

WATERTOWN CITY
SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2022

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WATERTOWN CITY SCHOOL DISTRICT

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**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Watertown City School District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Watertown City School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown City School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Watertown City School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown City School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-22), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 89), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 90-91), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 92), and Schedule of District's Contributions – NYSLRS Pension Plan (page 93) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

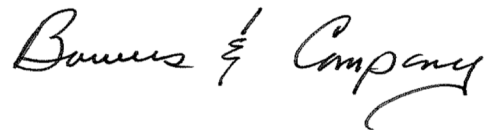
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 94-100), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (pages 107-108) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 94-100) and the Schedule of Expenditures of Federal Awards (pages 107-108) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022 on our consideration of 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 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.

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

Watertown, New York
October 11, 2022

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

INTRODUCTION

The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2022. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. Responsibility for completeness and fairness of the information contained rests with the School District.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

The School District is staffed by approximately 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY - Continued

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

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) REPORT

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

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

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had \$68,138,634 in incoming monies and \$61,182,041 in monies coming out. The General Fund's fund balance increased \$6,956,593 from 2021.
- The unappropriated fund balance will be used over the next three to four years to fund reserves for future capital projects and control the tax levy. The School District finished the 2021-22 fiscal year in good financial condition. We had a 1.80% increase in the tax levy for 2021-22 which resulted in a \$300,789 increase in the levy of taxes for the 2021-22 fiscal year.
- District-wide revenues totaled \$89,040,579 and total expenses were \$86,867,330. The change in net position was \$2,173,249. Net position at year end was (\$136,884,000).
- General revenues accounted for \$68,021,582 or 76% of all revenues. Program specific revenues in the form of charges for services, operating and capital grants amounted to \$21,018,997 or 24% of total revenues of \$89,040,579.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Statement of Net Position and the Statement of Activities

While this document contains a 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, 2021 through June 30, 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

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

Change in Accounting Principle

For the fiscal year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The implementation of the statement establishes criteria for identifying and recording lease transactions. See Note 16 for the financial statement impact of the implementation of the Statement.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$136,884,000 at the close of the most recent fiscal year. This represents a \$2,173,249 increase 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, 2022, the OPEB liability was \$255,294,713 as compared to \$227,107,076 reported at the close of the prior fiscal year. See Note 12 for additional OPEB information.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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

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

Table 1: Condensed Statement of Net Position

	2021 **	2022
Assets		
Current and Other Assets	\$ 29,179,475	\$ 36,222,977
Capital Assets, Net	65,602,616	66,598,580
Net Pension Asset - Proportionate Share	-	28,238,094
Total Assets	<u>\$ 94,782,091</u>	<u>\$ 131,059,651</u>
Deferred Outflows of Resources		
Other Postemployment Benefits	\$ 30,431,474	\$ 39,937,818
Pensions	18,895,924	18,346,421
Deferred Charge on Refunding	73,582	24,042
Total Deferred Outflows of Resources	<u>\$ 49,400,980</u>	<u>\$ 58,308,281</u>
Liabilities		
Current Liabilities	\$ 19,693,500	\$ 9,760,229
Long-Term Liabilities	244,381,798	273,747,341
Total Liabilities	<u>\$ 264,075,298</u>	<u>\$ 283,507,570</u>
Deferred Inflows of Resources		
Other Postemployment Benefits	\$ 10,574,749	\$ 7,140,186
Pensions	8,670,224	35,604,176
Total Deferred Inflows of Resources	<u>\$ 19,244,973</u>	<u>\$ 42,744,362</u>
Net Position (Deficit)		
Net Investment in Capital Assets	\$ 40,047,801	\$ 45,603,477
Restricted	5,805,853	7,302,605
Unrestricted (Deficit)	(184,990,854)	(189,790,082)
Total Net Position (Deficit)	<u>\$ (139,137,200)</u>	<u>\$ (136,884,000)</u>

** 2021 Statement of Net Position has not been restated as the change due to adoption of GASB 87, *Leases*, effective July 1, 2021, is not needed for the prior year financials.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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 \$4,799,228. 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 \$15,246,730.

Table 2: Condensed Statement of Activities

	2021 **	2022	Percentage Change
Revenues			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 16,710,509	\$ 17,011,298	1.80%
Other Tax Items	1,633,000	1,608,419	-1.51%
State Aid Formula	44,316,069	48,206,772	8.78%
Other	3,453,039	1,195,093	-65.39%
<i>Program Revenues</i>			
Charges for Services	272,799	184,870	-32.23%
Operating Grants	9,251,337	17,458,514	88.71%
Capital Grants	1,491,265	3,375,613	126.36%
Total Revenues	<u>77,128,018</u>	<u>89,040,579</u>	<u>15.45%</u>
Expenses			
General Support	12,667,479	11,978,927	-5.44%
Instruction	70,930,256	68,741,288	-3.09%
Pupil Transportation	2,260,963	3,317,053	46.71%
School Food Service	1,849,786	2,425,750	31.14%
Debt Service	609,534	404,312	-33.67%
Total Expenses	<u>88,318,018</u>	<u>86,867,330</u>	<u>-1.64%</u>
Change in Net Position	<u>\$ (11,190,000)</u>	<u>\$ 2,173,249</u>	<u>-119.42%</u>

** 2021 Statement of Activities has not been restated as the change due to adoption of GASB 87, Leases, effective July 1, 2021, is not needed for the prior year financials.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

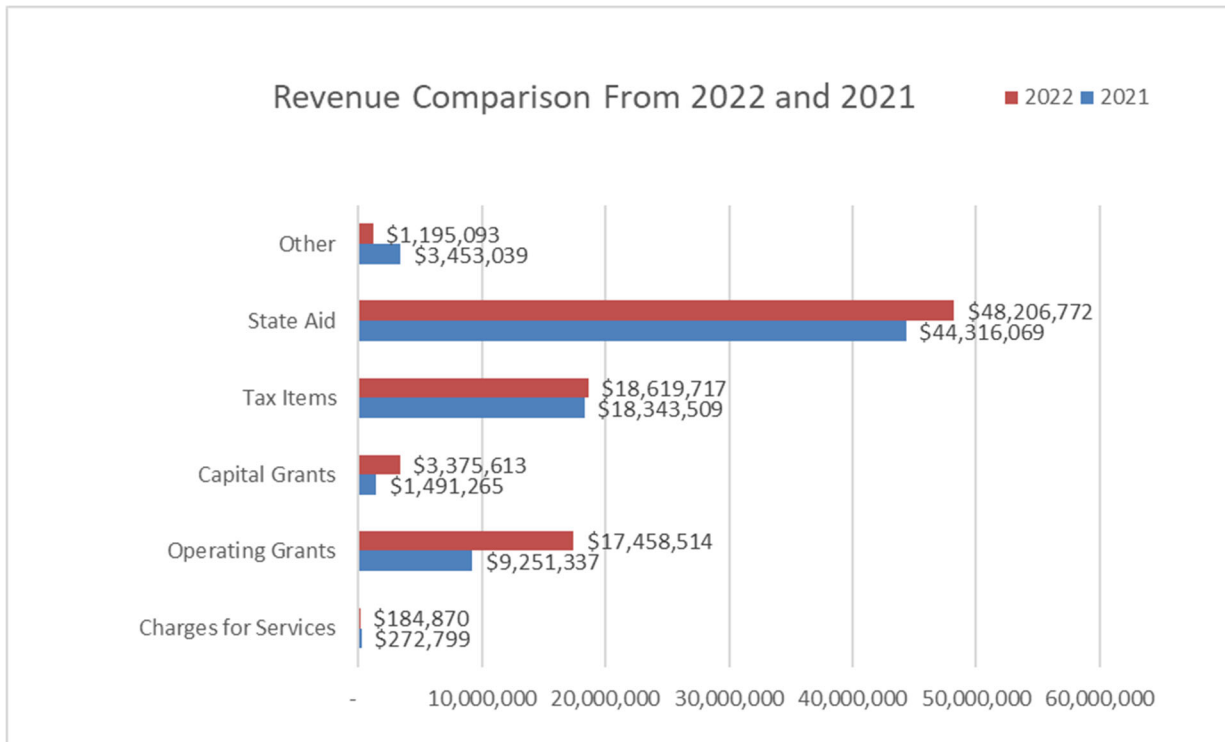
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues

Total revenues increased 15.45%.

State aid increased by approximately \$3.9 million from 2020-2021 to 2021-2022.

Property and other tax income increased \$300,789 from 2020-2021 to 2021-2022.

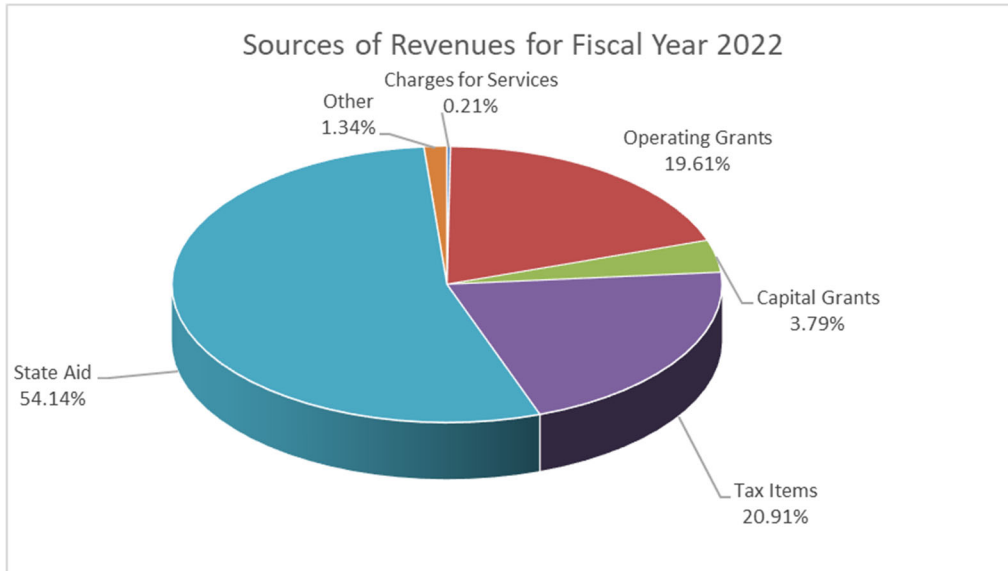


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total expenses decreased 1.64%.

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 increased 46.71% in 2022 as a result of an increase in activities from the prior year for athletics, field trips, and extracurriculars due to the pandemic recovery.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

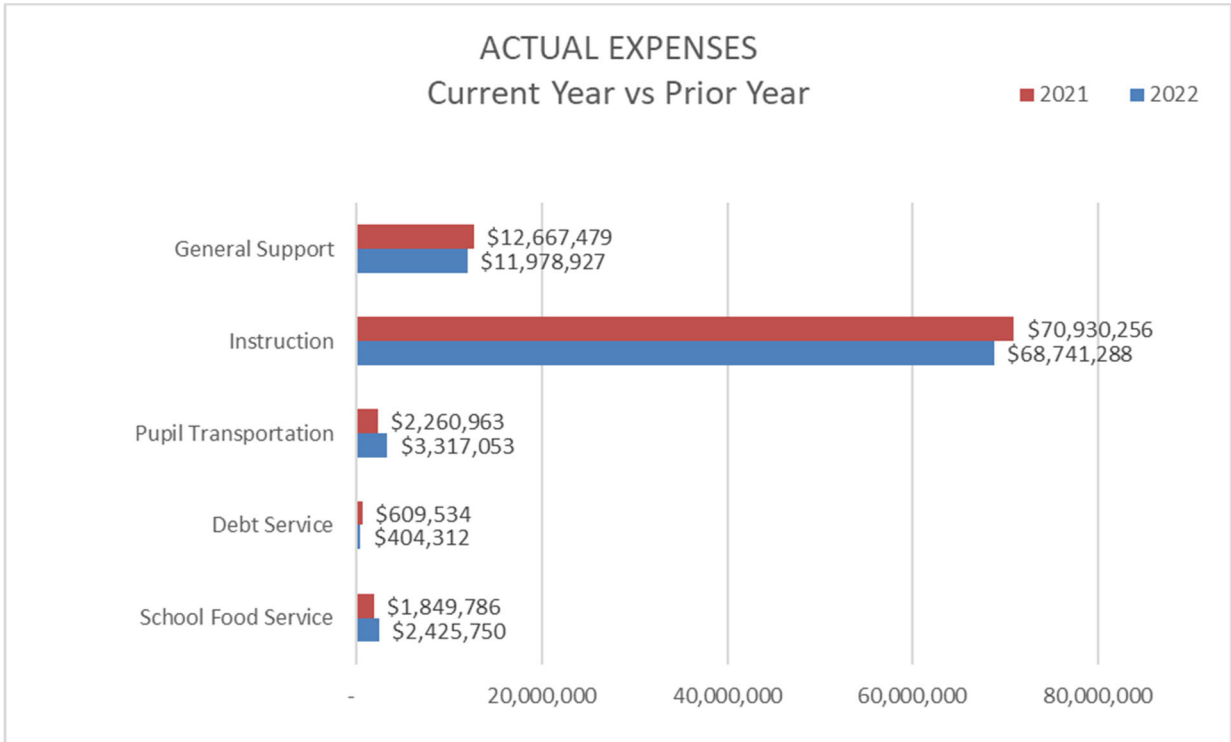
School Food Service Program

The School Food Service Program expenses increased by 31.14% from the prior year. The increase was related to the increase in meals with students returning to campus, an increase in associated expenses, inventory shortages, and cost of goods sold increased across the board. The District was eligible for CEP (Community Eligibility Provision) in the 2021-22 school year whereas all students were able to receive a free breakfast and lunch.

Debt Service

Debt service decreased by 33.67%. 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, 2022 in comparison to the prior year:



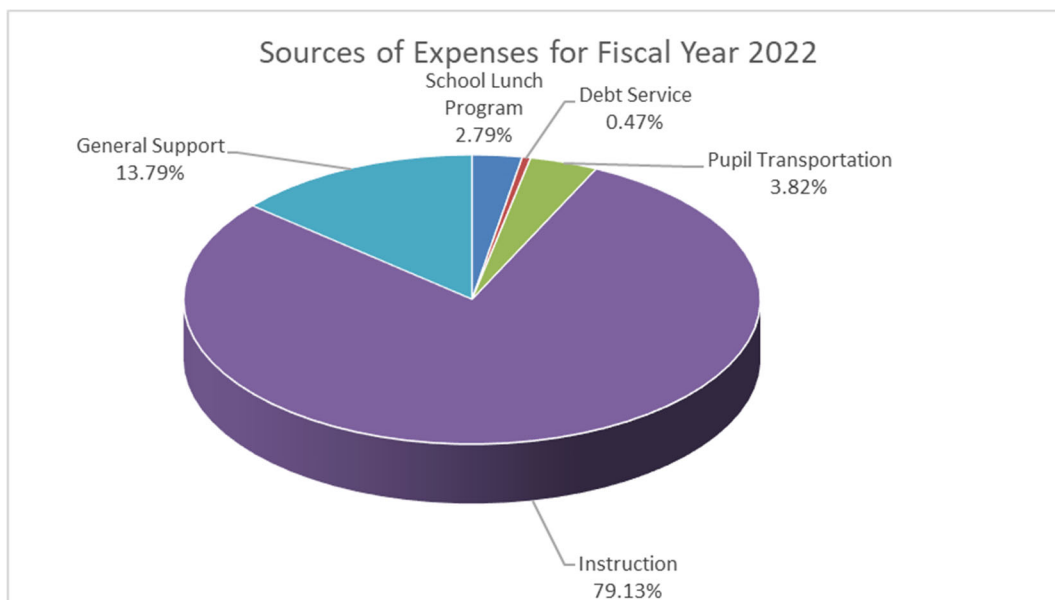
WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

Expenses - Continued



CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of the fiscal year 2022, the School District had \$66,598,580 invested in land, buildings, furniture, equipment, vehicles, and right to use lease assets.

Table 3: Capital Assets (Net of Accumulated Depreciation and Amortization)

This table compares fiscal 2021 balances to 2022.

	2021 **	2022	Total Percentage Change
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	3,452,974	4,174,824	20.91%
Buildings and Improvements	61,114,958	60,664,207	-0.74%
Furniture and Equipment	379,707	658,955	73.54%
Intangible Lease Assets	336,238	445,617	32.53%
Total	\$ 65,938,854	\$ 66,598,580	1.00%

** 2021 has been restated to reflect the implementation of GASB 87, *Leases*.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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. The project was completed during the year ended June 30, 2022 and final cost reports were filed in December of 2021.

On May 18, 2021, the voters approved a capital project in the amount of \$13,000,000 to improve safety and security for students, renovate and enhance existing infrastructure, and modernize our educational environment. The project is in the initial phases and current costs remain in construction in progress and the project is awaiting approval from the State Education Department.

Total Net Capital Assets increased \$995,964 as a result of current year additions to capital assets exceeding current year depreciation. Land is not depreciable.

Short-Term Debt

The District Bond Anticipation Note in the amount of \$9,265,000 was paid off in June 2022 and no further BAN's were issued. For more information refer to Note 7.

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 2012 to 2022. The earliest bond issue, 2012, will be complete on June 1, 2026. The last date that bonds will be paid is June 15, 2036.

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, 2022 and 2021:

	2020-2021	2021-2022
Due and Payable in One Year, Net	\$ 4,168,159	\$ 3,162,191
Due and Payable After One Year, Net	<u>12,337,871</u>	<u>17,526,076</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 16,506,030</u>	<u>\$ 20,688,267</u>

For more information refer to Note 8.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Revenues for the District's governmental funds totaled \$100,014,813. Expenditures for the year ended June 30, 2022 were \$83,155,459, resulting in an excess of revenues over expenditures of \$16,859,354.

Table 4: Summary of Governmental Funds Expenditures

The cost of the District's activities for 2022 and 2021 were as follows:

	2021	2022
General Support	\$ 8,312,842	\$ 7,311,367
Instruction	39,732,047	42,984,681
Pupil Transportation	2,120,075	3,194,802
Employee Benefits	18,838,821	19,147,163
Debt Service	5,906,178	5,671,132
Capital Expenditures	2,099,753	2,610,544
Other Expenditures	76,292	134,794
Cost of Sales - School Food Service	857,005	1,307,064
Total Expenditures	<u><u>\$ 77,943,013</u></u>	<u><u>\$ 82,361,547</u></u>

Financial Position (Year to Year) – General Fund

The General Fund showed an end of year fund balance of \$26,909,592. This is up from the prior year's fund balance of \$19,952,999. Of this end of year fund balance, \$5,573,797 was restricted, \$9,948,250 was assigned to the 2022-23 budget as a source of funds plus encumbrances of \$232,201, leaving \$11,155,344 as unassigned. This represented 13.44% of the 2022-2023 budget and is above the 4% limit established by New York Real Property Tax Law §1318(1). The District plans to establish appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

Capital Projects Fund & Debt Service Fund

Renovations of the North, Knickerbocker, Ohio, Wiley, and Watertown High School Buildings were in process in the amount of \$9,086,856. Case Middle School was approved on October 11, 2017 in the amount of \$1,939,242. On June 28, 2022, the outstanding bond anticipation note of \$9,265,000 was paid off. Permanent DASNY financing in the amount of \$7,655,000 was issued on June 15, 2022.

The Smart Schools Bond Act project in the amount of \$3,375,613 remains in process and is funded through State Aid.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Capital Projects Fund & Debt Service Fund - Continued

On May 18, 2021, the voters approved a capital project in the amount of \$13,000,000 to improve safety and security for students, renovate and enhance existing infrastructure, and modernize our educational environment. The project is in the initial phases and awaiting approval from the State Education Department.

School Food Service Fund

The School Food Service Fund Balance had revenues exceeding expenditures by \$797,310 in the current year. The current year increase and change in fund balance was due mainly to having everyone back in school increasing revenues, while inventory shortages caused limited expenditures in certain areas by not allowing us to get everything that was preferred for the program. 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 2021-2022 revenues for each grant.

	Purpose	2021-2022
Title I	Improving Academic Achievement	\$ 2,349,715
Title II	Supporting Effective Instruction State Grants	291,799
Title III	Limited English Proficiency	3,709
Title IV	English Language	173,823
DODEA IV	Department of Defense Grant	74,040
IDEA	School Age Special Ed	1,115,718
IDEA	Preschool Special Ed	46,929
UPK	Universal Pre-K	3,124,419
ARPA	American Rescue Plan	1,750,374
CRRSA	Education Stabilization Fund	6,986,939
Empire State	Empire State After School Grant	211,980
Section 4408	Summer School Handicapped	128,136
Other	Various	20,862
		<u>\$ 16,278,443</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District was able to keep actual expenditures incurred within the final budget amounts without use of appropriated fund balance, even as we ended the fiscal year 2022 with revenues coming in less than the projected estimates by \$1,004,653.

The School District continues to be in excellent financial condition with a total of \$28,618,192 in fund balance of which \$19,487,375 is restricted for the 2022-23 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$9,130,817 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	\$ 18,327,997	\$ 18,619,717	\$ 291,720
Charges for Services	170,250	127,197	(43,053)
Use of Money and Property	23,000	46,122	23,122
Sale of Property and Compensation for Loss	10,000	56,006	46,006
Miscellaneous	383,500	498,670	115,170
Interfund Revenue	160,000	160,000	-
State Sources	49,668,540	48,206,772	(1,461,768)
Federal Sources	400,000	424,150	24,150
	<u>\$ 69,143,287</u>	<u>\$ 68,138,634</u>	<u>\$(1,004,653)</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2021-2022 is (\$1,004,653). This difference is mainly due to shortfall in state sources. State sources were under budget due to reclassification of State Aid to federal aid in the current year with CARES Act funds and additional federal grant funding in response to the pandemic, and limitations to the States budget.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Table 6: Final Expenditure Budget Compared to Actual Expenditures

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 8,796,541	\$ 6,645,440	\$ 2,151,101
Instruction	40,415,849	29,178,122	11,237,727
Pupil Transportation	3,408,050	3,194,802	213,248
Employee Benefits	21,275,718	16,679,087	4,596,631
Debt Service	5,596,894	5,650,136	(53,242)
Transfers to Other Funds	190,000	66,655	123,345
	<u>\$ 79,683,052</u>	<u>\$ 61,414,242</u>	<u>\$ 18,268,810</u>

The total difference between Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$18,268,810. This variance is due mainly to variances in three areas, Instruction, General Support, and Employee Benefits. Instruction and employee benefits was under expended by \$15,834,358 in total. This variance is due to utilization of COVID federal grant funds to supplement the budget in areas such as teacher salaries and special education and the related benefit costs, which were reported in the Special Aid Fund in the current year. General Support was under expended by \$2,151,101 due to the COVID-19 pandemic hampering supply chain for many items the District attempted to purchase, such as computers. COVID also contributed to vacancies throughout the District which were unable to be filled.

CURRENT FINANCIAL ISSUES AND CONCERNS

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

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

CURRENT FINANCIAL ISSUES AND CONCERNS - Continued

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.

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

WATERTOWN CITY SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2022

ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$	18,856,964
Restricted		7,134,060
Receivables		
Taxes		378,804
State and Federal Aid		7,390,696
Due from Other Governments		2,292,006
Other		41,827
Inventories		128,620
Capital Assets, Net		66,598,580
Net Pension Asset - Proportionate Share		28,238,094
TOTAL ASSETS	\$	131,059,651
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$	18,346,421
Other Postemployment Benefits		39,937,818
Deferred Charge on Refunding		24,042
Total Deferred Outflows of Resources	\$	58,308,281
LIABILITIES		
Payables		
Accounts Payable	\$	1,397,832
Accrued Liabilities		1,671,803
Accrued Interest on Bonds Payable		104,626
Due to Other Governments		68
Due to Teachers' Retirement System		2,930,870
Due to Employees' Retirement System		186,622
Compensated Absences Payable - Current		111,598
Unearned Credits		
Unearned Revenues - Other		80,676
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		3,162,191
Lease Liability		113,943
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		17,526,076
Lease Liability		216,935
Compensated Absences Payable		709,617
Other Postemployment Benefits Payable		255,294,713
TOTAL LIABILITIES	\$	283,507,570
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	\$	7,140,186
Pensions		35,604,176
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	42,744,362
NET POSITION		
Net Investment in Capital Assets	\$	45,603,477
Restricted		
Debt Service		1,590,693
Other Legal Restrictions		5,711,912
Unrestricted (Deficit)		(189,790,082)
TOTAL NET POSITION	\$	(136,884,000)

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, 2022

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General Support	\$ 11,978,927	\$ -	\$ -	\$ 3,375,613	\$ (8,603,314)
Instruction	68,741,288	127,197	14,280,452	-	(54,333,639)
Pupil Transportation	3,317,053	-	-	-	(3,317,053)
Debt Service - Interest	404,312	-	-	-	(404,312)
School Food Service Program	2,425,750	57,673	3,178,062	-	809,985
Total Functions and Programs	\$ 86,867,330	\$ 184,870	\$ 17,458,514	\$ 3,375,613	(65,848,333)
 GENERAL REVENUES					
Real Property Taxes					17,011,298
Other Tax Items					1,608,419
Use of Money and Property					48,127
Sale of Property and Compensation for Loss					56,006
State Sources					48,206,772
Medicaid Reimbursements					112,723
Federal Sources					311,427
Miscellaneous					666,810
Total General Revenues					68,021,582
Change in Net Position					2,173,249
Net Position - Beginning of Year, As Restated					(139,057,249)
Net Position - End of Year					\$ (136,884,000)

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Capital Projects Fund - District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents					
Unrestricted	\$ 17,136,461	\$ -	\$ 104,134	\$ 1,616,369	\$ 18,856,964
Restricted	5,573,797	517,953	-	1,042,310	7,134,060
Receivables					
Taxes	378,804	-	-	-	378,804
State and Federal Aid	1,078,698	-	4,558,182	1,753,816	7,390,696
Due from Other Funds	28,561,884	34,787,569	284,526	687,068	64,321,047
Due from Other Governments	2,289,034	-	-	2,972	2,292,006
Other	41,827	-	-	-	41,827
Inventories	-	-	-	128,620	128,620
TOTAL ASSETS	\$ 55,060,505	\$ 35,305,522	\$ 4,946,842	\$ 5,231,155	\$ 100,544,024
LIABILITIES					
Payables					
Accounts Payable	\$ 1,012,546	\$ -	\$ 254,157	\$ 131,129	\$ 1,397,832
Accrued Liabilities	1,543,454	-	80,216	48,133	1,671,803
Due to Other Funds	22,365,795	35,305,522	4,531,793	2,117,937	64,321,047
Due to Other Governments	28	-	-	40	68
Due to Teachers' Retirement System	2,930,870	-	-	-	2,930,870
Due to Employees' Retirement System	186,622	-	-	-	186,622
Compensated Absences Payable	111,598	-	-	-	111,598
Unearned Credits					
Unearned Revenues- Other	-	-	80,676	-	80,676
Total Liabilities	28,150,913	35,305,522	4,946,842	2,297,239	70,700,516
DEFERRED INFLOWS OF RESOURCES					
Deferred State Aid	-	-	-	1,225,316	1,225,316
Total Deferred Inflows of Resources	-	-	-	1,225,316	1,225,316
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	128,620	128,620
Restricted	5,573,797	-	-	1,728,808	7,302,605
Assigned	10,180,451	-	-	1,875,699	12,056,150
Unassigned (Deficit)	11,155,344	-	-	(2,024,527)	9,130,817
Total Fund Balances (Deficits)	26,909,592	-	-	1,708,600	28,618,192
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
	\$ 55,060,505	\$ 35,305,522	\$ 4,946,842	\$ 5,231,155	\$ 100,544,024

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, 2022

Total Fund Balance - Governmental Funds \$ 28,618,192

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

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

Net Pension Asset - Proportionate Share - TRS	\$ 26,566,854	
Net Pension Asset - Proportionate Share - ERS	<u>1,671,240</u>	28,238,094

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	\$ 7,140,186	
Pensions	<u>35,604,176</u>	(42,744,362)

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	\$ 39,937,818	
Pensions	18,346,421	
Deferred Charge on Refunding	<u>24,042</u>	58,308,281

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 is reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.

1,225,316

WATERTOWN CITY SCHOOL DISTRICT

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

June 30, 2022

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

Cost of Capital Assets	\$ 101,772,174	
Accumulated Depreciation and Amortization	<u>(35,173,594)</u>	66,598,580

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

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

Bonds Payable	\$ 18,595,000	
Accrued Interest on Bonds Payable	104,626	
Lease Liability	330,878	
Compensated Absences Payable	709,617	
Other Postemployment Benefits Payable	255,294,713	
Premium on Bond Issue	<u>2,093,267</u>	<u>(277,128,101)</u>

Total Net Position - Governmental Activities \$ (136,884,000)

WATERTOWN CITY SCHOOL DISTRICT

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

Year Ended June 30, 2022

	General Fund	Capital Projects Fund- District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Real Property Taxes	\$ 17,011,298	\$ -	\$ -	\$ -	\$ 17,011,298
Other Tax Items	1,608,419	-	-	-	1,608,419
Charges for Services	127,197	-	-	-	127,197
Sale of Property and Compensation for Loss	56,006	-	-	-	56,006
Use of Money and Property	46,122	11	-	1,994	48,127
Miscellaneous	498,670	-	-	173,142	671,812
State Sources	48,206,772	-	3,485,395	2,203,443	53,895,610
Medicaid Reimbursements	112,723	-	-	-	112,723
Federal Sources	311,427	-	12,793,048	2,865,255	15,969,730
Surplus Food	-	-	-	259,661	259,661
Sales - School Food Service	-	-	-	52,671	52,671
Total Revenues	<u>67,978,634</u>	<u>11</u>	<u>16,278,443</u>	<u>5,556,166</u>	<u>89,813,254</u>
EXPENDITURES					
General Support	6,496,365	-	-	815,002	7,311,367
Instruction	29,094,996	-	13,889,685	-	42,984,681
Pupil Transportation	3,194,802	-	-	-	3,194,802
Employee Benefits	16,679,087	-	2,172,194	295,882	19,147,163
Debt Service:					
Principal	4,895,595	-	-	17,461	4,913,056
Interest	754,541	-	-	3,535	758,076
Cost of Sales - School Food Service	-	-	-	1,307,064	1,307,064
Other Expenditures	-	-	-	134,794	134,794
Capital Outlay	-	12,429	-	2,598,115	2,610,544
Total Expenditures	<u>61,115,386</u>	<u>12,429</u>	<u>16,061,879</u>	<u>5,171,853</u>	<u>82,361,547</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>6,863,248</u>	<u>(12,418)</u>	<u>216,564</u>	<u>384,313</u>	<u>7,451,707</u>
OTHER FINANCING SOURCES AND (USES)					
Operating Transfers In	160,000	399,785	-	66,655	626,440
Operating Transfers (Out)	(66,655)	-	-	(559,785)	(626,440)
Proceeds from Debt	-	7,655,000	-	142,647	7,797,647
Debt Issuance Costs	-	-	-	(167,472)	(167,472)
Premium on Debt Issuance	-	-	-	697,472	697,472
BANs Redeemed from Appropriations	-	1,080,000	-	-	1,080,000
Total Other Financing Sources (Uses)	<u>93,345</u>	<u>9,134,785</u>	<u>-</u>	<u>179,517</u>	<u>9,407,647</u>
Net Change in Fund Balances	6,956,593	9,122,367	216,564	563,830	16,859,354
Fund Balances (Deficits) - Beginning of Year	<u>19,952,999</u>	<u>(9,122,367)</u>	<u>(216,564)</u>	<u>1,144,770</u>	<u>11,758,838</u>
Fund Balances (Deficits) - End of Year	<u>\$ 26,909,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,708,600</u>	<u>\$ 28,618,192</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 16,859,354

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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period.

Capital Outlays	\$	2,784,408	
Depreciation and Amortization Expense		<u>(2,124,682)</u>	659,726

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 for bonds and lease liabilities. 3,833,056

Proceeds of long-term debt, including premiums on issuance, are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds and premiums from long-term debt received in the current year. (8,495,119)

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	\$	(1,931)	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding		<u>355,695</u>	353,764

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, 2022

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). 16,011

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 is reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 1,225,316

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Revenues related to the Empire State Grant were 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 amount represents prior year deferred inflow from the governmental funds. (1,997,991)

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. (15,246,730)

(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	\$	4,211,629	
Employees' Retirement System		754,233	4,965,862

Change in Net Position of Governmental Activities \$ 2,173,249

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

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

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2022

	Custodial
ADDITIONS	
Taxes Collected for Other Governments (Library Levy)	\$ <u>75,000</u>
DEDUCTIONS	
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>\$ -</u></u>

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

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

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

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

During the year, the District was billed \$7,787,825 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to \$3,329,990. This represents state aid distributions of \$3,051,709 and 2021 fund balance returned to schools of \$278,281.

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

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

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

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

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 7, 2021. Taxes are collected during the period October 4, 2021 to December 7, 2021.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

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

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

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

Receivables

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

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

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.

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

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

The District does not possess any infrastructure.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Intangible Lease Assets

Intangible lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. A capitalization threshold of \$5,000 is used for lease acquisitions that are prepaid and have no corresponding lease liability. Intangible lease assets are amortized over the lease term (3-5 years) consistent with the decrease in the related lease liability or using the straight-line method if there is no corresponding lease liability.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits - Continued

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

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

Other Benefits

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

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

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

Short-Term Debt

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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 and amortization) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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 \$128,620.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, expenditures made from the employee benefit accrued liability reserve fund 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, all expenditures made from the unemployment insurance payment reserve fund 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Insurance

According to General Municipal Law §6-n, all expenditures made from the insurance reserve fund 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, expenditures made from the repair reserve fund 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Tax Certiorari

According to Education Law §3651.1-a, funds 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, all expenditures made from the capital reserve fund 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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted fund balance includes the following at June 30, 2022:

General Fund	
Capital Reserve	\$ 1,505,191
Employee Benefit Accrued Liability	849,587
Liability Claims	102,209
Insurance	100,490
Property Loss	100,492
Repairs	29,062
Retirement Contributions- NYSERS	929,835
Retirement Contributions- NYSTRS	988,779
Tax Certiorari	411,854
Unemployment Insurance	556,298
Debt Service Fund	1,590,693
Extra Classroom Activity Funds	121,423
Scholarships and Awards Fund	<u>16,692</u>
 Total Restricted Funds	 <u><u>\$ 7,302,605</u></u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2022.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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, 2022, the District implemented the following new statements issued by GASB:

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. 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates (paragraphs 11b, 13 and 14)*, effective for the year ending June 30, 2022.

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.

Future Changes in Accounting Standards

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

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. 98, *The Annual Comprehensive Financial Report*, effective for the year ended June 30, 2023.

GASB has issued Statement No. 99, *Omnibus 2022*, effective for the year ended June 30, 2023.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ended June 30, 2024.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards – Continued

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ended June 30, 2025.

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.

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

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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

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.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The implementation of the statement establishes a single lease model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. See Note 16 for the financial statement impact of the implementation of the statement.

NOTE 4 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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, 2022.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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.

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 funding of appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

The Capital Projects Fund – 2022 District Wide had a deficit balance of \$799,211 and the Capital Projects Fund – Smart Bond Act had a deficit balance of \$1,225,316 at June 30, 2022. 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 District's School Food Service fund balance was in excess of the allowable 3 months average expenditures under 7 CFR §210.14b by \$1,144,016, 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 central administration actual expenditures were over budget for the year by \$19,113, special items by \$42,285, and debt service by \$53,242.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Cash

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

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

Uncollateralized	<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>\$ 13,646,495</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 \$5,573,797 restricted for various fund balance reserves in the General Fund, \$517,953 restricted for a voter approved capital project in the Capital Project - District Wide Fund, \$904,195 restricted for debt service in the Debt Service Fund, \$121,423 restricted for extra classroom activity funds in the Extra Classroom Activity Funds, and \$16,692 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, 2022, all deposits were fully insured and collateralized by the District's agent.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Cash – Continued

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.

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, 2022, the District held \$11,494,765 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	\$ 6,335,179
School Food Service Fund	1,467,726
Special Aid Fund	<u>57,850</u>
Total Pooled Book Balance	<u>\$ 7,860,755</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

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

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 654,977	\$ -	\$ -	\$ 654,977
Construction in Progress	3,452,974	2,467,897	(1,746,047)	4,174,824
Total Nondepreciable Assets	<u>4,107,951</u>	<u>2,467,897</u>	<u>(1,746,047)</u>	<u>4,829,801</u>
Other Capital Assets:				
Buildings and Improvements	89,932,254	-	1,746,047	91,678,301
Furniture and Equipment	4,611,323	113,915	-	4,725,238
Intangible Lease Assets - Equipment, As Restated	336,238	202,596	-	538,834
Total Other Capital Assets	<u>94,879,815</u>	<u>316,511</u>	<u>1,746,047</u>	<u>96,942,373</u>
Less Accumulated Depreciation:				
Buildings and Improvements	29,081,655	1,932,439	-	31,014,094
Furniture and Equipment	3,967,257	99,026	-	4,066,283
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	-	93,217	-	93,217
Total Accumulated Depreciation and Amortization	<u>33,048,912</u>	<u>2,124,682</u>	<u>-</u>	<u>35,173,594</u>
Total Other Capital Assets, Net	<u>61,830,903</u>	<u>(1,808,171)</u>	<u>1,746,047</u>	<u>61,768,779</u>
Capital Assets, Net	<u>\$ 65,938,854</u>	<u>\$ 659,726</u>	<u>\$ -</u>	<u>\$ 66,598,580</u>

Depreciation and amortization expense was charged to governmental functions as follows:

General Support	\$ 2,036,119
Instruction	50,787
School Food Service	37,776
Total Depreciation and Amortization Expense	<u>\$ 2,124,682</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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, 2022 are as follows:

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/28/2022	1.00%	<u>\$ 9,265,000</u>	<u>\$ -</u>	<u>\$ 9,265,000</u>	<u>\$ -</u>
			<u>\$ 9,265,000</u>	<u>\$ -</u>	<u>\$ 9,265,000</u>	<u>\$ -</u>

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

Interest Paid	\$ 92,650
Less: Accrued Interest in the Prior Year	-
Plus: Accrued Interest in the Current Year	<u>-</u>
Total Interest on Short-Term Debt	<u>\$ 92,650</u>

The BAN was used as short-term financing for a capital project.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

Lease Liabilities

The District has entered into agreements to lease information technology equipment and a refrigerated truck. Leases with a lease term greater than twelve months are recorded at the present value of the future minimum lease payments as of the date of their inception.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 14,705,000	\$ 7,655,000	\$ 3,765,000	\$ 18,595,000	\$ 2,835,000
Premium on Bonds	<u>1,801,030</u>	<u>697,472</u>	<u>405,235</u>	<u>2,093,267</u>	<u>327,191</u>
Total Bonds & Notes Payable	<u>16,506,030</u>	<u>8,352,472</u>	<u>4,170,235</u>	<u>20,688,267</u>	<u>3,162,191</u>
Other Liabilities					
Compensated Absences Payable	725,628	-	16,011	709,617	-
Other Postemployment Benefits Liability	227,107,076	28,187,637	-	255,294,713	-
Net Pension Liability Proportionate Share	4,211,223	-	4,211,223	-	-
Lease Liability, As Restated	<u>256,287</u>	<u>142,647</u>	<u>68,056</u>	<u>330,878</u>	<u>113,943</u>
Total Other Liabilities	<u>232,300,214</u>	<u>28,330,284</u>	<u>4,295,290</u>	<u>256,335,208</u>	<u>113,943</u>
Total Governmental Activities	<u>\$ 248,806,244</u>	<u>\$ 36,682,756</u>	<u>\$ 8,465,525</u>	<u>\$ 277,023,475</u>	<u>\$ 3,276,134</u>

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

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bond	6/14/2012	3/15/2031	2.0-5.0%	\$ 4,150,000
Serial Bond	10/31/2012	6/1/2026	2.0-5.0%	5,365,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	1,425,000
Serial Bond	6/15/2022	6/15/2036	5.0%	<u>7,655,000</u>
				<u>\$18,595,000</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

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

	Principal	Interest	Total
2023	\$ 2,835,000	\$ 981,343	\$ 3,816,343
2024	3,090,000	725,769	3,815,769
2025	2,830,000	580,394	3,410,394
2026	2,400,000	449,719	2,849,719
2027	1,080,000	339,275	1,419,275
2028-2032	4,555,000	1,035,578	5,590,578
2033-2036	1,805,000	159,000	1,964,000
Total	<u>\$ 18,595,000</u>	<u>\$ 4,271,078</u>	<u>\$ 22,866,078</u>

Existing lease obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
RIC Computer Equipment	8/15/2020	12/1/2023	2.374%	\$ 98,850
RIC Computer Equipment	12/1/2021	12/1/2024	1.1181%	142,647
Ryder Refrigerated Truck	9/1/2020	3/1/2027	4.0%	89,381
				<u>\$ 330,878</u>

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

	Principal	Interest	Total
2023	\$ 113,943	\$ 6,726	\$ 120,669
2024	115,928	4,741	120,669
2025	67,199	2,279	69,478
2026	20,025	971	20,996
2027	13,783	205	13,988
Total	<u>\$ 330,878</u>	<u>\$ 14,922</u>	<u>\$ 345,800</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

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

Interest Paid	\$ 665,426
Less: Interest Accrued in the Prior Year	(102,695)
Plus: Interest Accrued in the Current Year	104,626
Less: Amortization of Bond Premium	(405,235)
Plus: Amortization of Deferred Charge on Refunding	49,540
	<hr/>
Total Interest on Long-Term Debt	<u>\$ 311,662</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 \$6,352,000 are considered defeased.

NOTE 9 - PENSION PLANS

General Information

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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.

Employees' Retirement System (ERS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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).

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

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.

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%.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

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.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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, 2021 and received an overall discount of \$7,673.

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

	NYSTRS	NYSERS
2021-2022	\$ 2,479,833	\$ 929,320
2020-2021	2,280,302	854,267
2019-2020	2,647,516	814,342

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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

At June 30, 2022, 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, 2022 for ERS and June 30, 2021 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement Date	March 31, 2022	June 30, 2021
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 1,671,240	\$ 26,566,854
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0204443%	0.153308%
Change in Proportion Since the Prior Measurement Date	-0.0008203%	0.001674%

For the year ended June 30, 2022, the District's recognized pension expense (credit) of (\$754,233) for ERS and (\$4,211,629) for TRS.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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

At June 30, 2022, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 126,565	\$ 3,661,959	\$ 164,162	\$ 138,026
Changes of Assumptions	2,789,112	8,738,393	47,063	1,547,441
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	5,472,610	27,804,961
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	70,047	93,053	68,243	361,670
District's Contributions Subsequent to the Measurement Date	186,622	2,680,670	-	-
Total	\$ 3,172,346	\$ 15,174,075	\$ 5,752,078	\$ 29,852,098

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, 2023, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2023	\$ (406,276)	\$ (3,466,072)
2024	(618,143)	(4,106,587)
2025	(1,429,330)	(5,137,218)
2026	(312,605)	(6,754,163)
2027	-	1,229,262
Thereafter	-	876,085

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2022	June 30, 2021
Actuarial Valuation Date	April 1, 2021	June 30, 2020
Interest Rate	5.9%	6.95%
Salary Scale	4.4%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation Rate	2.7%	2.4%

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, 2015 – June 30, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

For ERS, the actuarial assumptions used in the April 1, 2021 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, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

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:

	ERS	TRS
Measurement Date	March 31, 2022	June 30, 2021
Asset Type		
Domestic Equity	3.30%	6.80%
International Equity	5.85%	7.60%
Private Equity	6.50%	10.00%
Global Equity		7.10%
Real Estate	5.00%	6.50%
Opportunistic / Absolute Return Strategies Portfolio	4.10%	
Credit	3.78%	
Real Assets	5.58%	
Cash	-1.00%	-0.20%
Private Debt		5.90%
Real Estate Debt		3.30%
Domestic Fixed Income Securities		1.30%
Global Fixed Income Securities		0.80%
High-Yield Bonds		3.80%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 5.9% for ERS and 6.95% 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, 2022

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 6.95% 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 5.95% for TRS) or 1-percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

<u>ERS</u>	<u>1% Decrease (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,301,753)	\$ 1,671,240	\$ 6,667,360

<u>TRS</u>	<u>1% Decrease (5.95%)</u>	<u>Current Assumption (6.95%)</u>	<u>1% Increase (7.95%)</u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ 2,787,804	\$ 26,566,854	\$ 46,551,419

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:

	(In Thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement Date	March 31, 2022	June 30, 2021	
Employer's Total Pension Asset (Liability)	\$ (223,874,888)	\$ (130,819,415)	\$ (354,694,303)
Plan Net Position	<u>232,049,473</u>	<u>148,148,457</u>	<u>380,197,930</u>
Employer's Net Pension Asset (Liability)	<u>\$ 8,174,585</u>	<u>\$ 17,329,042</u>	<u>\$ 25,503,627</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	103.65%	113.25%	

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$186,622. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October, and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$2,930,870.

NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2022 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 28,561,884	\$ 22,365,795	\$ 160,000	\$ 66,655
Special Aid	284,526	4,531,793	-	-
School Food Service	570	192,480	-	-
Debt Service	686,498	-	-	559,785
Capital Projects	34,787,569	37,230,979	466,440	-
Total	<u>\$ 64,321,047</u>	<u>\$ 64,321,047</u>	<u>\$ 626,440</u>	<u>\$ 626,440</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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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, 2022:

Fund Balances	General	Capital Projects- District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Inventory	\$ -	\$ -	\$ -	\$ 128,620	\$ 128,620
Restricted					
Capital Reserve	1,505,191	-	-	-	1,505,191
Employee Benefit Accrued Liability	849,587	-	-	-	849,587
Liability Claims	102,209	-	-	-	102,209
Insurance	100,490	-	-	-	100,490
Property Loss	100,492	-	-	-	100,492
Repairs	29,062	-	-	-	29,062
Retirement Contributions-NYSERS	929,835	-	-	-	929,835
Retirement Contributions-NYSTRS	988,779	-	-	-	988,779
Tax Certiorari	411,854	-	-	-	411,854
Unemployment Insurance	556,298	-	-	-	556,298
Debt Service	-	-	-	1,590,693	1,590,693
Extra Classroom Activity Funds	-	-	-	121,423	121,423
Scholarships and Awards Fund	-	-	-	16,692	16,692
Assigned					
General Support	149,075	-	-	-	149,075
Instruction	83,126	-	-	-	83,126
Designated for Next Fiscal year	9,948,250	-	-	-	9,948,250
School Food Service Fund	-	-	-	1,875,699	1,875,699
Unassigned (Deficit)					
General Fund	11,155,344	-	-	-	11,155,344
Capital Projects Funds	-	-	-	(2,024,527)	(2,024,527)
Total Governmental Fund Balance	<u>\$ 26,909,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,708,600</u>	<u>\$ 28,618,192</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At June 30, 2022, 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>612</u>
Total Covered Employees	<u><u>1,053</u></u>

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

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

General Information about the OPEB Plan - Continued

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

General Information about the OPEB Plan - Continued

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2022, the District recognized \$5,055,336 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, 2022 which indicates that the total liability for other postemployment benefits is \$255,294,713 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2021 and was determined by actuarial valuation as of July 1, 2020.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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	6/30/2021
Rate of Compensation Increase	3.00%
Inflation Rate (CPI)	2.25%
Discount Rate	2.09%

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Total OPEB Liability - Continued

The discount rate was based on the average of three 20-year bond indices as of June 30, 2021.

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, 2021	\$ 227,107,076
Changes for the Year	
Service Cost	10,148,867
Interest	4,700,567
Differences Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	17,737,336
Benefit Payments	<u>(4,399,133)</u>
Net Changes	<u>28,187,637</u>
Balance at June 30, 2022	<u>\$ 255,294,713</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.44 percent as of June 30, 2020 to 2.09 percent as of June 30, 2021.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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 (1.09 percent) or 1 percentage point higher (3.09 percent) than the current discount rate:

	1% Decrease 1.09%	Discount Rate 2.09%	1% Increase 3.09%
Total OPEB Liability	<u>\$ 318,475,064</u>	<u>\$ 255,294,713</u>	<u>\$ 207,909,499</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 3.5 percent) or 1 percentage point higher (trend increasing to 5.5 percent) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 3.5%)	Healthcare Cost Trend Rates (Trend at 4.5%)	Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Increasing to 5.5%)
Total OPEB Liability	<u>\$ 201,178,650</u>	<u>\$ 255,294,713</u>	<u>\$ 330,844,211</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$15,246,730. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,473,034	\$ -
Changes of Assumptions or Other Inputs	28,829,142	7,140,186
Benefit Payments Subsequent to the Measurement Date	4,635,642	-
	<u>\$ 39,937,818</u>	<u>\$ 7,140,186</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,

2023	\$ 5,363,835
2024	5,270,716
2025	6,308,599
2026	4,433,747
2027	6,785,093
Thereafter	<u>-</u>
	<u>\$ 28,161,990</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 13 - RISK MANAGEMENT

General

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

Consortiums and Self-Insured Plans

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2022 and prior years, 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, 2022

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, 2022, the District’s portion of the Pilots was approximately \$301,000 and the District abated the following taxes:

Owner Name	Start Date	End Date	2021 % 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	11.01609	\$ 15,136
JCIDA - Roth Industries	2006	2032	100%	2,722,400	2,722,400	11.01609	29,990
JCIDA - Woolworth							
Watertown LLC	2015	2029	100%	2,622,700	2,622,700	11.01609	28,892
JCIDA - New York							
Airbrake	2017	2032	100%	960,000	960,000	11.01609	10,575
JCIDA - Current							
Applications	2016	2030	100%	435,700	435,700	11.01609	4,800
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	11.01609	661
JCIDA - COR	2015	2025	100%	24,371,000	24,371,000	11.01609	268,473
JCIDA - Morgan	2015	2030	100%	17,718,500	17,718,500	11.01609	195,189
Watertown Housing							
Authority	various	n/a	100%	19,873,900	19,873,900	11.01609	218,933
HKBBE Apartments	2017	2058	100%	11,258,300	11,258,300	11.01609	124,022
Creekwood Housing							
Development Fund							
Company Inc.	2013	2022	94%	3,024,200	2,837,607	11.01609	31,259
Creekwood Housing							
Development Fund							
Company Inc.	2013	2022	92%	2,188,300	2,004,702	11.01609	22,084
Watertown Associates	1982	2021	100%	4,887,350	4,887,350	11.01609	53,839
Total Approximate Taxes Foregone							<u>\$1,003,853</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 16 – RESTATEMENT OF NET POSITION

Due to the District’s implementation of GASB Statement No. 87, *Leases*, a one-time prior-period adjustment must be made to Capital Assets, Net and Lease Liability on the Statement of Net Position to reflect the transition to GASB 87.

The following details the change in the District’s beginning of year net position:

Net Position - Beginning of Year, as Previously Stated	\$ (139,137,200)
Increase due to Adoption of GASB 87, <i>Leases</i>	<u>79,951</u>
Net Position - Beginning of Year, as Restated	<u><u>\$ (139,057,249)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

Ended June 30, 2022

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ 10,148,867	\$ 8,710,067	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	4,700,567	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	17,737,336	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(4,399,133)	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
Net Change in Total OPEB Liability	<u>28,187,637</u>	<u>15,780,591</u>	<u>23,162,226</u>	<u>18,558,884</u>	<u>(12,223,397)</u>
Total OPEB Liability - Beginning	<u>227,107,076</u>	<u>211,326,485</u>	<u>188,164,259</u>	<u>169,605,375</u>	<u>181,828,772</u>
Total OPEB Liability - Ending	<u>\$ 255,294,713</u>	<u>\$ 227,107,076</u>	<u>\$ 211,326,485</u>	<u>\$ 188,164,259</u>	<u>\$ 169,605,375</u>
Covered Payroll	\$ 28,612,455	\$ 28,612,455	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	892.25%	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.

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

Year Ended June 30, 2022

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 17,011,298	\$ 17,011,298
Other Tax Items	1,316,699	1,316,699
Charges for Services	170,250	170,250
Use of Money and Property	23,000	23,000
Sale of Property and Compensation for Loss	10,000	10,000
Miscellaneous	383,500	383,500
Total Local Sources	<u>18,914,747</u>	<u>18,914,747</u>
State Sources	49,668,540	49,668,540
Federal Sources	400,000	400,000
Total Revenues	<u>68,983,287</u>	<u>68,983,287</u>
OTHER FINANCING SOURCES		
Transfers from Other Funds	160,000	160,000
Total Revenues and Other Financing Sources	<u>69,143,287</u>	<u>69,143,287</u>
EXPENDITURES		
General Support		
Board of Education	40,431	40,431
Central Administration	276,885	280,385
Finance	632,835	697,835
Staff	524,916	529,916
Central Services	6,132,839	6,154,840
Special Items	1,115,134	1,093,134
Total General Support	<u>8,723,040</u>	<u>8,796,541</u>
Instruction		
Instruction, Administration and Improvement	2,551,854	2,581,854
Teaching-Regular School	20,677,589	21,056,789
Programs for Children with Handicapping Conditions	6,684,945	6,676,232
Teaching - Special School	178,386	178,386
Occupational Education	2,054,838	2,063,552
Instructional Media	4,853,870	4,339,522
Pupil Services	3,519,364	3,519,514
Total Instruction	<u>40,520,846</u>	<u>40,415,849</u>
Pupil Transportation	3,383,054	3,408,050
Employee Benefits	21,269,218	21,275,718
Debt Service	5,596,894	5,596,894
Total Expenditures	<u>79,493,052</u>	<u>79,493,052</u>
OTHER FINANCING USES		
Transfers to Other Funds	190,000	190,000
Total Expenditures and Other Financing Uses	<u>79,683,052</u>	<u>79,683,052</u>
Net Change in Fund Balance	(10,539,765)	(10,539,765)
Fund Balance - Beginning of Year	19,952,999	19,952,999
Fund Balance - End of Year	<u>\$ 9,413,234</u>	<u>\$ 9,413,234</u>

WATERTOWN CITY SCHOOL DISTRICT

Actual	Final Budget Variance With Actual
\$ 17,011,298	\$ -
1,608,419	291,720
127,197	(43,053)
46,122	23,122
56,006	46,006
498,670	115,170
<u>19,347,712</u>	<u>432,965</u>
48,206,772	(1,461,768)
424,150	24,150
<u>67,978,634</u>	<u>(1,004,653)</u>
160,000	-
<u>68,138,634</u>	<u>\$ (1,004,653)</u>

	Year-End Encumbrances	Final Budget Variance with Actual And Encumbrances
15,823	\$ -	\$ 24,608
299,498	-	(19,113)
516,384	-	181,451
450,710	-	79,206
4,179,969	47,637	1,927,234
1,033,981	101,438	(42,285)
<u>6,496,365</u>	<u>149,075</u>	<u>2,151,101</u>
2,311,850	-	270,004
12,499,532	70,701	8,486,556
6,139,161	-	537,071
161,144	-	17,242
1,978,579	-	84,973
3,068,725	11,413	1,259,384
2,936,005	1,012	582,497
<u>29,094,996</u>	<u>83,126</u>	<u>11,237,727</u>
3,194,802	-	213,248
16,679,087	-	4,596,631
5,650,136	-	(53,242)
<u>61,115,386</u>	<u>232,201</u>	<u>18,145,465</u>
66,655	-	123,345
<u>61,182,041</u>	<u>\$ 232,201</u>	<u>\$ 18,268,810</u>
6,956,593		
19,952,999		
<u>\$ 26,909,592</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 EIGHT FISCAL YEARS**

Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)								
District's Proportion of the Net Pension Asset (Liability)	0.153308%	0.151634%	0.149353%	0.146539%	0.146169%	0.142023%	0.147088%	0.150523%
District's Proportionate Share of the Net Pension Asset (Liability)	\$26,566,854	\$ (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	\$26,182,642	\$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>101.47%</u>	<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)	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)								
District's Proportion of the Net Pension Asset (Liability)	0.0204443%	0.0212646%	0.0206539%	0.0204048%	0.0194381%	0.0178569%	0.0192270%	0.0189420%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 1,671,240	\$ (21,174)	\$ (5,469,264)	\$ (1,445,742)	\$ (627,352)	\$ (1,677,873)	\$ (3,199,004)	\$ (639,906)
District's Covered Payroll	\$ 6,261,456	\$ 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>26.69%</u>	<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)	103.65%	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 EIGHT FISCAL YEARS

Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)								
Contractually Required Contribution	\$ 2,479,833	\$ 2,280,302	\$ 2,647,516	\$ 2,339,211	\$ 2,714,699	\$ 2,906,016	\$ 3,873,186	\$ 3,741,295
Contributions in Relation to the Contractually Required Contribution	<u>2,479,833</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 26,182,642	\$ 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	9.47%	8.73%	10.35%	9.80%	11.72%	13.26%	17.51%	16.83%
Employees' Retirement System (ERS)								
Contractually Required Contribution	\$ 929,320	\$ 854,267	\$ 814,342	\$ 829,712	\$ 826,463	\$ 783,160	\$ 905,777	\$ 1,043,107
Contributions in Relation to the Contractually Required Contribution	<u>929,320</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 6,261,456	\$ 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	14.84%	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

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

Year Ended June 30, 2022

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 78,377,057
Add: Prior Year's Encumbrances	<u>1,305,995</u>
Original Budget	79,683,052
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 79,683,052</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-23 Voter Approved Expenditure Budget	<u>\$ 82,983,069</u>
Maximum Allowed 4% of 2022 - 2023 Budget	<u><u>\$ 3,319,323</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 10,180,451
Unassigned Fund Balance	<u>11,155,344</u>
Total Unrestricted Fund Balance	<u><u>21,335,795</u></u>

Less:	
Appropriated Fund Balance	9,948,250
Encumbrances Included in Assigned Fund Balance	<u>232,201</u>
Total Adjustments	<u><u>10,180,451</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 11,155,344</u></u>
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Actual Percentage	<u><u>13.44%</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, 2022

PROJECT TITLE	Expenditures					Methods of Financing						Fund Balance (Deficit) 6/30/2022
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$ 3,624,125	\$ 3,624,125	\$ 1,786,011	\$ 1,589,602	\$ 3,375,613	\$ 248,512	\$ -	\$ -	\$ 2,150,297	\$ -	2,150,297	\$ (1,225,316)
Right to Use Lease Assets	-	-	-	142,647	142,647	(142,647)	-	142,647	-	-	142,647	-
Additions & Renovations	13,000,000	13,000,000	-	799,211	799,211	12,200,789	-	-	-	-	-	(799,211)
Mini Renovation Project	100,000	100,000	-	66,655	66,655	33,345	-	-	-	66,655	66,655	-
Additions & Renovations	11,969,797	11,758,487	11,609,537	12,429	11,621,966	136,521	1,080,000	7,655,000	1,520,000	1,366,966	11,621,966	-
Total	\$ 28,693,922	\$ 28,482,612	\$ 13,395,548	\$ 2,610,544	\$ 16,006,092	\$12,476,520	\$ 1,080,000	\$7,655,000	\$ 3,670,297	\$1,433,621	\$ 13,981,565	\$ (2,024,527)

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

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2022

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ 1,616,369	\$ -	\$ -
Restricted	-	904,195	-
Receivables			
State and Federal Aid	528,500	-	1,225,316
Due From Other Funds	570	686,498	-
Due From Other Governments	2,972	-	-
Inventories	128,620	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,277,031	\$ 1,590,693	\$ 1,225,316
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Payables			
Accounts Payable	\$ 32,059	\$ -	\$ 99,070
Accrued Liabilities	48,133	-	-
Due to Other Funds	192,480	-	1,126,246
Due to Other Governments	40	-	-
Total Liabilities	272,712	-	1,225,316
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOW OF RESOURCES			
Deferred State Aid	-	-	1,225,316
Total Deferred Inflows of Resources	-	-	1,225,316
	<hr/>	<hr/>	<hr/>
FUND BALANCES (DEFICIT)			
Nonspendable	128,620	-	-
Restricted	-	1,590,693	-
Assigned	1,875,699	-	-
Unassigned (Deficit)	-	-	(1,225,316)
Total Fund Balances (Deficit)	2,004,319	1,590,693	(1,225,316)
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICIT)			
	\$ 2,277,031	\$ 1,590,693	\$ 1,225,316
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - 2022 District Wide	Capital Projects Fund - Other	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,616,369
-	-	121,423	16,692	1,042,310
-	-	-	-	1,753,816
-	-	-	-	687,068
-	-	-	-	2,972
-	-	-	-	128,620
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,423</u>	<u>\$ 16,692</u>	<u>\$ 5,231,155</u>
\$ -	\$ -	\$ -	\$ -	\$ 131,129
-	-	-	-	48,133
799,211	-	-	-	2,117,937
-	-	-	-	40
<u>799,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,297,239</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,225,316</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,225,316</u>
-	-	-	-	128,620
-	-	121,423	16,692	1,728,808
-	-	-	-	1,875,699
<u>(799,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,024,527)</u>
<u>(799,211)</u>	<u>-</u>	<u>121,423</u>	<u>16,692</u>	<u>1,708,600</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,423</u>	<u>\$ 16,692</u>	<u>\$ 5,231,155</u>

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, 2022

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act
REVENUES			
Use of Money and Property	\$ 519	\$ 1,460	\$ -
Miscellaneous	5,002	-	-
State Sources	53,146	-	2,150,297
Federal Sources	2,865,255	-	-
Surplus Food	259,661	-	-
Sales - School Food Service	52,671	-	-
Total Revenues	<u>3,236,254</u>	<u>1,460</u>	<u>2,150,297</u>
EXPENDITURES			
General Support	815,002	-	-
Employee Benefits	295,882	-	-
Debt Service:			
Principal	17,461	-	-
Interest	3,535	-	-
Cost of Sales - School Food Service	1,307,064	-	-
Other Expenditures	-	-	-
Capital Outlays	-	-	1,589,602
Total Expenditures	<u>2,438,944</u>	<u>-</u>	<u>1,589,602</u>
Excess of Revenues Over Expenditures	<u>797,310</u>	<u>1,460</u>	<u>560,695</u>
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	(559,785)	-
Proceeds from Debt	-	-	-
Debt Issuance Cost	-	(167,472)	-
Premium on Debt Issuance	-	697,472	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(29,785)</u>	<u>-</u>
Net Change in Fund Balances	797,310	(28,325)	560,695
Fund Balances (Deficit) - Beginning of Year	<u>1,207,009</u>	<u>1,619,018</u>	<u>(1,786,011)</u>
Fund Balances (Deficit) - End of Year	<u>\$ 2,004,319</u>	<u>\$ 1,590,693</u>	<u>\$ (1,225,316)</u>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - 2022 District Wide	Capital Projects Fund - Other	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ 15	\$ 1,994
-	-	168,140	-	173,142
-	-	-	-	2,203,443
-	-	-	-	2,865,255
-	-	-	-	259,661
-	-	-	-	52,671
<u>-</u>	<u>-</u>	<u>168,140</u>	<u>15</u>	<u>5,556,166</u>
-	-	-	-	815,002
-	-	-	-	295,882
-	-	-	-	17,461
-	-	-	-	3,535
-	-	-	-	1,307,064
-	-	134,594	200	134,794
799,211	209,302	-	-	2,598,115
<u>799,211</u>	<u>209,302</u>	<u>134,594</u>	<u>200</u>	<u>5,171,853</u>
<u>(799,211)</u>	<u>(209,302)</u>	<u>33,546</u>	<u>(185)</u>	<u>384,313</u>
-	66,655	-	-	66,655
-	-	-	-	(559,785)
-	142,647	-	-	142,647
-	-	-	-	(167,472)
-	-	-	-	697,472
<u>-</u>	<u>209,302</u>	<u>-</u>	<u>-</u>	<u>179,517</u>
(799,211)	-	33,546	(185)	563,830
<u>-</u>	<u>-</u>	<u>87,877</u>	<u>16,877</u>	<u>1,144,770</u>
<u>\$ (799,211)</u>	<u>\$ -</u>	<u>\$ 121,423</u>	<u>\$ 16,692</u>	<u>\$ 1,708,600</u>

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

WATERTOWN CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2022

Capital Assets, Net		\$ 66,598,580
Add:		
Deferred Charge on Refunding		<u>24,042</u>
Deduct:		
Premium on Bonds Payable	2,093,267	
Short-Term Portion of Lease Liability	113,943	
Short-Term Portion of Bonds Payable	2,835,000	
Long-Term Portion of Lease Liability	216,935	
Long-Term Portion of Bonds Payable	<u>15,760,000</u>	<u>21,019,145</u>
Net Investment in Capital Assets		<u><u>\$ 45,603,477</u></u>

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

FEDERAL AWARD PROGRAM INFORMATION



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Watertown City School District's basic financial statements and have issued our report thereon dated October 11, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

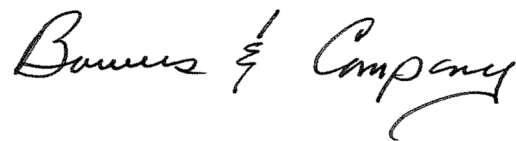
As part of obtaining reasonable assurance about whether Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 2022-001.

Watertown City School District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Watertown City School District's response to the findings identified in our audit and 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 "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, 2022



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watertown City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Watertown City School District's major federal programs for the year ended June 30, 2022. Watertown City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Watertown City School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Watertown City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Watertown City School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Watertown City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watertown City School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Watertown City School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Watertown City School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Watertown City School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

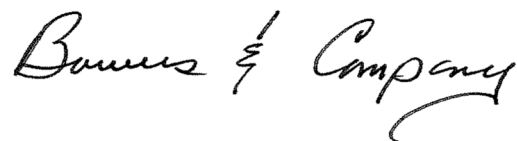
Report on Internal Control over Compliance

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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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, 2022

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing	Agency or Pass-Through Number	Total Federal Expenditures
<u>U. S. Department of Education</u>			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010A	0021-22-1205	\$ 2,083,566
Title I Grants to Local Educational Agencies	84.010A	0011-22-2200	171,464
Title I Grants to Local Educational Agencies	84.010A	0021-21-1205	66,812
Title I Grants to Local Educational Agencies	84.010A	0016-21-1205	16,178
Title I Grants to Local Educational Agencies	84.010A	0011-21-2301	3,390
Title I Grants to Local Educational Agencies	84.010A		8,307
Total Title I Grants to Local Educational Agencies			2,349,717
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-22-0323	1,115,718
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-22-0323	46,929
Total Special Education Cluster			1,162,647
Education Stabilization Fund:			
COVID-19: American Rescue Plan - Elementary and Secondary			
School Emergency Relief	84.425U	5880-21-1205	1,750,374
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-1205	6,986,939
Total Education Stabilization Fund			8,737,313
Supporting Effective Instruction State Grants	84.367A	0147-22-1205	276,569
Supporting Effective Instruction State Grants	84.367A	0147-21-1205	15,230
Total Supporting Effective Instruction State Grants			291,799
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365A	0293-22-1205	3,709
Total English Language Acquisition State Grants			3,709
Student Support and Academic Enrichment	84.424A	0204-22-1205	122,535
Student Support and Academic Enrichment	84.424A	0204-21-1205	51,288
Total Student Support and Academic Enrichment			173,823
Total Passed Through NYS Education Department			12,719,008
Direct Program:			
Impact Aid	84.041B		311,427
Total Direct Programs from U.S. Department of Education			311,427
Total U.S. Department of Education			13,030,435
Subtotal this Page			\$ 13,030,435

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, 2022

Subtotal From Previous Page		\$ 13,030,435
<u>U. S. Department of Defense</u>		
Direct Programs:		
Achievement at Military Connected Schools	12.556	74,040
Total Direct Programs from U.S. Department of Defense		74,040
Total U.S. Department of Defense		74,040
<u>U. S. Department of Agriculture</u>		
Passed-Through NYS Education Department:		
COVID-19: Pandemic EBT Administrative Costs	10.649	7,257
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
Fresh Fruits and Vegetable Program	10.582	60,002
National School Lunch Program	10.555	199,659
Non-Cash Assistance Subtotal		259,661
Cash Assistance		
School Breakfast Program	10.553	656,412
National School Lunch Program	10.555	2,148,546
Summer Food Service Program	10.559	53,040
Cash Assistance Subtotal		2,857,998
Total Child Nutrition Cluster		3,117,659
Total Passed Through NYS Education Department		3,124,916
Total U.S. Department of Agriculture		3,124,916
Total Federal Assistance		\$ 16,229,391

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTE 2 – SUBRECIPIENTS

No amounts were provided to subrecipients.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE 3 – OTHER DISCLOSURES

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

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

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

This District is the recipient of a federal award program that does not result in cash received or disbursed. The District was granted \$199,659 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$60,002 of commodities under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

At June 30, 2022, the District had food commodities totaling \$14,894 in inventory.

NOTE 5 – SCOPE OF AUDIT

The District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Watertown City School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Watertown City School District.
3. 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
 - Title I Grants to Local Educational Agencies 84.010
 - COVID-19: American Rescue Plan – Elementary and Secondary School Emergency Relief 84.425U
 - COVID-19: Elementary and Secondary School Emergency Relief Fund 84.425D
 - U.S. Department of Agriculture:
 - Passed Through NYS Education Department:
 - Child Nutrition Cluster:
 - School Breakfast Program 10.553
 - National School Lunch Program 10.555
 - Summer Food Service Program for Children 10.559
 - Fresh Fruit and Vegetable Program 10.582
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Watertown City School District qualifies as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2022-001

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 \$7,836,021 during the fiscal year.

Context

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$11,155,344 had exceeded maximum allowed unexpended balance of \$3,319,323 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, 2022.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT -

Continued

Finding Control Number: 2022-001 – 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 2021-22 year ended with an excess fund balance as a holding pattern for fiscal responsibility due to supply chain issues and inflation rates stemming from the COVID pandemic. We will continue to reduce our fund balance in a stable and graduated way toward the 4% limitation. With additional grant funding coming in for 2022-2025, the District will concentrate on their long-term reserve planning, which will align closely with our fund balance management and fiscal strategy. The District planned to have on the agenda an additional reserve funding resolution to move \$4M into the capital reserve at the end of 21-22, however, felt it better to wait until after state aid and taxes started coming in to avoid any potential cash flow issues.

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

There were no findings to report.

WATERTOWN CITY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2021-001

Instances of Noncompliance with Laws or Regulations

Surplus Unexpended Funds in Excess of 4% Limitation

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.

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

Views of Responsible Officials and Corrective Actions

The District's Board of Education understands and supports the District's stance. The Board of Education continues implementing a long-range plan of utilizing fund balance to help prevent significant financial hardship due to unexpected financial events.

Current Status

Similar finding was noted in the 2022 audit.

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

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

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

Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Watertown City School District for the year ended June 30, 2022, and the related note to the financial statement.

In our opinion, the financial statement referred to above 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, 2022, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Watertown City School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - 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.

Responsibilities of Management for the Financial Statements

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

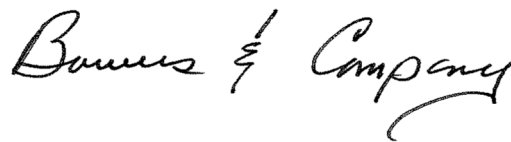
Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Watertown City School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown City School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Handwritten signature in cursive script that reads "Banner & Company".

Watertown, New York
October 11, 2022

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2022

Account Name	Cash Balance 7/1/2021	Cash Receipts	Cash Disbursements	Cash Balance 6/30/22
Class of 2022	\$ 8,846	\$ 23,028	\$ 31,874	\$ -
Class of 2023	4,045	8,283	347	11,981
Class of 2024	4,933	7,016	1,584	10,365
Class of 2025	-	13,284	3,956	9,328
Art Club	470	-	-	470
Band	2,155	-	937	1,218
Book Club	101	21	-	122
Business Club	686	-	150	536
Chorus	11,607	24,348	14,728	21,227
Cychronicle	516	-	-	516
Diversity Club	663	60	-	723
Drama	637	73	278	432
Environmental Club	930	40	250	720
Fashion Club	1,018	-	1,018	-
Future Farmers of America	2,086	12,188	12,986	1,288
Gay Straight Alliance	122	89	139	72
Interact Club	785	-	-	785
International Club	752	5,545	6,091	206
National Honor Society	1,464	-	112	1,352
Ohio Reading Buddies	77	-	-	77
Photography Club	248	-	-	248
SADD	2,398	-	-	2,398
Student Council	11,116	2,408	1,800	11,724
Student Council - Special	2,562	30,787	22,786	10,563
Teen Aids Task Force	300	-	-	300
Video Club	3,558	1,829	2,813	2,574
Volunteering Club	-	1,018	-	1,018
Whiz Quiz	140	-	-	140
Yearbook	350	10,978	9,316	2,012
Subtotal This Page	<u>\$ 62,565</u>	<u>\$ 140,995</u>	<u>\$ 111,165</u>	<u>\$ 92,395</u>

See note to financial statement.

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

Year Ended June 30, 2022

Account Name	Cash Balance 7/1/2021	Cash Receipts	Cash Disbursements	Cash Balance 6/30/22
Subtotal Previous Page	\$ 62,565	\$ 140,995	\$ 111,165	\$ 92,395
Art Club	31	-	-	31
Wiley Student Council	948	-	-	948
7th Grade Constitution	445	2,021	669	1,797
8th Grade Constitution	4,115	7,693	7,837	3,971
Case Book Fair	73	-	-	73
Case International Club	2,918	-	-	2,918
Case Musical	4,202	8,409	7,117	5,494
Case National Honor Society	161	2,130	910	1,381
Case SADD	4,054	6,204	6,257	4,001
Case Student Council	2,236	165	162	2,239
Ted ED	96	-	-	96
Case-Teen Aids Task Force	254	-	56	198
Case Yearbook	5,594	523	421	5,696
Koobraey (Yearbook)	185	-	-	185
	<u>\$ 87,877</u>	<u>\$ 168,140</u>	<u>\$ 134,594</u>	<u>\$ 121,423</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

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



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 11, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown City School District are described in Note 1 to the financial statements. As described in Note 3 to the financial statements, the Watertown City School District changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 16 of the financial statements. We noted no transactions entered into by Watertown City School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Management's estimate of present value of right to use leased assets and lease liability is based on the discount rate or implicit interest rate within the agreements in accordance with GASB Statement No. 87, *Leases*.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

During our audit test of compliance - §1318 Real Property Tax, it was noted that the District exceeded the 4% limitation of unexpended surplus funds within the General Fund and the District was not in compliance with the limitation requirements of the Real Property Tax Law §1318 for the fiscal year ended June 30, 2022. The finding was disclosed as a material instance of noncompliance on the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.

Other Matters

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

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

President and Board of Education
Watertown City School District
October 11, 2022
Page 4

Restriction on Use

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

Very truly yours,

Banner & Company

Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 1

To record excess cost aid receivable to actual at yearend

A00410	Due from State and Federal	1,078,699.00	
A03310.1	Basic Formula State Aid		1,047,723.00
A03460.1	Medicaid School Age Aid		30,976.00
Total		<u>1,078,699.00</u>	<u>1,078,699.00</u>

Adjusting Journal Entries JE # 8

To adjust to actual TRS liability & expense accounts

A9020.800-00-0000	Teachers' Retire Sys	1,727,031.00	
A00632	Due State Teacher Retirement		1,727,031.00
Total		<u>1,727,031.00</u>	<u>1,727,031.00</u>

Adjusting Journal Entries JE # 16

To accrue June health insurance charges

A9060.801-00-0000	Health Ins	911,163.00	
A00601	Accrued Liabilities		911,163.00
Total		<u>911,163.00</u>	<u>911,163.00</u>

Adjusting Journal Entries JE # 17

To correct transfer of health & dental expenses to C & F funds from General Fund

A00720	GROUP INSURANCE	425,325.00	
A9060.801-00-0000	Health Ins		421,982.00
A9060.802-00-0000	Dental Insurance		3,343.00
Total		<u>425,325.00</u>	<u>425,325.00</u>

Adjusting Journal Entries JE # 18

To adjust appropriated fund balance to actual per 22/23 budget

A00909	FUND BALANCE, UNRESERVED	714,480.00	
A00910	Appropriated Fund Balance		714,480.00
Total		<u>714,480.00</u>	<u>714,480.00</u>

Material Misstatements Corrected by Management - Continued

School Food Service Fund:

Adjusting Journal Entries JE # 2			
to adjust surplus food to actual per the value of commodities received			
C 0286.588-0	Surplus Food	147,549.00	
C 3419.0	Fed Reimb Surplus Food	<u> </u>	<u>147,549.00</u>
Total		<u>147,549.00</u>	<u>147,549.00</u>

Extra Classroom Activity Funds:

Adjusting Journal Entries JE # 1			
To record extraclassroom activities for the year			
CM200.EX	Extraclassroom Funds	33,546.00	
CM2989.4	Contractual Expenses - Extraclassroom	134,594.00	
CM2770	Other Income - Extraclassroom	<u> </u>	<u>168,140.00</u>
Total		<u>168,140.00</u>	<u>168,140.00</u>

Special Aid Fund:

Adjusting Journal Entries JE # 3			
To adjust deferred revenue to actual.			
F00691	Deferred Revenues	105,710.00	
F00630	Due to Other Funds	<u> </u>	<u>105,710.00</u>
Total		<u>105,710.00</u>	<u>105,710.00</u>

Material Misstatements Corrected by Management - Continued

Capital Projects Fund:

Adjusting Journal Entries JE # 2			
To record bond issuance for District Wide Capital Project			
H 626	Bond Anticipation Notes Payable	9,265,000.00	
H 3503.1	Interfund Trans.Not Debt		530,000.00
H05710	PROCEEDS OF BONDS		7,655,000.00
H05731	BANS Redeemed from Appropriations		1,080,000.00
Total		<u>9,265,000.00</u>	<u>9,265,000.00</u>
Adjusting Journal Entries JE # 3			
To reverse interfund transfer from debt service, should be recorded in General Fund			
H 3503.1	Interfund Trans.Not Debt	160,000.00	
H 630	Due To Other Funds		160,000.00
Total		<u>160,000.00</u>	<u>160,000.00</u>
Adjusting Journal Entries JE # 6			
To accrue additional Smart Schools Bond Act funds to correspond to expenditures incurred to date			
H 410	Due from State and Federal	1,225,316.00	
H 691	Deferred inflow of resources		1,225,316.00
Total		<u>1,225,316.00</u>	<u>1,225,316.00</u>
Adjusting Journal Entries JE # 7			
To transfer remaining funds at completion of District Wide project back to Debt Service Fun (net off CY transfer in from bond proceeds)			
H 3503.1	Interfund Trans.Not Debt	130,215.00	
H 630	Due To Other Funds		130,215.00
Total		<u>130,215.00</u>	<u>130,215.00</u>
Adjusting Journal Entries JE # 8			
To accrue yearend payables for Smart Schools project			
H 1620.296-00-0002	Smart Schools-Telephone & Network - District Wide	99,070.00	
H 600	Accounts Payable		99,070.00
Total		<u>99,070.00</u>	<u>99,070.00</u>
Adjusting Journal Entries JE # 9			
To move expenses for \$13M district wide project from A fund to H fund			
H 2110.245-31-0015	Capital Outlay Work WHS	141,400.00	
H 630	Due To Other Funds		141,400.00
Total		<u>141,400.00</u>	<u>141,400.00</u>

Material Misstatements Corrected by Management - Continued

Capital Projects Fund - Continued:

Adjusting Journal Entries JE # 10

To record revenue/expense for lease liability in accordance with GASB 87

H 2110.200	Equipment Expenditure - Leases	142,647.00	
H5788	Leases		<u>142,647.00</u>
Total		<u>142,647.00</u>	<u>142,647.00</u>

Debt Service Fund:

Adjusting Journal Entries JE # 1

To record bond issuance activity for District Wide Project

V0990.900-0	Transfer to Capital	530,000.00	
V1380.4	Bond Issuance Costs	167,472.00	
V3271.0	Premiums on Obligations		<u>697,472.00</u>
Total		<u>697,472.00</u>	<u>697,472.00</u>

Adjusting Journal Entries JE # 2

To return unused funds for District Wide project after bond issuance to Debt Service Fund

V00391	Due From Other Funds	130,215.00	
V0990.900-0	Transfer to Capital		<u>130,215.00</u>
Total		<u>130,215.00</u>	<u>130,215.00</u>

Material Misstatements Corrected by Management - Continued

Government-Wide:

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1			
To adjust OPEB deferred outflows to actual			
K00496.1	Deferred Outflows, OPEB	13,736,324.00	
K00159	Total Non-Current Governmental Assets		<u>13,736,324.00</u>
Total		<u>13,736,324.00</u>	<u>13,736,324.00</u>

Adjusting Journal Entries JE # 11			
To adjust fixed asset accounts to actual at yearend			
K00102	Buildings	966,525.00	
K00104	Equipment	893,437.00	
K00105	Construction in Progress	721,850.00	
K00112	Accumulated Depreciation - Buildings		1,417,276.00
K00114	Accumulated Depreciation - Equipment		614,189.00
K00159	Total Non-Current Governmental Assets		<u>550,347.00</u>
Total		<u>2,581,812.00</u>	<u>2,581,812.00</u>

Adjusting Journal Entries JE # 12			
To adjust pension accounts to actual in accordance with GASB 68			
K00108	Net Pension Asset - Proportionate Share	28,238,094.00	
K00159	Total Non-Current Governmental Assets		27,588,591.00
K00496	Deferred Outflows, Pensions		<u>649,503.00</u>
Total		<u>28,238,094.00</u>	<u>28,238,094.00</u>

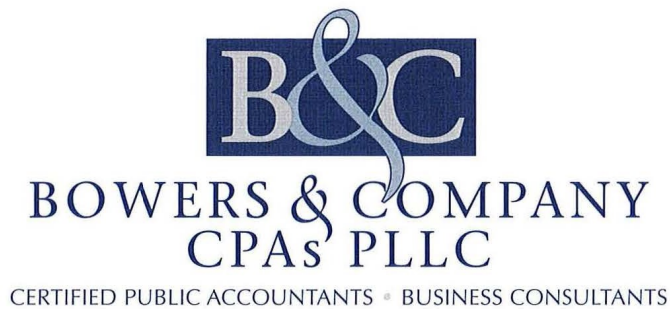
Material Misstatements Corrected by Management - Continued

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 1			
To record 2022 bond payable activity			
W00129	Total Non-Current Governmental Liabilities	3,890,000.00	
W00628	Bonds Payable		<u>3,890,000.00</u>
Total		<u>3,890,000.00</u>	<u>3,890,000.00</u>

Adjusting Journal Entries JE # 8			
To adjust pension accounts to actual in accordance with GASB 68			
W00129	Total Non-Current Governmental Liabilities	22,722,729.00	
W00638	Net Pension Liability- Proportionate Share	4,211,223.00	
W00697	Deferred Inflow of Resources, Pension		<u>26,933,952.00</u>
Total		<u>26,933,952.00</u>	<u>26,933,952.00</u>

Adjusting Journal Entries JE # 9			
To adjust OPEB account to actual			
W00129	Total Non-Current Governmental Liabilities	24,488,545.00	
W00697.1	Deferred Inflow of Resources, OPEB	3,434,563.00	
W00683	OPEB		<u>27,923,108.00</u>
Total		<u>27,923,108.00</u>	<u>27,923,108.00</u>



October 11, 2022

To the Board of Education
Watertown City School District

In planning and performing our audit of the financial statements of Watertown City School District for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated October 11, 2022, on the financial statements of Watertown City School District.

Condition: Non-Compliance with Federal Regulations

The School District did not comply with federal regulation 7CFR Part 210.14(b) which requires School Food Service fund balance not to exceed three months' worth of expenses. The District has excess fund balance of \$1,144,016 as of June 30, 2022.

Recommendation

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

Management's Response

Management has responded to notice of excess fund balance with a plan to spend down on excess fund balance through allowable equipment purchases. The District is also seeing price increase and availability issues due to supply chain issues and inflation. This will increase costs for the goods we are able to receive and reduce the fund balance.

Condition: General Ledger Maintenance and Closing Reconciliations

Our auditing procedures relating to the governmental funds revealed opportunities for strengthening internal controls over financial reporting. Our audit procedures revealed instances of general ledger errors and lack of management review or oversight to ensure accuracy of the general ledgers at year-end. Several material journal entries were required to adjust balance sheet accounts to correct year-end balances. Specifically, there were material journal entries required after reconciliations were requested to be prepared by management for accrued liability accounts related to payroll processing and the related expenditures which are now reported in the General Fund in accordance with GASB 84.

It was also found that the final budget amounts within the General Fund general ledger were overstated by approximately \$555,000 due to issues with roll over of available encumbrances from June 30, 2021. Inaccurate budget amounts would not allow for proper monitoring of spending throughout the year and to prepare budget adjustments or amendments as need be.

Recommendation

In order to ensure that all accounting processes, reconciliations and general ledger maintenance procedures are being performed, we recommend that management develop a comprehensive checklist to be used by the business office on a periodic basis, specifically year-end, that addresses all general ledger reconciliation and maintenance procedures. The checklist should be detailed enough to ensure all procedures are addressed, noting who is responsible for each task and a place for sign off and date completed. This will assist with assigning tasks among department staff and enhance the review process over general ledger maintenance as well as promote accurate financial reporting for management and the board of education. Management should also develop a reconciliation process for all payroll transactions and related accounts and ensure the reporting of payroll transactions is properly flowing through the general ledger accounts.

Also, management should be monitoring the budget more closely and ensuring the final budget amounts are rolling over into the next fiscal year accordingly with encumbrances. Management should be monitoring budget to actual analysis on a regular basis to ensure there is enough budget appropriation to cover the expected expenditure and allow timely budget amendments or transfers. Any shortfall in revenues should be identifiable or investigated by management and over-spending of expenditures should be monitored and reviewed at year-end specifically for needed budget adjustments after closing entries.

Management's Response

This was the first year that the noted expenditures were tracked and reported in the General Fund. There is a learning curve associated with this and the District has improved. Once the general ledger is given to the auditors, we do not make changes to avoid doubling the workload on both ends. If we make entries after the fact, we have to pull and resend.

Management's Response – Continued

The District does monitor budget to actuals on a rolling basis as well as forecasting, which is incorporated into creating the budget year over year. Budget adjustments appeared on the Board of Education agenda twice in the 21-22 school year.

Condition: General Journal Entries

During our review of internal controls and testing of manual general journal entries it was noted that there is a lack of control over the process and recording of journal entries with improper segregation of duties.

Recommendation

We recommend that the District develop controls and a formal process over general journal entries, which should include dual control with required approvals on all entries, maintaining supporting documentation in a central location for all entries, and review by management of general journal entries recorded on a regular basis. We also recommend that management determine who has access to record general journal entries in the general ledger software and ensure there is proper control within the software.

Management's Response

Going forward the Principal Account Clerk will print off a journal entry report for review and signoff by Assistant Superintendent of Finance on a bi-weekly basis. This log will be kept in the business office.

Condition: Incorrect Portion of Salaries Charged to Federal Grants

The District did not charge the correct percentage of certain employees' salaries to the federal grant they work under in accordance with the signed time certification.

Recommendation

We recommend that management review salaries charged to federal grants quarterly to ensure the amount charged is in line with the signed time certification that is required.

Management's Response

District will ensure the amount of salaries aligns with grant applications.

Condition: Deferred Revenue for Federal Grants not Properly Tracked

The District did not properly track the passthrough Title I funds for nonpublic schools and a portion from prior years had remained in a deferred revenue account within the general ledger which was not formally reconciled and recognized by management.

Recommendation

We recommend that management track, per school, the amount of Title I funds that are passed through from other Districts as well as track amounts expended. As part of this tracking would be a reconciliation of deferred revenue and required journal entries as necessary within the general ledger. This would ensure that the deferred revenue account in the Special Aid is accurate and supported.

Management's Response

The District will ensure the passthrough funds and associated deferred revenue accounts are reconciled on a regular basis.

Condition: Extra Classroom Activity Funds

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

- We reviewed all funds for activity and noted that several clubs had no activity in the current year, while maintaining an ending cash balance.
- We reviewed all students' ledgers to agree their reported balances to the Central Treasurers reporting and found multiple variances, or incomplete student ledgers were provided as of year-end.
- Evidence of receiving was lacking on 6 of 10 disbursements tested.
- A profit and loss form could not be located or provided by management for a fundraising event selected for testing.

Recommendation

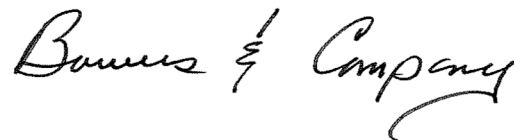
We suggest the student treasurers and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding record keeping within the Extra Classroom Activity Fund. Student ledgers should be maintained and reconciled with the Central Treasurers records on a regular basis, and notably at year-end. Also, if clubs with funds are deemed inactive, the club should be closed, and funds returned per District policy. Receiving documentation should be attached to all invoices or signed off as received prior to payments being issued. We also recommend that profit and loss forms are prepared for all events and fundraisers and provided to the Central Treasurer for filing.

Management's Response

As we return from COVID, many of these clubs have been slowly getting back into the swing of things. Given the length of time that we have been affected by COVID, many of the clubs have seen their members graduate and are actively recruiting new members. Similarly, the incomplete student ledgers can be attributed to that as well, along with the timing of when they go on summer break and the time the last bank statements are received. As we return to normal, the central treasurer will work with the clubs to ensure any variances are addressed. Copies of the NYS SED publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, are available on the Extra-Curricular Activity Clubs website and have been given to advisors.

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

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

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 body of text.

Watertown, New York
October 11, 2022