

**W**ATERTOWN CITY  
SCHOOL DISTRICT

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*FINANCIAL STATEMENTS*

June 30, 2025



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## **INDEPENDENT AUDITOR'S REPORT**

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### **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, 2025, 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, 2025, 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 93), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 94-95), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 96), and Schedule of District's Contributions – NYSLRS Pension Plan (page 97) 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.

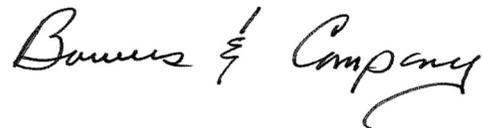
## **Supplementary Information**

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 98-104), are presented for purposes of additional analysis and are 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 98-104) 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 10, 2025 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 black ink that reads "Banner & Company". The signature is written in a cursive, flowing style.

Watertown, New York  
October 10, 2025

# WATERTOWN CITY SCHOOL DISTRICT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

### INTRODUCTION

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The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2025. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. Responsibility for completeness and fairness of the information contained rests with the School District.

### DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

The School District is staffed by 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), a high school (9-12), and a learning center.

Extra Classroom Activities Fund – 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, Watertown, NY 13601.

## **WATERTOWN CITY SCHOOL DISTRICT**

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

June 30, 2025

#### **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING**

##### **ENTITY - Continued**

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

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

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

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

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

#### **FINANCIAL HIGHLIGHTS**

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- Among major funds, the General Fund had in incoming monies and monies going out. The General Fund's fund balance decreased by \$2,855,581 during the year ended June 30, 2025.

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## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

#### FINANCIAL HIGHLIGHTS – Continued

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- 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 2024-25 fiscal year in good financial condition. We had a 0.00% increase in the tax levy for 2024-25 which resulted in a \$0 increase in the levy of taxes for the 2024-25 fiscal year.
- District-wide revenues totaled \$107,923,899 and total expenses were \$101,464,131. The change in net position was \$4,309,768. Net position at year end was (\$122,577,014).
- General revenues accounted for \$92,208,823 or 85% of all revenues. Program specific revenues in the form of charges for services, operating and capital grants amounted to \$15,715,076 or 15% of total revenues of \$107,923,899.

#### OVERVIEW OF FINANCIAL STATEMENTS

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

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

## WATERTOWN CITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

#### OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**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, 2024 through June 30, 2025?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

**REPORTING THE SCHOOL DISTRICT’S MOST SIGNIFICANT FUNDS**

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**Fund Financial Statements**

Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund, Special Aid Fund, Capital Projects Fund - District Wide 2025, and Capital Projects Fund – Emergency Project, Flood. All other funds are reported as non-major funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

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**Governmental Funds**

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

**Fiduciary Funds**

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

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

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Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$122,577,014 at the close of the most recent fiscal year. This represents a \$4,309,768 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, 2025, the OPEB liability was \$230,858,552 as compared to \$236,926,057 reported at the close of the prior fiscal year. See Note 12 for additional OPEB information.

## WATERTOWN CITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

### 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**

	2024	2025	Percentage Change
<b>Assets</b>			
Current and Other Assets	\$ 69,403,784	\$ 81,564,236	17.52%
Capital Assets, Net	<u>73,048,909</u>	<u>78,226,379</u>	7.09%
<b>Total Assets</b>	<u><u>\$ 142,452,693</u></u>	<u><u>\$ 159,790,615</u></u>	12.17%
<b>Deferred Outflows of Resources</b>			
Other Postemployment Benefits	\$ 26,527,427	\$ 19,335,271	-27.11%
Pensions	14,832,324	13,117,039	-11.56%
Deferred Charge on Refunding	<u>15,818</u>	<u>10,735</u>	-32.13%
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 41,375,569</u></u>	<u><u>\$ 32,463,045</u></u>	-21.54%
<b>Liabilities</b>			
Current Liabilities	\$ 25,652,219	\$ 17,983,738	-29.89%
Long-Term Liabilities	<u>253,858,188</u>	<u>256,804,939</u>	1.16%
<b>Total Liabilities</b>	<u><u>\$ 279,510,407</u></u>	<u><u>\$ 274,788,677</u></u>	-1.69%
<b>Deferred Inflows of Resources</b>			
Other Postemployment Benefits	\$ 28,194,060	\$ 34,091,773	20.92%
Pensions	<u>3,010,577</u>	<u>5,950,224</u>	97.64%
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 31,204,637</u></u>	<u><u>\$ 40,041,997</u></u>	28.32%
<b>Net Position (Deficit)</b>			
Net Investment in Capital Assets	\$ 48,895,895	\$ 53,259,666	8.92%
Restricted	22,059,392	26,656,411	20.84%
Unrestricted (Deficit)	<u>(197,842,069)</u>	<u>(202,493,091)</u>	2.35%
<b>Total Net Position (Deficit)</b>	<u><u>\$ (126,886,782)</u></u>	<u><u>\$ (122,577,014)</u></u>	-3.40%

**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

Unrestricted net position, the part of net position that can be used to finance day-to-day activities of the School District, decreased by \$4,651,022.

**Table 2: Condensed Statement of Activities**

	2024	2025	Percentage Change
<b>Revenues</b>			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 16,467,425	\$ 16,541,689	0.45%
Other Tax Items	2,839,712	3,108,006	9.45%
State Aid Formula	62,378,568	67,239,310	7.79%
Other	3,842,847	5,319,818	38.43%
<i>Program Revenues</i>			
Charges for Services	238,981	132,557	-44.53%
Operating Grants	17,570,605	14,264,136	-18.82%
Capital Grants	-	1,318,383	100.00%
<b>Total Revenues</b>	<u>103,338,138</u>	<u>107,923,899</u>	<u>4.44%</u>
<b>Expenses</b>			
General Support	13,294,827	13,710,326	3.13%
Instruction	75,099,656	79,786,215	6.24%
Pupil Transportation	3,531,948	3,801,587	7.63%
School Food Service	2,962,065	3,219,580	8.69%
Debt Service	905,346	946,423	4.54%
<b>Total Expenses</b>	<u>95,793,842</u>	<u>101,464,131</u>	<u>5.92%</u>
<b>Special Item: Claims Expense</b>	<u>-</u>	<u>2,150,000</u>	<u>100.00%</u>
<b>Change in Net Position</b>	<u>\$ 7,544,296</u>	<u>\$ 4,309,768</u>	<u>-42.87%</u>

**Revenues**

Total revenues increased 4.44%.

State aid increased by approximately \$4.9 million from 2023-2024 to 2024-2025.

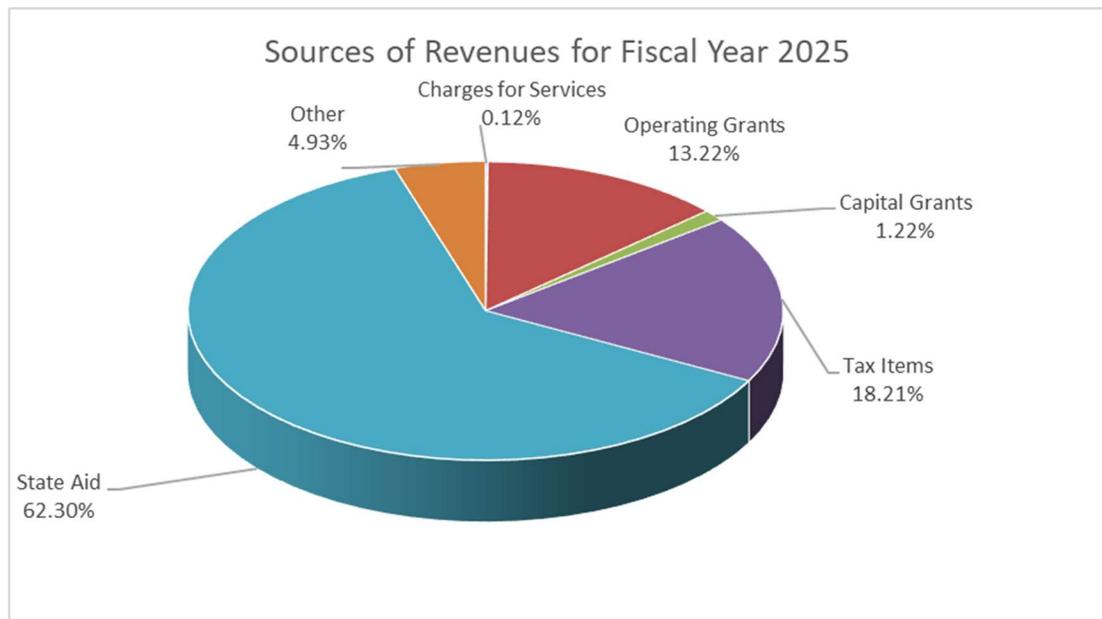
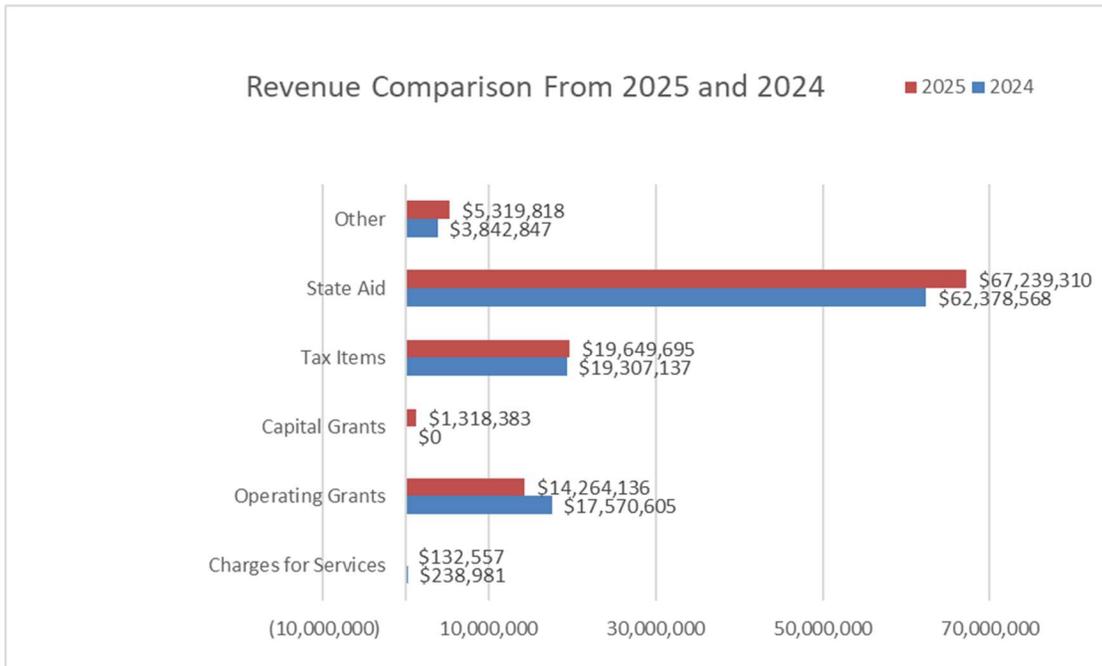
WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

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**Expenses**

Total expenses increased 5.92%, excluding the special item expense of \$2,150,000.

**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.

**School Food Service Program**

The School Food Service Program expenses increased by 8.69% from the prior year. The increase was related to an increase in associated expenses, salaries, 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 4.54%. See note 7 and 8 for more details.

**WATERTOWN CITY SCHOOL DISTRICT**

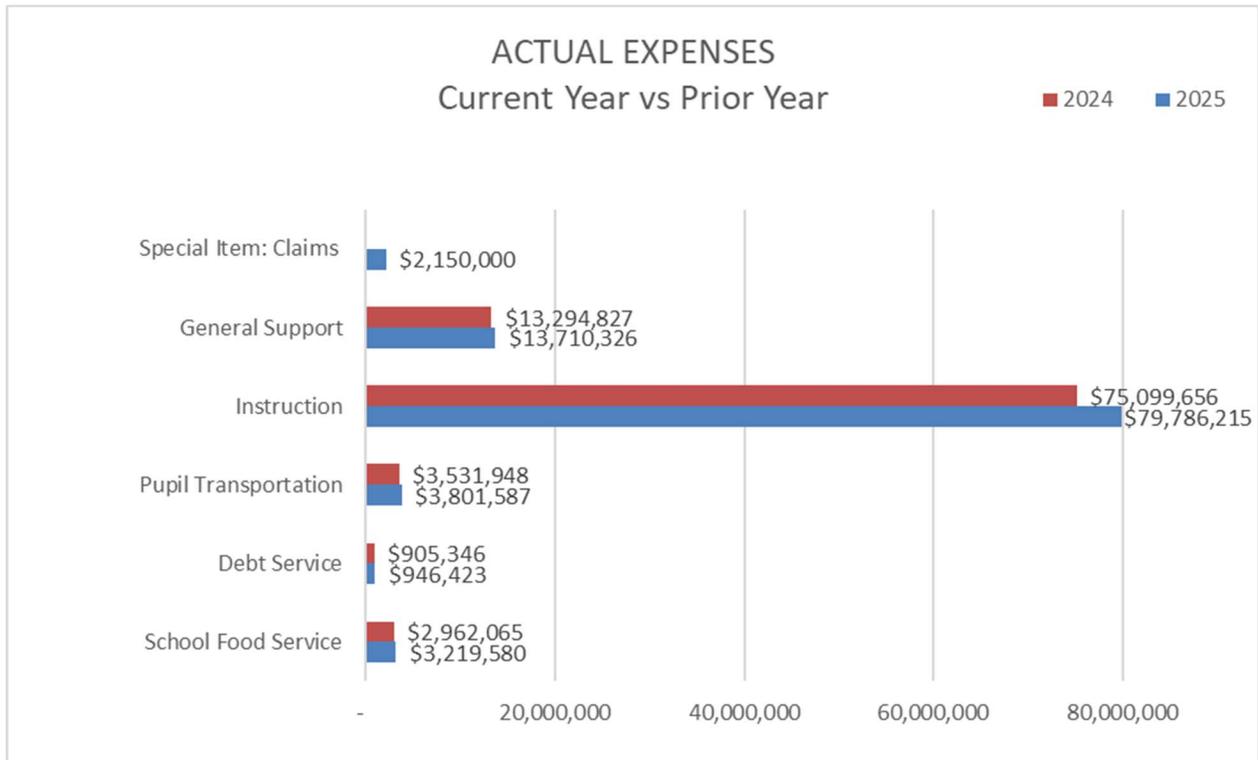
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

**Expenses – Continued**

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2025 in comparison to the prior year:



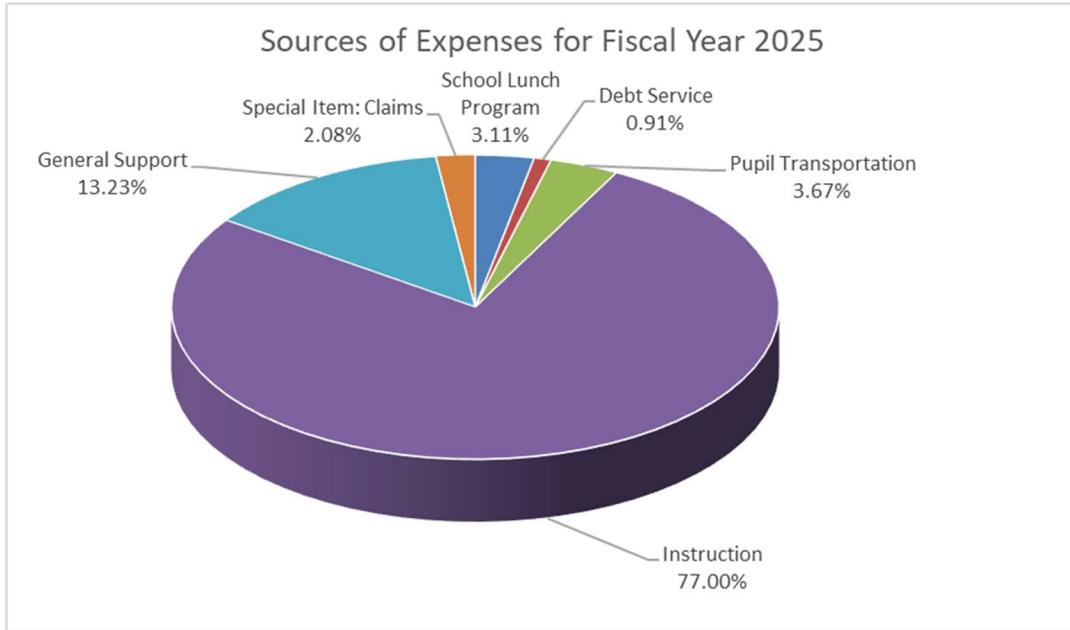
**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

**Expenses - Continued**



**CAPITAL ASSETS & DEBT ADMINISTRATION**

At the end of the fiscal year 2025, the School District had \$78,226,379 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 2024 balances to 2025.

	<b>2024</b>	<b>2025</b>	<b>Total Percentage Change</b>
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	10,859,769	2,516,097	-76.83%
Buildings and Improvements	60,319,757	72,572,985	20.31%
Furniture and Equipment	1,090,279	2,260,282	107.31%
Intangible Lease Assets	124,127	222,038	78.88%
<b>Total</b>	<b>\$ 73,048,909</b>	<b>\$ 78,226,379</b>	<b>7.09%</b>

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## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

#### 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 (Phase III) and current costs remain in construction in progress. Phases I and II were completed and closed during the fiscal year 2024-25. The project was being funded with BANs in the short-term, which were converted to long-term bonds at completion of Phases I and II. The project is near completion. Final cost reports will be submitted to NYS by December 1, 2025, 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 was completed in the 2024-25 fiscal year. The project was funded with a BAN in the short-term and was then converted to long-term bonds at the completion of this and Phases I and II of the \$13 million project referred to above.

The District's \$110 million capital project, approved by voters in March 2025, represents a significant investment in the future of school facilities and infrastructure. Of the total project cost, \$10 million was funded through a transfer from the District's Capital Reserve Fund to the Capital Fund during the 2024-25 fiscal year. As of the audit date, the project remains in the planning and design stages, with submission to the New York State Education Department (NYSED) anticipated during the 2025-26 fiscal year. Groundbreaking is projected to occur prior to the summer of 2027.

Total Net Capital Assets increased \$5,177,470 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. The BAN was converted to long-term bonds in June 2025. For more information refer to Note 7.

#### **Long-Term Debt**

The School District has bonds outstanding on capital projects originally issued from 2012 to 2025. The earliest bond issue, 2012, will be complete on June 1, 2026. The last date that bonds will be paid is June 15, 2040. 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.

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**WATERTOWN CITY SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

**CAPITAL ASSETS & DEBT ADMINISTRATION - Continued**

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**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, 2025 and 2024:

	<b>2023-2024</b>	<b>2024-2025</b>
Due and Payable in One Year, Net	\$ 3,129,433	\$ 3,638,979
Due and Payable After One Year, Net	<u>10,716,206</u>	<u>20,070,270</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 13,845,639</u>	<u>\$ 23,709,249</u>

For more information refer to Note 8.

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

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Revenues for the District's governmental funds totaled \$107,323,874. Expenditures for the year ended June 30, 2025 were \$104,406,732, resulting in a excess of revenues over expenditures of \$2,917,142, prior to other financing sources and uses of \$14,135,742. The District has a net change in fund balance of \$17,052,884.

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

The cost of the District's activities for 2024 and 2025 were as follows:

	<b>2024</b>	<b>2025</b>
General Support	\$ 11,266,930	\$ 9,444,959
Instruction	44,693,298	54,852,209
Pupil Transportation	3,420,192	3,707,147
Employee Benefits	20,370,413	22,364,807
Debt Service	4,646,592	5,218,980
Capital Expenditures	7,393,186	6,743,469
Other Expenditures	196,228	223,968
Cost of Sales - School Food Service	1,750,316	1,851,193
<b>Total Expenditures</b>	<u>\$ 93,737,155</u>	<u>\$ 104,406,732</u>

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## WATERTOWN CITY SCHOOL DISTRICT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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

##### **General Fund**

The General Fund showed an end-of-year fund balance of \$49,122,421. This is a decrease from the prior year's fund balance of \$51,978,002. Of this end-of-year fund balance, \$13,076,311 was restricted, \$11,759,286 was assigned to the 2025-2026 budget as a source of funds plus encumbrances of \$1,148,584, leaving \$23,138,240 as unassigned. This represented 22.27% of the 2025-2026 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 for Phases I and II were submitted to NYS by December 31, 2024, to ensure a half year of aid on the project. Phase III is currently in progress with an estimated completion date of December 2025.

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 was completed in the 2024-25 fiscal year. The project was funded with a BAN in the short-term and was then converted to long-term bonds at the completion of this and Phases I and II of the \$13 million project referred to above.

On March 25, 2025, the voters approved a capital project in the amount of \$110 million. The project represents a significant investment in the future of school facilities and infrastructure. Of the total project cost, \$10 million was funded through a transfer from the District's Capital Reserve Fund to the Capital Fund during the 2024-25 fiscal year.

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

The School Food Service Fund Balance had revenues exceeding expenditures by \$158,488 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 Local Food for Schools aid. The District received \$31,606 in Local Food for Schools in 2024-25.

**WATERTOWN CITY SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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

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**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 2024-2025 revenues for each grant.

	<b>Purpose</b>	<b>2024-2025</b>
Title I	Improving Academic Achievement	\$ 1,911,490
Title II	Supporting Effective Instruction State Grants	146,826
Title III	Limited English Proficiency	4,566
Title IV	English Language	139,079
DODEA IV	Department of Defense Grant	375,233
IDEA	School Age Special Ed	1,324,547
IDEA	Preschool Special Ed	36,668
UPK	Universal Pre-K	3,198,614
ARPA	American Rescue Plan	2,957,181
Section 4408	Summer School Handicapped	126,714
Other	Various	1,018,078
		<u>\$ 11,238,996</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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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 \$49,122,421 in fund balance of which \$25,984,181 is restricted for the 2025-26 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$23,138,240 unassigned for emergency, unanticipated expenditures and future tax levies.

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**WATERTOWN CITY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2025

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**GENERAL FUND BUDGETARY HIGHLIGHTS – Continued**

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Tax Items	\$ 19,053,372	\$ 19,649,695	\$ 596,323
Charges for Services	138,500	49,124	(89,376)
Use of Money and Property	25,500	2,154,528	2,129,028
Sale of Property and Compensation for Loss	15,000	43,660	28,660
Miscellaneous	348,000	817,659	469,659
State Sources	68,018,873	67,239,310	(779,563)
Federal Sources	375,000	389,470	14,470
Transfers from Other Funds	-	90,527	90,527
	<u>\$ 87,974,245</u>	<u>\$ 90,433,973</u>	<u>\$ 2,459,728</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2024-2025 is \$2,459,728. This difference is mainly due improved interest rates and miscellaneous grants.

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

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 10,811,413	\$ 9,073,385	\$ 1,738,028
Instruction	51,813,869	44,945,024	6,868,845
Pupil Transportation	4,371,807	3,707,147	664,660
Employee Benefits	24,505,719	21,230,065	3,275,654
Debt Service	5,201,975	5,197,984	3,991
Transfers to Other Funds	10,366,942	10,284,533	82,409
	<u>\$ 107,071,725</u>	<u>\$ 94,438,138</u>	<u>\$ 12,633,587</u>

The total difference between Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$12,633,587. This variance is due mainly to variances in three areas, Instruction, General Support, and Employee Benefits. Instruction and employee benefits was under expended by \$10,251,399 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. 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

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

The School District is heavily dependent on financial assistance from the State and Federal Governments and the local property tax. 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 submitted all invoices to FEMA for reimbursement, which is currently under review.

## **WATERTOWN CITY SCHOOL DISTRICT**

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

June 30, 2025

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE - Continued**

The District has been in the midst of a CVA (Child Victims' Act) lawsuit. That lawsuit has reached a settlement, with the Board of Education approving the settlement at the October 7, 2025, Board of Education meeting. The total expense of this lawsuit is \$2,150,000, with \$2 million from the liability reserve, and \$150,000 from general fund monies.

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](mailto:bdurham@watertowncsd.org)

**WATERTOWN CITY SCHOOL DISTRICT**

**AUDITED BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2025

<b>ASSETS</b>		
Cash and Cash Equivalents		
Unrestricted	\$	36,824,650
Restricted		29,167,281
Investments		1,000,000
Receivables		
Taxes		1,017,854
State and Federal Aid		6,220,994
Due from Other Governments		2,631,173
Other		8,906
Inventories		138,265
Net Pension Asset - Proportionate Share		4,555,113
Capital Assets, Net		78,226,379
<b>TOTAL ASSETS</b>	<u>\$</u>	<u>159,790,615</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	\$	13,117,039
Other Postemployment Benefits		19,335,271
Deferred Charge on Refunding		10,735
<b>Total Deferred Outflows of Resources</b>	<u>\$</u>	<u>32,463,045</u>
<b>LIABILITIES</b>		
Payables		
Accounts Payable	\$	2,887,057
Accrued Liabilities		1,903,472
Accrued Interest on BAN and Bonds Payable		163,245
Due to Other Governments		30
Due to Teachers' Retirement System		3,648,473
Due to Employees' Retirement System		444,674
Compensated Absences Payable - Current		33,708
Revenue Anticipation Note		3,000,000
Unearned Credits		
Unearned Revenues - Other		39,770
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		3,638,979
Lease Liability		74,330
Judgment and Claims Payable		2,150,000
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		20,070,270
Lease Liability		126,817
Compensated Absences Payable		1,535,863
Net Pension Liability - Proportionate Share		4,213,437
Other Postemployment Benefits Payable		230,858,552
<b>TOTAL LIABILITIES</b>	<u>\$</u>	<u>274,788,677</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	\$	34,091,773
Pensions		5,950,224
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$</u>	<u>40,041,997</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$	53,259,666
Restricted		
Debt Service		3,811,327
Other Legal Restrictions		22,845,084
Unrestricted (Deficit)		(202,493,091)
<b>TOTAL NET POSITION</b>	<u>\$</u>	<u>(122,577,014)</u>

See notes to audited basic financial statements.

**WATERTOWN CITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES**

Year Ended June 30, 2025

		Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Revenue and Changes in Net Position	
<b>FUNCTIONS/PROGRAMS</b>					
General Support	\$ 13,710,326	\$ -	\$ -	\$ 770,733	\$ (12,939,593)
Instruction	79,786,215	49,124	11,030,294	547,650	(68,159,147)
Pupil Transportation	3,801,587	-	-	-	(3,801,587)
Debt Service - Interest	946,423	-	-	-	(946,423)
School Food Service Program	3,219,580	83,433	3,233,842	-	97,695
Total Functions and Programs	\$ 101,464,131	\$ 132,557	\$ 14,264,136	\$ 1,318,383	(85,749,055)
 <b>GENERAL REVENUES</b>					
Real Property Taxes					16,541,689
Other Tax Items					3,108,006
Use of Money and Property					2,604,655
Sale of Property and Compensation for Loss					1,300,546
State Sources					67,239,310
Medicaid Reimbursements					86,967
Federal Sources					302,503
Miscellaneous					1,025,147
Total General Revenues					92,208,823
 <b>SPECIAL ITEM</b>					
Claims Expense					(2,150,000)
Change in Net Position					4,309,768
Net Position - Beginning of Year					(126,886,782)
Net Position - End of Year					\$ (122,577,014)

See notes to audited basic financial statements.

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**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2025

	<u>General Fund</u>	<u>Capital Projects Fund- District Wide 2025</u>	<u>Capital Projects Fund- Flood</u>
<b>ASSETS</b>			
Cash and Cash Equivalents			
Unrestricted	\$ 35,038,318	\$ -	\$ -
Restricted	13,076,311	10,000,000	1,936,541
Investments	-	-	-
Receivables			
Taxes	1,017,854	-	-
State and Federal Aid	1,076,117	-	-
Due from Other Funds	4,745,714	-	-
Due from Other Governments	1,857,480	-	770,733
Other	8,906	-	-
Inventories	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 56,820,700</u>	<u>\$ 10,000,000</u>	<u>\$ 2,707,274</u>
<b>LIABILITIES</b>			
Payables			
Accounts Payable	\$ 1,764,815	390,301	\$ -
Accrued Liabilities	1,853,953	-	-
Due to Other Funds	-	2,510	3,593
Due to Other Governments	-	-	-
Due to Teachers' Retirement System	3,648,473	-	-
Due to Employees' Retirement System	397,330	-	-
Compensated Absences Payable	33,708	-	-
Revenue Anticipation Note Payable	-	-	3,000,000
Unearned Credits			
Unearned Revenues- Other	-	-	-
Total Liabilities	<u>7,698,279</u>	<u>392,811</u>	<u>3,003,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Federal Aid	-	-	770,733
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>770,733</u>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	13,076,311	9,607,189	-
Assigned	12,907,870	-	-
Unassigned (Deficit)	23,138,240	-	(1,067,052)
Total Fund Balances (Deficits)	<u>49,122,421</u>	<u>9,607,189</u>	<u>(1,067,052)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<u>\$ 56,820,700</u>	<u>\$ 10,000,000</u>	<u>\$ 2,707,274</u>

**WATERTOWN CITY SCHOOL DISTRICT**

<b>Special Aid Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ 391,428	\$ 1,394,904	\$ 36,824,650
-	4,154,429	29,167,281
-	1,000,000	1,000,000
-	-	1,017,854
4,884,843	260,034	6,220,994
134,041	1,982,560	6,862,315
-	2,960	2,631,173
-	-	8,906
-	138,265	138,265
<u>\$ 5,410,312</u>	<u>\$ 8,933,152</u>	<u>\$ 83,871,438</u>
\$ 456,321	\$ 275,620	\$ 2,887,057
10,968	38,551	1,903,472
4,907,233	1,948,979	6,862,315
-	30	30
-	-	3,648,473
-	47,344	444,674
-	-	33,708
-	-	3,000,000
35,790	3,980	39,770
<u>5,410,312</u>	<u>2,314,504</u>	<u>18,819,499</u>
-	-	770,733
-	-	770,733
-	138,265	138,265
-	3,972,911	26,656,411
-	2,507,472	15,415,342
-	-	22,071,188
-	6,618,648	64,281,206
<u>\$ 5,410,312</u>	<u>\$ 8,933,152</u>	<u>\$ 83,871,438</u>

See notes to audited basic financial statements.

**WATERTOWN CITY SCHOOL DISTRICT**

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

June 30, 2025

**Total Fund Balance - Governmental Funds** \$ 64,281,206

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

Proportionate share of long-term asset (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 Asset - Proportionate Share - TRS	\$ 4,555,113	
Net Pension Liability - Proportionate Share - ERS	<u>(4,213,437)</u>	341,676

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	\$ 34,091,773	
Pensions	<u>5,950,224</u>	(40,041,997)

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	\$ 19,335,271	
Pensions	13,117,039	
Deferred Charge on Refunding	<u>10,735</u>	32,463,045

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 Federal Emergency Management Agency 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. 770,733

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

Cost of Capital Assets	\$ 117,068,966	
Accumulated Depreciation and Amortization	<u>(38,842,587)</u>	78,226,379

**WATERTOWN CITY SCHOOL DISTRICT**

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

June 30, 2025

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	\$ 21,755,000	
Accrued Interest on RAN and Bonds Payable	163,245	
Lease Liability	201,147	
Judgment and Claims Payable	2,150,000	
Compensated Absences Payable	1,535,863	
Other Postemployment Benefits Payable	230,858,552	
Premium on Bond Issue	1,954,249	<u>(258,618,056)</u>

**Total Net Position - Governmental Activities** \$ (122,577,014)

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

Year Ended June 30, 2025

	<u>General Fund</u>	<u>Capital Projects Fund- District Wide 2025</u>	<u>Capital Projects Fund- Flood</u>
<b>REVENUES</b>			
Real Property Taxes	\$ 16,541,689	\$ -	\$ -
Other Tax Items	3,108,006	-	-
Charges for Services	49,124	-	-
Sale of Property and Compensation for Loss	43,660	-	1,050,000
Use of Money and Property	2,154,528	-	-
Miscellaneous	817,659	-	-
State Sources	67,239,310	-	-
Medicaid Reimbursements	86,967	-	-
Federal Sources	302,503	-	-
Surplus Food	-	-	-
Sales - School Food Service	-	-	-
Total Revenues	<u>90,343,446</u>	<u>-</u>	<u>1,050,000</u>
<b>EXPENDITURES</b>			
General Support	8,419,965	-	-
Instruction	44,449,860	-	-
Pupil Transportation	3,707,147	-	-
Employee Benefits	21,230,065	-	-
Debt Service:			
Principal	3,993,726	-	-
Interest	1,204,258	-	-
Cost of Sales - School Food Service	-	-	-
Other Expenditures	-	-	-
Capital Outlay	-	392,811	2,123,286
Total Expenditures	<u>83,005,021</u>	<u>392,811</u>	<u>2,123,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,338,425</u>	<u>(392,811)</u>	<u>(1,073,286)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating Transfers In	90,527	10,000,000	-
Operating Transfers (Out)	(10,284,533)	-	-
Proceeds of Long-Term Debt	-	-	-
Proceeds from the Issuance of Leases	-	-	-
BAN Redeemed from Appropriations	-	-	-
Bond Issuance Costs	-	-	-
Premium on Obligations	-	-	6,234
Total Other Financing Sources (Uses)	<u>(10,194,006)</u>	<u>10,000,000</u>	<u>6,234</u>
Net Change in Fund Balances	(2,855,581)	9,607,189	(1,067,052)
Fund Balances (Deficits) - Beginning of Year	<u>51,978,002</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits) - End of Year	<u>\$ 49,122,421</u>	<u>\$ 9,607,189</u>	<u>\$ (1,067,052)</u>

**WATERTOWN CITY SCHOOL DISTRICT**

<b>Special Aid Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 16,541,689
-	-	3,108,006
-	-	49,124
-	206,886	1,300,546
-	443,893	2,598,421
-	207,488	1,025,147
4,311,646	660,638	72,211,594
-	-	86,967
6,895,590	2,888,042	10,086,135
-	232,812	232,812
-	83,433	83,433
<u>11,207,236</u>	<u>4,723,192</u>	<u>107,323,874</u>
-	1,024,994	9,444,959
10,402,349	-	54,852,209
-	-	3,707,147
836,647	298,095	22,364,807
-	19,311	4,013,037
-	1,685	1,205,943
-	1,851,193	1,851,193
-	223,968	223,968
-	4,227,372	6,743,469
<u>11,238,996</u>	<u>7,646,618</u>	<u>104,406,732</u>
<u>(31,760)</u>	<u>(2,923,426)</u>	<u>2,917,142</u>
31,760	1,129,632	11,251,919
-	(967,386)	(11,251,919)
-	12,025,000	12,025,000
-	224,508	224,508
-	1,130,000	1,130,000
-	(218,043)	(218,043)
-	968,043	974,277
<u>31,760</u>	<u>14,291,754</u>	<u>14,135,742</u>
-	11,368,328	17,052,884
-	(4,749,680)	47,228,322
<u>\$ -</u>	<u>\$ 6,618,648</u>	<u>\$ 64,281,206</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, 2025

**Net Change in Fund Balances - Total Governmental Funds** \$ 17,052,884

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	\$	8,076,422	
Depreciation and Amortization Expense		<u>(2,724,808)</u>	5,351,614

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. 2,883,037

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	\$	(104,830)	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding		<u>364,350</u>	259,520

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Bond premiums associated with long-term bonds are recognized as other financing sources in the governmental funds at the time the debt is issued. However, the premium is capitalized on the Statement of Net Position and amortized over the life of the bonds on the Statement of Activities. These are the amounts related to the issuance of bonds in the current year.

Serial Bond Proceeds	\$	12,025,000	
Premium Earned		<u>968,043</u>	(12,993,043)

**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, 2025

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). (695,281)

Payment of judgment and claims liabilities are reported on the Statement of Activities based on projected claims payable when probable and reasonably estimated, whereas, on the governmental funds the expenditure will not be recorded until the claim becomes due with a signed settlement agreement. (2,150,000)

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 Federal Emergency Management Agency 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. 770,733

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. In the prior year Smart Schools Bond Funding was recognized as revenue in the Statement of Activities and presented as Deferred Inflow in the governmental funds. In the current year the District did not pursue the funding from Smart School Bond Funding and the amounts were deemed uncollectible and reported as a reduction to operating grants in the Statement of Activities. (176,942)

In the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (7,022,364)

(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	\$	779,355	
Employees' Retirement System		250,255	1,029,610

**Change in Net Position of Governmental Activities** \$ 4,309,768

**WATERTOWN CITY SCHOOL DISTRICT**

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**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2025

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

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See notes to audited basic financial statements.

**WATERTOWN CITY SCHOOL DISTRICT**

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2025

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

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See notes to audited basic financial statements.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

#### 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 (“Board”) 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 financial reporting entity is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

##### Extra Classroom Activities Fund

The Extra Classroom Activities Fund of the District represent the funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activities fund is 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 Activities fund 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.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Joint Venture**

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

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

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

During the year, the District was billed \$10,345,247 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to \$4,544,750. This represents state aid distributions of \$4,127,733 and 2024 fund balance returned to schools of \$417,017.

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

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**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal transactions. Governmental activities are generally financed through taxes, State 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 year-end. The Statement of Activities presents a comparison between 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. Employee benefits are allocated to functional areas in proportion to the payroll expenditures 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 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.

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The District reports the following governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions except those required to be accounted for in another fund.

## WATERTOWN CITY SCHOOL DISTRICT

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### NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

##### **Basis of Presentation - Continued**

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 activities fund 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.

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 Activities Fund: 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 Activities Fund is 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 acquisition, construction, or major repair of, or the right-to-use capital facilities and other capital and intangible assets. 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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**Basis of Presentation - Continued**

The District reports the following fiduciary funds:

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

There is one class of fiduciary funds:

Custodial Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. These funds are used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

**Measurement Focus and Basis of Accounting**

Measurement focus describes what type of information is reported and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities, and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g. property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities, and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmature portion of long-term debt and other certain other liabilities the District would not expect to liquidate currently with expendable available resources (e.g. compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, State Aid, grants and donations. On an accrual basis, revenue from real 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.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Measurement Focus and Basis of Accounting - Continued**

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 ninety 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, lease liabilities, subscription liabilities, claims and judgments, compensated absences, workers' compensation, pensions, and other post-employment benefits which are recognized as expenditures to the extent they have matured. General capital assets, intangible lease assets, 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.

**Real Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 4, 2024. Taxes are collected during the period October 7, 2024 to December 6, 2024.

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 to financial statements.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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 fund.

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

**Estimates**

The preparation of financial statements in conformity with GAAP 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, pension costs, OPEB, workers' compensation liabilities, potential contingent liabilities, useful lives of capital assets, intangible lease assets, and intangible subscription assets.

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**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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.

Certain cash balances are restricted by various legal or contractual obligations, such as legal reserves or debt agreements.

**Receivables**

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

**Inventories and Prepaid Items**

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

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

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

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Other Assets**

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

**Capital Assets and Intangible Lease Assets**

Capital assets are reported at actual cost or estimated historical cost. 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.

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

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

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.

The District does not possess any infrastructure.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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 Federal Emergency Management Agency payments which have not yet been received within 90 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.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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.

**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 and/or a credit towards their health

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Certain employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination, or death if their contract allows.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's section 403(b) plan.

In the District-Wide financial statements, the District recognizes a liability for compensated absences, including vacation and sick leave, when employees have earned the right to leave and it is more likely than not that the leave will be used for time off or otherwise paid in cash, or settled through other means. The liability is measured at the employee's rate of pay at the reporting date, and/or rates specified in negotiated labor contracts and in individual employment contracts, including salary-related payments such as social security and Medicare taxes.

In the fund statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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.

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family, or surviving spouse postemployment health insurance coverage to eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare 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 in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide statements, the cost of post-employment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with the criteria set forth by GASB.

**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. BANs that are replaced with long-term financing or renewed subsequent to the year-end but before the issuance of the financial statements are treated as long-term liabilities, as these notes will not require the use of working capital during that period. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the fund 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 and subscription 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 of, and the right-to-use those assets, net of any unexpended proceeds.

**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**Equity Classifications - Continued**

Fund Statements

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

**Nonspendable** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$138,265.

**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 Activities Fund**

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 Activities Fund.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**Equity Classifications - Continued**

**Capital Projects Fund**

According to constraints placed on the use or 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.

**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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.

**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 judgments and claims 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 that 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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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 if funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separately 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 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 the existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund.

**Workers' Compensation Reserve**

According to General Municipal Law §6-j, all expenditures made from the workers' compensation reserve fund must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. This reserve is accounted for in the General Fund.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Equity Classifications – Continued**

Restricted fund balance includes the following at June 30, 2025:

General Fund	
Capital Reserve	\$ 1,352,756
Capital Reserve - Information Technology	2,092,241
Capital Reserve - Building and Grounds Equipment	1,046,121
Employee Benefit Accrued Liability	1,070,563
Liability Claims	2,163,558
Insurance	114,791
Property Loss	114,794
Repairs Reserve	33,198
Retirement Contributions- NYSERS	1,562,505
Retirement Contributions- NYSTRS	2,287,964
Tax Certiorari	402,217
Unemployment Insurance	635,467
Workers' Compensation	200,136
Debt Service Fund	3,811,327
Extra Classroom Activities Fund	145,344
Scholarships and Awards Fund	16,240
Capital Projects Fund - District Wide 2025	<u>9,607,189</u>
Total Restricted Funds	<u>\$ 26,656,411</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, 2025.

**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 \$1,148,584 (General Support \$653,420 and Instruction \$495,164). Any remaining fund balance in other funds is considered assigned.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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.

**Implementation of New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2025, the District implemented the following new standards issued by GASB:

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ended June 30, 2025. This statement requires that liabilities for compensated absences be recognized for leave that has not been used, but not yet paid in cash or settled through noncash means. This liability would include leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Implementation of New Accounting Standards - Continued**

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the year ended June 30, 2025. This statement's objective is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

**Future Changes in Accounting Standards**

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, effective for the year ended June 30, 2026. The statement's objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government's accountability. Additionally, the statements also address certain application issues.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the year ended June 30, 2026. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure such as leased assets, intangible right-to-use assets, and assets held for sale.

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**

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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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**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 current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

**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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and 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 acquisition 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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, 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 recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

5. OPEB Differences:

OPEB differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and OPEB costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Budgets**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year may be increased by the amount of encumbrances carried forward from the prior year. 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 can be funded 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) and appropriations of fund balances. 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. The following supplemental appropriations occurred during the year: voter approval for use of capital reserve funds of \$10,000,000.

Budgets are adopted annually on a basis consistent with GAAP.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2025.

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

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

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**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 part of assigned fund balance, unless classified as restricted, 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 – Flood had a deficit balance of \$1,067,052, at June 30, 2025. The project will be funded when the District obtains Federal and State sources or local funds to cover the related project costs.

The District's School Food Service fund balance was in excess of the allowable 6 months average expenditures under 7 CFR §210.14b by \$590,305. 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**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Cash**

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

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>\$ -</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><u>\$ 36,971,478</u></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 \$13,076,311 restricted for various fund balance reserves in the General Fund, \$10,000,000 restricted for a voter approved capital project in the Capital Project - District Wide 2025 Fund, \$1,936,541 restricted for an emergency capital project in the Capital Project – Flood Fund, \$1,109,880 restricted for a voter approved capital project in the Capital Project - District Wide 2022 Fund, \$153,255 restricted in the Capital Projects Fund – Emergency Project, \$34,969 restricted in the Capital Projects Fund – Capital Outlay Projects, \$2,694,741 restricted for debt service in the Debt Service Fund, \$145,344 restricted for extra classroom activities fund in the Extra Classroom Activities Fund, and \$16,240 restricted for scholarships and awards within the Scholarships and Awards Fund within the governmental funds.

**Deposits**

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, 2025, all deposits were fully insured and collateralized by the District’s agent, but not in the District’s name.

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**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Investment and Deposit Policy**

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

**Investment Pool**

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.

Total investments of the cooperative as of year-end are \$14,108,902,633, which consisted of \$578,204,196 in collateralized bank deposits, \$3,819,691,492 in repurchase agreements, \$8,250,852,544 in U.S Treasury Bills, and \$1,460,154,401 in U.S. Treasury Notes. The U.S Treasuries within the NYCLASS portfolio are backed by the full faith and credit of the United States Government and therefore do not require collateral. New York State Municipal Bonds within the portfolio are backed by the full faith and credit of the State of New York and therefore do not require collateral. The other permissible investment security types are collateralized in accordance with NYS GML Section 10 and the NYCLASS Investment Policy. Repurchase agreements (repos) are collateralized 102% by either U.S. Treasuries and/or U.S. Agencies. Bank deposits also require full collateral; currently NYCLASS Collateralized Bank Deposits are being collateralized by Federal Home Loan Bank (FHLB) Letters of Credit (LOC). Additional information concerning the cooperative is presented in the annual report of NYCLASS.

The investments are highly liquid and are considered to be cash equivalents, which are included in unrestricted and restricted cash and cash equivalents.

At June 30, 2025, the District held \$13,128,164 in the General Fund, \$13,055,450 in the Capital Fund, \$2,694,741 in the Debt Service Fund, \$505,894 in the School Food Service Fund, and \$14,367 in the Scholarships and Award Fund through the cooperative.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Pooled Accounts**

The following funds participated in pooled money market accounts:

General Fund	\$ 296,328
School Food Service Fund	<u>26,661</u>
Total Pooled Book Balance	<u><u>\$ 322,989</u></u>

**NOTE 5 - INVESTMENTS**

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The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Cash Equivalents: Valued at cost plus accrued interest, which approximates fair value.

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.

At year-end, the District held \$1,000,000 in investments consisting of a certificate of deposit with a 12-month maturity, valued at cost plus accrued interest, which approximates fair value.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 6 - 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:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements / Reclassifications</b>	<b>Ending Balance</b>
Capital Assets That Are Not Depreciated:				
Land	\$ 654,977	\$ -	\$ -	\$ 654,977
Construction in Progress	10,859,769	6,120,309	(14,463,981)	2,516,097
Total Nondepreciable Assets	<u>11,514,746</u>	<u>6,120,309</u>	<u>(14,463,981)</u>	<u>3,171,074</u>
Other Capital Assets:				
Buildings and Improvements	95,442,723	-	14,463,981	109,906,704
Furniture and Equipment	5,438,614	1,557,461	(3,336,237)	3,659,838
Intangible Lease Assets - Equipment	538,834	224,508	(431,992)	331,350
Total Other Capital Assets	<u>101,420,171</u>	<u>1,781,969</u>	<u>10,695,752</u>	<u>113,897,892</u>
Less Accumulated Depreciation:				
Buildings and Improvements	35,122,966	2,210,753	-	37,333,719
Furniture and Equipment	4,348,335	387,458	(3,336,237)	1,399,556
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	<u>414,707</u>	<u>126,597</u>	<u>(431,992)</u>	<u>109,312</u>
Total Accumulated Depreciation and Amortization	<u>39,886,008</u>	<u>2,724,808</u>	<u>(3,768,229)</u>	<u>38,842,587</u>
Total Other Capital Assets, Net	<u>61,534,163</u>	<u>(942,839)</u>	<u>14,463,981</u>	<u>75,055,305</u>
Capital Assets, Net	<u>\$ 73,048,909</u>	<u>\$ 5,177,470</u>	<u>\$ -</u>	<u>\$ 78,226,379</u>

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

General Support	\$ 2,614,555
Instruction	64,955
School Food Service	<u>45,298</u>
Total Depreciation and Amortization Expense	<u>\$ 2,724,808</u>

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 7 - SHORT-TERM DEBT**

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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) and revenue anticipation notes (RANs).

Transactions in short-term debt for the year are summarized below:

	<b>Maturity</b>	<b>Interest Rate (%)</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
BAN	6/26/2025	4.50%	\$ 13,905,000	\$ -	\$ 13,905,000	\$ -
RAN	10/10/2025	4.00%	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
			<u>\$ 13,905,000</u>	<u>\$ 3,000,000</u>	<u>\$ 13,905,000</u>	<u>\$ 3,000,000</u>

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

Interest Paid	\$ 625,725
Less: Accrued Interest in the Prior Year	(6,857)
Plus: Accrued Interest in the Current Year	<u>86,466</u>
Total Interest on Short-Term Debt	<u>\$ 705,334</u>

The BAN was used as short-term financing for two capital projects. The RAN was used as short-term financing for an emergency capital project due to flooding.

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

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

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.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

**Serial Bonds**

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

**Lease Liabilities**

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

Long-term liability balances are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
<b>Bonds and Notes Payable</b>					
<b>General Obligation Debt</b>					
Serial Bonds	\$ 12,490,000	\$ 12,025,000	\$ 2,760,000	\$ 21,755,000	\$ 3,205,000
Premium on Bonds	1,355,639	968,043	369,433	1,954,249	433,979
<b>Total Bonds &amp; Notes Payable</b>	<b>13,845,639</b>	<b>12,993,043</b>	<b>3,129,433</b>	<b>23,709,249</b>	<b>3,638,979</b>
<b>Other Liabilities</b>					
<b>Compensated Absences Payable</b>					
Payable	840,582	695,281	-	1,535,863	-
Judgment and Claims	-	2,150,000	-	2,150,000	2,150,000
<b>Other Postemployment Benefits Liability</b>					
Net Pension Liability	236,926,057	-	6,067,505	230,858,552	-
Proportionate Share	5,342,866	-	1,129,429	4,213,437	-
Lease Liability	99,676	224,508	123,037	201,147	74,330
<b>Total Other Liabilities</b>	<b>243,209,181</b>	<b>3,069,789</b>	<b>7,319,971</b>	<b>238,958,999</b>	<b>2,224,330</b>
<b>Total Governmental Activities</b>	<b>\$ 257,054,820</b>	<b>\$ 16,062,832</b>	<b>\$ 10,449,404</b>	<b>\$ 262,668,248</b>	<b>\$ 5,863,309</b>

The General Fund has typically been used to liquidate long-term liabilities.

Additions and reductions to compensated absences are shown net.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

Existing serial and statutory bond obligations as of June 30, 2025 are as follows:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Refunded Serial Bond	10/4/2022	6/1/2026	5.0%	\$ 1,180,000
Refunded Serial Bond	10/4/2022	9/15/2030	4.0-5.0%	1,530,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	750,000
Serial Bond	6/15/2022	6/15/2036	5.0%	6,270,000
Serial Bond	6/17/2025	6/15/2040	5.0%	12,025,000
				<u>\$21,755,000</u>

The following is a summary of debt service requirements for serial bonds payable:

	Principal	Interest	Total
2026	\$ 3,205,000	\$ 452,450	\$ 3,657,450
2027	1,655,000	345,950	2,000,950
2028	1,720,000	299,075	2,019,075
2029	1,565,000	249,750	1,814,750
2030	1,635,000	207,400	1,842,400
2031-2035	7,275,000	445,625	7,720,625
2036-2040	4,700,000	5,750	4,705,750
Total	<u>\$ 21,755,000</u>	<u>\$ 2,006,000</u>	<u>\$ 23,761,000</u>

Existing lease obligations as of June 30, 2025 are as follows:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
RIC Computer Equipment	12/1/2024	12/1/2027	3.974%	\$ 169,269
Ryder Refrigerated Truck	9/1/2020	3/1/2027	4.000%	31,878
				<u>\$ 201,147</u>

Principal and interest expense paid on the District's lease liability amounts to \$123,037 and \$6,005, respectively, for the fiscal year ended June 30, 2025.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 74,330	\$ 5,692	\$ 80,022
2027	70,233	2,791	73,024
2028	<u>56,584</u>	<u>396</u>	<u>56,980</u>
Total	<u>\$ 201,147</u>	<u>\$ 8,879</u>	<u>\$ 210,026</u>

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

Interest Paid	\$ 580,218
Less: Interest Accrued in the Prior Year	(51,558)
Plus: Interest Accrued in the Current Year	76,779
Less: Amortization of Bond Premium	(369,433)
Plus: Amortization of Deferred Charge on Refunding	<u>5,083</u>
Total Interest on Long-Term Debt	<u>\$ 241,089</u>

**Defeased Debt - Years Subsequent to Defeasance**

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 \$2,820,000 are considered defeased.

**NOTE 9 - PENSION PLANS**

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**General Information**

The District participates in New York State Teachers' Retirement System (TRS) and the New York State Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems provide retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**Teachers' Retirement System (TRS) Plan Description**

The TRS is administered by the New York State Teacher's Retirement Board. The TRS 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 (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, 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 the 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 NYSSTR Annual Comprehensive Financial Report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

**Employees' Retirement System (ERS) Plan Description**

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, 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 ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

NOTE 9 - PENSION PLANS - Continued

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**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%.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**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.

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**ERS Benefits Provided – Continued**

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

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**ERS Benefits Provided – Continued**

Vested Benefits

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**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**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, 2024 and received an overall discount \$7,683.

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

	<b>NYSTRS</b>	<b>NYSERS</b>
2024-2025	\$ 2,845,074	\$ 1,067,978
2023-2024	2,852,109	832,176
2022-2023	2,655,325	710,296

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**Pension Assets, Liabilities, Pension Expense (Credit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025, 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, 2025 for ERS and June 30, 2024 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2025	June 30, 2024
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,213,437)	\$ 4,555,113
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0245743%	0.152671%
Change in Proportion Since the Prior Measurement Date	-0.0000565%	0.002597%

For the year ended June 30, 2025, the District recognized pension expense (credit) of (\$250,255) for ERS and (\$779,355) for TRS.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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

At June 30, 2025, 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	\$ 1,045,803	\$ 4,905,020	\$ 49,331	\$ -
Changes of Assumptions	176,703	2,724,880	-	458,350
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	330,574	-	-	5,061,118
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	146,503	122,687	194,520	186,905
District's Contributions Subsequent to the Measurement Date	444,674	3,220,195	-	-
<b>Total</b>	<b>\$ 2,144,257</b>	<b>\$ 10,972,782</b>	<b>\$ 243,851</b>	<b>\$ 5,706,373</b>

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, 2026, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	<b>ERS</b>	<b>TRS</b>
2026	\$ 713,985	\$ (2,389,311)
2027	1,086,806	5,561,051
2028	(365,830)	(912,362)
2029	20,771	(1,019,476)
2030	-	588,525
Thereafter	-	217,787

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**Actuarial Assumptions**

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

Significant actuarial assumptions used in the valuations were as follows:

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2025	June 30, 2024
Actuarial Valuation Date	April 1, 2024	June 30, 2023
Interest Rate	5.9%	6.95%
Salary Scale	4.3%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation Rate	2.9%	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 were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the assumptions were computed by the TRS' Office of the Actuary and adopted by the TRS' Retirement Board in October 2021. The actuarial assumptions are based upon recent TRS member experience. Detailed assumption information may be found in the TRS' annual Actuarial Valuation Report.

For TRS the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* and generally accepted accounting principles. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

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

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

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**Actuarial Assumptions – Continued**

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

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

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2025	June 30, 2024
Asset Type		
Domestic Equity	3.54%	6.60%
International Equity	6.57%	7.40%
Private Equity	7.25%	10.00%
Global Equity		6.90%
Real Estate	4.95%	6.30%
Opportunistic / Absolute Return Strategies Portfolio	5.25%	
Credit	5.40%	
Real Assets	5.55%	
Fixed Income	2.00%	
Cash	0.25%	0.50%
Private Debt		5.90%
Real Estate Debt		3.90%
Domestic Fixed Income Securities		2.60%
Global Bonds		2.50%
High-Yield Bonds		4.80%

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

**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).

**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:

<b>ERS</b>	<b>1% Decrease (4.9%)</b>	<b>Current Assumption (5.9%)</b>	<b>1% Increase (6.9%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (12,194,216)	\$ (4,213,437)	\$ 2,450,519

<b>TRS</b>	<b>1% Decrease (5.95%)</b>	<b>Current Assumption (6.95%)</b>	<b>1% Increase (7.95%)</b>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (21,040,327)	\$ 4,555,113	\$ 26,081,564

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 9 - PENSION PLANS - Continued**

**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, 2025	June 30, 2024	
Employer's Total Pension Asset (Liability)	\$ (247,600,239)	\$ (142,837,827)	\$ (390,438,066)
Plan Net Position	<u>230,454,512</u>	<u>145,821,435</u>	<u>376,275,947</u>
Employer's Net Pension Asset (Liability)	<u>\$ (17,145,727)</u>	<u>\$ 2,983,608</u>	<u>\$ (14,162,119)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	93.08%	102.09%	

**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, 2025 represent the projected employer contribution for the period of April 1, 2025 through June 30, 2025 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$444,674. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2025 are paid to the System in September, October, and November 2025 through a state aid intercept. Accrued retirement contributions as of June 30, 2025 represent employee and employer contributions for the fiscal year ended June 30, 2025 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, 2025 amounted to \$3,648,473.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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Interfund balances at June 30, 2025 are as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenues</b>	<b>Expenditures</b>
General	\$ 4,745,714	\$ -	\$ 90,527	\$ 10,284,533
Special Aid	134,041	4,907,233	31,760	-
School Food Service	-	59,916	-	-
Debt Service	1,116,586	-	876,859	-
Capital Project - District Wide 2025	-	2,510	10,000,000	-
Capital Project - Flood	-	3,593	-	-
Capital Project - District Wide 2022	865,974	1,737,735	-	876,859
Capital Project - Smart Bond Act	-	-	176,942	-
Capital Project - Turf Field	-	-	10,800	-
Capital Project - Emergency Project	-	116,359	-	90,527
Capital Project - Capital Outlay	-	34,969	65,031	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,862,315</u>	<u>\$ 6,862,315</u>	<u>\$ 11,251,919</u>	<u>\$ 11,251,919</u>

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

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, 2025

**NOTE 11 – FUND BALANCE EQUITY**

The following is a summary of the Governmental Funds fund balances (deficits) of the District at the year ended June 30, 2025:

Fund Balances (Deficits)	General	Capital Projects - District Wide 2025	Capital Projects - Flood	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Inventory	\$ -	\$ -	\$ -	\$ 138,265	\$ 138,265
Restricted					
Capital Reserve	1,352,756	-	-	-	1,352,756
Capital Reserve - Information Technology	2,092,241	-	-	-	2,092,241
Capital Reserve - Buildings and Grounds Equipment	1,046,121	-	-	-	1,046,121
Employee Benefit Accrued Liability	1,070,563	-	-	-	1,070,563
Liability Claims	2,163,558	-	-	-	2,163,558
Insurance	114,791	-	-	-	114,791
Property Loss	114,794	-	-	-	114,794
Repairs Reserve	33,198	-	-	-	33,198
Retirement Contributions-NYSERS	1,562,505	-	-	-	1,562,505
Retirement Contributions-NYSTRS	2,287,964	-	-	-	2,287,964
Tax Certiorari	402,217	-	-	-	402,217
Unemployment Insurance	635,467	-	-	-	635,467
Workers' Compensation	200,136	-	-	-	200,136
Debt Service Fund	-	-	-	3,811,327	3,811,327
Extra Classroom Activities Fund	-	-	-	145,344	145,344
Scholarships and Awards Fund	-	-	-	16,240	16,240
Capital Projects - District Wide 2025	-	9,607,189	-	-	9,607,189
Assigned					
General Support	653,420	-	-	-	653,420
Instruction	495,164	-	-	-	495,164
Designated for Next Fiscal year	11,759,286	-	-	-	11,759,286
School Food Service Fund	-	-	-	2,507,472	2,507,472
Unassigned (Deficit)					
General Fund	23,138,240	-	-	-	23,138,240
Capital Projects - Flood	-	-	(1,067,052)	-	(1,067,052)
Total Governmental Fund Balance (Deficits)	<u>\$ 49,122,421</u>	<u>\$ 9,607,189</u>	<u>\$ (1,067,052)</u>	<u>\$ 6,618,648</u>	<u>\$ 64,281,206</u>

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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2025

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

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**General Information about the OPEB Plan**

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

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

*Employees Covered by Benefit Terms* – At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	441
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>621</u>
Total Covered Employees	<u><u>1,062</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**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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

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

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

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**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2025, the District recognized \$5,582,233 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, 2025 which indicates that the total liability for other postemployment benefits is \$230,858,552, which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2024 and was determined by actuarial valuation as of July 1, 2024.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Total OPEB Liability - Continued**

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2024 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	6/30/2024
Rate of Compensation Increase	3.00%
Discount Rate	4.09%

**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	2036

**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	2036

**Additional Information**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	8.14
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on the average of two 20-year municipal bond indices as of June 30, 2024.

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, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 – June 30, 2024.

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**Changes in the Total OPEB Liability**

Balance at June 30, 2024	\$ 236,926,057
Changes for the Year	
Service Cost	5,176,466
Interest	9,533,220
Changes of Assumptions or Other Inputs	(13,097,205)
Benefit Payments	<u>(7,679,986)</u>
Net Changes	<u>(6,067,505)</u>
Balance at June 30, 2025	<u><u>\$ 230,858,552</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent as of June 30, 2023, to 4.09 percent as of June 30, 2024.

*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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current discount rate:

	<b>1% Decrease 3.09%</b>	<b>Discount Rate 4.09%</b>	<b>1% Increase 5.09%</b>
Total OPEB Liability	<u><u>\$ 271,988,851</u></u>	<u><u>\$ 230,858,552</u></u>	<u><u>\$ 198,580,000</u></u>



**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

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

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB – 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,	
2026	\$ (1,376,371)
2027	(2,521,293)
2028	(3,105,460)
2029	(5,018,508)
2030	(5,810,118)
Thereafter	<u>(4,820,286)</u>
	<u>\$ (22,652,036)</u>

**NOTE 13 - RISK MANAGEMENT**

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**General**

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

**Consortiums and Self-Insured Plans**

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

**WATERTOWN CITY SCHOOL DISTRICT**

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 13 - RISK MANAGEMENT – Continued**

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**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 14 – COMMITMENTS AND CONTINGENCIES**

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

During the year ended June 30, 2025 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. Due to the liability being probable and reasonably estimated at June 30, 2025, the liability has been recognized on the Statement of Net Position as judgments and claims payable. See Note 8 for additional information. Balances will be reported within the governmental fund statements when the claim liability and expenditures are due and payable. The District plans on funding the settlement claims from the Liability Claims Reserve and future appropriations.

**NOTE 15 – TAX ABATEMENTS**

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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, 2025, the District's portion of the Pilots was approximately \$535,000 and the District abated taxes as seen on the following page.

**WATERTOWN CITY SCHOOL DISTRICT**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2025

**NOTE 15 – TAX ABATEMENTS – Continued**

Owner Name	Start Date	End Date	2024 % Abated	Assessed Value	(A) Abated Total	(B) Appr. Tax Rate	(A) * (B) Appr. Taxes Foregone
JCIDA 2 - Roth Industries	2006	n/a	100%	1,794,300	1,794,300	11.360029	\$ 20,383
JCIDA 2 - Roth Industries Expansion	2018	2032	50%	928,100	464,050	11.360029	5,272
JCIDA - Woolworth Watertown LLC	2015	2029	100%	2,622,700	2,622,700	11.360029	29,794
JCIDA 2 - New York Airbrake	2017	2032	50%	960,000	480,000	11.360029	5,453
JCIDA 2 - Current Applications	2016	2030	50%	435,700	217,850	11.360029	2,475
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	11.360029	682
Watertown Housing Authority	various	various	100%	19,873,900	19,873,900	11.360029	225,768
HKBBE Apartments	2017	2058	25%	11,258,300	2,814,575	11.360029	31,974
JCIDA - Morgan	2015	2030	50%	17,718,500	8,859,250	18.225957	161,468
JCIDA - Black River Solar	2020	2035	100%	1,768,500	1,768,500	8.2922898	14,665
CWT Farms International, Inc. Project	2023	2038	25%	187,400	46,850	18.225958	854
Eagle Beverage	2019	2034	50%	112,000	56,000	18.225957	1,021
302 Globe LLC	2024	2040	25%	4,035,000	1,008,750	11.360029	11,459
Total Approximate Taxes Foregone							<u>\$ 511,268</u>

**WATERTOWN CITY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST EIGHT FISCAL YEARS**

Ended June 30, 2025

<b>Total OPEB Liability</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 5,176,466	\$ 5,232,882	\$ 5,479,833	\$ 10,148,867	\$ 8,710,067	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	9,533,220	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	(13,097,205)	(9,361,549)	(24,461,709)	17,737,336	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(7,679,986)	(7,057,926)	(7,098,064)	(4,399,133)	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
<b>Net Change in Total OPEB Liability</b>	<u>(6,067,505)</u>	<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>
<b>Total OPEB Liability - Beginning</b>	<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>	<u>181,828,772</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 230,858,552</u>	<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>
<b>Covered Payroll</b>	\$ 33,024,000	\$ 38,564,000	\$ 38,564,000	\$ 28,612,455	\$ 28,612,455	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	699.06%	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.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2025**

	<b>Original Budget</b>	<b>Final Budget</b>
<b>REVENUES</b>		
Local Sources		
Real Property Taxes	\$ 17,502,935	\$ 16,538,689
Other Tax Items	1,550,437	2,514,683
Charges for Services	138,500	138,500
Use of Money and Property	25,500	25,500
Sale of Property and Compensation for Loss	15,000	15,000
Miscellaneous	<u>348,000</u>	<u>348,000</u>
Total Local Sources	19,580,372	19,580,372
State Sources	68,018,873	68,018,873
Medicaid Reimbursements	50,000	50,000
Federal Sources	<u>325,000</u>	<u>325,000</u>
Total Revenues	<u>87,974,245</u>	<u>87,974,245</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers from Other Funds	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>87,974,245</u>	<u>87,974,245</u>
<b>APPROPRIATED FUND BALANCE</b>		
Prior Years' Surplus	8,878,499	8,878,499
Prior Years' Encumbrances	218,981	218,981
Appropriated Reserves	<u>-</u>	<u>10,000,000</u>
Total Appropriated Fund Balance	<u>9,097,480</u>	<u>19,097,480</u>
Total Revenues, Other Sources, and Appropriated Fund Balance	<u>\$ 97,071,725</u>	<u>\$ 107,071,725</u>
<b>EXPENDITURES</b>		
General Support		
Board of Education	\$ 38,989	\$ 59,734
Central Administration	326,903	358,207
Finance	719,807	752,872
Staff	655,614	711,323
Central Services	7,785,090	7,609,253
Special Items	<u>1,253,210</u>	<u>1,320,024</u>
Total General Support	<u>10,779,613</u>	<u>10,811,413</u>
Instruction		
Instruction, Administration and Improvement	3,246,156	3,304,874
Teaching-Regular School	28,289,846	27,775,004
Programs for Children with Handicapping Conditions	8,846,563	8,812,720
Teaching - Special School	364,193	364,193
Occupational Education	2,256,490	2,256,490
Instructional Media	4,993,213	4,874,613
Pupil Services	<u>4,425,975</u>	<u>4,425,975</u>
Total Instruction	<u>52,422,436</u>	<u>51,813,869</u>
Pupil Transportation	4,221,982	4,371,807
Employee Benefits	24,362,619	24,505,719
Debt Service	<u>5,095,075</u>	<u>5,201,975</u>
Total Expenditures	<u>96,881,725</u>	<u>96,704,783</u>
<b>OTHER FINANCING USES</b>		
Transfers to Other Funds	<u>190,000</u>	<u>10,366,942</u>
Total Expenditures and Other Financing Uses	<u>\$ 97,071,725</u>	<u>\$ 107,071,725</u>
	Net Change in Fund Balance	
	Fund Balance - Beginning of Year	
	Fund Balance - End of Year	

**WATERTOWN CITY SCHOOL DISTRICT**

	<b>Actual</b>		<b>Final Budget Variance With Actual</b>
\$	16,541,689	\$	3,000
	3,108,006		593,323
	49,124		(89,376)
	2,154,528		2,129,028
	43,660		28,660
	<u>817,659</u>		<u>469,659</u>
	22,714,666		3,134,294
	67,239,310		(779,563)
	86,967		36,967
	<u>302,503</u>		<u>(22,497)</u>
	<u>90,343,446</u>		<u>2,369,201</u>
	<u>90,527</u>		<u>90,527</u>
	<u>90,527</u>		<u>90,527</u>
\$	<u>90,433,973</u>	\$	<u>2,459,728</u>

			<b>Final Budget Variance with Actual And Encumbrances</b>
<b>Year-End Encumbrances</b>	<b>Year-End Encumbrances</b>	<b>Year-End Encumbrances</b>	<b>Final Budget Variance with Actual And Encumbrances</b>
\$	59,360	\$	-
	355,587		-
	710,220		-
	699,239		-
	5,283,791	653,420	1,672,042
	1,311,768	-	8,256
	<u>8,419,965</u>	<u>653,420</u>	<u>1,738,028</u>
	2,944,571	37	360,266
	23,028,900	94	4,746,010
	8,413,616	-	399,104
	182,954	-	181,239
	2,098,476	-	158,014
	3,951,689	493,204	429,720
	3,829,654	1,829	594,492
	<u>44,449,860</u>	<u>495,164</u>	<u>6,868,845</u>
	3,707,147	-	664,660
	21,230,065	-	3,275,654
	5,197,984	-	3,991
	<u>83,005,021</u>	<u>1,148,584</u>	<u>12,551,178</u>
	<u>10,284,533</u>	-	<u>82,409</u>
	<u>93,289,554</u>	<u>\$ 1,148,584</u>	<u>\$ 12,633,587</u>
	(2,855,581)		
	<u>51,978,002</u>		
\$	<u>49,122,421</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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Teachers' Retirement System (TRS)</b>										
District's Proportion of the Net Pension Asset (Liability)	0.152671%	0.150074%	0.152948%	0.153308%	0.151634%	0.149353%	0.146539%	0.146169%	0.142023%	0.147088%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 4,555,113	\$ 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
District's Covered Payroll	\$ 30,052,568	\$ 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
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	15.16%	5.95%	8.69%	101.47%	16.04%	15.17%	11.10%	4.80%	6.94%	69.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%
<b>Employees' Retirement System (ERS)</b>										
District's Proportion of the Net Pension Asset (Liability)	0.0245743%	0.0246308%	0.0230776%	0.0204443%	0.0212646%	0.0206539%	0.0204048%	0.0194381%	0.0178569%	0.0192270%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,213,437)	\$ (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)
District's Covered Payroll	\$ 7,781,971	\$ 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
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	54.14%	51.37%	73.85%	26.69%	0.33%	91.53%	24.63%	11.11%	32.28%	61.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Teachers' Retirement System (TRS)</b>										
Contractually Required Contribution	\$ 2,845,074	\$ 2,852,109	\$ 2,655,325	\$ 2,479,833	\$ 2,280,302	\$ 2,647,516	\$ 2,339,211	\$ 2,714,669	\$ 2,906,016	\$ 3,873,186
Contributions in Relation to the Contractually Required Contribution	<u>2,845,074</u>	<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>2,714,669</u>	<u>2,906,016</u>	<u>3,873,186</u>
Contribution Deficiency (Excess)	<u>\$ -</u>									
District's Covered Payroll	\$30,052,568	\$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
Contributions as a Percentage of Covered Payroll	9.47%	9.88%	9.64%	9.47%	8.73%	10.35%	9.80%	11.72%	13.26%	17.51%
<b>Employees' Retirement System (ERS)</b>										
Contractually Required Contribution	\$ 1,067,978	\$ 832,176	\$ 710,296	\$ 929,320	\$ 854,267	\$ 814,342	\$ 829,712	\$ 826,463	\$ 783,160	\$ 905,777
Contributions in Relation to the Contractually Required Contribution	<u>1,067,978</u>	<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>
Contribution Deficiency (Excess)	<u>\$ -</u>									
District's Covered Payroll	\$ 7,781,971	\$ 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
Contributions as a Percentage of Covered Payroll	13.72%	11.79%	10.60%	14.84%	13.40%	13.63%	14.13%	14.63%	15.07%	17.34%

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

**WATERTOWN CITY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2025

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 96,852,744
Add: Prior Year's Encumbrances	<u>218,981</u>
Original Budget	97,071,725
Budget Revision	<u>10,000,000</u>
Final Budget	<u><u>\$ 107,071,725</u></u>

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

2025-26 Voter Approved Expenditure Budget	<u>\$ 103,909,155</u>
Maximum Allowed 4% of 2025 - 2026 Budget	<u><u>\$ 4,156,366</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 12,907,870
Unassigned Fund Balance	<u>23,138,240</u>
Total Unrestricted Fund Balance	<u><u>36,046,110</u></u>

Less:	
Appropriated Fund Balance	11,759,286
Encumbrances Included in Assigned Fund Balance	<u>1,148,584</u>
Total Adjustments	<u><u>12,907,870</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 23,138,240</u></u>
Actual Percentage	<u><u>22.27%</u></u>

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

**WATERTOWN CITY SCHOOL DISTRICT**

**SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES**

Year Ended June 30, 2025

PROJECT TITLE	Expenditures					Methods of Financing						Transfers to Other Funds	Fund Balance (Deficit) 6/30/2025
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	BANS Redeemed From Appropriations	Proceeds Of Obligations	State and Federal 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	\$ 176,942	\$ 3,613,979	\$ -	\$ -
District Wide - 2022	13,000,000	13,000,000	10,338,394	2,047,397	12,385,791	614,209	1,130,000	11,375,000	547,650	210,000	13,262,650	(876,859)	-
Emergency Project - North Elem	450,000	486,000	27,600	574,759	602,359	(116,359)	-	-	-	692,886	692,886	(90,527)	-
Capital Outlay 24-25	100,000	100,000	-	65,031	65,031	34,969	-	-	-	65,031	65,031	-	-
Turf Field Project	1,400,000	1,400,000	95,123	1,315,677	1,410,800	(10,800)	-	1,400,000	-	10,800	1,410,800	-	-
District Wide - 2025	110,000,000	110,000,000	-	392,811	392,811	109,607,189	-	-	-	10,000,000	10,000,000	-	9,607,189
Emergency Project - Flood	3,000,000	3,000,000	-	2,123,286	2,123,286	876,714	-	6,234	-	1,050,000	1,056,234	-	(1,067,052)
<b>Total</b>	<b>\$ 131,574,125</b>	<b>\$ 131,610,125</b>	<b>\$ 14,075,096</b>	<b>\$ 6,518,961</b>	<b>\$ 20,594,057</b>	<b>\$ 111,016,068</b>	<b>\$ 1,130,000</b>	<b>\$ 12,781,234</b>	<b>\$ 3,984,687</b>	<b>\$ 12,205,659</b>	<b>\$ 30,101,580</b>	<b>\$ (967,386)</b>	<b>\$ 8,540,137</b>

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

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

June 30, 2025

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - District Wide 2022	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Turf Field	Capital Projects Fund - Emergency Project
<b>ASSETS</b>						
Cash and Cash Equivalents						
Unrestricted	\$ 1,394,904	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	2,694,741	1,109,880	-	-	153,255
Investments	1,000,000	-	-	-	-	-
Receivables						
State and Federal Aid	260,034	-	-	-	-	-
Due From Other Funds	-	1,116,586	865,974	-	-	-
Due From Other Governments	2,960	-	-	-	-	-
Inventories	138,265	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 2,796,163</u>	<u>\$ 3,811,327</u>	<u>\$ 1,975,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,255</u>
<b>LIABILITIES</b>						
Payables						
Accounts Payable	\$ 605	\$ -	\$ 238,119	\$ -	\$ -	\$ 36,896
Accrued Liabilities	38,551	-	-	-	-	-
Due to Other Funds	59,916	-	1,737,735	-	-	116,359
Due to Other Governments	30	-	-	-	-	-
Due to Employees' Retirement System	47,344	-	-	-	-	-
Unearned Credits						
Unearned Revenues - Other	3,980	-	-	-	-	-
Total Liabilities	<u>150,426</u>	<u>-</u>	<u>1,975,854</u>	<u>-</u>	<u>-</u>	<u>153,255</u>
<b>FUND BALANCES</b>						
Nonspendable	138,265	-	-	-	-	-
Restricted	-	3,811,327	-	-	-	-
Assigned	2,507,472	-	-	-	-	-
Total Fund Balances	<u>2,645,737</u>	<u>3,811,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,796,163</u>	<u>\$ 3,811,327</u>	<u>\$ 1,975,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,255</u>

**WATERTOWN CITY SCHOOL DISTRICT**

Capital Projects Fund - Capital Outlay Projects	Capital Projects Fund - Leases	Extra Classroom Activities Fund	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,394,904
34,969	-	145,344	16,240	4,154,429
-	-	-	-	1,000,000
-	-	-	-	260,034
-	-	-	-	1,982,560
-	-	-	-	2,960
-	-	-	-	138,265
<u>\$ 34,969</u>	<u>\$ -</u>	<u>\$ 145,344</u>	<u>\$ 16,240</u>	<u>\$ 8,933,152</u>
\$ -	\$ -	\$ -	\$ -	\$ 275,620
-	-	-	-	38,551
34,969	-	-	-	1,948,979
-	-	-	-	30
-	-	-	-	47,344
-	-	-	-	3,980
<u>34,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,314,504</u>
-	-	-	-	138,265
-	-	145,344	16,240	3,972,911
-	-	-	-	2,507,472
<u>-</u>	<u>-</u>	<u>145,344</u>	<u>16,240</u>	<u>6,618,648</u>
<u>\$ 34,969</u>	<u>\$ -</u>	<u>\$ 145,344</u>	<u>\$ 16,240</u>	<u>\$ 8,933,152</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, 2025

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - District Wide 2022	Capital Projects Fund - Smart Bond Act	Capital Projects Fund - Turf Field	Capital Projects Fund - Emergency Project
<b>REVENUES</b>						
Sale of Property and Compensation for Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,886
Use of Money and Property	35,491	407,762	-	-	-	-
Miscellaneous	-	-	-	-	-	-
State Sources	112,988	-	547,650	-	-	-
Federal Sources	2,888,042	-	-	-	-	-
Surplus Food	232,812	-	-	-	-	-
Sales - School Food Service	83,433	-	-	-	-	-
Total Revenues	<u>3,352,766</u>	<u>407,762</u>	<u>547,650</u>	<u>-</u>	<u>-</u>	<u>206,886</u>
<b>EXPENDITURES</b>						
General Support	1,024,994	-	-	-	-	-
Employee Benefits	298,095	-	-	-	-	-
Debt Service:						
Principal - Leases	19,311	-	-	-	-	-
Interest - Leases	1,685	-	-	-	-	-
Cost of Sales - School Food Service	1,851,193	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-
Capital Outlays	-	-	2,047,397	-	1,315,677	574,759
Total Expenditures	<u>3,195,278</u>	<u>-</u>	<u>2,047,397</u>	<u>-</u>	<u>1,315,677</u>	<u>574,759</u>
Excess of Revenues Over Expenditures	<u>157,488</u>	<u>407,762</u>	<u>(1,499,747)</u>	<u>-</u>	<u>(1,315,677)</u>	<u>(367,873)</u>
<b>OTHER FINANCING SOURCES</b>						
Operating Transfers In	-	876,859	-	176,942	10,800	-
Operating Transfers (Out)	-	-	(876,859)	-	-	(90,527)
Proceeds of Long-Term Debt	-	-	10,625,000	-	1,400,000	-
Proceeds from the Issuance of Leases	-	-	-	-	-	-
BAN Redeemed from Appropriations	-	-	1,130,000	-	-	-
Bond Issuance Costs	-	-	(218,043)	-	-	-
Premium on Obligations	-	-	968,043	-	-	-
Total Other Financing Sources	<u>-</u>	<u>876,859</u>	<u>11,628,141</u>	<u>176,942</u>	<u>1,410,800</u>	<u>(90,527)</u>
Net Change in Fund Balances	157,488	1,284,621	10,128,394	176,942	95,123	(458,400)
Fund Balances (Deficit) - Beginning of Year	<u>2,488,249</u>	<u>2,526,706</u>	<u>(10,128,394)</u>	<u>(176,942)</u>	<u>(95,123)</u>	<u>458,400</u>
Fund Balances - End of Year	<u>\$ 2,645,737</u>	<u>\$ 3,811,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WATERTOWN CITY SCHOOL DISTRICT**

Capital Projects Fund - Capital Outlay Projects	Capital Projects Fund - Leases	Extra Classroom Activities Fund	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 206,886
-	-	-	640	443,893
-	-	207,488	-	207,488
-	-	-	-	660,638
-	-	-	-	2,888,042
-	-	-	-	232,812
-	-	-	-	83,433
<u>-</u>	<u>-</u>	<u>207,488</u>	<u>640</u>	<u>4,723,192</u>
-	-	-	-	1,024,994
-	-	-	-	298,095
-	-	-	-	19,311
-	-	-	-	1,685
-	-	-	-	1,851,193
-	-	223,818	150	223,968
<u>65,031</u>	<u>224,508</u>	<u>-</u>	<u>-</u>	<u>4,227,372</u>
<u>65,031</u>	<u>224,508</u>	<u>223,818</u>	<u>150</u>	<u>7,646,618</u>
<u>(65,031)</u>	<u>(224,508)</u>	<u>(16,330)</u>	<u>490</u>	<u>(2,923,426)</u>
65,031	-	-	-	1,129,632
-	-	-	-	(967,386)
-	-	-	-	12,025,000
-	224,508	-	-	224,508
-	-	-	-	1,130,000
-	-	-	-	(218,043)
-	-	-	-	968,043
<u>65,031</u>	<u>224,508</u>	<u>-</u>	<u>-</u>	<u>14,291,754</u>
-	-	(16,330)	490	11,368,328
-	-	161,674	15,750	(4,749,680)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,344</u>	<u>\$ 16,240</u>	<u>\$ 6,618,648</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, 2025

Capital Assets, Net		\$ 78,226,379
Add:		
Deferred Charge on Refunding		<u>10,735</u>
Deduct:		
Revenue Anticipation Note Payable	3,000,000	
Less: Unspent RAN Proceeds	(1,932,948)	
Premium on Bonds Payable	1,954,249	
Short-Term Portion of Lease Liability	74,330	
Short-Term Portion of Bonds Payable	3,205,000	
Long-Term Portion of Lease Liability	126,817	
Long-Term Portion of Bonds Payable	<u>18,550,000</u>	<u>24,977,448</u>
Net Investment in Capital Assets		<u><u>\$ 53,259,666</u></u>

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

**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**

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**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, 2025, 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 10, 2025.

**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**

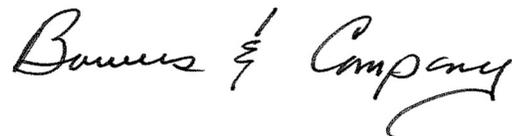
As part of obtaining reasonable assurance about whether Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 responses as item 2025-001.

### **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 responses. Watertown City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

Watertown, New York  
October 10, 2025

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SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2025

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

---

**Finding Control Number: 2025-001**

*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 \$18,981,874 during the fiscal year.

**Context**

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$23,138,240 had exceeded maximum allowed unexpended balance of \$4,156,366 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, 2025.

**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.

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**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2025

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

Continued

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**Finding Control Number: 2025-001 – 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 2024-25 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 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.

During the 2025-26 budget planning, District Administrators, consisting of Superintendent Dr. Larry C. Schmiegel and the Assistant Superintendent for Operations and Finance, Brianne Durham and its finance committee agreed to appropriate \$11M of fund balance towards the 2025-26 budget. In addition, moving forward, fund balance monies will be used for "one-time projects" such as renovations at the Massey Learning Center (approximately \$1.5 million). The planned completion of the corrective action is June 30, 2026.

**EXTRA CLASSROOM ACTIVITIES FUND**

## **INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITIES FUND**

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### **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 Activities Fund of Watertown City School District for the year ended June 30, 2025, 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 Activities Fund of Watertown City School District for the year ended June 30, 2025, 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.

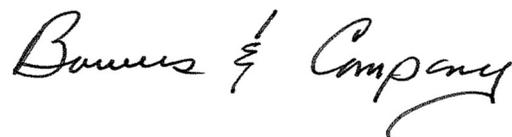
## Auditor's Responsibilities for the Audit of the Financial Statement

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.



Watertown, New York  
October 10, 2025

**WATERTOWN CITY SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITIES FUND – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2025

Account Name	Cash Balance 7/1/2024	Cash Receipts	Cash Disbursements	Cash Balance 6/30/25
<b>HIGH SCHOOL:</b>				
Class of 2024	\$ 6,399	\$ -	\$ 6,399	\$ -
Class of 2025	19,706	25,101	44,807	-
Class of 2026	14,203	8,435	1,614	21,024
Class of 2027	6,023	17,945	11,135	12,833
Class of 2028	-	6,328	-	6,328
Class of 2029	-	2,000	-	2,000
A/C Club	2,257	967	447	2,777
Art Club	470	-	-	470
Band	2,699	-	968	1,731
Book Club	122	-	-	122
Business Club	336	-	-	336
Chorus	13,993	60,269	59,694	14,568
Cyclone Coffee Express	-	1,755	1,314	441
Drama	432	-	-	432
Environmental Club	959	980	1,578	361
Future Farmers of America	783	80	-	863
Gender & Sexuality Alliance	135	-	-	135
National Honor Society	4,262	4,772	7,998	1,036
Photography Club	597	-	-	597
Student Council	13,601	7,529	4,636	16,494
Student Council - Special	11,806	20,306	24,972	7,140
Travel and Culture Club	4,777	-	-	4,777
Volunteering Club	895	241	335	801
Whiz Quiz	1,290	-	-	1,290
World Language Ambassador	723	-	315	408
Yearbook	18,788	12,442	17,888	13,342
Subtotal This Page	<u>\$ 125,256</u>	<u>\$ 169,150</u>	<u>\$ 184,100</u>	<u>\$ 110,306</u>

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See note to financial statement.

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

Year Ended June 30, 2025

<b>Account Name</b>	<b>Cash Balance 7/1/2024</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 6/30/25</b>
Subtotal Previous Page	\$ 125,256	\$ 169,150	\$ 184,100	\$ 110,306
<b>CASE MIDDLE SCHOOL:</b>				
7th Grade Constitution	1,659	2,864	4,113	410
8th Grade Constitution	4,574	14,793	14,756	4,611
Art Club	961	-	-	961
Bowling Club	18	125	125	18
Drama Club	-	1,438	879	559
Esports Club	-	109	-	109
Gender Sexuality Alliance	164	-	-	164
International Club	1,861	-	-	1,861
Musical	9,722	8,934	5,106	13,550
National Honor Society	748	1,240	935	1,053
SADD	6,070	7,742	10,325	3,487
Student Council	2,400	154	488	2,066
Yearbook	7,106	933	2,698	5,341
<b>WILEY SCHOOL:</b>				
Student Council	950	6	293	663
Koobraey (Yearbook)	185	-	-	185
	<u>\$ 161,674</u>	<u>\$ 207,488</u>	<u>\$ 223,818</u>	<u>\$ 145,344</u>

See note to financial statement.

**WATERTOWN CITY SCHOOL DISTRICT**

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**EXTRA CLASSROOM ACTIVITIES FUND – NOTE TO FINANCIAL STATEMENT**

June 30, 2025

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The Extra Classroom Activities Fund 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 Activities Fund is independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activities Fund 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 10, 2025

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, 2025, 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 10, 2025, 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 six months' worth of expenses. The District has excess fund balance of \$590,305 as of June 30, 2025.

### **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**

The District acknowledges the finding regarding noncompliance with federal regulation 7 CFR Part 210.14(b), which limits the allowable fund balance in the School Food Service account to no more than three months' average expenditures. As of June 30, 2025, the District's Food Service fund balance exceeded this threshold by \$590,305.

The former Food Service Director retired in May 2025. The District has since appointed Dennis Jerome as the new Food Service Director, effective May 1, 2025. Under his leadership, the program is undergoing a strategic transformation focused on enhancing student nutrition and increasing meal program participation.

### **Management's Response – Continued**

To address the excess fund balance, the District is implementing a multi-year plan to invest in substantial equipment upgrades, including the installation of full-service kitchens in each school building. These investments will support the preparation of more fresh, nutritious, and student-preferred food options, in alignment with the new Director's vision. Planned purchases include ovens, refrigeration units, serving lines, and food preparation equipment.

The Assistant Superintendent for Operations and Finance will oversee the implementation and monitoring of the fund balance reduction plan, in collaboration with the Food Service Director. The District will ensure that all excess funds are fully obligated and expended by June 30, 2026, bringing the fund balance into compliance. Progress will be reviewed quarterly to ensure timely execution and ongoing adherence to USDA regulations.

### **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 prepared by the Assistant Superintendent for Operations and Finance are not under dual control which poses additional risks.

### **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**

The District acknowledges the finding regarding inadequate internal controls and improper segregation of duties in the preparation and posting of manual general journal entries. Specifically, it was noted that journal entries prepared by the Assistant Superintendent for Operations and Finance were not subject to dual control, which poses an internal control risk.

To strengthen oversight and ensure appropriate checks and balances, the District has implemented a new control effective October 21, 2025. Beginning with the October 21, 2025, Board of Education meeting, the Assistant Superintendent for Operations and Finance will provide a Journal Entry Report to the Board of Education for review and approval. This report will be included as part of the monthly financial package, alongside other financial documents such as the Treasurer's Report, under the consent agenda. This added layer of review by the Board enhances transparency and oversight and ensures that all journal entries are subject to appropriate scrutiny moving forward. The District remains committed to strengthening internal controls and upholding best practices in financial management.

### **Condition: Reserve Plan**

The District is currently holding various reserve funds within the General Fund and the Board of Education approved various reserve funding changes in the current year. However, the District does not have a written reserve plan to support all current reserve funds in place which had been approved by Voters and/or the Board of Education.

### **Recommendation**

A written reserve plan should be prepared and reviewed by the Board of Education, at minimum annually, which would define the purpose, recommended funding level or targets, current year funding plans or use of funds, and approved changes in reserve funds. The plan should be used as a multiyear financial and capital plan to provide a framework for developing the annual budgets and addressing future operating and capital needs. The reserve plan would assist the Board in making more timely and informed decisions about programs and operations and assist with financial management and use of fund balance and reserves in the best interest of taxpayers.

### **Management's Response**

The District acknowledges the finding regarding the absence of a written Reserve Plan to support all existing reserve funds, including those previously established and/or funded with voter and Board of Education approval. While the Board did approve various reserve funding changes during the current year, the formal documentation and adoption of a comprehensive Reserve Plan had not yet occurred at the time of the audit.

Responsibility for the Reserve Plan lies with the Assistant Superintendent for Operations and Finance. Due to higher profile matters earlier in the fiscal year, the review and approval of the Reserve Plan was deferred to the October 7, 2025, Finance, Audit, and Facilities (F&F) Committee meeting. At that meeting, the committee reviewed the draft Reserve Plan and agreed to forward it to the full Board of Education for consideration.

The Reserve Plan is scheduled for full Board approval at the October 21, 2025, Board of Education meeting. Going forward, the Reserve Plan will be reviewed and approved on an annual basis each fall, aligning with the F&F Committee's regular meeting schedule, as the committee does not typically convene during the summer months.

This process ensures transparent, well-documented financial planning and continued compliance with best practices for reserve fund management.

## **Management of Capital Projects**

During our testing of the \$13 million Capital Project, it was noted that two contractors had outstanding balances on their approved contracts when the project had been noted by District personnel as being fully completed. Upon District inquiry to the contractors during the audit process, additional payables were noted as unpaid and entries were required to correct. The Final Cost Reports (FCR) for this project were filed in May 2025 with the State Education Department (SED), based on contract amounts and not actual amounts paid to the contractors per the District's General Ledger. Overall, there are controls lacking to ensure that each contract within a capital project is completed and paid in full per the awarded contract amount, and such amount agrees between the District's general ledger and the filings of the Final Cost Reports to SED.

## **Recommendation**

We recommend the District and any outsourced project management firm review the overall project management process and controls in place. Contracts should be monitored more closely for cutoff, specifically at year-end to ensure all services performed through June 30 are accrued. Also, when the projects are completed and Final Cost Reports are prepared, there should be a reconciliation process to ensure the FCR is in agreement with the District's general ledger prior to filing with SED.

## **Management's Response**

The District acknowledges and agrees with the finding and recommendations regarding incomplete payment of contractor balances and discrepancies between the Final Cost Reports (FCR) filed with the State Education Department (SED) and the District's general ledger for the \$13 million Capital Project.

Specifically, it was noted that two contractors had outstanding balances at the time the project was marked as complete by District personnel. Upon inquiry during the audit process, additional unpaid amounts were identified, and corrective entries were required. Furthermore, the FCRs submitted in December 2024 reflected contract amounts rather than the actual payments recorded in the District's financial system, indicating a lack of internal controls to ensure proper reconciliation of contract closeout and payment records.

The District and its Fiscal Advisors agree with the auditor's assessment and are committed to strengthening internal controls and improving coordination between all stakeholders involved in capital project closeout procedures.

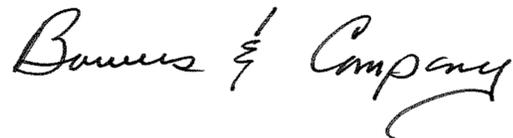
Effective July 1, 2025, the Assistant Superintendent for Operations and Finance will be responsible for reviewing all capital project contracts and financial reports in collaboration with the District's Fiscal Advisors, architects, and construction management firm. This review will ensure that all contract balances are paid in full, accurately reflected in the general ledger, and properly reconciled prior to submission of Final Cost Reports to SED. These improved procedures will ensure accuracy, completeness, and compliance in future capital project closeouts and financial reporting.

Board of Education  
Watertown City School District  
October 10, 2025  
Page 5

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

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

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

Watertown, New York  
October 10, 2025

October 10, 2025

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, 2025. 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 2, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown City School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Watertown City School District changed accounting policies related to the estimation of compensated absences liabilities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*, in 2025. 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.

Management develops estimates and assumptions based upon historical employee leave data to measure the liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*.

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 10, 2025.

#### *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, 2025. The finding was disclosed as a material instance of noncompliance on the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.

Other Matters

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

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

President and Board of Education  
Watertown City School District  
October 10, 2025  
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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,

*Bowen & Company*

**Material Misstatements Corrected by Management**

**Governmental Funds**

***General Fund:***

**Adjusting Journal Entries JE # 1**

To adjust appropriated fund balance to actual per the 25-26 budget

A 909	FUND BALANCE, UNRESERVED	2,880,788.00	
A 910	Appropriated Fund Balance		<u>2,880,788.00</u>
<b>Total</b>		<b><u>2,880,788.00</u></b>	<b><u>2,880,788.00</u></b>

**Adjusting Journal Entries JE # 6**

To accrue June health insurance premium bill

A 9060.801-00-0000	Employee Benefits - Hospital, Medical, And Dental Insurance (Health)	1,260,335.00	
A 601	Accrued Liabilities		<u>1,260,335.00</u>
<b>Total</b>		<b><u>1,260,335.00</u></b>	<b><u>1,260,335.00</u></b>

***Capital Projects Fund:***

**Adjusting Journal Entries JE # 3**

To adjust transfer to debt service at completion of DW \$13M project to close out project fund, excess funds at completion after bonding after final accrual adjustments

H 630-V	Due To Other Funds - Debt Service Fund	226,120.00	
H9901.960-00-0000	Transfer To Debt Service		<u>226,120.00</u>
<b>Total</b>		<b><u>226,120.00</u></b>	<b><u>226,120.00</u></b>

**Adjusting Journal Entries JE # 4**

To record FEMA funding for flood project

H21 440	Due from Other Govts - FEMA	770,733.00	
H21 691	Deferred Inflow of Resources		<u>770,733.00</u>
<b>Total</b>		<b><u>770,733.00</u></b>	<b><u>770,733.00</u></b>

**Adjusting Journal Entries JE # 5**

To record installment lease for Copiers

H 2110.200	Equipment Expenditure - Leases	224,508.00	
H5788	Leases		<u>224,508.00</u>
<b>Total</b>		<b><u>224,508.00</u></b>	<b><u>224,508.00</u></b>

**Material Misstatements Corrected by Management – Continued**

***Debt Service Fund:***

**Adjusting Journal Entries JE # 1**

To adjust transfer to debt service from Capital Projects Fund at completion of DW \$13M project to close out project fund, excess funds at completion after bonding after final accrual adjustments

V 5032 INTERFUND TRANSFER - Capital Fund	226,120.00	
V 391 Due From Other Funds		226,120.00
<b>Total</b>	<b>226,120.00</b>	<b>226,120.00</b>

**Government-Wide:**

***Non-Current Governmental Assets:***

**Adjusting Journal Entries JE # 3**

To adjust TRS deferred outflow (contribution subsequent to measurement date would be payment made in October 2025, accrued at 6/30/25, not final bill from October 2024)

K 159 Total Non-Current Governmental Assets	2,953,266.00	
K 496T Deferred Outflows - TRS		2,953,266.00
<b>Total</b>	<b>2,953,266.00</b>	<b>2,953,266.00</b>

***Non-Current Governmental Liabilities:***

**Adjusting Journal Entries JE # 1**

To accrue CVA claim settlement payments

W 129 Total Non-Current Governmental Liabilities	2,150,000.00	
W 686 Judgment & Claims Payable		2,150,000.00
<b>Total</b>	<b>2,150,000.00</b>	<b>2,150,000.00</b>