

WATERTOWN CITY
SCHOOL DISTRICT

FEDERAL AWARD PROGRAMS

June 30, 2025

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WATERTOWN CITY SCHOOL DISTRICT

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watertown City School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Watertown City School District’s major federal programs for the year ended June 30, 2025. Watertown City School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watertown City School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Watertown City School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Watertown City School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Watertown City School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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. We issued our report thereon dated October 10, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Bowers & Company

Watertown, New York
December 8, 2025

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing Number	Agency or Pass-Through Number	Total Federal Expenditures
<u>U. S. Department of Education</u>			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010A	0021-25-1205	\$ 1,742,464
Title I Grants to Local Educational Agencies	84.010A	0021-24-1205	169,026
Total Title I Grants to Local Educational Agencies			<u>1,911,490</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-25-0323	1,324,547
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-25-0323	36,668
Total Special Education Cluster			<u>1,361,215</u>
Education Stabilization Fund:			
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - ARP ESSER	84.425U	5880-21-1205	2,957,181
Total Education Stabilization Fund			<u>2,957,181</u>
Supporting Effective Instruction State Grants	84.367A	0147-25-1205	122,549
Supporting Effective Instruction State Grants	84.367A	0147-24-1205	24,277
Total Supporting Effective Instruction State Grants			<u>146,826</u>
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365A	0293-25-1205	4,421
English Language Acquisition State Grant	84.365A	0293-24-1205	145
Total English Language Acquisition State Grants			<u>4,566</u>
Student Support and Academic Enrichment	84.424A	0204-25-1205	126,040
Student Support and Academic Enrichment	84.424A	0204-24-1205	13,039
Total Student Support and Academic Enrichment			<u>139,079</u>
Total Passed Through NYS Education Department			<u>6,520,357</u>
Direct Program:			
Impact Aid	84.041B		302,503
Total Direct Programs from U.S. Department of Education			<u>302,503</u>
Total U.S. Department of Education			<u>6,822,860</u>
Subtotal this Page			<u>\$ 6,822,860</u>

See notes to schedule of expenditures of federal awards.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2025

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing Number	Agency or Pass-Through Number	Total Federal Expenditures
Subtotal From Previous Page			\$ 6,822,860
<u>U. S. Department of Defense</u>			
Direct Programs:			
Achievement at Military Connected Schools	12.556		375,233
Total Direct Programs from U.S. Department of Defense			375,233
Total U.S. Department of Defense			375,233
<u>U. S. Department of Homeland Security</u>			
Passed-Through NYS Department of Homeland Security:			
Hazard Mitigation Grant Program	97.039	4825-DR-NY	770,733
Total Passed-Through NYS Department of Homeland Security			770,733
Total U.S. Department of Homeland Security			770,733
<u>U. S. Department of Agriculture</u>			
Passed-Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
Fresh Fruits and Vegetable Program	10.582		72,222
National School Lunch Program	10.555		160,590
Non-Cash Assistance Subtotal			232,812
Cash Assistance			
School Breakfast Program	10.553		785,197
National School Lunch Program	10.555		1,962,704
COVID-19: Supply Chain Assistance Grant	10.555		4,872
Snack Program	10.555		27,318
Summer Food Service Program	10.559		80,755
Cash Assistance Subtotal			2,860,846
Total Child Nutrition Cluster			3,093,658
Local Food for Schools Cooperative Program	10.185		27,196
Total Passed Through NYS Education Department			3,120,854
Total U.S. Department of Agriculture			3,120,854
Total Federal Assistance			\$ 11,089,680

See notes to schedule of expenditures of federal awards.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

NOTE 1 – BASIS OF PRESENTATION

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

The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.

NOTE 2 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

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

Pass-through entities' identifying numbers are presented where applicable.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 3 – SCOPE OF AUDIT

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

NOTE 4 - NON-CASH ASSISTANCE

Non-monetary assistance is recorded in the Schedule at the fair market value of the commodities used, which are amounts provided by New York State under the National School Lunch Program. For the year ended June 30, 2025, the District was granted \$160,590 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$72,222 of commodities under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

NOTE 5 – INDIRECT COST RATE

The District did not elect to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. (Effective for year beginning after October 1, 2024 the de minimus indirect cost rate increases to 15%.)

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

NOTE 6 – OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds is covered by the District's casualty insurance policies.

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2025

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Watertown City School District.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the basic financial statements of Watertown City School District.
3. One instance of noncompliance material to the financial statements of Watertown City School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of Watertown City School District.
5. The auditor's report on compliance for the major federal award programs for Watertown City School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award program for Watertown City School District.
7. The Programs tested as major programs include:
 - U. S. Department of Education
 - Passed-Through NYS Education Department:
 - Title I Grants to Local Educational Agencies 84.010A
 - Direct Program:
 - Impact Aid 84.041B
 - U. S. Department of Agriculture
 - Passed-Through NYS Education Department:
 - Child Nutrition Cluster:
 - Non-Cash Assistance (Food Distribution)
 - Fresh Fruits and Vegetable Program 10.582
 - National School Lunch Program 10.555
 - Cash Assistance
 - School Breakfast Program 10.553
 - National School Lunch Program 10.555
 - COVID-19: Supply Chain Assistance Grant 10.555
 - Snack Program 10.555
 - Summer Food Service Program 10.559
 - U. S. Department of Homeland Security
 - Passed-Through NYS Department of Homeland Security:
 - Hazard Mitigation Grant Program 97.039
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Watertown City School District qualifies as a low-risk auditee.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2025

NOTE B - 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.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2025

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT -

Continued

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 ARP A 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.

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

There were no findings to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2025

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2024-001

Instances of Noncompliance with Laws or Regulations

Surplus Unexpended Funds in Excess of 4% Limitation

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

The District exceeded the 4% limitation of unexpended surplus funds within the General Fund by \$20,096,787 during the previous fiscal year.

Views of Responsible Officials and Corrective Actions

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

Current Status

Similar finding was noted in the 2025 audit.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2025

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

Finding Control Number: 2024-002

Instances of Noncompliance with Laws or Regulations

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

Federal Awarding Agency: U.S. Department of Education

Pass-Through Entity: NYS Education Department

Assistance Listing Number: 84.010A

Applicable Compliance Component: Period of Performance

Known Questioned Cost Amount: \$38,820

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

Views of Responsible Officials and Planned Corrective Actions

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

Current Status

The finding has been corrected and no similar findings noted in 2025.