

WATERTOWN CITY
SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2024

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WATERTOWN CITY SCHOOL DISTRICT

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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, 2024, 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, 2024, 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 5-23), 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.

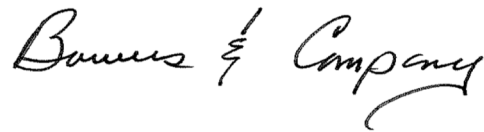
Supplementary Information

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 14, 2024 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 "Bowers & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Watertown, New York
October 14, 2024

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

INTRODUCTION

The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2024. 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), and a learning center.

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, 2024

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, 2024. 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.

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had \$84,912,772 in incoming monies and \$69,328,873 in monies coming out. The General Fund's fund balance increased \$15,583,899 from 2023.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL HIGHLIGHTS – Continued

- 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 2023-24 fiscal year in good financial condition. We had a 2.25% increase in the tax levy for 2023-24 which resulted in a \$385,150 increase in the levy of taxes for the 2023-24 fiscal year.
- District-wide revenues totaled \$103,338,138 and total expenses were \$95,793,842. The change in net position was \$7,544,296. Net position at year end was (\$126,886,782).
- General revenues accounted for \$85,528,552 or 83% of all revenues. Program specific revenues in the form of charges for services, operating and capital grants amounted to \$17,809,586 or 17% of total revenues of \$103,338,138.

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, 2024

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		
➔	District-Wide	Fund Financial Statements	
		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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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, 2023 through June 30, 2024?” 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.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

Governmental Funds

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

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$126,886,782 at the close of the most recent fiscal year. This represents a \$7,544,296 increase in the statement of net position for the year. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2024, the OPEB liability was \$236,926,057 as compared to \$238,705,585 reported at the close of the prior fiscal year. See Note 11 for additional OPEB information.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

**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

	2023	2024
Assets		
Current and Other Assets	\$ 57,702,475	\$ 69,403,784
Capital Assets, Net	67,356,925	73,048,909
Total Assets	<u>\$ 125,059,400</u>	<u>\$ 142,452,693</u>
Deferred Outflows of Resources		
Other Postemployment Benefits	\$ 34,063,408	\$ 26,527,427
Pensions	18,802,568	14,832,324
Deferred Charge on Refunding	20,901	15,818
Total Deferred Outflows of Resources	<u>\$ 52,886,877</u>	<u>\$ 41,375,569</u>
Liabilities		
Current Liabilities	\$ 22,718,339	\$ 25,652,219
Long-Term Liabilities	262,245,449	253,858,188
Total Liabilities	<u>\$ 284,963,788</u>	<u>\$ 279,510,407</u>
Deferred Inflows of Resources		
Other Postemployment Benefits	\$ 25,630,692	\$ 28,194,060
Pensions	1,782,875	3,010,577
Total Deferred Inflows of Resources	<u>\$ 27,413,567</u>	<u>\$ 31,204,637</u>
Net Position (Deficit)		
Net Investment in Capital Assets	\$ 47,831,737	\$ 48,895,895
Restricted	15,467,711	22,059,392
Unrestricted (Deficit)	(197,730,526)	(197,842,069)
Total Net Position (Deficit)	<u>\$ (134,431,078)</u>	<u>\$ (126,886,782)</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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

Unrestricted net position (deficit), the part of net position that can be used to finance day-to-day activities of the School District, increased by \$206,666.

Table 2: Condensed Statement of Activities

	2023	2024	Percentage Change
Revenues			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 17,117,785	\$ 16,467,425	-3.80%
Other Tax Items	1,857,454	2,839,712	52.88%
State Aid Formula	53,798,407	62,378,568	15.95%
Other	2,709,628	3,842,847	41.82%
<i>Program Revenues</i>			
Charges for Services	282,984	238,981	-15.55%
Operating Grants	16,405,975	17,570,605	7.10%
Capital Grants	238,366	-	-100.00%
Total Revenues	<u>92,410,599</u>	<u>103,338,138</u>	<u>11.82%</u>
Expenses			
General Support	14,950,499	13,294,827	-11.07%
Instruction	68,511,348	75,099,656	9.62%
Pupil Transportation	3,330,094	3,531,948	6.06%
School Food Service	2,842,112	2,962,065	4.22%
Debt Service	323,624	905,346	179.75%
Total Expenses	<u>89,957,677</u>	<u>95,793,842</u>	<u>6.49%</u>
Change in Net Position	<u>\$ 2,452,922</u>	<u>\$ 7,544,296</u>	<u>207.56%</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

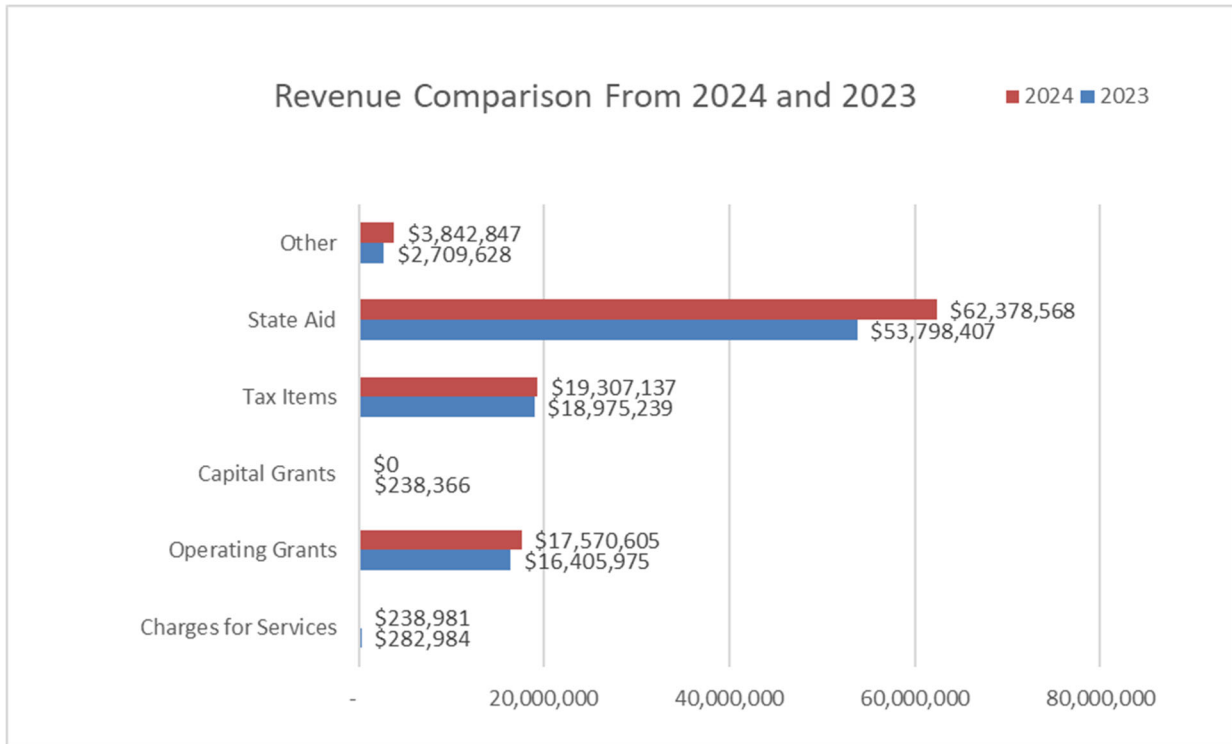
June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues

Total revenues increased 11.82%.

State aid increased by approximately \$8.6 million from 2022-2023 to 2023-2024.

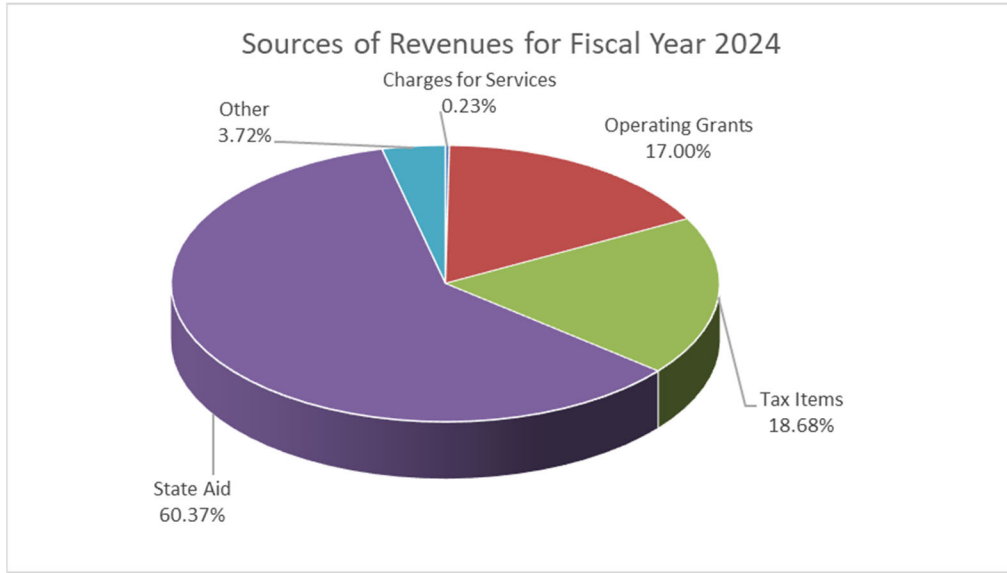


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total expenses increased 6.49%.

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.

Pupil Transportation

Pupil transportation includes costs for contracted student transportation services, as well as transportation for athletics, field trips, and extracurriculars.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

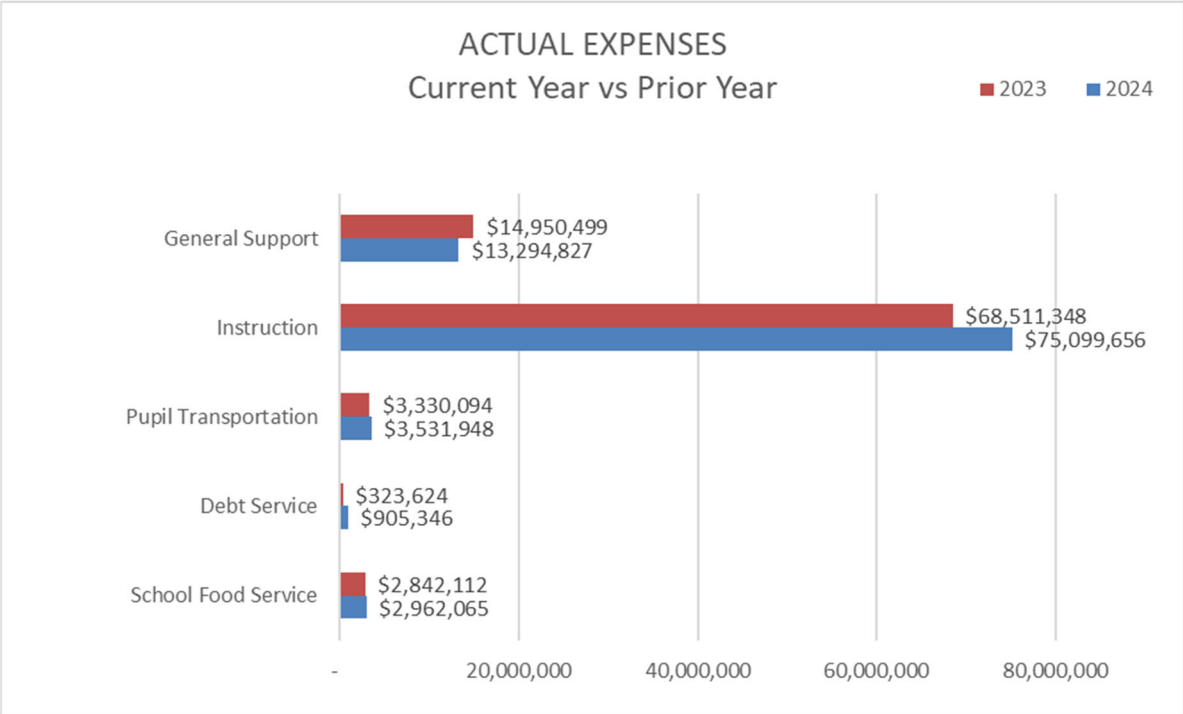
School Food Service Program

The School Food Service Program expenses increased by 4.22% from the prior year. The increase was related to an increase in associated expenses, inventory shortages, and cost of goods sold increased across the board. The District became eligible for CEP (Community Eligibility Provision) in the 2022-23 school year and in the current year all students were able to receive a free breakfast and lunch.

Debt Service

Debt service increased by 179.75%. See note 6 and 7 for more details.

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2024 in comparison to the prior year:



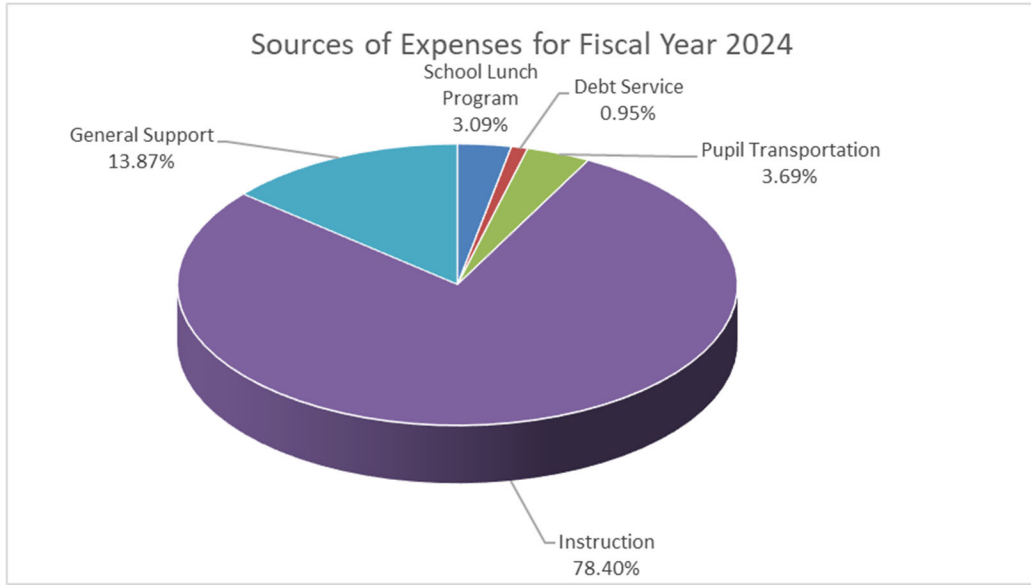
WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

Expenses - Continued



CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of the fiscal year 2024, the School District had \$73,048,909 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 2023 balances to 2024.

	2023	2024	Total Percentage Change
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	3,167,931	10,859,769	242.80%
Buildings and Improvements	62,344,497	60,319,757	-3.25%
Furniture and Equipment	904,723	1,090,279	20.51%
Intangible Lease Assets	284,797	124,127	-56.42%
Total	\$ 67,356,925	\$ 73,048,909	8.45%

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CAPITAL ASSETS & DEBT ADMINISTRATION - 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 has been approved by the State Education Department and is in the construction phases and current costs remain in construction in progress. The project is being funded with BANs in the short-term, which will be converted to long-term bonds at completion of the project. The project is near completion. Final cost reports will be submitted to NYS by December 1, 2024, to ensure a full year of aid on the project.

On May 16, 2023, the voters approved a capital project in the amount of \$1,400,000 for improvements at Watertown High School and the turf field. The project is near full completion and the official turf reopening occurred on August 29, 2024. The project is currently funded with a BAN in the short-term and will be converted to long-term bonds at the completion of this and the \$13 million project referred to above.

Total Net Capital Assets increased \$5,691,984 as a result of current year additions to capital assets exceeding current year depreciation. Land is not depreciable.

Short-Term Debt

The District issued a bond anticipation note in June 2023 in the amount of \$12,715,000. The BAN was renewed in June 2024 in the amount of \$13,905,000. Outstanding BAN payable at June 30, 2024 is reported in the Capital Fund in the amount of \$13,905,000. The BAN is being used as short-term financing for the \$13M capital project in process and for the \$1.4 million turf project. For more information refer to Note 6.

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 District participated in DASNY refunding our old 2012C and 2012H bonds to newly issued bonds on October 4, 2022. Anticipated savings from this is roughly \$285,000 over the life of the debt.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Long-Term Debt – Continued

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2024 and 2023:

	2022-2023	2023-2024
Due and Payable in One Year, Net	\$ 2,419,433	\$ 3,129,433
Due and Payable After One Year, Net	<u>14,830,640</u>	<u>10,716,206</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 17,250,073</u>	<u>\$ 13,845,639</u>

For more information refer to Note 7.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Revenues for the District's governmental funds totaled \$105,443,458. Expenditures for the year ended June 30, 2024 were \$94,345,735, resulting in a excess of revenues over expenditures of \$11,097,723.

Table 4: Summary of Governmental Funds Expenditures

The cost of the District's activities for 2023 and 2024 were as follows:

	2023	2024
General Support	\$ 10,785,193	\$ 11,266,930
Instruction	41,899,513	44,693,298
Pupil Transportation	3,219,659	3,420,192
Employee Benefits	20,158,330	20,370,413
Debt Service	4,062,711	4,646,592
Capital Expenditures	2,706,541	7,393,186
Other Expenditures	203,885	196,228
Cost of Sales - School Food Service	1,623,994	1,750,316
Total Expenditures	<u>\$ 84,659,826</u>	<u>\$ 93,737,155</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

General Fund

The General Fund showed an end of year fund balance of \$51,978,002. This is up from the prior year's fund balance of \$36,394,103. Of this end of year fund balance, \$18,896,862 was restricted, \$12,763 was nonspendable, \$9,097,480 was assigned to the 2024-2025 budget as a source of funds plus encumbrances of \$218,981, leaving \$23,970,897 as unassigned. This represented 24.75% of the 2024-2025 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

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 near completion. Final cost reports will be submitted to NYS by December 1, 2024, to ensure a full year of aid on the project.

The Smart Schools Bond Act project in the amount of \$3,624,125 remains in process, with \$3,613,979 of expenditures incurred to date. The project is funded through State Aid and has a deficit of (\$176,942) due to reimbursements for prior year not yet submitted or collected as of June 30, 2024.

On May 16, 2023, the voters approved a capital project in the amount of \$1,400,000 for improvements at Watertown High School and the turf field. The project is near full completion and the official turf reopening occurred on August 29, 2024. The project is currently funded with a BAN in the short-term and will be converted to long-term bonds at the completion of this and the \$13 million project referred to above.

School Food Service Fund

The School Food Service Fund Balance had revenues exceeding expenditures by \$227,051 in the current year. The current year increase and change in fund balance was due mainly to the District entering into the 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. The second source of revenue is the Supply Chain aid. The District received \$112,352 in Supply Chain Assistance in 2023-2024.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Special Aid Fund

Federal and State grants provide funding for specific purposes ranging from academic intervention services to meeting the needs of students with disabilities. The following chart indicates the 2023-2024 revenues for each grant.

	Purpose	2023-2024
Title I	Improving Academic Achievement	\$ 2,333,066
Title II	Supporting Effective Instruction State Grants	175,603
Title III	Limited English Proficiency	13,282
Title IV	English Language	214,645
DODEA IV	Department of Defense Grant	359,040
IDEA	School Age Special Ed	1,450,593
IDEA	Preschool Special Ed	53,065
UPK	Universal Pre-K	3,104,976
ARPA	American Rescue Plan	6,274,434
Section 4408	Summer School Handicapped	128,931
Other	Various	301,750
		<u>\$ 14,409,385</u>

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.

The School District continues to be in excellent financial condition with a total of \$51,978,002 in fund balance of which \$18,896,862 is restricted for the 2024-25 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$23,970,897 unassigned for emergency, unanticipated expenditures and future tax levies.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued

Table 5: Final Revenue Budget Compared to Actual Revenues

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Tax Items	\$ 18,946,520	\$ 19,307,137	\$ 360,617
Charges for Services	143,500	179,547	36,047
Use of Money and Property	70,500	2,061,093	1,990,593
Sale of Property and Compensation for Loss	15,000	46,855	31,855
Miscellaneous	367,500	394,067	26,567
State Sources	63,480,535	62,378,568	(1,101,967)
Federal Sources	400,000	545,505	145,505
	<u>\$ 83,423,555</u>	<u>\$ 84,912,772</u>	<u>\$ 1,489,217</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2023-2024 is \$1,489,217. This difference is mainly due improved interest rates, miscellaneous grants, and an increase in our sales tax revenues.

Table 6: Final Expenditure Budget Compared to Actual Expenditures

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 10,475,631	\$ 7,372,794	\$ 3,102,837
Instruction	48,562,145	35,452,549	13,109,596
Pupil Transportation	3,832,879	3,420,192	412,687
Employee Benefits	23,633,958	18,068,143	5,565,815
Debt Service	5,076,927	4,625,596	451,331
Transfers to Other Funds	676,000	608,580	67,420
	<u>\$ 92,257,540</u>	<u>\$ 69,547,854</u>	<u>\$ 22,709,686</u>

The total difference between Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$22,709,686. This variance is due mainly to variances in three areas, Instruction, General Support, and Employee Benefits. Instruction and employee benefits was under expended by \$18,675,411 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 \$3,102,837 due to the COVID-19 pandemic hampering supply chain for many items the District attempted to purchase, such as work trucks and availability of maintenance equipment. COVID also contributed to vacancies throughout the District which were unable to be filled and continue to have difficulty with finding qualified people to fill roles.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CURRENT FINANCIAL ISSUES AND CONCERNS

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

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

The School District is heavily dependent on financial assistance from the State and Federal Governments and the local property tax. Seventy percent of our revenues are from the State and Federal Governments. Another nineteen 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.

On August 9, 2024, Tropical Storm Debbie hit the Watertown City School District. That storm resulted in flooding in multiple buildings. The hardest hit buildings, however, were Case Middle School and Watertown High School. Case Middle School has sewage backup in the basement and Watertown High School experienced up to 2 feet of flooding in the bottom level of the building. Immediately, the District reached out to Pomerville and ServPro to assist in the cleanup. ServPro is experienced in working with these types of emergency events that are eventually reported to FEMA. The District has been working with the Department of Homeland Security and Emergency Services (DHSES) from day one of the event to ensure all damage is recorded and reported to FEMA. As per discussion with DHSES, the total potential damage amounted to \$4 million. That total includes damage to all floors, replacement of the gym floor, and repairs to the boilers. That total does NOT include any potential mitigation efforts to avoid a reoccurrence. The Board of Education has declared an emergency for purposes of procurement, but not with NYS as the damage should be recovered via insurance and FEMA funding. On September 24, 2024, the disaster was officially approved by President Biden. The District has until October 16, 2024, to submit all invoices to FEMA for reimbursement.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CURRENT FINANCIAL ISSUES AND CONCERNS - Continued

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:

Brianne Durham, Assistant Superintendent for Operations and Finance
Watertown City School District
1351 Washington Street
PO Box 586
Watertown, New York 13601
email: bdurham@watertowncsd.org

WATERTOWN CITY SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2024

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 35,239,502
Restricted	26,150,377
Receivables	
Taxes	558,100
State and Federal Aid	5,424,291
Due from Other Governments	1,743,552
Other	115,914
Prepaid Expenditures	12,763
Inventories	159,285
Capital Assets, Net	73,048,909
TOTAL ASSETS	\$ 142,452,693
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$ 14,832,324
Other Postemployment Benefits	26,527,427
Deferred Charge on Refunding	15,818
Total Deferred Outflows of Resources	\$ 41,375,569
LIABILITIES	
Payables	
Accounts Payable	\$ 2,698,360
Retainage Payable	398,652
Accrued Liabilities	1,496,958
Accrued Interest on BAN and Bonds Payable	58,415
Due to Other Governments	38,838
Due to Teachers' Retirement System	3,198,431
Due to Employees' Retirement System	340,678
Compensated Absences Payable - Current	83,671
Bond Anticipation Note Payable	13,905,000
Unearned Credits	
Unearned Revenues - Other	236,584
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	3,129,433
Lease Liability	67,199
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	10,716,206
Lease Liability	32,477
Compensated Absences Payable	840,582
Net Pension Liability - Proportionate Share	5,342,866
Other Postemployment Benefits Payable	236,926,057
TOTAL LIABILITIES	\$ 279,510,407
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 28,194,060
Pensions	3,010,577
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 31,204,637
NET POSITION	
Net Investment in Capital Assets	\$ 48,895,895
Restricted	
Debt Service	2,526,706
Other Legal Restrictions	19,532,686
Unrestricted (Deficit)	(197,842,069)
TOTAL NET POSITION	\$ (126,886,782)

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, 2024

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General Support	\$ 13,294,827	\$ -	\$ -	\$ (13,294,827)
Instruction	75,099,656	179,547	14,386,806	(60,533,303)
Pupil Transportation	3,531,948	-	-	(3,531,948)
Debt Service - Interest	905,346	-	-	(905,346)
School Food Service Program	2,962,065	59,434	3,183,799	281,168
	<u>\$ 95,793,842</u>	<u>\$ 238,981</u>	<u>\$ 17,570,605</u>	<u>(77,984,256)</u>
GENERAL REVENUES				
Real Property Taxes				16,467,425
Other Tax Items				2,839,712
Use of Money and Property				2,643,614
Sale of Property and Compensation for Loss				46,855
State Sources				62,378,568
Medicaid Reimbursements				28,697
Federal Sources				516,808
Miscellaneous				606,873
				<u>85,528,552</u>
Total General Revenues				<u>85,528,552</u>
Change in Net Position				<u>7,544,296</u>
Net Position - Beginning of Year				<u>(134,431,078)</u>
Net Position - End of Year				<u>\$ (126,886,782)</u>

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	Capital Projects Fund - District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents					
Unrestricted	\$ 31,397,621	\$ -	\$ 1,524,371	\$ 2,317,510	\$ 35,239,502
Restricted	18,896,862	4,158,326	-	3,095,189	26,150,377
Receivables					
Taxes	558,100	-	-	-	558,100
State and Federal Aid	1,156,573	-	3,867,902	399,816	5,424,291
Due from Other Funds	5,192,451	-	73,082	1,392,894	6,658,427
Due from Other Governments	1,743,050	-	-	502	1,743,552
Other	115,914	-	-	-	115,914
Prepaid Expenditures	12,763	-	-	-	12,763
Inventories	-	-	-	159,285	159,285
TOTAL ASSETS	\$ 59,073,334	\$ 4,158,326	\$ 5,465,355	\$ 7,365,196	\$ 76,062,211
LIABILITIES					
Payables					
Accounts Payable	\$ 1,838,958	\$ 473,780	\$ 362,713	\$ 22,909	\$ 2,698,360
Accrued Liabilities	1,473,663	-	1,891	21,404	1,496,958
Due to Other Funds	194,600	1,307,940	4,830,476	325,411	6,658,427
Due to Other Governments	-	-	38,820	18	38,838
Due to Teachers' Retirement System	3,198,431	-	-	-	3,198,431
Due to Employees' Retirement System	306,009	-	-	34,669	340,678
Compensated Absences Payable	83,671	-	-	-	83,671
Bond Anticipation Note Payable	-	12,505,000	-	1,400,000	13,905,000
Unearned Credits					
Unearned Revenues- Other	-	-	231,455	5,129	236,584
Total Liabilities	<u>7,095,332</u>	<u>14,286,720</u>	<u>5,465,355</u>	<u>1,809,540</u>	<u>28,656,947</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred State Aid	-	-	-	176,942	176,942
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,942</u>	<u>176,942</u>
FUND BALANCES (DEFICITS)					
Nonspendable	12,763	-	-	159,285	172,048
Restricted	18,896,862	-	-	3,162,530	22,059,392
Assigned	9,097,480	-	-	2,328,964	11,426,444
Unassigned (Deficit)	23,970,897	(10,128,394)	-	(272,065)	13,570,438
Total Fund Balances (Deficits)	<u>51,978,002</u>	<u>(10,128,394)</u>	<u>-</u>	<u>5,378,714</u>	<u>47,228,322</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 59,073,334	\$ 4,158,326	\$ 5,465,355	\$ 7,365,196	\$ 76,062,211

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, 2024

Total Fund Balance - Governmental Funds \$ 47,228,322

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

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

Net Pension Liability - Proportionate Share - TRS	\$ 1,716,219	
Net Pension Liability - Proportionate Share - ERS	<u>3,626,647</u>	(5,342,866)

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	\$ 28,194,060	
Pensions	<u>3,010,577</u>	(31,204,637)

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	\$ 26,527,427	
Pensions	14,832,324	
Deferred Charge on Refunding	<u>15,818</u>	41,375,569

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. 176,942

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

Cost of Capital Assets	\$ 112,934,917	
Accumulated Depreciation and Amortization	<u>(39,886,008)</u>	73,048,909

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

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

June 30, 2024

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	\$ 12,490,000	
Accrued Interest on BAN and Bonds Payable	58,415	
Lease Liability	99,676	
Compensated Absences Payable	840,582	
Other Postemployment Benefits Payable	236,926,057	
Retainage Payable	398,652	
Premium on Bond Issue	1,355,639	<u>(252,169,021)</u>
Total Net Position - Governmental Activities		<u><u>\$ (126,886,782)</u></u>

WATERTOWN CITY SCHOOL DISTRICT

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

Year Ended June 30, 2024

	<u>General Fund</u>	<u>Capital Projects Fund- District Wide</u>	<u>Special Aid Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real Property Taxes	\$ 16,467,425	\$ -	\$ -	\$ -	\$ 16,467,425
Other Tax Items	2,839,712	-	-	-	2,839,712
Charges for Services	179,547	-	-	-	179,547
Sale of Property and Compensation for Loss	46,855	-	-	-	46,855
Use of Money and Property	2,061,093	-	-	496,244	2,557,337
Miscellaneous	394,067	-	-	217,353	611,420
State Sources	62,378,568	-	3,427,479	1,398,885	67,204,932
Medicaid Reimbursements	28,697	-	-	-	28,697
Federal Sources	516,808	-	10,959,327	2,900,874	14,377,009
Surplus Food	-	-	-	170,780	170,780
Sales - School Food Service	-	-	-	54,887	54,887
Total Revenues	<u>84,912,772</u>	<u>-</u>	<u>14,386,806</u>	<u>5,239,023</u>	<u>104,538,601</u>
EXPENDITURES					
General Support	7,215,164	-	3,078,267	973,499	11,266,930
Instruction	35,391,198	-	9,302,100	-	44,693,298
Pupil Transportation	3,420,192	-	-	-	3,420,192
Employee Benefits	18,068,143	-	2,029,019	273,251	20,370,413
Debt Service:					
Principal	3,342,016	-	-	18,510	3,360,526
Interest	1,283,580	-	-	2,486	1,286,066
Cost of Sales - School Food Service	-	-	-	1,750,316	1,750,316
Other Expenditures	-	-	-	196,228	196,228
Capital Outlay	-	7,182,463	-	210,723	7,393,186
Total Expenditures	<u>68,720,293</u>	<u>7,182,463</u>	<u>14,409,386</u>	<u>3,425,013</u>	<u>93,737,155</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>16,192,479</u>	<u>(7,182,463)</u>	<u>(22,580)</u>	<u>1,814,010</u>	<u>10,801,446</u>
OTHER FINANCING SOURCES AND (USES)					
Operating Transfers In	-	-	22,580	586,000	608,580
Operating Transfers (Out)	(608,580)	-	-	-	(608,580)
BANs Redeemed from Appropriation	-	210,000	-	-	210,000
Premium on Debt Issuance	-	-	-	86,277	86,277
Total Other Financing Sources (Uses)	<u>(608,580)</u>	<u>210,000</u>	<u>22,580</u>	<u>672,277</u>	<u>296,277</u>
Net Change in Fund Balances	15,583,899	(6,972,463)	-	2,486,287	11,097,723
Fund Balances (Deficits) - Beginning of Year	<u>36,394,103</u>	<u>(3,155,931)</u>	<u>-</u>	<u>2,892,427</u>	<u>36,130,599</u>
Fund Balances (Deficits) - End of Year	<u>\$ 51,978,002</u>	<u>\$ (10,128,394)</u>	<u>\$ -</u>	<u>\$ 5,378,714</u>	<u>\$ 47,228,322</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, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 11,097,723

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	\$	7,792,152	
Depreciation and Amortization Expense		<u>(2,498,820)</u>	5,293,332

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. 3,150,526

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	\$	16,369	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding		<u>364,351</u>	380,720

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). (114,315)

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, 2024

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 governmental funds in the current year as collected, and was recognized on the Statement of Activities in the prior year at the time of expenditure. (1,286,740)

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. (8,319,821)

(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	\$ (1,982,411)	
Employees' Retirement System	<u>(674,718)</u>	<u>(2,657,129)</u>
Change in Net Position of Governmental Activities		<u>\$ 7,544,296</u>

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

	<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, 2024

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

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB No. 14 and No. 39*, GASB Statement 80 - *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, GASB 84, *Fiduciary Activities*, and GASB 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 32. 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Extra Classroom Activity Funds

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

Joint Venture

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

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

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

During the year, the District was billed \$8,190,785 for BOCES administrative, capital, and program costs.

The District’s share of BOCES aid amounted to \$4,203,421. This represents state aid distributions of \$3,873,444 and 2023 fund balance returned to schools of \$329,977.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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, 2024

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 operated by and for the students of the District. The Board 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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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.

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, State Aid, 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 State Aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental 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, pensions, and other post-employment benefits which are recognized as expenditures to the extent they have matured. General capital asset, intangible lease asset, and intangible subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions of leases and subscriptions with terms greater than one year are reported as other financing sources.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 5, 2023. Taxes are collected during the period October 2, 2023 to December 7, 2023.

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.

Restricted Resources

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

Interfund Transactions

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

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, useful lives of capital assets, intangible lease assets, and intangible subscription assets.

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items

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

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

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

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 and Intangible Lease 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. Land and construction in progress are not depreciated.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Intangible Lease Assets- Continued

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

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

The District does not possess any infrastructure.

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 shorter of the lease term or the useful life of the underlying asset.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 proportionate 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.

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 proportionate 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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Benefits - Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 intangible lease assets (present value of future payments remaining on the term less accumulated amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements to those assets.

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.

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 \$159,285 and \$12,763 in prepaid expenses in the General Fund.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Fund Statements - Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Liability Claims and Property Loss

According to Education Law §1709(8)(c), all expenditures made from the liability claims and property loss reserve 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.

Repair Reserve

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.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Capital Reserve

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. These reserves are 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.

Capital Projects Fund

According to constraints placed on the use of resources established by approved capital projects, these funds must be used for the specific purpose outlined in the approved proposition. These monies are accounted for in the Capital Projects Fund.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted fund balance includes the following at June 30, 2024:

General Fund	
Capital Reserve	\$ 10,000,000
Capital Reserve - Information Technology	2,000,000
Capital Reserve - Building and Grounds Equipment	1,000,000
Employee Benefit Accrued Liability	927,708
Liability Claims	1,111,608
Insurance	109,730
Property Loss	109,733
Repairs Reserve	31,735
Retirement Contributions- NYSERS	1,015,336
Retirement Contributions- NYSTRS	1,596,539
Tax Certiorari	387,022
Unemployment Insurance	607,451
Debt Service Fund	2,526,706
Extra Classroom Activity Funds	161,674
Scholarships and Awards Fund	15,750
Capital Projects Fund - Emergency Project	458,400
	<hr/>
Total Restricted Funds	<u>\$ 22,059,392</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, 2024.

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. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$218,981. Any remaining fund balance in other funds is considered assigned.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2024, the District implemented the following new statement issued by GASB:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.*

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

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

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the year ended June 30, 2025.

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, effective for the year ended June 30, 2026.

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 governmental 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 long-term assets and long-term liabilities.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**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 or financing of intangible lease assets in the governmental fund statements and depreciation or amortization 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Budgets

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

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

Appropriations are adopted at the program line item level.

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, 2024.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**NOTE 3 - 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 – District Wide had a deficit balance of \$10,128,394, Capital Projects Fund – Smart Bond Act had a deficit balance of \$176,942 and Capital Projects Fund – Turf Field had a deficit balance of \$95,123 at June 30, 2024. These will be funded when the District obtains permanent financing for its current construction project or through use of local funds, 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 \$1,423,545. Effective July 1, 2024, USDA approved the New York State Education Department (SED) to increase the net cash resource limitation to six months average operating expenditures. The District will not be compliant with this change. 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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Cash

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

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

Uncollateralized	<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>\$ 19,632,657</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 \$18,896,862 restricted for various fund balance reserves in the General Fund, \$4,158,326 restricted for a voter approved capital project in the Capital Project - District Wide Fund, \$1,311,357 restricted for a voter approved capital project in the Capital Project – Turf Field Fund, \$461,897 restricted in the Capital Projects Fund – Emergency Project, \$5,106 restricted in the Capital Projects Fund – Capital Outlay Projects, \$1,139,405 restricted for debt service in the Debt Service Fund, \$161,674 restricted for extra classroom activity funds in the Extra Classroom Activity Funds, and \$15,750 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, 2024, all deposits were fully insured and collateralized by the District’s agent, but not in the District’s name.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**NOTE 4 – 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, 2024, the District held \$35,004,833 in the General Fund, \$5,265,505 in the Capital Fund, \$1,139,405 in the Debt Service Fund, and \$13,879 in the Scholarships and Award Fund through the cooperative.

\$41,423,621 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	\$ 32,468
School Food Service Fund	2,009,463
Special Aid Fund	<u>1,137,108</u>
Total Pooled Book Balance	<u><u>\$ 3,179,039</u></u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 5 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

In accordance with the provisions of GASB Statement No 87, *Leases*, the District has recognized an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various items and other equipment.

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	3,167,931	7,791,838	(100,000)	10,859,769
Total Nondepreciable Assets	<u>3,822,908</u>	<u>7,791,838</u>	<u>(100,000)</u>	<u>11,514,746</u>
Other Capital Assets:				
Buildings and Improvements	95,292,280	50,443	100,000	95,442,723
Furniture and Equipment	5,090,091	348,523	-	5,438,614
Intangible Lease Assets - Equipment	538,834	-	-	538,834
Total Other Capital Assets	<u>100,921,205</u>	<u>398,966</u>	<u>100,000</u>	<u>101,420,171</u>
Less Accumulated Depreciation:				
Buildings and Improvements	32,947,783	2,175,183	-	35,122,966
Furniture and Equipment	4,185,368	162,967	-	4,348,335
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	254,037	160,670	-	414,707
Total Accumulated Depreciation and Amortization	<u>37,387,188</u>	<u>2,498,820</u>	<u>-</u>	<u>39,886,008</u>
Total Other Capital Assets, Net	<u>63,534,017</u>	<u>(2,099,854)</u>	<u>100,000</u>	<u>61,534,163</u>
Capital Assets, Net	<u>\$ 67,356,925</u>	<u>\$ 5,691,984</u>	<u>\$ -</u>	<u>\$ 73,048,909</u>

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

General Support	\$ 2,416,985
Instruction	58,454
School Food Service	<u>23,381</u>
Total Depreciation and Amortization Expense	<u>\$ 2,498,820</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - SHORT-TERM DEBT

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2024 are as follows:

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/26/2025	4.50%	\$ -	\$ 13,905,000	\$ -	\$ 13,905,000
BAN	6/27/2024	4.50%	12,715,000	-	12,715,000	-
			<u>\$ 12,715,000</u>	<u>\$ 13,905,000</u>	<u>\$ 12,715,000</u>	<u>\$ 13,905,000</u>

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

Interest Paid	\$ 572,175
Less: Accrued Interest in the Prior Year	(4,703)
Plus: Accrued Interest in the Current Year	<u>6,857</u>
Total Interest on Short-Term Debt	<u>\$ 574,329</u>

The BAN was used as short-term financing for two capital projects.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

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

Serial Bonds

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

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.

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	\$ 15,525,000	\$ -	\$ 3,035,000	\$ 12,490,000	\$ 2,760,000
Premium on Bonds	1,725,073	-	369,434	1,355,639	369,433
Total Bonds & Notes Payable	<u>17,250,073</u>	<u>-</u>	<u>3,404,434</u>	<u>13,845,639</u>	<u>3,129,433</u>
Other Liabilities					
Compensated Absences Payable	726,267	114,315	-	840,582	-
Other Postemployment Benefits Liability	238,705,585	-	1,779,528	236,926,057	-
Net Pension Liability Proportionate Share	7,883,683	-	2,540,817	5,342,866	-
Lease Liability	215,202	-	115,526	99,676	67,199
Total Other Liabilities	<u>247,530,737</u>	<u>114,315</u>	<u>4,435,871</u>	<u>243,209,181</u>	<u>67,199</u>
Total Governmental Activities	<u>\$ 264,780,810</u>	<u>\$ 114,315</u>	<u>\$ 7,840,305</u>	<u>\$ 257,054,820</u>	<u>\$ 3,196,632</u>

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Refunded Serial Bond	10/4/2022	6/1/2026	5.0%	\$ 2,575,000
Refunded Serial Bond	10/4/2022	9/15/2030	4.0-5.0%	2,140,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	985,000
Serial Bond	6/15/2022	6/15/2036	5.0%	<u>6,790,000</u>
				<u>\$12,490,000</u>

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

	Principal	Interest	Total
2025	\$ 2,760,000	\$ 574,750	\$ 3,334,750
2026	2,335,000	452,450	2,787,450
2027	1,070,000	345,950	1,415,950
2028	1,120,000	299,075	1,419,075
2029	895,000	249,750	1,144,750
2030-2034	4,085,000	641,775	4,726,775
2035-2036	<u>225,000</u>	<u>17,000</u>	<u>242,000</u>
Total	<u>\$ 12,490,000</u>	<u>\$ 2,580,750</u>	<u>\$ 15,070,750</u>

Existing lease obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
RIC Computer Equipment	12/1/2021	12/1/2024	1.1181%	\$ 47,761
Ryder Refrigerated Truck	9/1/2020	3/1/2027	4.0%	<u>51,915</u>
				<u>\$ 99,676</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

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

	Principal	Interest	Total
2025	\$ 67,199	\$ 2,279	\$ 69,478
2026	20,025	971	20,996
2027	<u>12,452</u>	<u>205</u>	<u>12,657</u>
Total	<u>\$ 99,676</u>	<u>\$ 3,455</u>	<u>\$ 103,131</u>

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

Interest Paid	\$ 713,891
Less: Interest Accrued in the Prior Year	(70,081)
Plus: Interest Accrued in the Current Year	51,558
Less: Amortization of Bond Premium	(369,434)
Plus: Amortization of Deferred Charge on Refunding	<u>5,083</u>
Total Interest on Long-Term Debt	<u>\$ 331,017</u>

Advanced Refunding and Defeased Debt

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 \$4,895,000 are considered defeased.

NOTE 8 - PENSION PLANS

General Information

The District participates in New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSEERS). 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, 2024

NOTE 8 - 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 Annual Comprehensive 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, 2024

NOTE 8 - 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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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 for Tiers 1-6 are now vested after 5 years of credited service. Prior to April 9, 2022, Tier 5 and 6 members were to attain 10 years of state service credit to be vested. 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, 2024

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service and certain retirees. For active members, the benefit is based on final salary, age and the number of years of credited service. For retired members, it is also based on the number of years in retirement.

Prior and Military 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. Certain members may also claim military service credit prior to or interrupting membership.

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 maximum annual benefit. The applicable percentage payable beginning September 2022 and 2021 is 3.0% and 1.4%, respectively. 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, 2024

NOTE 8 - 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, 4 and 5 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 full benefit age for Tier 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 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 5 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 5 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

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. As of April 1, 2022, legislation was passed that reduced the number of years of service credit from 10 years to 5 years. Therefore, all Members are vested when they reach 5 years of service credit.

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, 2024

NOTE 8 - 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, 2023 and received an overall discount \$5,984.

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

	NYSTRS	NYSERS
2023-2024	\$ 2,852,109	\$ 832,176
2022-2023	2,655,325	710,296
2021-2022	2,479,833	929,320

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - PENSION PLANS - Continued

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

At June 30, 2024, 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, 2024 for ERS and June 30, 2023 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, 2024	June 30, 2023
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (3,626,647)	\$ (1,716,219)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0246308%	0.150074%
Change in Proportion Since the Prior Measurement Date	0.0015532%	-0.002874%

For the year ended June 30, 2024, the District recognized pension expense of \$674,718 for ERS and \$1,982,411 for TRS.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - 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, 2024, 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	\$ 1,168,140	\$ 4,161,375	\$ 98,889	\$ 10,284
Changes of Assumptions	1,371,154	3,694,969	-	805,298
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	877,297	1,771,598	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	218,948	154,689	165,072	159,436
District's Contributions Subsequent to the Measurement Date	340,678	2,845,074	-	-
Total	\$ 3,098,920	\$ 11,733,404	\$ 2,035,559	\$ 975,018

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, 2025, 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
2025	\$ (653,039)	\$ 671,169
2026	694,788	(911,611)
2027	1,068,432	6,903,924
2028	(387,498)	541,017
2029	-	435,854
Thereafter	-	272,959

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2024	June 30, 2023
Actuarial Valuation Date	April 1, 2023	June 30, 2022
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
Inflation Rate	System's Experience 2.9%	System's Experience 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-2021. 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-2021.

For ERS, the actuarial assumptions used in the April 1, 2023 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, 2022 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, 2024

NOTE 8 - 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, 2024	June 30, 2023
Asset Type		
Domestic Equity	4.00%	6.80%
International Equity	6.65%	7.60%
Private Equity	7.25%	10.10%
Global Equity		7.20%
Real Estate	4.60%	6.30%
Opportunistic / Absolute Return Strategies Portfolio	5.25%	
Credit	5.40%	
Real Assets	5.79%	
Fixed Income	1.50%	
Cash	0.25%	0.30%
Private Debt		6.00%
Real Estate Debt		3.20%
Domestic Fixed Income Securities		2.20%
Global Bonds		1.60%
High-Yield Bonds		4.40%

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, 2024

NOTE 8 - PENSION PLANS - Continued

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

The following presents the District’s proportionate share of the net pension asset (liability) calculated using the discount rate of 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)	\$ (11,402,548)	\$ (3,626,647)	\$ 2,867,844

<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)	\$ (26,138,892)	\$ (1,716,219)	\$ 18,824,305

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, 2024	June 30, 2023	
Employer's Total Pension Asset (Liability)	\$ (240,696,851)	\$ (138,365,122)	\$ (379,061,973)
Plan Net Position	<u>225,972,801</u>	<u>137,221,537</u>	<u>363,194,338</u>
Employer's Net Pension Asset (Liability)	<u>\$ (14,724,050)</u>	<u>\$ (1,143,585)</u>	<u>\$ (15,867,635)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	93.88%	99.17%	

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2024 represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$340,678. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024 are paid to the System in September, October, and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024 represent employee and employer contributions for the fiscal year ended June 30, 2024 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, 2024 amounted to \$3,198,431.

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2024 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 5,192,451	\$ 194,600	\$ -	\$ 608,580
Special Aid	73,082	4,830,476	22,580	-
School Food Service	-	148,469	-	-
Debt Service	1,387,301	-	-	-
Capital Project - District Wide	-	1,307,940	-	-
Capital Project - Smart Bond Act	-	176,942	-	-
Capital Project - Turf Field	-	-	-	-
Capital Project - Emergency Project	103	-	486,000	-
Capital Project - Capital Outlay	5,490	-	100,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 6,658,427	\$ 6,658,427	\$ 608,580	\$ 608,580

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.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances (deficits) of the District at the year ended June 30, 2024:

Fund Balances (Deficits)	General	Capital Projects- District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Prepaid Expenses	\$ 12,763	\$ -	\$ -	\$ -	\$ 12,763
Inventory	-	-	-	159,285	159,285
Restricted					
Capital Reserve	10,000,000	-	-	-	10,000,000
Capital Reserve - Information Technology	2,000,000	-	-	-	2,000,000
Capital Reserve - Buildings and Grounds Equipment	1,000,000	-	-	-	1,000,000
Employee Benefit Accrued Liability	927,708	-	-	-	927,708
Liability Claims	1,111,608	-	-	-	1,111,608
Insurance	109,730	-	-	-	109,730
Property Loss	109,733	-	-	-	109,733
Repairs Reserve	31,735	-	-	-	31,735
Retirement Contributions-NYSERS	1,015,336	-	-	-	1,015,336
Retirement Contributions-NYSTRS	1,596,539	-	-	-	1,596,539
Tax Certiorari	387,022	-	-	-	387,022
Unemployment Insurance	607,451	-	-	-	607,451
Debt Service Fund	-	-	-	2,526,706	2,526,706
Extra Classroom Activity Funds	-	-	-	161,674	161,674
Scholarships and Awards Fund	-	-	-	15,750	15,750
Capital Projects Funds - Emergency Project	-	-	-	458,400	458,400
Assigned					
General Support	157,630	-	-	-	157,630
Instruction	61,351	-	-	-	61,351
Designated for Next Fiscal year	8,878,499	-	-	-	8,878,499
School Food Service Fund	-	-	-	2,328,964	2,328,964
Unassigned (Deficit)					
General Fund	23,970,897	-	-	-	23,970,897
Capital Projects Fund - Smart Bond Act	-	-	-	(176,942)	(176,942)
Capital Projects Fund - TurfField	-	-	-	(95,123)	(95,123)
Capital Projects Fund - District Wide	-	(10,128,394)	-	-	(10,128,394)
Total Governmental Fund Balance (Deficits)	<u>\$ 51,978,002</u>	<u>\$ (10,128,394)</u>	<u>\$ -</u>	<u>\$ 5,378,714</u>	<u>\$ 47,228,322</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	433
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>688</u>
Total Covered Employees	<u><u>1,121</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, 2024

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

General Information about the OPEB Plan - Continued

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

General Information about the OPEB Plan - Continued

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2024, the District recognized \$5,396,168 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, 2024 which indicates that the total liability for other postemployment benefits is \$236,926,057, which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2023 and was determined by actuarial valuation as of July 1, 2022.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Total OPEB Liability - Continued

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2022 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	6/30/2023
Rate of Compensation Increase	3.00%
Discount Rate	4.00%

Assumed Pre-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2034

Assumed Post-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2034

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	8.051
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on the average of two 20-year bond indices as of June 30, 2023.

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-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2021 – June 30, 2022.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 238,705,585
Changes for the Year	
Service Cost	5,232,882
Interest	9,407,065
Changes of Assumptions or Other Inputs	(9,361,549)
Benefit Payments	<u>(7,057,926)</u>
Net Changes	<u>(1,779,528)</u>
Balance at June 30, 2024	<u><u>\$ 236,926,057</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.77 percent as of June 30, 2022, to 4.00 percent as of June 30, 2023.

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 (3.00 percent) or 1 percentage point higher (5.00 percent) than the current discount rate:

	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	<u>\$ 281,250,677</u>	<u>\$ 236,926,057</u>	<u>\$ 202,303,804</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Changes in the Total OPEB Liability – Continued

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 3.0 percent) or 1 percentage point higher (trend decreasing to 5.0 percent) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 3%)	Healthcare Cost Trend Rates (Trend Decreasing to 4%)	Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Decreasing to 5%)
Total OPEB Liability	\$ 197,198,977	\$ 236,926,057	\$ 289,401,673

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$8,319,821. At June 30, 2024, 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	\$ 2,376,490	\$ -
Changes of Assumptions or Other Inputs	16,761,220	28,194,060
Benefit Payments Subsequent to the Measurement Date	7,389,717	-
	<u>\$ 26,527,427</u>	<u>\$ 28,194,060</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

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

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,	
2025	\$ 2,107,474
2026	232,622
2027	(912,300)
2028	(1,496,467)
2029	(3,409,515)
Thereafter	<u>(5,578,164)</u>
	<u>\$ (9,056,350)</u>

NOTE 12 - RISK MANAGEMENT

General

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

Consortiums and Self-Insured Plans

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 - RISK MANAGEMENT – Continued

Consortiums and Self-Insured Plans – Continued

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2024 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.

NOTE 14 – TAX ABATEMENTS

The District receives revenue through a number of Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Development Agency or directly by the municipalities where the properties are located. The purpose of the PILOT agreements is to provide real property tax abatement for value added construction on renovations. For the fiscal year ended June 30, 2024, the District's portion of the Pilots was approximately \$473,000 and the District abated taxes as seen on the following page.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 – TAX ABATEMENTS – Continued

Owner Name	Start Date	End Date	2023 % Abated	Assessed Value	(A) Abated Total	(B) Appr. Tax Rate	(A) * (B) Appr. Taxes Foregone
JCIDA - WICLDC	2017	2025	100%	\$ 1,218,259	\$ 1,218,259	10.987092	\$ 13,385
JCIDA 2 - Roth Industries	2006	n/a	100%	1,794,300	1,794,300	10.987092	19,714
JCIDA 2 - Roth Industries Expansion	2018	2032	50%	928,100	464,050	10.987092	5,099
JCIDA - Woolworth Watertown LLC	2015	2029	100%	2,622,700	2,622,700	10.987092	28,816
JCIDA 2 - New York Airbrake	2017	2032	50%	960,000	480,000	10.987092	5,274
JCIDA 2 - Current Applications	2016	2030	50%	435,700	217,850	10.987092	2,394
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	10.987092	659
Watertown Housing Authority	various	various	100%	19,873,900	19,873,900	10.987092	218,356
HKBBE Apartments	2017	2058	100%	11,258,300	11,258,300	10.987092	123,696
JCIDA - COR (Beaver Meadow)	2015	2025	100%	12,185,500	12,185,500	18.311796	223,138
JCIDA - Morgan	2015	2030	100%	17,718,500	17,718,500	18.311796	324,458
JCIDA - Black River Solar	2020	2035	100%	1,768,500	1,768,500	9.502455	16,805
CW T Farms International, Inc. Project	2023	2038	100%	187,400	187,400	18.311796	3,432
Eagle Beverage	2019	2034	50%	112,000	56,000	18.311796	1,025
Total Approximate Taxes Foregone							<u>\$ 986,251</u>

NOTE 15 – SUBSEQUENT EVENTS

On August 9, 2024, Tropical Storm Debbie hit the Watertown City School District. That storm resulted in flooding in multiple buildings. The hardest hit buildings, however, were Case Middle School and Watertown High School. Case Middle School has sewage backup in the basement and Watertown High School experienced up to 2 feet of flooding in the bottom level of the building. Immediately, the District reached out to Pomerville and ServPro to assist in the cleanup. ServPro is experienced in working with these types of emergency events that are eventually reported to FEMA. The District has been working with the Department of Homeland Security and Emergency Services (DHSES) from day one of the event to ensure all damage is recorded and reported to FEMA. As per discussion with DHSES, the total potential damage amounted to \$4 million. That total includes damage to all floors, replacement of the gym floor, and repairs to the boilers. That total does NOT include any potential mitigation efforts to avoid a reoccurrence. The Board of Education has declared an emergency for purposes of procurement, but not with NYS as the damage should be recovered via insurance and FEMA funding. On September 24, 2024, the disaster was officially approved by President Biden. The District has until October 16, 2024, to submit all invoices to FEMA for reimbursement.

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WATERTOWN CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

Ended June 30, 2024

Total OPEB Liability	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 5,232,882	\$ 5,479,833	\$ 10,148,867	\$ 8,710,067	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	9,407,065	9,490,812	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	(9,361,549)	(24,461,709)	17,737,336	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(7,057,926)	(7,098,064)	(4,399,133)	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
Net Change in Total OPEB Liability	<u>(1,779,528)</u>	<u>(16,589,128)</u>	<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>238,705,585</u>	<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>	<u>181,828,772</u>
Total OPEB Liability - Ending	<u>\$ 236,926,057</u>	<u>\$ 238,705,585</u>	<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	\$ 38,564,000	\$ 38,564,000	\$ 28,612,455	\$ 28,612,455	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	614.37%	618.99%	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.

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

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

Year Ended June 30, 2024

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 17,502,935	\$ 17,502,935
Other Tax Items	1,443,585	1,443,585
Charges for Services	143,500	143,500
Use of Money and Property	70,500	70,500
Sale of Property and Compensation for Loss	15,000	15,000
Miscellaneous	<u>367,500</u>	<u>367,500</u>
Total Local Sources	19,543,020	19,543,020
State Sources	63,480,535	63,480,535
Medicaid Reimbursements	50,000	50,000
Federal Sources	<u>350,000</u>	<u>350,000</u>
Total Revenues	<u>83,423,555</u>	<u>83,423,555</u>
Other Financing Sources		
Transfers from Other Funds	<u>250,000</u>	<u>250,000</u>
Total Revenue and Other Financing Sources	<u>83,673,555</u>	<u>83,673,555</u>
EXPENDITURES		
General Support		
Board of Education	37,175	29,345
Central Administration	323,000	339,830
Finance	706,562	698,196
Staff	590,477	623,477
Central Services	7,526,512	7,568,012
Special Items	<u>1,274,771</u>	<u>1,216,771</u>
Total General Support	<u>10,458,497</u>	<u>10,475,631</u>
Instruction		
Instruction, Administration and Improvement	2,688,982	2,813,982
Teaching-Regular School	25,923,683	25,782,183
Programs for Children with Handicapping Conditions	8,321,520	8,296,520
Teaching - Special School	364,827	364,193
Occupational Education	2,256,274	2,256,274
Instructional Media	4,809,268	4,809,268
Pupil Services	<u>4,239,725</u>	<u>4,239,725</u>
Total Instruction	<u>48,604,279</u>	<u>48,562,145</u>
Pupil Transportation	3,807,879	3,832,879
Employee Benefits	24,119,958	23,633,958
Debt Service	<u>5,076,927</u>	<u>5,076,927</u>
Total Expenditures	<u>92,067,540</u>	<u>91,581,540</u>
OTHER FINANCING USES		
Transfers to Other Funds	<u>190,000</u>	<u>676,000</u>
Total Expenditures and Other Financing Uses	<u>92,257,540</u>	<u>92,257,540</u>
Net Change in Fund Balance	(8,583,985)	(8,583,985)
Fund Balance - Beginning of Year	36,394,103	36,394,103
Fund Balance - End of Year	<u>\$ 27,810,118</u>	<u>\$ 27,810,118</u>

WATERTOWN CITY SCHOOL DISTRICT

	Actual	Final Budget Variance With Actual
\$	16,467,425	\$ (1,035,510)
	2,839,712	1,396,127
	179,547	36,047
	2,061,093	1,990,593
	46,855	31,855
	394,067	26,567
	<u>21,988,699</u>	<u>2,445,679</u>
	62,378,568	(1,101,967)
	28,697	(21,303)
	516,808	166,808
	<u>84,912,772</u>	<u>1,489,217</u>
	-	(250,000)
	<u>84,912,772</u>	<u>\$ 1,239,217</u>

	Year-End Encumbrances	Final Budget Variance with Actual And Encumbrances
	\$ -	\$ 7,401
21,944	-	17,262
322,568	4,637	103,604
589,955	-	100,953
522,524	152,993	2,753,320
4,661,699	-	120,297
1,096,474	<u>157,630</u>	<u>3,102,837</u>
7,215,164	-	268,541
2,545,441	50,491	8,892,340
16,839,352	-	1,033,927
7,262,593	-	267,875
96,318	-	247,049
2,009,225	-	1,789,164
3,020,104	10,860	610,700
3,618,165	<u>61,351</u>	<u>13,109,596</u>
35,391,198	-	412,687
3,420,192	-	5,565,815
18,068,143	-	451,331
4,625,596	<u>218,981</u>	<u>22,642,266</u>
68,720,293	-	67,420
608,580	<u>\$ 218,981</u>	<u>\$ 22,709,686</u>
69,328,873	-	
15,583,899		
36,394,103		
<u>\$ 51,978,002</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 TEN FISCAL YEARS**

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)										
District's Proportion of the Net Pension Asset (Liability)	0.150074%	0.152948%	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)	\$ 1,716,219	\$ (2,394,906)	\$ 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	\$ 28,860,743	\$ 27,546,049	\$ 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	-5.95%	8.69%	101.47%	16.04%	15.17%	11.10%	4.80%	6.94%	69.06%	75.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	99.17%	98.57%	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)	0.0246308%	0.0230776%	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)	\$ 3,626,647	\$ (4,948,777)	\$ 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	\$ 7,059,265	\$ 6,701,337	\$ 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	-51.37%	73.85%	26.69%	0.33%	91.53%	24.63%	11.11%	32.28%	61.24%	11.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN

LAST TEN FISCAL YEARS

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)										
Contractually Required Contribution	\$ 2,852,109	\$ 2,655,325	\$ 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>2,852,109</u>	<u>2,655,325</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$28,860,743	\$27,546,049	\$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	9.88%	9.64%	9.47%	8.73%	10.35%	9.80%	11.72%	13.26%	17.51%	16.83%
Employees' Retirement System (ERS)										
Contractually Required Contribution	\$ 832,176	\$ 710,296	\$ 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>832,176</u>	<u>710,296</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,059,265	\$ 6,701,337	\$ 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	11.79%	10.60%	14.84%	13.40%	13.63%	14.13%	14.63%	15.07%	17.34%	19.32%

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, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 92,067,925
Add: Prior Year's Encumbrances	<u>189,615</u>
Original Budget	92,257,540
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 92,257,540</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2024-25 Voter Approved Expenditure Budget	<u>\$ 96,852,744</u>
Maximum Allowed 4% of 2024 - 2025 Budget	<u><u>\$ 3,874,110</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 9,097,480
Unassigned Fund Balance	<u>23,970,897</u>
Total Unrestricted Fund Balance	<u><u>33,068,377</u></u>

Less:	
Appropriated Fund Balance	8,878,499
Encumbrances Included in Assigned Fund Balance	<u>218,981</u>
Total Adjustments	<u><u>9,097,480</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 23,970,897</u></u>
Actual Percentage	<u><u>24.75%</u></u>

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2024

PROJECT TITLE	Expenditures					Methods of Financing					Fund Balance (Deficit) 6/30/2024
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds Of Obligations	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$ 3,624,125	\$ 3,624,125	\$ 3,613,979	\$ -	\$ 3,613,979	\$ 10,146	\$ -	\$ 3,437,037	\$ -	\$ 3,437,037	\$ (176,942)
Capital Project - District Wide	13,000,000	13,000,000	3,155,931	7,182,463	10,338,394	2,661,606	-	-	210,000	210,000	(10,128,394)
Emergency Project - North Elem	450,000	486,000	-	27,600	27,600	458,400	-	-	486,000	486,000	458,400
Capital Outlay 23-24	100,000	100,000	1,200	98,800	100,000	-	-	-	100,000	100,000	-
Turf Field Project	1,400,000	1,400,000	10,800	84,323	95,123	1,304,877	-	-	-	-	(95,123)
Total	\$ 18,574,125	\$ 18,610,125	\$ 6,781,910	\$ 7,393,186	\$ 14,175,096	\$ 4,435,029	\$ -	\$ 3,437,037	\$ 796,000	\$ 4,233,037	\$ (9,942,059)

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

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2024

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Turf Field
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 2,317,510	\$ -	\$ -	\$ -
Restricted	-	1,139,405	-	1,311,357
Receivables				
State and Federal Aid	222,874	-	176,942	-
Due From Other Funds	-	1,387,301	-	-
Due From Other Governments	502	-	-	-
Inventories	159,285	-	-	-
TOTAL ASSETS	<u>\$ 2,700,171</u>	<u>\$ 2,526,706</u>	<u>\$ 176,942</u>	<u>\$ 1,311,357</u>
LIABILITIES				
Payables				
Accounts Payable	\$ 2,233	\$ -	\$ -	\$ 6,480
Accrued Liabilities	21,404	-	-	-
Due to Other Funds	148,469	-	176,942	-
Due to Other Governments	18	-	-	-
Due to Employees' Retirement System	34,669	-	-	-
Bond Anticipation Note Payable	-	-	-	1,400,000
Unearned Credits				
Unearned Revenues - Other	5,129	-	-	-
Total Liabilities	<u>211,922</u>	<u>-</u>	<u>176,942</u>	<u>1,406,480</u>
DEFERRED INFLOW OF RESOURCES				
Deferred State Aid	-	-	176,942	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>176,942</u>	<u>-</u>
FUND BALANCES (DEFICIT)				
Nonspendable	159,285	-	-	-
Restricted	-	2,526,706	-	-
Assigned	2,328,964	-	-	-
Unassigned (Deficit)	-	-	(176,942)	(95,123)
Total Fund Balances (Deficit)	<u>2,488,249</u>	<u>2,526,706</u>	<u>(176,942)</u>	<u>(95,123)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICIT)				
	<u>\$ 2,700,171</u>	<u>\$ 2,526,706</u>	<u>\$ 176,942</u>	<u>\$ 1,311,357</u>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - Emergency Project	Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,317,510
461,897	5,106	161,674	15,750	3,095,189
-	-	-	-	399,816
103	5,490	-	-	1,392,894
-	-	-	-	502
-	-	-	-	159,285
<u>\$ 462,000</u>	<u>\$ 10,596</u>	<u>\$ 161,674</u>	<u>\$ 15,750</u>	<u>\$ 7,365,196</u>
\$ 3,600	\$ 10,596	\$ -	\$ -	\$ 22,909
-	-	-	-	21,404
-	-	-	-	325,411
-	-	-	-	18
-	-	-	-	34,669
-	-	-	-	1,400,000
-	-	-	-	5,129
<u>3,600</u>	<u>10,596</u>	<u>-</u>	<u>-</u>	<u>1,809,540</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,942</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,942</u>
-	-	-	-	159,285
458,400	-	161,674	15,750	3,162,530
-	-	-	-	2,328,964
-	-	-	-	(272,065)
<u>458,400</u>	<u>-</u>	<u>161,674</u>	<u>15,750</u>	<u>5,378,714</u>
<u>\$ 462,000</u>	<u>\$ 10,596</u>	<u>\$ 161,674</u>	<u>\$ 15,750</u>	<u>\$ 7,365,196</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, 2024

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Turf Field
REVENUES				
Use of Money and Property	\$ 1,880	\$ 493,494	\$ -	\$ -
Miscellaneous	4,547	-	-	-
State Sources	112,145	-	1,286,740	-
Federal Sources	2,900,874	-	-	-
Surplus Food	170,780	-	-	-
Sales - School Food Service	54,887	-	-	-
Total Revenues	3,245,113	493,494	1,286,740	-
EXPENDITURES				
General Support	973,499	-	-	-
Employee Benefits	273,251	-	-	-
Debt Service:				
Principal - Leases	18,510	-	-	-
Interest - Leases	2,486	-	-	-
Cost of Sales - School Food Service	1,750,316	-	-	-
Other Expenditures	-	-	-	-
Capital Outlays	-	-	-	84,323
Total Expenditures	3,018,062	-	-	84,323
Excess of Revenues				
Over Expenditures	227,051	493,494	1,286,740	(84,323)
OTHER FINANCING SOURCES				
Operating Transfers In	-	-	-	-
Premium on Debt Issuance	-	86,277	-	-
Total Other Financing Sources	-	86,277	-	-
Net Change in Fund Balances	227,051	579,771	1,286,740	(84,323)
Fund Balances (Deficit) - Beginning of Year	2,261,198	1,946,935	(1,463,682)	(10,800)
Fund Balances (Deficit) - End of Year	\$ 2,488,249	\$ 2,526,706	\$ (176,942)	\$ (95,123)

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - Emergency Project	Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ 870	\$ 496,244
-	-	212,806	-	217,353
-	-	-	-	1,398,885
-	-	-	-	2,900,874
-	-	-	-	170,780
-	-	-	-	54,887
<u>-</u>	<u>-</u>	<u>212,806</u>	<u>870</u>	<u>5,239,023</u>
-	-	-	-	973,499
-	-	-	-	273,251
-	-	-	-	18,510
-	-	-	-	2,486
-	-	-	-	1,750,316
-	-	193,865	2,363	196,228
27,600	98,800	-	-	210,723
<u>27,600</u>	<u>98,800</u>	<u>193,865</u>	<u>2,363</u>	<u>3,425,013</u>
<u>(27,600)</u>	<u>(98,800)</u>	<u>18,941</u>	<u>(1,493)</u>	<u>1,814,010</u>
486,000	100,000	-	-	586,000
-	-	-	-	86,277
<u>486,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>672,277</u>
458,400	1,200	18,941	(1,493)	2,486,287
-	(1,200)	142,733	17,243	2,892,427
<u>\$ 458,400</u>	<u>\$ -</u>	<u>\$ 161,674</u>	<u>\$ 15,750</u>	<u>\$ 5,378,714</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, 2024

Capital Assets, Net		\$ 73,048,909
Add:		
Deferred Charge on Refunding		<u>15,818</u>
Deduct:		
Bond Anticipation Note Payable	13,905,000	
Less: Unspent BAN Proceeds	(3,681,483)	
Premium on Bonds Payable	1,355,639	
Short-Term Portion of Lease Liability	67,199	
Short-Term Portion of Bonds Payable	2,760,000	
Long-Term Portion of Lease Liability	32,477	
Long-Term Portion of Bonds Payable	<u>9,730,000</u>	<u>24,168,832</u>
Net Investment in Capital Assets		<u><u>\$ 48,895,895</u></u>

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

FEDERAL AWARD PROGRAM INFORMATION

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, 2024, 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 14, 2024.

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

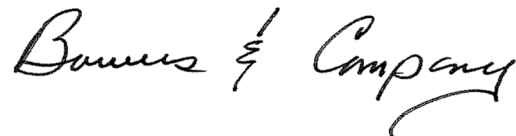
As part of obtaining reasonable assurance about whether Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 2024-001.

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.

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

Watertown, New York
October 14, 2024

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, 2024. 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, 2024.

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.

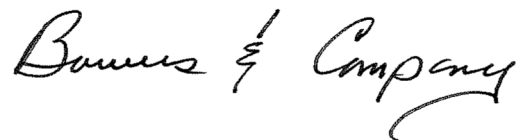
Report on Internal Control over Compliance

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 "Bowens & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
October 14, 2024

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Education</u>			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010A	0021-24-1205	\$ 2,056,275
Title I Grants to Local Educational Agencies	84.010A	0011-23-2200	30,673
Title I Grants to Local Educational Agencies	84.010A	0021-23-1205	225,185
Total Title I Grants to Local Educational Agencies			2,312,133
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-23-0323	59,851
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-24-0323	1,390,742
COVID-19: Special Education - Grants to States (IDEA, Part B)	84.027X	5532-22-0323	30,265
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-24-0323	53,065
COVID-19: Special Education - Preschool Grants (IDEA Preschool)	84.173X	5533-22-0323	2,366
Total Special Education Cluster			1,536,289
Education Stabilization Fund:			
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - CRRSA ESSER 2	84.425U	5891-21-1205	99,857
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - ARP ESSER	84.425U	5880-21-1205	6,241,801
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	5219-21-1205	1,500
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	5218-21-1205	5,177
Total Education Stabilization Fund			6,348,335
Supporting Effective Instruction State Grants	84.367A	0147-24-1205	172,479
Supporting Effective Instruction State Grants	84.367A	0147-23-1205	3,124
Total Supporting Effective Instruction State Grants			175,603
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365A	0293-24-1205	11,445
English Language Acquisition State Grant	84.365A	0293-23-1205	1,837
Total English Language Acquisition State Grants			13,282
Student Support and Academic Enrichment	84.424A	0204-24-1205	181,663
Student Support and Academic Enrichment	84.424A	0204-23-1205	32,982
Total Student Support and Academic Enrichment			214,645
Total Passed Through NYS Education Department			10,600,287
Direct Program:			
Impact Aid	84.041B		516,808
Total Direct Programs from U.S. Department of Education			516,808
Total U.S. Department of Education			11,117,095
Subtotal this Page			\$ 11,117,095

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, 2024

Subtotal From Previous Page \$ 11,117,095

U. S. Department of Defense

Direct Programs:

Achievement at Military Connected Schools	12.556	359,040
Total Direct Programs from U.S. Department of Defense		<u>359,040</u>
Total U.S. Department of Defense		<u>359,040</u>

U. S. Department of Agriculture

Passed-Through NYS Education Department:

Child Nutrition Cluster:

Non-Cash Assistance (Food Distribution)

Fresh Fruits and Vegetable Program	10.582	66,707
National School Lunch Program	10.555	104,073
Non-Cash Assistance Subtotal		<u>170,780</u>

Cash Assistance

School Breakfast Program	10.553	755,603
National School Lunch Program	10.555	1,934,406
COVID-19: Supply Chain Assistance Grant	10.555	112,352
Summer Food Service Program	10.559	88,517

Cash Assistance Subtotal 2,890,878

Total Child Nutrition Cluster 3,061,658

Local Food for Schools Cooperative Program 9,996

Total Passed Through NYS Education Department 3,071,654

Total U.S. Department of Agriculture 3,071,654

Total Federal Assistance \$ 14,547,789

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, 2024

NOTE 1 – BASIS OF PRESENTATION

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).

NOTE 2 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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.

The federal expenditures are recognized under the Uniform Guidance.

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 3 – SUBRECIPIENTS

No amounts were provided to subrecipients.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

NOTE 4 – 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 5 - NON-MONETARY FEDERAL PROGRAM

This District is the recipient of federal award programs that do not result in cash received or disbursed. The District was granted \$104,073 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$66,707 of commodities under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

NOTE 6 – 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, 2024

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 or material weaknesses 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 was one audit finding required to be reported in accordance with 2 CFR section 200.516(a) for Watertown City School District.
7. The Programs tested as major programs include:
 - U.S. Department of Education:
 - Passed Through NYS Education Department:
 - Education Stabilization Funds:
 - COVID-19: American Rescue Plan – Elementary and Secondary School Emergency Relief -ARP ESSER 84.425U
 - COVID-19: American Rescue Plan – Elementary and Secondary, School Emergency Relief -Homeless Children and Youth 84.425W
 - Student Support and Academic Enrichment 84.424A
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, 2024

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2024-001

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 \$20,096,787 during the fiscal year.

Context

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$23,970,897 had exceeded maximum allowed unexpended balance of \$3,874,110 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, 2024.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT -

Continued

Finding Control Number: 2024-001 – 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 2023-24 year ended with an excess fund balance as a holding pattern for fiscal responsibility due to careful spending, increased sales tax revenues, ancillary grants and favorable inflation rates. We will continue to reduce our fund balance in a stable and graduated way toward the 4% limitation. With the expiration of CRRSA and ARPA grant funding, the District expects the General Fund to fund the programs that were originally paid with grant monies. The District is also in the planning stages of a \$110 million capital improvement project. The district anticipates on spending fund balance monies to help offset any unaidable portions of the project. The District will continue to concentrate on their long-term reserve planning, which will align closely with our fund balance management and fiscal strategy.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

NOTE C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number: 2024-002

Instances of Noncompliance with Laws or Regulations

Known Questioned Costs Exceeding \$25,000 For Federal Program Which Is Not Audited as a Major Program

Federal Awarding Agency: U.S. Department of Education

Pass-Through Entity: NYS Education Department

Assistance Listing Number: 84.010A

Applicable Compliance Component: Period of Performance

Known Questioned Cost Amount: \$38,820

Criteria

The District is responsible for ensuring grant money is used for costs that are allowable and related to each grants purpose. Each federal grant specifies a performance period during which program costs may be obligated or liquidated. Payments for costs charged before or after a grants beginning and end dates are not allowed without the grantor’s prior approval.

Condition

It was found that \$92,000 in expenditures charged to the Title I grant on the final expenditure report were an estimated amount. Only \$53,180 of expenditures within the grant guidelines and grant period were found to be incurred by the District. The remaining \$38,820 was determined to be questioned costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

NOTE C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

Finding Control Number: 2024-002 – Continued

Effect

We are questioning \$38,820 improperly charged expenditures made to the Title I grant which have been collected from the NYS Education Department. We question costs when we find a District has not complied with grant regulations or when it does not have adequate documentation to support its expenditures. During audit procedures, adjusting journal entries were recorded to remove the costs from federal revenue and instructional expenses, and are reported on the audited financial statements as due to other governments.

Cause

Management did not provide proper oversight to ensure any improper charges were identified and reversed by staff prior to filing of a final cost report to the grant agency.

Recommendation

We recommend the District review their internal controls over ensuring grant money is used for allowable costs and within the grant period submitted for. The Title I grant should be reviewed and an amended final cost report filed with SED and the \$38,820 of questioned costs returned to the Department of Education.

Views of Responsible Officials and Planned Corrective Actions

The District has experienced a large amount of turnover in various administrative positions. These positions include grant directors, business official, and superintendent. With new permanent staff in place, the business official (Assistant Superintendent for Operations and Finance) will be working closely with the grant director (Assistant Superintendent for Instruction) to ensure all expenses being reported are allowable. Those procedures were implemented on July 8, 2024 with immediate effect.

WATERTOWN CITY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2023-001

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 \$10,766,601 during the previous fiscal year.

Views of Responsible Officials and Corrective Actions

The 2022-23 year ended with an excess fund balance as a holding pattern for fiscal responsibility due to careful spending, increased sales tax revenues, ancillary grants and favorable inflation rates. 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 2023-2025, the District will continue to 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 \$1.5M into the capital reserve at the end of 22-23, however, felt it better to wait until after state aid and taxes started coming in to avoid any potential cash flow issues.

Current Status

Similar finding was noted in the 2024 audit.

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

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS

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, 2024, 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, 2024, 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.

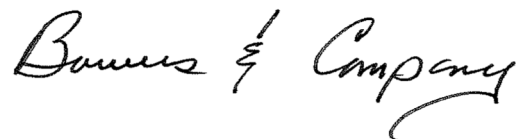
Auditor's Responsibilities for the Audit of the Financial Statement

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.

The image shows a handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
October 14, 2024

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2024

Account Name	Cash Balance 7/1/2023	Cash Receipts	Cash Disbursements	Cash Balance 6/30/24
HIGH SCHOOL:				
Class of 2024	\$ 19,622	\$ 18,528	\$ 31,751	\$ 6,399
Class of 2025	13,546	9,882	3,722	19,706
Class of 2026	6,782	19,601	12,180	14,203
Class of 2027	1,000	5,829	806	6,023
Art Club	470	-	-	470
Band	1,126	15,206	13,633	2,699
Book Club	122	-	-	122
Business Club	336	-	-	336
Chorus	24,237	22,075	32,319	13,993
Drama	432	-	-	432
Environmental Club	462	3,390	2,893	959
Future Farmers of America	783	-	-	783
Gay Straight Alliance	135	-	-	135
International Club	1,077	-	1,077	-
National Honor Society	2,063	10,257	8,058	4,262
Photography Club	597	-	-	597
Student Council	10,430	7,272	4,101	13,601
Student Council - Special	16,535	21,047	25,776	11,806
Travel and Culture Club	-	14,481	9,704	4,777
Video Club	4,098	789	2,630	2,257
Volunteering Club	736	537	378	895
Whiz Quiz	1,290	-	-	1,290
World Language Ambassador	723	-	-	723
Yearbook	4,545	14,528	285	18,788
Subtotal This Page	<u>\$ 111,147</u>	<u>\$ 163,422</u>	<u>\$ 149,313</u>	<u>\$ 125,256</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, 2024

Account Name	Cash Balance 7/1/2023	Cash Receipts	Cash Disbursements	Cash Balance 6/30/24
Subtotal Previous Page	\$ 111,147	\$ 163,422	\$ 149,313	\$ 125,256
CASE MIDDLE SCHOOL:				
Art Club	38	6,505	5,582	961
7th Grade Constitution	957	4,542	3,840	1,659
8th Grade Constitution	4,514	12,696	12,636	4,574
Bowling Club	-	350	332	18
International Club	1,360	1,135	634	1,861
Musical	7,525	9,755	7,558	9,722
National Honor Society	586	940	778	748
SADD	6,797	11,884	12,611	6,070
Student Council	2,420	34	54	2,400
Gender Sexuality Alliance	164	-	-	164
Yearbook	6,091	1,542	527	7,106
WILEY SCHOOL:				
Student Council	949	1	-	950
Koobraey (Yearbook)	185	-	-	185
	<u>\$ 142,733</u>	<u>\$ 212,806</u>	<u>\$ 193,865</u>	<u>\$ 161,674</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

June 30, 2024

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.

October 14, 2024

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, 2024, 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 14, 2024, 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 \$1,423,545 as of June 30, 2024. Effective July 1, 2024, the limitation increases to six months' worth of expenses, which the District will still exceed by \$518,127.

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 increases 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. The District is also currently in negotiations with this unit and will have increased manpower costs once this is finalized.

Untimely Grant Reimbursement Requests

The District has a Smart Schools Bond Act project within the Capital Fund, which such program is operated on a reimbursement basis. As of June 30, 2024, there was \$3,613,979 of expenditures incurred and paid by the District and the project has been completed. It was noted that the District has not submitted all expenditures for reimbursement or proper documentation through the Smart Schools Bond Act program to date and therefore, \$176,942 is reported within the governmental fund statements as receivable from State and deferred state aid.

Recommendation

We recommend that grant reimbursement requests be submitted timely or on a regular basis such as annually if a program will expand beyond one year, or more importantly within a short time after completion of the project. The outstanding balance on this project will need to be submitted to the Smart Schools Bond Act for reimbursement or transferred from the general fund to recover the deficit.

Management's Response

Final reimbursement request was submitted on August 8, 2023.

Condition: Extra Classroom Activity Funds

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

- 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.
- 2 of 10 receipts tested was not deposited timely to the bank.

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. Deposits should be made within three business days of collection or reconciliation with the Central Treasurer.

Management's Response

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.

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 and entries are not under dual control.

Recommendation

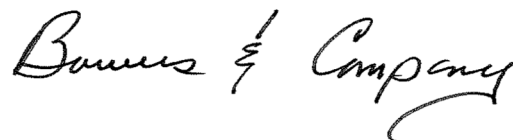
We recommend that the District develop controls and a formal process over general journal entries, which should include dual control with required approvals on all entries, maintaining supporting documentation in a central location for all entries, and review by management of general journal entries recorded on a regular basis.

Management's Response

Effective July 8, 2024, the Assistant Superintendent for Operations and Finance arranged for nVision to require approval of all journal entries prior to posting.

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.



October 14, 2024

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, 2024. 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 14, 2024. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2024. 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. 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.

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.

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 14, 2024.

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, 2024. 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.

During our audit test of compliance over federal grants, it was found that the District had \$38,820 of questioned costs which were not spent within the grant terms and grant period as reported by the District.

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 14, 2024
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,

Bowers & Company

Material Misstatements Corrected by Management

Governmental Funds

Extra Classroom Activity Funds:

Adjusting Journal Entries JE # 1

To record extra classroom activities for the year

CM 200.EX Extra Classroom Funds	18,941.00	
CM 2989.4 Contractual Expenses - Extraclassroom	193,865.00	
CM 2770 Other Income - Extraclassroom		212,806.00
Total	212,806.00	212,806.00

Capital Projects Fund:

Adjusting Journal Entries JE # 2

To accrue additional payables as of 6/30/24

H16 1620.295-01-0014 13M Capital Project-EC Contract	41,539.00	
H16 2110.297-01-0014 13M Capital Project- SW Contract	91,553.00	
H16 600 Accounts Payable		133,092.00
Total	133,092.00	133,092.00

Adjusting Journal Entries JE # 3

To accrue additional pay apps, services through 6/30/24

H16 1620.294-01-0014 13M Capital Project - Mechanical project	23,500.00	
H16 1620.295-01-0014 13M Capital Project-EC Contract	24,632.00	
H16 2110.297-01-0014 13M Capital Project- SW Contract	92,652.00	
H16 600 Accounts Payable		140,784.00
Total	140,784.00	140,784.00

Material Misstatements Corrected by Management - Continued

Government-Wide:

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1			
To record & adjust ERS and TRS pension accounts to actuary reports			
K 496E	Deferred Outflows - ERS	3,098,920.00	
K 496T	Deferred Outflows - TRS	2,845,074.00	
K 152	Total Non-Current Governmental Assets		<u>5,943,994.00</u>
Total		<u>5,943,994.00</u>	<u>5,943,994.00</u>

Adjusting Journal Entries JE # 2			
To adjust OPEB accounts to actual			
K 496.1	Deferred Outflows, OPEB	26,527,427.00	
K 152	Total Non-Current Governmental Assets		<u>26,527,427.00</u>
Total		<u>26,527,427.00</u>	<u>26,527,427.00</u>

Adjusting Journal Entries JE # 3			
To record fixed asset values as of 6/30/24			
K 101	Land	654,977.00	
K 102	Buildings	95,442,723.00	
K 104	Equipment	5,438,614.00	
K 105	Construction in Progress	10,859,769.00	
K 112	Accumulated Depreciation - Buildings		35,122,966.00
K 114	Accumulated Depreciation - Equipment		4,348,335.00
K 152	Total Non-Current Governmental Assets		<u>72,924,782.00</u>
Total		<u>112,396,083.00</u>	<u>112,396,083.00</u>

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 2			
To adjust OPEB deferred inflow to actual			
W00129	Total Non-Current Governmental Liabilities	18,832,511.00	
W 697O	Deferred Inflow - OPEB		<u>18,832,511.00</u>
Total		<u>18,832,511.00</u>	<u>18,832,511.00</u>