	148,950	1,520,000	967,170	2,487,170	(9,122,367)
<b>Total</b>	<b>\$ 15,693,922</b>	<b>\$ 15,482,612</b>	<b>\$ 11,395,795</b>	<b>\$ 2,099,753</b>	<b>\$ 13,495,548</b>	<b>\$ 1,987,064</b>	<b>\$ 1,520,000</b>	<b>\$ 967,170</b>	<b>\$ 2,487,170</b>	<b>\$ (10,908,378)</b>

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

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**COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2021

	<b>Special Aid Fund</b>	<b>School Food Service Fund</b>	<b>Debt Service Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents			
Unrestricted	\$ 1,295,329	\$ 962,437	\$ -
Restricted	-	-	1,062,746
Receivables			
State and Federal Aid	2,961,676	310,469	-
Due From Other Funds	276,769	40,128	556,272
Due From Other Governments	-	1,852	-
Inventories	-	112,326	-
<b>TOTAL ASSETS</b>	<u><u>\$ 4,533,774</u></u>	<u><u>\$ 1,427,212</u></u>	<u><u>\$ 1,619,018</u></u>
<b>LIABILITIES</b>			
Payables			
Accounts Payable	\$ 682,306	\$ 31,160	\$ -
Accrued Liabilities	96,460	41,425	-
Due to Other Funds	3,652,217	147,613	-
Due to Other Governments	-	5	-
Unearned Credits			
Unearned Revenues - Other	107,375	-	-
Total Liabilities	<u><u>4,538,358</u></u>	<u><u>220,203</u></u>	<u><u>-</u></u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred State Aid	211,980	-	-
Total Deferred Inflows of Resources	<u><u>211,980</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	-	112,326	-
Restricted	-	-	1,619,018
Assigned	-	1,094,683	-
Unassigned (Deficit)	(216,564)	-	-
Total Fund Balances (Deficit)	<u><u>(216,564)</u></u>	<u><u>1,207,009</u></u>	<u><u>1,619,018</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICIT)</b>			
	<u><u>\$ 4,533,774</u></u>	<u><u>\$ 1,427,212</u></u>	<u><u>\$ 1,619,018</u></u>

**WATERTOWN CITY SCHOOL DISTRICT**

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<b>Capital Projects Fund - Smart Bond Act</b>	<b>Capital Projects Fund - Mini Renovation</b>	<b>Extra Classroom Activity Funds</b>	<b>Scholarships and Awards Fund</b>	<b>Total Non-Major Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 2,257,766
-	-	87,877	16,877	1,167,500
1,786,011	-	-	-	5,058,156
-	-	-	-	873,169
-	-	-	-	1,852
-	-	-	-	112,326
<u>\$ 1,786,011</u>	<u>\$ -</u>	<u>\$ 87,877</u>	<u>\$ 16,877</u>	<u>\$ 9,470,769</u>
\$ -	\$ -	\$ -	\$ -	\$ 713,466
-	-	-	-	137,885
1,786,011	-	-	-	5,585,841
-	-	-	-	5
-	-	-	-	107,375
<u>1,786,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,544,572</u>
<u>1,786,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,997,991</u>
<u>1,786,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,997,991</u>
-	-	-	-	112,326
-	-	87,877	16,877	1,723,772
-	-	-	-	1,094,683
<u>(1,786,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,002,575)</u>
<u>(1,786,011)</u>	<u>-</u>	<u>87,877</u>	<u>16,877</u>	<u>928,206</u>
<u>\$ 1,786,011</u>	<u>\$ -</u>	<u>\$ 87,877</u>	<u>\$ 16,877</u>	<u>\$ 9,470,769</u>

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

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

Year Ended June 30, 2021

	<b>Special Aid Fund</b>	<b>School Food Service Fund</b>	<b>Debt Service Fund</b>
<b>REVENUES</b>			
Use of Money and Property	\$ -	\$ 358	\$ 10,156
Miscellaneous	-	805	-
State Sources	3,222,607	63,960	-
Federal Sources	4,635,826	1,793,068	-
Surplus Food	-	127,410	-
Sales - School Food Service	-	16,206	-
Total Revenues	<u>7,858,433</u>	<u>2,001,807</u>	<u>10,156</u>
<b>EXPENDITURES</b>			
General Support	39,995	709,703	-
Instruction	6,292,615	-	-
Employee Benefits	938,887	273,551	-
Cost of Sales - School Food Service	-	857,005	-
Other Expenditures	-	-	-
Capital Outlays	-	-	-
Total Expenditures	<u>7,271,497</u>	<u>1,840,259</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>586,936</u>	<u>161,548</u>	<u>10,156</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	(250,000)
Premium on Debt Issuance	-	-	67,551
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(182,449)</u>
Net Change in Fund Balances	586,936	161,548	(172,293)
Fund Balances (Deficit) - Beginning of Year, As Restated	<u>(803,500)</u>	<u>1,045,461</u>	<u>1,791,311</u>
Fund Balances (Deficit) - End of Year	<u>\$ (216,564)</u>	<u>\$ 1,207,009</u>	<u>\$ 1,619,018</u>

**WATERTOWN CITY SCHOOL DISTRICT**

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<b>Capital Projects Fund - Smart Bond Act</b>	<b>Capital Projects Fund - Mini Renovation</b>	<b>Extra Classroom Activity Funds</b>	<b>Scholarships and Awards Fund</b>	<b>Total Non-Major Funds</b>
\$ -	\$ -	\$ -	\$ 9	\$ 10,523
-	-	53,093	-	53,898
-	-	-	-	3,286,567
-	-	-	-	6,428,894
-	-	-	-	127,410
-	-	-	-	16,206
<u>-</u>	<u>-</u>	<u>53,093</u>	<u>9</u>	<u>9,923,498</u>
-	-	-	-	749,698
-	-	-	-	6,292,615
-	-	-	-	1,212,438
-	-	-	-	857,005
-	-	76,092	200	76,292
<u>1,491,265</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>1,591,265</u>
<u>1,491,265</u>	<u>100,000</u>	<u>76,092</u>	<u>200</u>	<u>10,779,313</u>
<u>(1,491,265)</u>	<u>(100,000)</u>	<u>(22,999)</u>	<u>(191)</u>	<u>(855,815)</u>
-	100,000	-	-	100,000
-	-	-	-	(250,000)
-	-	-	-	67,551
<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(82,449)</u>
(1,491,265)	-	(22,999)	(191)	(938,264)
<u>(294,746)</u>	<u>-</u>	<u>110,876</u>	<u>17,068</u>	<u>1,866,470</u>
<u>\$ (1,786,011)</u>	<u>\$ -</u>	<u>\$ 87,877</u>	<u>\$ 16,877</u>	<u>\$ 928,206</u>

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

**WATERTOWN CITY SCHOOL DISTRICT**

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**NET INVESTMENT IN CAPITAL ASSETS**

Year Ended June 30, 2021

Capital Assets, Net		\$ 65,602,616
Add:		
Deferred Charge on Refunding		<u>73,582</u>
Deduct:		
Bond Anticipation Note	\$ 9,265,000	
Less: Unspent BAN Proceeds	(142,633)	
Premium on Bonds Payable	1,801,030	
Short-Term Portion of Bonds Payable	3,765,000	
Long-Term Portion of Bonds Payable	<u>10,940,000</u>	<u>25,628,397</u>
Net Investment in Capital Assets		<u><u>\$ 40,047,801</u></u>

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

**FEDERAL AWARD PROGRAM INFORMATION**





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**

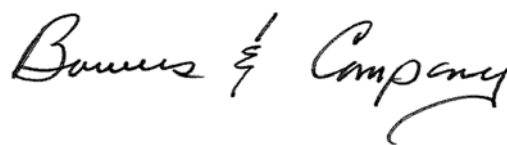
As part of obtaining reasonable assurance about whether the Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

### **Watertown City School District's Response to Findings**

Watertown City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Watertown City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York  
October 11, 2021



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, 2021.

### **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.

*Banner & Company*

Watertown, New York  
October 11, 2021

**WATERTOWN CITY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing	Agency or Pass-Through Number	Expenditures
<b>U. S. Department of Education</b>			
<b>Passed-Through NYS Education Department:</b>			
Title I Grants to Local Educational Agencies	84.010	0021-21-1205	\$ 2,125,227
Title I Grants to Local Educational Agencies	84.010	0011-21-2301	8,256
Title I Grants to Local Educational Agencies	84.010	0016-21-1205	67,021
Title I Grants to Local Educational Agencies	84.010	0011-21-2200	125,531
Title I Grants to Local Educational Agencies	84.010		13,281
Title I Grants to Local Educational Agencies	84.010	0021-20-1205	234,758
Title I Grants to Local Educational Agencies	84.010	0016-20-1205	6,452
Total Title I Grants to Local Educational Agencies			<u>2,580,526</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	0032-21-0323	1,057,928
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-21-0323	25,474
Total Special Education Cluster			<u>1,083,402</u>
Education Stabilization Fund			
COVID-19: Governor's Emergency Education Relief Fund	84.425C	5895-21-1205	342,490
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-1205	2,020,795
Total Education Stabilization Fund			<u>2,363,285</u>
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants	84.367	0147-21-1205	247,572
Supporting Effective Instruction State Grants	84.367	0147-20-1205	54,744
Total Supporting Effective Instruction State Grants			<u>302,316</u>
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365	0293-21-1205	773
English Language Acquisition State Grant	84.365	0293-20-1205	5,832
Total English Language Acquisition State Grants			<u>6,605</u>
Student Support and Academic Enrichment			
Student Support and Academic Enrichment	84.424	0204-21-1205	51,480
Student Support and Academic Enrichment	84.424	0204-20-1205	3,069
Total Student Support and Academic Enrichment			<u>54,549</u>
Total Passed Through NYS Education Department			<u>6,390,683</u>
<b>Direct Program:</b>			
Impact Aid	84.041		364,313
Total Direct Programs from U.S. Department of Education			<u>364,313</u>
Total U.S. Department of Education			<u>6,754,996</u>
Subtotal this Page			<u>\$ 6,754,996</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, 2021

Subtotal From Previous Page		\$ 6,754,996
<b><u>U. S. Department of Defense</u></b>		
<b>Direct Programs:</b>		
Achievement at Military Connected Schools	12.556	568,433
Total Direct Programs from U.S. Department of Defense		568,433
Total U.S. Department of Defense		568,433
<b><u>U. S. Department of Agriculture</u></b>		
<b>Passed-Through NYS Education Department:</b>		
Child Nutrition Discretionary Grants Limited Availability	10.579	0005-20-0024
		39,995
Fresh Fruit and Vegetable Program	10.582	
		23,628
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
Summer Food Service Program	10.559	103,782
Non-Cash Assistance Subtotal		103,782
Cash Assistance		
National School Lunch Program	10.555	368
Summer Food Service Program	10.559	1,792,700
Cash Assistance Subtotal		1,793,068
Total Child Nutrition Cluster		1,896,850
Total Passed Through NYS Education Department		1,960,473
Total U.S. Department of Agriculture		1,960,473
Total Federal Assistance		\$ 9,283,902

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**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2021

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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**

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No amounts were provided to subrecipients.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2021

**NOTE 3 – OTHER DISCLOSURES**

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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 \$103,782 of commodities under the Summer Food Service Program (Assistance Listing 10.559) and \$23,628 of commodities under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

At June 30, 2021, the District had food commodities totaling \$14,096 in inventory.



**WATERTOWN CITY SCHOOL DISTRICT**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2021

**NOTE A - SUMMARY OF AUDITOR'S RESULTS**

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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. One instance 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*, was 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 include:

U.S. Department of Defense:	
Achievement at Military Connected Schools	12.556
U.S. Department of Education:	
Passed Through NYS Education Department	
COVID-19: Governor's Emergency Education Relief Fund	84.425C
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D
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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

**NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT**

---

**Finding Control Number: 2021-001**

*Instances of Noncompliance with Laws or Regulations*

Surplus Unexpended Funds in Excess of 4% Limitation

**Criteria**

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserves for tax reduction and insurance recoveries, the District can retain to no more than 4% of the subsequent year's budgeted appropriations. Amounts appropriated for the subsequent year, encumbrances, nonspendable and restricted balances are also excluded for the 4% limitation.

**Condition**

The District exceeded the 4% limitation of unexpended surplus funds within the General Fund by \$2,196,071 during the fiscal year.

**Context**

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$5,331,153 had exceeded maximum allowed unexpended balance of \$3,135,082 for the fiscal year ended.

**Effect**

As a result, the District was not in compliance with the unexpended surplus funds limitation requirements of the Real Property Tax Law §1318 for the fiscal year ended June 30, 2021.

**Cause**

The District understands the requirements relating to §1318 Real Property Tax law and due to the uncertainty of primary revenue sources maintains fund balance levels deemed appropriate in accordance with their long range fund balance plan.

**WATERTOWN CITY SCHOOL DISTRICT**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2021

**NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT -**

Continued

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**Finding Control Number: 2021-001 – Continued**

**Recommendation**

We recognize the District has developed and implemented a long range written reserve plan. The District also monitors the fund balance on a regular basis. We recommend school officials continue to review fund balance throughout the year to address compliance with the Real Property Tax Law §1318.

**Views of Responsible Officials and Planned Corrective Actions**

The 2020-21 year ended with an excess fund balance as a holding pattern for fiscal responsibility due to potential state aid cuts projected at the start of the fiscal year and then supply chain issues due to the COVID pandemic, being unable to received purchased goods before year-end, such as computers. The District planned for the worst with potential budget cuts and rising costs due to the pandemic, while trying to be prudent with their current resources. We continue to reduce our fund balance in a stable and graduated way toward the 4% limitation. With additional grant funding coming in for 2021-2025, the District will concentrate on their long-term reserve planning, which will align closely with our fund balance management and fiscal strategy.

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

---

There were no findings to report.

**WATERTOWN CITY SCHOOL DISTRICT**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2021

**NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT**

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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**



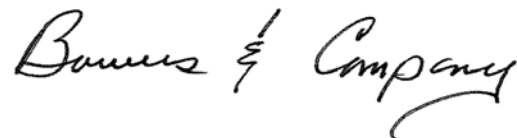
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2021, 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.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York  
October 11, 2021

**WATERTOWN CITY SCHOOL DISTRICT**

**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2021

<b>Account Name</b>	<b>Cash Balance 7/1/2020</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 6/30/21</b>
Class of 2021	\$ 9,652	\$ 3,420	\$ 13,072	\$ -
Class of 2022	6,595	4,531	2,280	8,846
Class of 2023	1,458	2,841	254	4,045
Class of 2024	-	4,933	-	4,933
Art Club	470	-	-	470
Band	2,124	150	119	2,155
Book Club	101	-	-	101
Business Club	886	-	200	686
Chorus	13,674	2,593	4,660	11,607
Cychronicle	516	-	-	516
Diversity Club	663	-	-	663
Drama	637	-	-	637
Environmental Club	930	-	-	930
Fashion Club	1,018	-	-	1,018
Future Farmers of America	1,853	399	166	2,086
Gay Straight Alliance	122	-	-	122
Interact Club	785	-	-	785
International Club	888	-	136	752
National Honor Society	1,464	-	-	1,464
Ohio Reading Buddies	177	-	100	77
Photography Club	248	-	-	248
SADD	2,398	-	-	2,398
Student Council	12,175	-	1,059	11,116
Student Council - Special	21,910	7,413	26,761	2,562
Teen Aids Task Force	300	-	-	300
Video Club	1,209	3,455	1,106	3,558
Whiz Quiz	140	-	-	140
Yearbook	199	11,342	11,191	350
<b>Subtotal This Page</b>	<b>\$ 82,592</b>	<b>\$ 41,077</b>	<b>\$ 61,104</b>	<b>\$ 62,565</b>

See note to financial statement.



**WATERTOWN CITY SCHOOL DISTRICT**

**EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED**

Year Ended June 30, 2021

<b>Account Name</b>	<b>Cash Balance 7/1/2020</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 6/30/21</b>
Subtotal Previous Page	\$ 82,592	\$ 41,077	\$ 61,104	\$ 62,565
Art Club	31	-	-	31
Wiley Student Council	1,012	-	64	948
7th Grade Constitution	4,115	444	4,114	445
8th Grade Constitution	3,474	4,115	3,474	4,115
Case Book Fair	73	-	-	73
Case International Club	2,918	-	-	2,918
Case Musical	-	4,202	-	4,202
Case National Honor Society	463	-	302	161
Case SADD	4,901	2,071	2,918	4,054
Case Student Council	2,552	2	318	2,236
Ted ED	96	-	-	96
Case-Teen Aids Task Force	254	-	-	254
Case Yearbook	5,932	556	894	5,594
Koobraey (Yearbook)	2,463	626	2,904	185
	<u>\$ 110,876</u>	<u>\$ 53,093</u>	<u>\$ 76,092</u>	<u>\$ 87,877</u>

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See note to financial statement.

**WATERTOWN CITY SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT**

June 30, 2021

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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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.