

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 19, 2024

NEW ISSUE

REVENUE ANTICIPATION NOTES

In the opinion of Trespasz Law Offices, LLP, Bond Counsel to the School District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. (See "TAX MATTERS" herein.)

The Notes will NOT be designated "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

\$3,000,000

**ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK**

GENERAL OBLIGATIONS

**\$3,000,000 Revenue Anticipation Notes, 2024
(the "Notes")**

Dated: October 10, 2024

Due: October 10, 2025

The Notes are general obligations of the Enlarged City School District of the City of Watertown, Jefferson County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011. See "NATURE OF THE OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. **The Notes will not be subject to redemption prior to maturity.**

At the option of the purchaser(s), the Notes will be issued in (i) registered certificated form registered in the name of the purchaser(s) or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the District Clerk. The Notes will be issued in denominations of \$5,000 or multiples thereof. A single note certificate will be issued for Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Trespasz Law Offices, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon with the purchaser(s), on or about October 10, 2024.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on September 25, 2024 by no later than 10:30 A.M., Eastern Time, pursuant to the Notice of Sale. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the School District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

September __, 2024

THE SCHOOL DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN EVENTS IN ACCORDANCE WITH THE RULE. SEE "CONTINUING DISCLOSURE" HEREIN.

**ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK**

SCHOOL DISTRICT OFFICIALS

2024-2025 BOARD OF EDUCATION

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President



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BRIANNE DURHAM
Assistant Superintendent for Operations and Finance

MICHELLE GRAVELLE
District Clerk

FERRARA FIORENZA PC
School District Attorney



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



TRESPASZ LAW OFFICES, LLP
BOND COUNSEL

No person has been authorized by the Enlarged City School District of the City of Watertown to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Enlarged City School District of the City of Watertown.

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PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
 250 South Clinton Street, Suite 502
 Syracuse, New York 13202
 (315) 752-0051
www.fiscaladvisors.com

OFFICIAL STATEMENT
of the
ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK

Relating To
\$3,000,000 Revenue Anticipation Notes, 2024

This Official Statement, which includes the cover page, has been prepared by the Enlarged City School District of the City of Watertown, Jefferson County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$3,000,000 principal amount of Revenue Anticipation Notes, 2024 (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011. See "NATURE OF THE OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be dated October 10, 2024 and will mature, without option of prior redemption, on October 10, 2025. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form at the option of the Purchaser(s) either (i) registered in the name of the purchaser, or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law, the Local Finance Law and pursuant to a revenue anticipation note resolution duly adopted by the Board of Education, in anticipation of revenues due from the State during the School District's fiscal year, commencing July 1, 2024 and ending June 30, 2025.

In the event the aforesaid aid is not received by October 10, 2025, the Notes may be renewed. Revenue anticipation renewal notes may again be renewed in the event such aid has still not been received on the maturity date of such renewal notes. The final renewal of any such revenue anticipation renewal notes must mature not later than June 30, 2026.

The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "APPENDIX C1 - ESTIMATED MONTHLY CASH FLOW"). Such cash flow deficit is the result of a delay in the receipt of State aid revenues, which receipt is not timely with the cash flow needs of the School District.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

NATURE OF THE OBLIGATION

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law” or “Chapter 97”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District’s power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “TAX INFORMATION - Tax Levy Limitation Law” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the City’s faith and credit is both a commitment to pay and a commitment of the City’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the City’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution, which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are

constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

BOOK-ENTRY-ONLY SYSTEM

If the Notes are issued in book-entry-only registered form, The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each maturity of the Notes in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the School District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE SCHOOL DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE SCHOOL DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

If the book-entry form is initially chosen by the purchaser of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered certificated form in denomination of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District, with a land area of approximately 30 square miles, centers around the City of Watertown (the “City”), and includes all of the City and portions of the Towns of LeRay, Pamela, Rutland and Watertown. It is located in the center of Jefferson County, in the northern sector of New York State. The County Seat is located in the City of Watertown.

The District is approximately 70 miles north of the City of Syracuse and 30 miles south of the Thousand Islands Bridge, which traverses the St. Lawrence River from the United States to Canada. Major highways bisecting the District include Interstate #81 which connects the District with The New York State Thruway and the Pennsylvania Turnpike to the south and with Canada to the north. It is also served by U.S. Route 11 and New York State Routes #3, #12 and #37. The District is also served with air transportation from the Watertown International Airport and by three bus lines. The Syracuse-to-Massena branch of the Conrail System serves the District.

The City of Watertown is the commercial, professional and industrial center for District residents, as well as residents through Jefferson County and parts of Oswego, Lewis and St. Lawrence Counties. Major industry categories include paper making machinery, air brakes, hydraulic pumps, transmissions and thermometers.

Source: District officials.

District Population

The 2022 estimated population of the District is 29,914. (Source: U.S. Census Bureau, 2018-2022 American Community Survey 5-Year Estimates).

Five Larger Employers

The larger employers in Jefferson County and the estimated number of persons employed by each are as follows:

<u>Company</u>	<u>Type</u>	<u>Number of Employees</u>
Fort Drum	U.S. Army	18,430 ⁽¹⁾
Samaritan Medical Center	Healthcare	2,455 ⁽²⁾
New York State	Government	1,900 ⁽³⁾
Watertown City School District	Public School	965 ⁽⁴⁾
Jefferson County	Government	830

(1) This amount includes military and civilians. Due to military deployment, the actual number of personnel is frequently changing.

(2) This amount includes the Samaritan Medical Center, Samaritan Keep and Samaritan Summit Village.

(3) New York State employment includes all regional state offices and two correctional facilities (Jefferson County and Cape Vincent).

(4) Includes Full and Part-time employees.

Source: Jefferson County Industrial Development Agency.

Fort Drum

Fort Drum is the home of the 10th Mountain Division (Light Infantry). Fort Drum occupies a 107,265-acre tract in the eastern part of Jefferson County, including parts of the towns of Antwerp, Leray, Philadelphia, and Wilna. The military reservation also extends east into the town of Diana in Lewis County. Several villages in Jefferson County are on the border of Fort Drum: Antwerp, Black River, Carthage, Evans Mills, and Philadelphia. The nearest city is Watertown, New York, located 13 miles to the southwest, which is the service and shopping destination for Fort Drum personnel. Fort Drum’s mission includes commanding active component units assigned to the installation, providing administrative and logical support to tenant units, providing support to tenant units, providing support to active and reserve units from all services in training at Fort Drum, and planning and providing support for mobilization and training of almost 80,000 troops annually. Fort Drum continues to be recognized as one of the most ready and capable installations supporting Forces Command (FORSCOM).

Fort Drum is the largest employer in the region with 14,645 active-duty military, 15,644 transient/rotational military and 3,785 civilians (including contractors) working on or near the installation. Fort Drum provides support to over 16,269 dependents (family members) as well as 27,535 retirees/ and dependents family members of retirees and 726 retiree survivors. Annually, Fort Drum offers training and base operations support to more than 26,500 Reserve and National Guard members as well as personnel from other federal, state, and local agencies. Fort Drum, a Department of the Army designated Regional Collective Training Center, provides full spectrum training and base operations support to all the service branches, 11 states, and parts of Canada.

Fort Drum’s economic impact for Federal Fiscal Year (“FFY”) 2023 was approximately \$1.91 billion, an increase of 18.6% from FFY 2022. The increase is due primarily to more construction spending, an expanded area for data collection comprised of the 21st, 22nd and 24th Congressional Districts, and a 4.6% cost-of-living increase for military and civilian workers at the beginning of 2023. Total military, Civilian, contractor, and retiree/survivor payroll for FFY 2023 was \$1,548,070,302.

School districts throughout Jefferson, Lewis & St. Lawrence Counties received over \$35 million in Federal Impact Aid because of Fort Drum. Unlike many other installations, Fort Drum does not have a federally funded school, and affiliated children attend local schools within the tri-county area.

Source: Fort Drum’s 2023 Economic Impact Statement.

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, is the City, Towns and the County listed below. The figures set below with respect to such City, Towns and County is included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the City, Towns or the County is necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2018-2022</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2018-2022</u>
City of:						
Watertown	\$ 20,939	\$ 25,704	\$ 32,679	\$ 46,718	\$ 52,983	\$ 85,052
Towns of:						
LeRay	17,940	24,367	26,017	40,836	54,400	61,647
Pamelia	22,344	33,895	38,769	68,684	87,568	103,725
Rutland	22,677	26,606	31,689	57,679	68,464	78,357
Watertown	25,159	32,637	37,655	75,481	87,526	85,052
County of:						
Jefferson	21,823	28,120	32,775	51,834	66,711	76,693
State of:						
New York	30,948	40,898	47,173	67,405	87,270	100,846

Note: 2019-2023 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2006-2010, 2016-2020 and 2018-2022 American Community Survey data.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is Jefferson County. The information set forth below with respect to the County and the State of New York is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or State is necessarily representative of the District, or vice versa.

	<u>Annual Average</u>							
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Jefferson County	6.3%	6.5%	5.5%	5.3%	8.4%	5.1%	4.1%	4.4%
New York State	4.9%	4.6%	4.1%	3.9%	9.8%	7.1%	4.3%	4.2%

	<u>2023-24 Monthly Figures</u>											
	<u>2023</u>			<u>2024</u>								
	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Jefferson County	3.8%	4.0%	4.6%	5.4%	6.0%	6.1%	5.6%	4.8%	4.3%	N/A	N/A	N/A
New York State	4.2%	4.4%	4.2%	4.4%	<u>4.3%</u>	4.5%	4.2%	3.9%	4.2%	N/A	N/A	N/A

Note: Unemployment rates for the months of June, July and August 2024 are not available as of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of seven members with overlapping three-year terms. The President and the Vice President are selected by the Board members. The President of the Board is the chief fiscal officer of the District.

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

Budgetary Procedures and Recent Budget Votes

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven days and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the District must mail a school budget notice to all qualified voters which contains the total budget amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the vote.

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011, beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the “School District Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see “TAX LEVY LIMITATION LAW” herein.

Recent Budget Vote Results

The budget for the 2023-24 fiscal year was approved by qualified voters on May 16, 2023 by a vote of 798 yes to 345 no. The adopted budget included a total tax levy increase of 2.25%, which was within the District’s Tax Cap of 4.17% for the 2023-24 fiscal year.

The budget for the 2024-25 fiscal year was approved by qualified voters on May 21, 2024 by a vote of 428 yes to 100 no. The adopted budget included a total tax levy increase of 0.0%, which was within the District’s Tax Cap of 2.77% for the 2024-25 fiscal year.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation Notes and revenue anticipation Notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America.

State Aid

The District receives financial assistance from the State in the form of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. In its adopted budget for the 2024-25 fiscal year, approximately 77.3% of the revenues of the District are estimated to be received in the form of State aid. While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever.

In addition to the amount of State aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program.

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also “MARKET AND RISK FACTORS”).

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the School District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 and 2021 to 2023 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State’s 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State’s fiscal year of April 1. Since the 2010-11 State fiscal year, the State budget has been generally adopted on or before April 1, with the exception of the 2016-17 State budget which was not adopted until April 9, 2017, the 2023-24 State Budget which was not adopted until May 3, 2023 and the 2025-26 State Budget which was not adopted until April 20, 2024. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Federal aid received by the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances.

President Biden has signed into law the American Rescue Plan, a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits.

Since March 2020, the State has been awarded over \$14 billion in Federal education COVID response funding through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act; Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (“CRRSA”); and the American Rescue Plan (“ARP”) Act. These funds are supporting the ability of local educational agencies to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools in the State. The District has been allocated a total of approximately \$15,927,451 in ARP funds and \$7,086,797 in CRRSA funds. As of June 30, 2023, the District has received its ARP and CRRSA funds in full.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

Building Aid

A portion of the District’s State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Building Aid is paid over fifteen years for reconstruction work, twenty years for building additions, or thirty years for new building construction. Building Aid for a specific building project is eligible to begin eighteen months after State Commissioner of Education approval date, for that project, and is paid over the previously described timeframe, assuming all necessary

building aid forms are filed with the State in a timely manner. The building aid received is equal to the assumed debt service for that project, which factors in the bond percent, times the building aid ratio that is assigned to the District, and amortized over the predefined timeframe. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2024-25 preliminary building aid ratios, the District expects to receive State building aid of approximately 92.5% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

State aid history:

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7% lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4%. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid continued under existing aid formulas. Out-year growth in School Aid reflected then current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State aid, in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4% from the 2019-2020 Enacted Budget. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds prior to June 30, 2021.

School district fiscal year (2021-2022): The State's 2021-22 Enacted Budget included \$29.5 billion in State aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget included the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which included, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds were allocated to expand full-day kindergarten programs. Under the budget, school districts were reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments also received full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

School district fiscal year (2022-2023): The State's 2022-23 Enacted Budget included \$31.5 billion in State funding to school districts for the 2022-23 school year. This represented an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and included a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-23 Enacted Budget also included \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education

Relief funds to public schools. This funding, available for use over multiple years, was designed to assist public schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocated \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increased federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

School district fiscal year (2023-2024): The State's 2023-24 Enacted Budget included \$34.5 billion for school aid, an increase of \$3.1 billion or 10%, which is the highest level of State aid to date. The States 2023-24 Budget also provided a \$2.6 billion increase in Foundation Aid, fully funding the program for the first time in history. The State's 2023-24 Enacted Budget provided \$134 million to increase access to free school meals. An additional \$20 million in grant funding will establish new Early College High School and Pathways in Technology Early College High School Programs. An investment of \$10 million over two years in competitive funding for school districts, boards of cooperative educational services, and community colleges will be made to promote job readiness. An additional \$150 million will be used to expand high-quality full-day prekindergarten, resulting in universal prekindergarten to be phased into 95% of the State.

School district fiscal year (2024-25): The State's 2024-25 Enacted Budget provides \$35.9 billion in State funding to school districts for the 2024-25 school year, the highest level of State aid ever. This represents an increase of \$1.3 billion compared to the 2023-24 school year and includes a \$934 million or 3.89 percent Foundation Aid increase. The State's 2024-25 Enacted Budget maintains the "save harmless" provision, which currently ensures a school district receives at least the same amount of Foundation Aid as it received in the prior year. The State's 2024-25 Enacted Budget also authorizes a comprehensive study by the Rockefeller Institute and the State Department of Education to develop a modernized school funding formula.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York ("CFE") mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of the CFE decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as Foundation Aid. The stated purpose of Foundation Aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in Foundation Aid over a four fiscal year phase-in covering 2007 to 2011.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the CFE case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Hochul announced that New York State reached an agreement to settle and discontinue the NYSER case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing such funding. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the CFE cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April 2022, the Executive and Legislature agreed to fully fund

Foundation Aid by the FY 2024 budget and enacted this commitment into law. A breakdown of currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall.
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall.
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts.

The foundation aid formula is being reviewed for potential revisions. Any revisions to the formula could result in less State aid to the District.

State Aid Revenues

The following table illustrates the percentage of total General Fund revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2024-25 fiscal years comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2019-2020	\$ 64,973,219	\$ 45,867,781	70.59%
2020-2021	66,981,679	45,055,920	67.27
2021-2022	67,978,634	48,206,772	70.91
2022-2023	75,296,255	53,798,407	71.45
2023-2024 (Unaudited)	78,034,819	62,354,324	79.90
2024-2025 (Budgeted)	87,974,245 ⁽¹⁾	68,018,873	77.32

⁽¹⁾ Does not include \$8,878,499 of appropriated fund balance and reserves.

Source: 2019-20 through and including the 2022-23 audited financial statements, unaudited results of operations for the 2023-24 fiscal year and the adopted budget of the District for the 2024-25 fiscal year. Unaudited estimates for 2023-24 are based upon certain current assumptions and estimates and the final audited results may vary therefrom.

District Facilities

<u>Name</u>	<u>Type</u>	<u>Capacity</u>	<u>Year(s) Built / Additions</u>
Watertown High School	9-12	1,450	1951, '63, '65, '68, '90, '01, '06, '09
Case Middle School	7-8	1,124	2001
Harold T. Wiley School	5-6	1,782	1971, '88, '01, '06, '09
Knickerbocker Elementary School	K-4	565	1953, '97, '06, '09
Ohio Street Elementary School	K-4	575	1958, '93, '09
Sherman Street Elementary School	K-4	450	1930, '88, '06, '09
Starbuck Elementary School	K-4	450	1953, '92, '09
North Elementary School	K-4	700	1928, '86, '06, '09

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2020-2021	3,892	2025-2026	4,050
2021-2022	3,956	2026-2027	4,050
2022-2023	3,940	2027-2028	4,050
2023-2024	3,984	2028-2029	4,050
2024-2025	4,040	2029-2030	4,050

Source: District officials.

Employees

The total number of persons employed (both full-time and part-time) by the District is 765. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreements are as follows:

<u>Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
385	Watertown Educational Association	June 30, 2027
191	Instructional Teacher Assistants' Association	June 30, 2025
55	Civil Service Employees' Association	June 30, 2027
40	Educational Cafeteria Workers' Association	June 30, 2027
40	School Administrators' Association	June 30, 2025
30	12 Month Clerical and Support Association	June 30, 2028
24	Non-union	Settled Annually

Source: District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally had vested after ten years of credited service; however, this was changed to five years as of April 9, 2022. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years, which has since been changed to 5 years as of April 9, 2022 (for both Tier V and Tier VI).
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees would vest in the system after ten years of employment; and employees will continue to make employee contribution throughout employment. As of April 9, 2022, vesting requirements were modified, resulting in employees becoming vested after five years. The State's 2024-25 Enacted Budget included a provision that improved the pension benefits of Tier VI members by modifying the final average salary calculation from 5 years back to 3 years. This measure was effective as of April 1, 2024 for PFRS Tier VI members and April 20, 2024 for ERS Tier VI members.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2024-25 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2019-2020	\$ 702,808	\$ 2,023,965
2020-2021	768,389	2,459,946
2021-2022	755,995	1,723,191
2022-2023	650,241	2,153,306
2023-2024	900,000	2,200,000
2024-2025 (Budgeted)	1,000,000	2,300,000

Source: District officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District currently offers an early retirement incentive programs for its employee, which is expected to realize savings in the amount of \$197,000 for the 2017-18 fiscal year, \$98,297 for the 2018-19 fiscal year, \$240,004 for the 2019-20 fiscal year, \$173,246 for the 2020-21 fiscal year, \$324,991 for the 2021-22 fiscal year, \$461,056 for the 2022-23 fiscal year, and estimated \$325,252 for the 2023-24 fiscal year.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS employer contribution rates as a percent of payroll (2019-20 to 2024-25) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2019-20	14.6%	8.86%
2020-21	14.6	9.53
2021-22	16.2	9.80
2022-23	11.6	10.29
2023-24	13.1	9.76
2024-25	15.2	10.02*

* Estimated. Final contribution rate expected to be adopted at the July 31, 2024 TRS Retirement Board meeting.

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to

be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that allows school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts are permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund as of the 2019-20 fiscal year.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District’s employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 75 and OPEB. In 2015, the GASB released new accounting standards for public other postemployment benefits (“OPEB”) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this statement requires school districts to report liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also requires school districts to calculate and report a net other postemployment benefit obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

The District contracted with an actuarial firm to calculate its actuarial valuation under GASB. The following outlines the changes to the Total OPEB Liability during the 2022 and 2023 fiscal years, by source.

	<u>July 1, 2021</u>	<u>July 1, 2022</u>
Balance beginning at:	<u>\$ 227,107,076</u>	<u>\$ 255,294,713</u>
Changes for the year:		
Service cost	10,148,867	5,479,833
Interest	4,700,567	9,490,812
Differences between expected and actual experience	-	-
Changes in assumptions or other inputs	17,737,336	(24,461,709)
Benefit payments	<u>(4,399,133)</u>	<u>(7,098,064)</u>
Net Changes	<u>\$ 28,187,637</u>	<u>\$ (16,589,128)</u>
Balance ending at:	<u>June 30, 2022</u>	<u>June 30, 2023</u>
	<u>\$ 255,294,713</u>	<u>\$ 238,705,585</u>

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District’s OPEB liability, see “APPENDIX - F” attached hereto.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved \$0 towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

The District’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District’s finances and could force the District to reduce services, raise taxes or both.

Financial Statements

The School District retains independent Certified Public Accountants. The last completed audited financial statement covers the period ending June 30, 2023 and has been filed with the Electronic Municipal Market Access (“EMMA”) website. It is also attached hereto as “APPENDIX-F” to this Official Statement. The audited financial statement for fiscal year ended June 30, 2024 is not complete as of the date of this Official Statement. Certain summary financial information of the District can also be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003, the District issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management’s Discussion and Analysis.

Unaudited Results for the Fiscal Year Ending June 30, 2024:

Summary unaudited projected information for the General Fund for the period ending June 30, 2024 is as follows:

Projected Revenues:	\$ 78,034,819
Projected Expenditures:	<u>83,215,270</u>
Projected Excess (Deficit) Revenues Over Expenditures:	<u>\$ (5,180,451)</u>
Projected Other Sources & (Uses):	20,615,879
Total General Fund Balance at June 30, 2023:	\$ 36,394,103
Total Projected General Fund Balance at June 30, 2024:	\$ 51,829,531

Note: These projections are based upon certain current assumptions and estimates, and the audited results may vary therefrom.

New York State Comptroller Reports of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website. State Comptroller's audit reports of the District which have been published in the last five years are summarized below:

The State Comptroller's office released an audit report of the District on January 14, 2022. The purpose of the audit was to determine whether District officials sought competition for the purchase of goods and services not subject to competitive bidding.

A copy of the complete report and the District's response to findings and recommendations included in the audit reports can be found via the website of the Office of the New York State Comptroller.

As of the date of this Official Statement, there are no other State Comptroller's audits of the District that are currently in progress or pending release.

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of the accuracy of the information therein, nor incorporation herein by reference.

The State Comptroller's Fiscal Stress Monitoring System

The Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the 2018-19 through 2022-23 fiscal years of the District are as follows:

<u>Fiscal Year Ending</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2023	No Designation	0.0
2022	No Designation	6.7
2021	No Designation	13.3
2020	No Designation	13.3
2019	No Designation	6.7

Note: The Fiscal Score for the 2023-24 fiscal year has not been calculated as of the date of this Official Statement.

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of the accuracy of the information therein, nor incorporation herein by reference.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

No principal or interest upon any obligation of the District is past due.

The fiscal year of the District is July 1 to June 30.

Except for as shown under “STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness”, this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

TAX INFORMATION

Taxable Valuations

<u>Year of School District Tax Roll:</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
City of: Watertown	\$ 1,114,959,279	\$ 1,112,798,835	\$ 1,126,204,256	\$ 1,138,395,050	\$ 1,145,611,888
Towns of: LeRay	104,147,595	104,735,955	118,667,705	119,349,918	120,394,571
Pamelia	6,299,849	6,302,250	6,170,790	12,692,815 ⁽¹⁾	12,807,465
Rutland	3,572,744	6,364,785 ⁽¹⁾	6,535,498	6,510,327	6,931,349
Watertown	219,565,292	203,159,308	205,128,802	199,942,927	199,329,897
Total Assessed Valuation	<u>\$ 1,448,544,759</u>	<u>\$ 1,433,361,133</u>	<u>\$ 1,462,707,051</u>	<u>\$ 1,476,891,037</u>	<u>\$ 1,485,075,170</u>
State Equalization Rates					
City of: Watertown	92.00%	92.00%	88.00%	83.00%	83.00%
Towns of: LeRay	100.00%	100.00%	100.00%	94.00%	92.50%
Pamelia	57.00%	55.00%	51.00%	100.00% ⁽¹⁾	96.00%
Rutland	61.00%	100.00% ⁽¹⁾	98.00%	85.00%	82.00%
Watertown	62.00%	57.50%	61.00%	51.00%	48.00%
Total Full Valuation	<u>\$ 1,687,106,747</u>	<u>\$ 1,685,443,863</u>	<u>\$ 1,753,491,957</u>	<u>\$ 1,910,926,777</u>	<u>\$ 1,947,477,672</u>

⁽¹⁾ Significant change from prior year due to town-wide revaluation.

Note: As of November 7, 2023, special state equalization ratios are no longer calculated for small city school districts, including the District, according to the New York State Department of Taxation and Finance. See also note to “Debt Statement Summary” herein.

Source: District officials.

Tax Rate Per \$1,000 (Assessed)

<u>Year of School District Tax Roll:</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
City of: Watertown	\$ 10.76	\$ 10.97	\$ 11.09	\$ 11.03	\$ 10.94
Towns of: LeRay	9.90	10.09	9.76	9.74	9.46
Pamelia	17.37	18.34	19.14	9.15 ⁽¹⁾	9.12
Rutland	16.23	10.09 ⁽¹⁾	9.96	10.77	10.67
Watertown	15.97	17.54	16.00	17.95	18.23

⁽¹⁾ Significant change from prior year due to town-wide revaluation.

Source: District officials.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Total Tax Levy	\$ 16,342,796	\$ 16,710,509	\$ 17,011,298	\$ 17,117,785	\$ 17,502,935
Amount Uncollected ⁽¹⁾	725,999	935,200	793,567	906,115	968,991
% Uncollected	4.44%	5.60%	4.66%	5.29%	5.54%

⁽¹⁾ The School District receives the amount of uncollected taxes from the County prior to the end of the Fiscal Year. See “Tax Collection Procedures” herein.

Source: District officials.

Tax Collection Procedure

The District levies its own taxes prior to the end of September, and collects such taxes, which are due during October without penalty. Penalties for delinquent taxes are as follows:

2% in November and after which the delinquent taxes are turned over to the City Tax Collector for those properties within the City and to the County Treasurer for those properties outside the City. Delinquent taxes on property in and outside the City are subject to tax sale. The District receives the full amount of all the uncollected taxes on property outside the City from the County by the end of its fiscal year, and the full amount of uncollected taxes on property within the City during the next fiscal year.

Real Property Tax Revenues

The following table illustrates the percentage of total General Fund revenues of the District for each of the last five completed fiscal years and the budgeted figures for the 2024-25 fiscal years comprised of Real Property Taxes and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes & Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2019-2020	\$ 64,973,219	\$ 17,912,913	27.57%
2020-2021	66,981,679	18,343,509	27.39
2021-2022	67,978,634	18,619,717	27.39
2022-2023	75,296,255	18,975,239	25.20
2023-2024 (Unaudited)	78,034,819	17,502,935	22.43
2024-2025 (Budgeted)	87,974,245 ⁽¹⁾	19,053,372	21.66

⁽¹⁾ Does not include \$8,878,499 of appropriated fund balance and reserves.

Source: 2019-20 through and including the 2022-23 audited financial statements, unaudited results of operations for the 2023-24 fiscal year and the adopted budget of the District for the 2024-25 fiscal year. Unaudited estimates for 2023-24 are based upon certain current assumptions and estimates and the final audited results may vary therefrom.

Ten Larger Taxpayers – 2023 Assessment Roll for 2023-2024 District Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Niagara Mohawk Power Corp.	Utility	\$ 52,438,976
Arsenal Street Associates (Price Chopper Plaza)	Shopping Center	14,500,000
Erie Blvd Hydropower LP	Utility	11,569,300
WGS Housing Arsenal Associates LLC	Apartment Complex	10,529,500
Stateway Plaza Shopping Center	Shopping Center	10,430,300
WGS Eastern Housing Associates LLC	Apartment Complex	9,100,200
ARHC NCWTNNY01 LLC	Office Building	8,300,000
Ontario Apartments LLC	Housing	8,100,000
Watertown Savings Bank	Bank	7,321,050
Home Depot USA Inc.	Building Supplies	6,105,000

The ten larger taxpayers listed above have a total taxable assessed valuation of \$138,394,326, which represents 9.14% of the tax base of the District.

The School District experiences the impact of tax certiorari filings on a regular basis for which the School District has a tax certiorari reserve to cover. At this time, the level of tax certiorari filings are within acceptable norms and are not known or expected to have a material impact on the School District’s finances.

Source: District officials.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$98,700 or less in 2023-2024, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$81,400 for the 2023-24 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2019-20 Enacted State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption was lowered to \$250,000, compared with a \$500,000 limit for the credit. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. Homeowners with STAR Adjusted Gross Income of \$250,000 or less have the option to select the credit or the exemption.

The 2020-21 Enacted State Budget further modified the STAR program. Under such legislation, property owners with property tax delinquencies greater than one year are not eligible for the Basic STAR exemption or the Basic STAR credit. Recipients of the Enhanced STAR exemptions and credits are not impacted by this program; they may continue to receive STAR benefits even if their property taxes are delinquent.

The 2022-23 Enacted State Budget provided \$2.2 billion in State funding for a new one-year property tax relief credit, the Homeowner Tax Rebate Credit, for eligible low- and middle-income households, as well as eligible senior households. Under this program, basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients are eligible for the property tax rebate where the benefit is a percentage of the homeowners’ existing STAR benefit.

The below table lists the basic and enhanced exemption amounts for the 2024-25 District tax roll for the municipalities applicable to the District:

<u>Municipality</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
City of Watertown	\$ 69,720	\$ 24,900	11/17/2023
Town of LeRay	78,960	28,200	4/6/2023
Town of Pamela	84,000	30,000	4/6/2023
Town of Rutland	71,400	26,170	4/6/2023
Town of Watertown	44,190	16,290	4/6/2023

\$1,119,159 of the District’s \$17,112,142 school tax levy for 2022-23 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2023.

\$1,035,509 of the District’s \$17,491,524 school tax levy for 2023-24 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2024.

The District anticipates a similar amount of its tax levy to be exempted by the STAR for 2024-25.

Additional Tax Information

Real property located in the District is assessed by the Towns and the City.

Senior citizens' exemptions are offered to those who qualify.

The assessment roll of the District is constituted approximately as follows: 30% commercial, 12% industrial and 58% residential.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the District is approximately \$3,238 including County, City, Village, Town and School District taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020; however, recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation.

See "State Aid" for a discussion of the New Yorkers for Students' Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The School District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The School District may contract indebtedness only for a School District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the School District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

Debt Limit. The School District has the power to contract indebtedness for any School District purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. No down payment is required in connection with the issuance of District obligations.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

The School District has complied with this estoppel procedure in connection with the Notes.

The Board of Education, as the finance board of the School District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the School District, pursuant to the Local Finance Law.

The School District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the School District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. See "TAX LEVY LIMITATION LAW" for a discussion of the limitations on the power of the School District to levy taxes imposed by Chapter 97.

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bonds	\$ 18,295,000	\$ 14,705,000	\$ 18,595,000	\$ 15,525,000	\$ 12,490,000
Bond Anticipation Notes	10,598,186	9,265,000	0	12,715,000	13,905,000
Lease Obligations	<u>0</u>	<u>256,287</u>	<u>330,878</u>	<u>215,202</u>	<u>99,274</u>
Total Debt Outstanding	<u>\$ 28,893,186</u>	<u>\$ 24,226,287</u>	<u>\$ 18,925,878</u>	<u>\$ 28,455,202</u>	<u>\$ 26,494,274</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of September 19, 2024.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2025-2036	\$ 11,880,000
<u>Bond Anticipation Notes</u>		
Capital Project	June 26, 2025	<u>13,905,000</u>
	Total Indebtedness	<u>\$ 25,785,000</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared and shown as of September 19, 2024:

Full Valuation of Taxable Real Property.....		\$ 1,947,477,672
Debt Limit 10% thereof.....		194,747,767
<u>Inclusions:</u>		
Bonds.....	\$ 11,880,000	
Bond Anticipation Notes.....	<u>13,905,000</u>	
Total Inclusions.....		<u>\$ 25,785,000</u>
<u>Exclusions:</u>		
State Building Aid ⁽¹⁾	<u>\$ 0</u>	
Total Exclusions.....		<u>\$ 0</u>
Total Net Indebtedness		<u>\$ 25,785,000</u>
Net Debt-Contracting Margin.....		<u>\$ 168,962,767</u>
The percent of debt contracting power exhausted is		13.24%

⁽¹⁾ Pursuant to the Provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing bonded debt. Since the gross indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building aid Estimate. Over the years the building aid ratio has been adjusted based on State legislative changes with an effective date tied to voter authorization dates. Based on preliminary 2024-25 Building Aid Ratios, the School District anticipates State Building aid of 77.1% for debt service on SED approved expenditures from July 1, 2004 to the present. The School District has no reason to believe that it will not ultimately receive all of the Building aid it anticipates, however, no assurance can be given as to when and how much Building aid the School District will receive in relation to its capital project indebtedness.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the District.

Note: The above debt statement summary does not include any outstanding lease or installment purchase obligations, which are subject to appropriation but do not involve a pledge of faith and credit of the District, and therefore do not technically constitute indebtedness of the District. Such obligations are, however, counted against the debt limit of the District. The District remains within its debt limit after taking into account the outstanding balance of such obligations. (See “Other Obligations” herein.)

Note: On November 7, 2023, State voters approved a proposed amendment to the State Constitution that removed a constitutional debt limitation previously imposed on small city school districts. A small city school district is one that is partly or wholly within a city having fewer than one hundred twenty-five thousand inhabitants. The State Constitution previously provided that small city school districts were not allowed to contract indebtedness for education purposes that would exceed an amount equal to five percent of the average full valuation of taxable real estate in the school district. The approved amendment to the State Constitution eliminated that constitutional debt limitation applicable to small city school districts, rendering small city school districts subject to the same ten percent limitation applicable to other school districts in the State.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Cash Flow Borrowings

The School District has not found it necessary to issues revenue anticipation notes or tax anticipation notes, nor budget or deficiency notes, in the past five years and does not anticipate the need to issue such obligations in the foreseeable future.

Other Obligations

The District has entered into various installment purchase agreements to finance the cost of technology equipment. The following is a schedule of remaining payments due under such agreements as of June 30, 2024:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 67,199	\$ 2,279
2026	20,025	971
2027	<u>12,050</u>	<u>205</u>
Total:	<u>\$ 99,274</u>	<u>\$ 5,917</u>

Source: Audited financial statements of the District and District officials. Table itself not audited.

Capital Project Plans

On May 18, 2021, the qualified voters of the District approved a project consisting of the construction of renovations, upgrades and improvements to H.T. Wiley Intermediate School, Case Middle School and Watertown High School at a total estimated cost not to exceed \$13,000,000 (the “Capital Project”). To date, the District has issued \$13,000,000 bond anticipation notes pursuant to this authorization, of which \$12,505,000 bond anticipation notes are currently outstanding and will mature on June 26, 2025.

On May 16, 2023, the qualified voters of the District approved a proposition authorizing the construction of renovations, upgrades and improvements to the High School and High School Turf Field including, replacement of the stadium synthetic turf field and fencing improvements and replacements (the “Turf Project”) at a total estimated cost not to exceed \$1,400,000. To date, the District has issued \$1,400,000 bond anticipation notes pursuant to this authorization, of which \$1,400,000 bond anticipation notes are currently outstanding and will mature on June 26, 2025.

The District is currently completing a building condition survey and will be developing a capital project in anticipation of potentially presenting a referendum to voters in late 2024. The ultimate size of the project is not known at this time, but the District has about \$8 million in capital reserve to apply towards the project.

The District has no other authorized and unissued indebtedness for capital or other purposes nor are any contemplated at this time.

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the District. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Jefferson	6/28/2024	\$ 13,900,000 ⁽³⁾	\$ 610,000 ⁽²⁾	\$ 13,290,000	19.26%	\$ 2,559,654
City of:						
Watertown	6/4/2024	28,087,363 ⁽³⁾	14,138,130 ⁽²⁾	13,949,233	99.36%	13,859,958
Town of:						
LeRay	12/31/2022	8,720,260 ⁽⁴⁾	N/A ⁽⁵⁾	8,720,260	19.05%	1,661,210
Pamelia	12/31/2021	4,082,325 ⁽⁴⁾	N/A ⁽⁵⁾	4,082,325	3.77%	153,904
Rutland	12/31/2022	4,625,152 ⁽⁴⁾	N/A ⁽⁵⁾	4,625,152	3.04%	140,605
Watertown	3/18/2024	8,630,000 ⁽³⁾	3,915,000 ⁽²⁾	4,715,000	66.44%	3,132,646
Total:						<u>\$ 21,507,976</u>

Notes:

- (1) Outstanding bonds and bond anticipation notes of the respective municipality. Not adjusted to include subsequent issuances, if any, from the date of the status of indebtedness stated in the table above for each respective municipality.
- (2) Water debt, sewer debt and budgeted appropriations as applicable to the respective municipality. Water Indebtedness excluded pursuant to Article VIII, Section 5B of the New York State Constitution. Sewer Indebtedness excluded pursuant to Article VIII, Section 5E of the New York State Constitution, as further prescribed under section 124.10 of the Local Finance Law. Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.
- (3) Gross indebtedness, exclusions, and net-indebtedness sourced from available annual financial information & operating data filings and/or official statements of the respective municipality.
- (4) Gross indebtedness sourced from local government data provided by the State Comptroller's office for the most recent fiscal year such data is available for the respective municipality.
- (5) Information regarding excludable debt not available.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of September 19, 2024:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 25,785,000	\$ 861.97	1.32%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	47,292,976	1,580.96	2.43%

- (a) The 2022 estimated population of the District is 29,914. (See "THE SCHOOL DISTRICT - Population" herein.)
- (b) The District's full value of taxable real estate for the District's 2024-25 tax roll using regular state equalization rates is \$1,947,477,672. (See "TAX INFORMATION – Taxable Valuations" herein.)
- (c) See "Debt Statement Summary" herein.
- (d) Estimated net overlapping indebtedness is \$21,507,976. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

No Past Due Debt. No principal of or interest on School District indebtedness is past due. The School District has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the School District as well as the market for the Notes 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 State or 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 or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the School District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The School District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Notes, or the tax status of interest on the Notes. See "TAX MATTERS" herein.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

COVID-19

Since early calendar year 2020, the COVID-19 pandemic has had a notable impact on the world. With the conclusion of public health emergency statuses by the United States government and the World Health Organization in May 2023, it is expected that the pandemic's most notable impacts are in the past. However, a resurgence of COVID-19 or the emergence of a new pandemic or public health emergency could have a material adverse effect on the State, and the municipalities and school districts located in the State, including the District. To date, the School District has received significant funding from federal stimulus packages and reinstatement of State Foundation Aid, however the additional federal funding is anticipated to cease after the 2023-24 fiscal year. There can be no assurances that a resurgence of COVID-19 or the emergence of a new pandemic or public health emergency would not result in delays and/or reductions in State aid paid to school districts, including the District, or that such delays and/or reductions would be sufficiently counterbalanced by federal aid. Any delay or reduction in State aid payments to school districts would have a negative impact on the District's finances and operations. See "State Aid" herein.

TAX MATTERS

In the opinion of Trespasz Law Offices, LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX – E" hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The School District has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Notes being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or the City of New York, from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been advanced that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinions of Trespasz Law Offices, LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as APPENDIX – E”.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. Except as set forth below, the District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

On February 14, 2019, the Child Victims Act (“CVA”) was signed into law in New York. The CVA created a limited-duration window for victims of childhood sexual abuse to file previously time-barred civil lawsuits against individual alleged abusers and their then-employers. The CVA has resulted in thousands of lawsuits State-wide against entities such as schools, churches and youth organizations. To date, two (2) CVA lawsuits have been filed against the District. Both claims are still in the early stages of discovery and depositions have not yet been completed. Until such time as discovery is complete and the reports of medical and economic experts have been evaluated, the District will be unable to assess whether these claims, either individually, or in aggregate, will have a material impact on the District's finances.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the District will enter into an Undertaking to Provide Notice of Material Events Certificate, a description of which is attached hereto as “APPENDIX – D - UNDERTAKING TO PROVIDE NOTICES OF CERTAIN EVENTS”.

Historical Continuing Disclosure Compliance

The District is in compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12, however,

- The District was 6 days late in filing its Annual Financial Information and Operating Data (“AFIOD”) for the fiscal year ended June 30, 2022. The AFIOD was due to be filed no later than December 27, 2022 (180 days after the fiscal year end) but was not filed until January 2, 2023. The District has provided notice of its failure to file.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to Fiscal Advisors are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes (if issued in book-entry-only form). All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the District provided, however; the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATINGS

The Notes are NOT rated.

The District does not currently have any outstanding general obligation debt directly rated by Moody's Investors Service or Standard & Poor's Credit Market Services.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Trespasz Law Offices, LLP, Syracuse, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Brianne Durham, Assistant Superintendent for Operations and Finance, 1351 Washington Street, P.O. Box 586, Watertown, New York 13601, telephone (315) 785-3714, fax (315) 785-6855, email: bdurham@watertowncsd.org.

Additional information may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN

Dated: September 19, 2024

**JASON B. HARRINGTON
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER**

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 14,374,642	\$ 10,048,623	\$ 10,526,998	\$ 17,136,461	\$ 19,246,419
Restricted Cash	4,110,855	4,163,977	4,082,081	5,573,797	13,360,800
Taxes Receivable	316,860	356,549	544,248	378,804	323,192
State and Federal Aid Receivable	776,942	814,149	1,730,911	1,078,698	1,154,990
Due From Other Funds	5,588,426	16,790,662	27,337,681	28,561,884	33,381,769
Due From Fiduciary Funds	392	392	-	-	-
Due From Other Governments	1,076,104	3,681,928	3,212,368	2,289,034	1,707,970
Other Receivables	78,666	117,576	102,177	41,827	85,495
Prepays	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 26,322,887</u>	<u>\$ 35,973,856</u>	<u>\$ 47,536,464</u>	<u>\$ 55,060,505</u>	<u>\$ 69,260,635</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 707,364	\$ 370,834	\$ 548,730	\$ 1,012,546	\$ 884,151
Accrued Liabilities	1,119,263	1,123,536	1,594,700	1,543,454	1,381,801
Bond Interest and Matured Bonds Payable	-	-	-	-	-
Due to Other Funds	136,658	11,445,648	22,433,170	22,365,795	27,077,537
Due to Fiduciary Funds	92,457	78,758	-	-	-
Due to Other Governments	-	-	-	28	33,863
Due to Teachers' Retirement System	2,860,734	2,501,640	2,691,419	2,930,870	3,145,110
Due to Employees' Retirement System	209,580	212,902	238,244	186,622	264,145
Compensated Absences	49,593	24,155	77,202	111,598	79,925
Deferred Revenues	-	739,851	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>5,175,649</u>	<u>16,497,324</u>	<u>27,583,465</u>	<u>28,150,913</u>	<u>32,866,532</u>
 <u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,110,855	4,163,977	4,082,081	5,573,797	13,360,800
Assigned	11,921,353	10,067,726	10,539,765	10,180,451	8,583,985
Unassigned	5,115,030	5,244,829	5,331,153	11,155,344	14,449,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>21,147,238</u>	<u>19,476,532</u>	<u>19,952,999</u>	<u>26,909,592</u>	<u>36,394,103</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 26,322,887</u>	 <u>\$ 35,973,856</u>	 <u>\$ 47,536,464</u>	 <u>\$ 55,060,505</u>	 <u>\$ 69,260,635</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REVENUES					
Real Property Taxes	\$ 14,576,063	\$ 16,345,583	\$ 16,710,509	\$ 17,011,298	\$ 17,117,785
Other Tax Items	3,002,978	1,567,330	1,633,000	1,608,419	1,857,454
Charges for Services	256,997	123,806	255,788	127,197	202,213
Use of Money & Property	77,095	99,491	18,762	46,122	940,065
Sale of Property and Compensation for Loss	25,956	92,958	44,424	56,006	28,501
Miscellaneous	716,007	570,170	489,898	498,670	753,197
Interfund Revenues	132,172	-	-	-	-
Revenues from State Sources	43,382,934	45,867,781	45,055,920	48,206,772	53,798,407
Revenues from Federal Sources	478,267	306,100	2,773,378	424,150	598,633
Total Revenues	<u>\$ 62,648,469</u>	<u>\$ 64,973,219</u>	<u>\$ 66,981,679</u>	<u>\$ 67,978,634</u>	<u>\$ 75,296,255</u>
Other Sources:					
Interfund Transfers	-	-	250,000	160,000	-
Total Revenues and Other Sources	<u>62,648,469</u>	<u>64,973,219</u>	<u>67,231,679</u>	<u>68,138,634</u>	<u>75,296,255</u>
EXPENDITURES					
General Support	\$ 6,145,933	\$ 8,105,359	\$ 7,563,144	\$ 6,496,365	\$ 6,500,898
Instruction	33,697,383	33,815,996	33,439,432	29,094,996	33,728,193
Pupil Transportation	2,743,208	2,602,508	2,120,075	3,194,802	3,219,659
Employee Benefits	16,875,298	17,124,006	17,626,383	16,679,087	18,223,573
Debt Service	4,726,723	5,509,100	5,906,178	5,650,136	4,039,966
Total Expenditures	<u>\$ 64,188,545</u>	<u>\$ 67,156,969</u>	<u>\$ 66,655,212</u>	<u>\$ 61,115,386</u>	<u>\$ 65,712,289</u>
Other Uses:					
Interfund Transfers	-	100,000	100,000	66,655	99,455
Total Expenditures and Other Uses	<u>64,188,545</u>	<u>67,256,969</u>	<u>66,755,212</u>	<u>61,182,041</u>	<u>65,811,744</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,540,076)</u>	<u>(2,283,750)</u>	<u>476,467</u>	<u>6,956,593</u>	<u>9,484,511</u>
FUND BALANCE					
Fund Balance - Beginning of Year	22,687,314	21,147,238	19,476,532	19,952,999	26,909,592
Prior Period Adjustments (net)	-	613,044 ⁽¹⁾	-	-	-
Fund Balance - End of Year	<u>\$ 21,147,238</u>	<u>\$ 19,476,532</u>	<u>\$ 19,952,999</u>	<u>\$ 26,909,592</u>	<u>\$ 36,394,103</u>

(1) During the year ended June 30, 2020, an evaluation was performed on the balance of the fiduciary funds trust and agency account which determined that amounts included in Trust and Agency and held for future payments of health insurance was overstated by \$613,044. The overstatement was transferred from the Trust and Agency fund to the General Fund in the 2019-20 fiscal year. The transfer resulted in an increase in opening fund balance in the General Fund and the opening net position of governmental activities as of July 1, 2019 by \$613,044.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2023			2024	2025
	Adopted Budget	Final Budget	Audited Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes	\$ 17,128,139	\$ 17,128,139	\$ 17,117,785	\$ 17,502,935	\$ 17,502,935
Other Tax Items	1,225,642	1,225,642	1,857,454	1,488,585	1,550,437
Charges for Services	188,250	188,250	202,213	143,500	138,500
Use of Money & Property	8,000	8,000	940,065	25,500	25,500
Sale of Property and Compensation for Loss	10,000	10,000	28,501	15,000	15,000
Miscellaneous	346,000	346,000	753,197	367,500	348,000
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	53,728,788	53,728,788	53,798,407	63,480,535	68,018,873
Revenues from Federal Sources	400,000	400,000	598,633	400,000	375,000
Total Revenues	\$ 73,034,819	\$ 73,034,819	\$ 75,296,255	\$ 83,423,555	\$ 87,974,245
Other Sources:					
Interfund Transfers	-	-	-	250,000	-
Total Revenues and Other Sources	73,034,819	73,034,819	75,296,255	83,673,555	87,974,245
EXPENDITURES					
General Support	\$ 9,137,820	\$ 9,370,904	\$ 6,500,898	\$ 10,436,846	\$ 10,621,983
Instruction	43,438,944	43,413,061	33,728,193	48,436,315	52,361,085
Pupil Transportation	3,284,324	3,329,324	3,219,659	3,807,879	4,221,982
Employee Benefits	23,053,487	23,033,487	18,223,573	24,119,958	24,362,619
Debt Service	3,878,494	3,878,494	4,039,966	5,076,927	5,095,075
Total Expenditures	\$ 82,793,069	\$ 83,025,270	\$ 65,712,289	\$ 91,877,925	\$ 96,662,744
Other Uses:					
Interfund Transfers	190,000	190,000	99,455	190,000	190,000
Total Expenditures and Other Uses	82,983,069	83,215,270	65,811,744	92,067,925	96,852,744
Excess (Deficit) Revenues Over Expenditures	(9,948,250)	(10,180,451)	9,484,511	(8,394,370)	(8,878,499)
FUND BALANCE					
Fund Balance - Beginning of Year	9,948,250	10,180,451	26,909,592	8,394,370	8,878,499
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 36,394,103	\$ -	\$ -

Source: 2022-23 audited financial report and 2023-24 and 2024-25 adopted budgets (unaudited) of the School District.
This Appendix is not itself audited.

APPENDIX - B
Enlarged City School District of the City of Watertown

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2025	\$ 2,760,000	\$ 574,750	\$ 3,334,750
2026	2,335,000	452,450	2,787,450
2027	1,070,000	345,950	1,415,950
2028	1,120,000	299,075	1,419,075
2029	895,000	249,750	1,144,750
2030	935,000	207,400	1,142,400
2031	835,000	165,375	1,000,375
2032	735,000	127,000	862,000
2033	770,000	90,250	860,250
2034	810,000	51,750	861,750
2035	110,000	11,250	121,250
2036	115,000	5,750	120,750
TOTALS	\$ 12,490,000	\$ 2,580,750	\$ 15,070,750

Note: The above table does not include any energy performance contract, capital lease or installment purchase indebtedness, to the extent any such indebtedness may be applicable to the District.

APPENDIX - B1
Enlarged City School District of the City of Watertown

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2022C DASNY Refunding of 2012C			2022C DASNY Refunding of 2012H		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 610,000	\$ 74,750	\$ 684,750	\$ 1,395,000	\$ 128,750	\$ 1,523,750
2026	365,000	55,250	420,250	1,180,000	59,000	1,239,000
2027	245,000	43,050	288,050	-	-	-
2028	255,000	33,050	288,050	-	-	-
2029	260,000	22,750	282,750	-	-	-
2030	270,000	12,150	282,150	-	-	-
2031	135,000	3,375	138,375	-	-	-
TOTALS	\$ 2,140,000	\$ 244,375	\$ 2,384,375	\$ 2,575,000	\$ 187,750	\$ 2,762,750

Fiscal Year Ending June 30th	2014B DASNY Serial Bonds			2022A DASNY Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 235,000	\$ 31,750	\$ 266,750	\$ 520,000	\$ 339,500	\$ 859,500
2026	240,000	24,700	264,700	550,000	313,500	863,500
2027	250,000	16,900	266,900	575,000	286,000	861,000
2028	260,000	8,775	268,775	605,000	257,250	862,250
2029	-	-	-	635,000	227,000	862,000
2030	-	-	-	665,000	195,250	860,250
2031	-	-	-	700,000	162,000	862,000
2032	-	-	-	735,000	127,000	862,000
2033	-	-	-	770,000	90,250	860,250
2034	-	-	-	810,000	51,750	861,750
2035	-	-	-	110,000	11,250	121,250
2036	-	-	-	115,000	5,750	120,750
TOTALS	\$ 985,000	\$ 82,125	\$ 1,067,125	\$ 6,790,000	\$ 2,066,500	\$ 8,856,500

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN

2023-2024 ACTUAL MONTHLY CASH FLOW

(General Fund)

2023-24 CASHFLOW	2023		2024										12-MONTH TOTAL
	July	August	September	October	November	December	January	February	March	April	May	June	
Beginning Balance:	\$ 5,520,946	\$ 2,628,324	\$ 2,604,755	\$ 5,098,198	\$ 13,428,396	\$ 19,630,684	\$ 16,352,990	\$ 20,034,628	\$ 10,788,017	\$ 9,432,671	\$ 9,226,945	\$ 9,500,843	
Receipts:													
Real Property Taxes	\$ 69,084	\$ 57,345	\$ 7,731	\$ 8,555,827	\$ 8,138,028	\$ 572,759	\$ 47,894	\$ -	\$ -	\$ 54,267	\$ -	\$ -	\$ 17,502,935
State Aid Revenues	323,531	2,028,200	8,453,968	3,006,757	6,491,412	6,360,543	6,086,632	7,836,981	7,483,804	4,064,642	5,084,428	5,133,426	62,354,324
Other Revenues	383,230	204,074	218,109	150,005	239,840	216,764	210,336	324,208	297,964	232,552	251,569	264,652	2,993,303
Transfers	-	1,200,000	2,948,175	3,000,000	-	2,500,000	3,500,000	-	9,500,000	3,400,000	2,500,000	1,350,000	29,898,175
RAN Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	\$ 775,845	\$ 3,489,619	\$ 11,627,983	\$ 14,712,589	\$ 14,869,280	\$ 9,650,066	\$ 9,844,862	\$ 8,161,189	\$ 17,281,768	\$ 7,751,461	\$ 7,835,997	\$ 6,748,078	\$ 112,748,737
Disbursements:													
Warrant	\$ 2,451,852	\$ 1,497,105	\$ 2,669,419	\$ 2,920,485	\$ 2,639,842	\$ 3,407,902	\$ 2,775,647	\$ 2,339,570	\$ 2,649,207	\$ 2,573,020	\$ 2,728,550	\$ 2,462,050	\$ 31,114,649
Payroll	1,070,415	874,475	3,101,710	3,149,691	3,212,439	4,738,111	3,100,680	3,233,830	3,151,549	3,258,886	4,785,055	6,461,694	40,138,535
Debt Service	-	-	1,038,125	-	-	279,750	-	-	43,475	-	-	2,872,795	4,234,145
Other Expenditures	146,200	35,711	325,286	312,215	314,711	501,997	286,897	334,400	506,143	125,281	48,494	159,972	3,097,307
Transfers	-	1,105,897	2,000,000	-	2,500,000	4,000,000	-	11,500,000	12,286,740	2,000,000	-	2,000,000	37,392,637
RAN Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	\$ 3,668,467	\$ 3,513,188	\$ 9,134,540	\$ 6,382,391	\$ 8,666,992	\$ 12,927,760	\$ 6,163,224	\$ 17,407,800	\$ 18,637,114	\$ 7,957,187	\$ 7,562,099	\$ 13,956,511	\$ 115,977,273
Ending Balance:	\$ 2,628,324	\$ 2,604,755	\$ 5,098,198	\$ 13,428,396	\$ 19,630,684	\$ 16,352,990	\$ 20,034,628	\$ 10,788,017	\$ 9,432,671	\$ 9,226,945	\$ 9,500,843	\$ 2,292,410	

ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN

2024-2025 ESTIMATED MONTHLY CASH FLOW

(General Fund)

2024-25 CASHFLOW	2024		2025														16-MONTH TOTAL	
	July (Actual)	August (Actual)	September	October 1-20	October 20-31	November	December	January	February	March	April	May	June	July	August	September		October
Beginning Balance:	\$ 2,292,410	\$ 1,098,690	\$ 921,405	\$ 246,030	\$ 168,230	\$ 7,188,230	\$ 18,157,830	\$ 18,696,605	\$ 18,895,405	\$ 20,744,305	\$ 22,025,530	\$ 21,393,930	\$ 18,993,030	\$ 12,135,582	\$ 8,974,382	\$ 7,934,982	\$ 8,290,657	
Receipts:																		
Real Property Taxes	\$ -	\$ 59,614	\$ 7,000	\$ -	\$ 8,600,000	\$ 8,500,000	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ 8,000,000	\$ 25,973,614
State Aid Revenues	282,124	916,717	8,000,000	-	3,200,000	8,600,000	8,600,000	6,300,000	7,600,000	7,500,000	5,200,000	5,000,000	5,300,000	200,000	2,100,000	8,800,000	3,000,000	80,598,841
Other Revenues	485,716	227,613	200,000	150,000	-	200,000	200,000	200,000	300,000	250,000	200,000	250,000	200,000	400,000	200,000	200,000	150,000	3,813,329
Transfers	1,600,000	1,800,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,400,000
RAN Proceeds	-	-	-	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
Total Receipts	\$ 2,367,840	\$ 3,003,944	\$ 8,207,000	\$ 3,150,000	\$ 11,800,000	\$ 17,300,000	\$ 9,600,000	\$ 6,500,000	\$ 7,900,000	\$ 7,750,000	\$ 5,400,000	\$ 5,250,000	\$ 5,500,000	\$ 600,000	\$ 2,300,000	\$ 9,007,000	\$ 11,150,000	\$ 116,785,784
Disbursements:																		
Warrant	\$ 2,501,148	\$ 2,128,581	\$ 4,700,000	\$ 1,500,000	\$ 1,500,000	\$ 2,700,000	\$ 3,500,000	\$ 2,800,000	\$ 2,400,000	\$ 2,700,000	\$ 2,600,000	\$ 2,800,000	\$ 2,500,000	\$ 2,600,000	\$ 2,200,000	\$ 4,700,000	\$ 3,000,000	\$ 46,829,729
Payroll	906,912	1,015,148	3,200,000	1,500,000	1,700,000	3,300,000	4,800,000	3,200,000	3,300,000	3,200,000	3,300,000	4,800,000	6,500,000	1,000,000	1,100,000	3,200,000	3,200,000	49,222,060
Debt Service	-	-	647,375	-	-	-	234,125	-	-	37,375	-	-	3,189,448	-	-	392,625	-	4,500,948
Other Expenditures	153,500	37,500	335,000	227,800	1,580,000	330,400	527,100	301,200	351,100	531,400	131,600	50,900	168,000	161,200	39,400	358,700	344,200	5,629,000
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RAN Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,200,000	3,200,000
Total Disbursements	\$ 3,561,560	\$ 3,181,229	\$ 8,882,375	\$ 3,227,800	\$ 4,780,000	\$ 6,330,400	\$ 9,061,225	\$ 6,301,200	\$ 6,051,100	\$ 6,468,775	\$ 6,031,600	\$ 7,650,900	\$ 12,357,448	\$ 3,761,200	\$ 3,339,400	\$ 8,651,325	\$ 9,744,200	\$ 109,381,737
Ending Balance:	\$ 1,098,690	\$ 921,405	\$ 246,030	\$ 168,230	\$ 7,188,230	\$ 18,157,830	\$ 18,696,605	\$ 18,895,405	\$ 20,744,305	\$ 22,025,530	\$ 21,393,930	\$ 18,993,030	\$ 12,135,582	\$ 8,974,382	\$ 7,934,982	\$ 8,290,657	\$ 9,696,457	

Note: The District anticipates is largest deficit to occur on October 20, 2024 in the amount of \$2,831,770, exclusive of RAN proceeds.

UNDERTAKING TO PROVIDE NOTICES OF CERTAIN EVENTS

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a "financial obligation" (as defined by the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect noteholders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District has agreed to provide, or course to be provided, during the period in which the Notes are outstanding in a timely manner, to EMMA or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of its failure to provide the afordescribed material event notices, if any, on or before the date specified.

The District reserves the right to terminate its obligation to provide the afordescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District’s obligations under its material event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

FORM OF OPINION OF BOND COUNSEL

October 10, 2024

Enlarged City School District of the City of Watertown
1351 Washington Street
Watertown, New York 13601-4593

Re: Enlarged City School District of the City of Watertown
\$3,000,000 Revenue Anticipation Notes, 2024 CUSIP No. 942116 ____

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$3,000,000 Revenue Anticipation Notes, 2024 (the "Notes") of the Enlarged City School District of the City of Watertown, Jefferson County, State of New York (the "District"). The Notes are dated October 10, 2024 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District and a Certificate of Determination dated on or before October 10, 2024 of the President of the Board of Education relative to the form and terms of the Notes.

In our opinion, the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all taxable real property within the District is subject to levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to the statutory limitations imposed by Chapter 97 of the Laws of 2011. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereinafter enacted.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. The President of the Board of Education of the District, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the District delivered concurrently with the delivery of the Notes, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

In our opinion, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Notes and the Arbitrage and Use of Proceeds Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against New York municipal corporations such as the School District. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. The opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the School District, together with other legally available sources of revenue, if any, will be sufficient to enable the School District to pay the principal of or interest on the Notes as the same respectively become due and payable. Reference should be made to the Official Statement for factual information, which, in the judgment of the School District would materially affect the ability of the School District to pay such principal and interest. We have not verified the accuracy, completeness or fairness of the factual information contained in the Official Statement and, accordingly, no opinion is expressed by us as to whether the School District, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

We have examined the first executed Note of each said issue and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

TRESPASZ LAW OFFICES, LLP

**ENLARGED CITY SCHOOL DISTRICT OF THE CITY OF WATERTOWN
JEFFERSON COUNTY, NEW YORK**

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2023

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

The District's independent auditor has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The District's independent auditor also has not performed any procedures relating to this Official Statement.

WATERTOWN CITY
SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION WATERTOWN CITY SCHOOL DISTRICT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-23), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 89), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 90-91), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 92), and Schedule of District's Contributions – NYSLRS Pension Plan (page 93) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

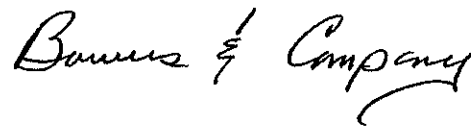
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watertown City School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 94-100), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (pages 107-108) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, Net Investment in Capital Assets (pages 94-100) and the Schedule of Expenditures of Federal Awards (pages 107-108) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023 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.



Watertown, New York
October 5, 2023

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

INTRODUCTION

The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2023. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. Responsibility for completeness and fairness of the information contained rests with the School District.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

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

The School District is staffed by approximately 850 full-time and part-time employees who provide services to 4,000 students and other community members. The School District currently operates five elementary schools (K-4), one intermediate school (5-6), one middle school (7-8) and a high school (9-12).

Extra Classroom Activity Funds – These funds are considered a component unit of the School District. Financial Statements can be found in the School District's business office at 1351 Washington Street, PO Box 586, Watertown, NY 13601.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY - Continued

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

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) REPORT

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

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

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

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund had \$75,296,255 in incoming monies and \$65,811,744 in monies coming out. The General Fund's fund balance increased \$9,484,511 from 2022.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL HIGHLIGHTS – Continued

- The unappropriated fund balance will be used over the next three to four years to fund reserves for future capital projects and control the tax levy. The School District finished the 2022-23 fiscal year in good financial condition. We had a 0.69% increase in the tax levy for 2022-23 which resulted in a \$116,638 increase in the levy of taxes for the 2022-23 fiscal year.
- District-wide revenues totaled \$92,410,599 and total expenses were \$89,957,677. The change in net position was \$2,452,922. Net position at year end was (\$134,431,078).
- General revenues accounted for \$75,483,274 or 79% of all revenues. Program specific revenues in the form of charges for services, operating and capital grants amounted to \$16,927,325 or 21% of total revenues of \$92,410,599.
- The District refunded \$8,570,000 of 2012 Bonds with \$8,295,000 of 2022 DASNY Bonds. The present value savings is approximately \$285,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially from July 1, 2022 through June 30, 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS - Continued

Governmental Funds

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

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$134,431,078 at the close of the most recent fiscal year. This represents a \$2,452,922 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, 2023, the OPEB liability was \$238,705,585 as compared to \$255,294,713 reported at the close of the prior fiscal year. See Note 11 for additional OPEB information.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

**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

	2022	2023
Assets		
Current and Other Assets	\$ 36,222,977	\$ 57,702,475
Capital Assets, Net	66,598,580	67,356,925
Net Pension Asset - Proportionate Share	28,238,094	-
Total Assets	<u>\$ 131,059,651</u>	<u>\$ 125,059,400</u>
Deferred Outflows of Resources		
Other Postemployment Benefits	\$ 39,937,818	\$ 34,063,408
Pensions	18,346,421	18,802,568
Deferred Charge on Refunding	24,042	20,901
Total Deferred Outflows of Resources	<u>\$ 58,308,281</u>	<u>\$ 52,886,877</u>
Liabilities		
Current Liabilities	\$ 9,760,229	\$ 22,718,339
Long-Term Liabilities	273,747,341	262,245,449
Total Liabilities	<u>\$ 283,507,570</u>	<u>\$ 284,963,788</u>
Deferred Inflows of Resources		
Other Postemployment Benefits	\$ 7,140,186	\$ 25,630,692
Pensions	35,604,176	1,782,875
Total Deferred Inflows of Resources	<u>\$ 42,744,362</u>	<u>\$ 27,413,567</u>
Net Position (Deficit)		
Net Investment in Capital Assets	\$ 45,603,477	\$ 47,831,737
Restricted	7,302,605	15,467,711
Unrestricted (Deficit)	(189,790,082)	(197,730,526)
Total Net Position (Deficit)	<u>\$ (136,884,000)</u>	<u>\$ (134,431,078)</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

**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 \$7,940,444. This decrease was largely due to the requirements for GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* relating to change in discount rates. The resulting net adjustment was a decrease of \$7,775,788.

Table 2: Condensed Statement of Activities

	2022	2023	Percentage Change
Revenues			
<i>General Revenues</i>			
Property and Other Tax Items	\$ 17,011,298	\$ 17,117,785	0.63%
Other Tax Items	1,608,419	1,857,454	15.48%
State Aid Formula	48,206,772	53,798,407	11.60%
Other	1,195,093	2,709,628	126.73%
<i>Program Revenues</i>			
Charges for Services	184,870	282,984	53.07%
Operating Grants	17,458,514	16,405,975	-6.03%
Capital Grants	3,375,613	238,366	-92.94%
Total Revenues	<u>89,040,579</u>	<u>92,410,599</u>	<u>3.78%</u>
Expenses			
General Support	11,978,927	14,950,499	24.81%
Instruction	68,741,288	68,511,348	-0.33%
Pupil Transportation	3,317,053	3,330,094	0.39%
School Food Service	2,425,750	2,842,112	17.16%
Debt Service	404,312	323,624	-19.96%
Total Expenses	<u>86,867,330</u>	<u>89,957,677</u>	<u>3.56%</u>
Change in Net Position	<u>\$ 2,173,249</u>	<u>\$ 2,452,922</u>	<u>12.87%</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

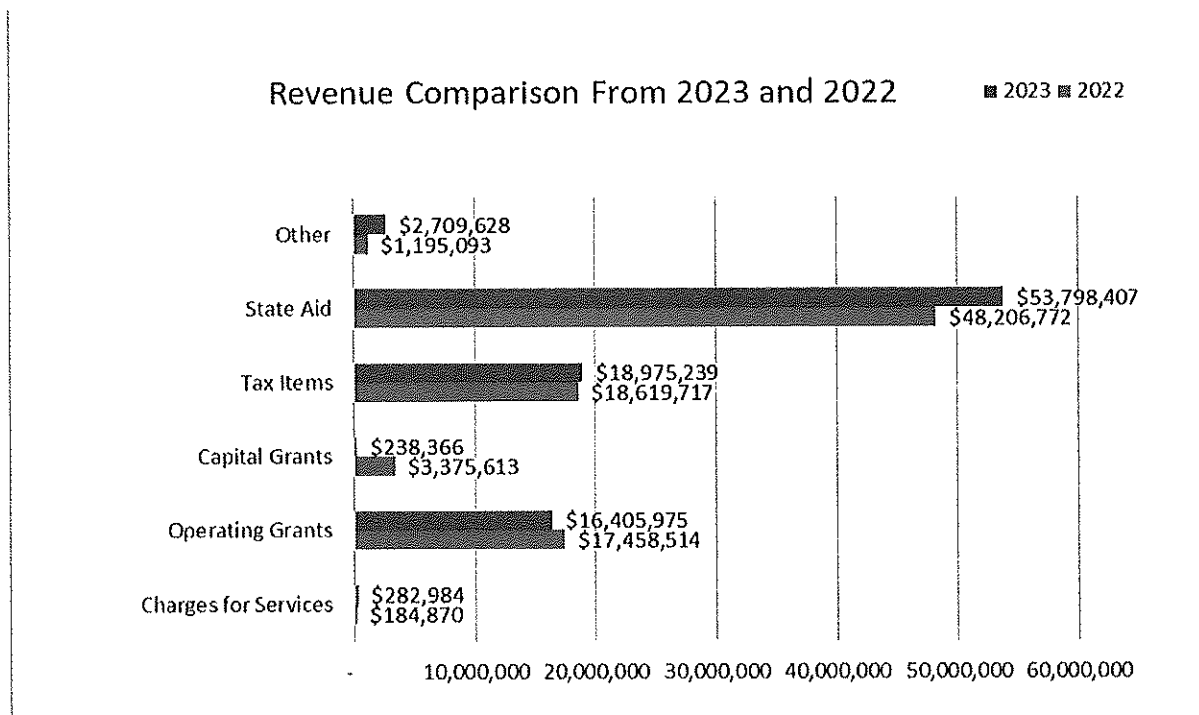
June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues

Total revenues increased 3.78%.

State aid increased by approximately \$5.6 million from 2021-2022 to 2022-2023.

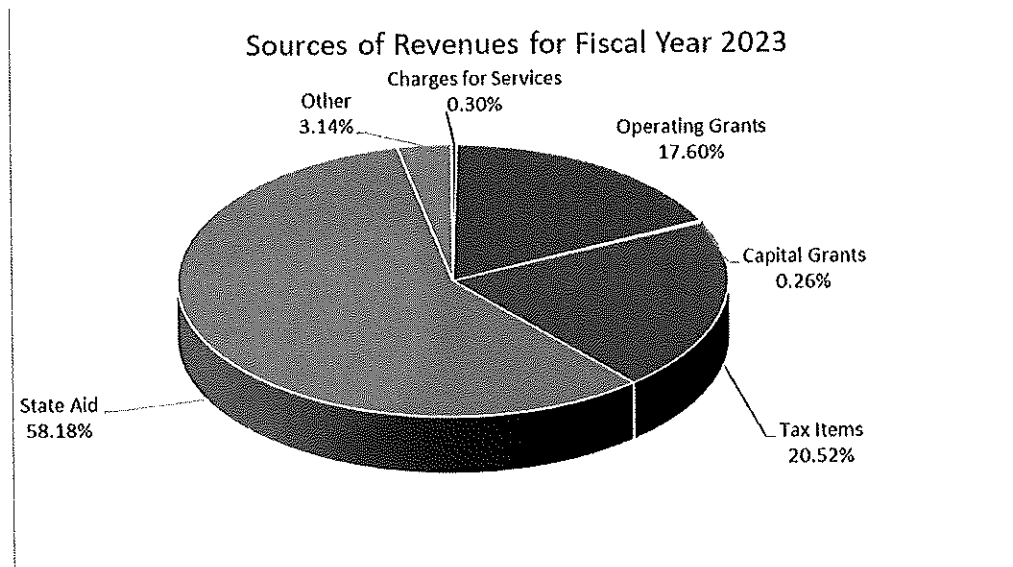


MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total expenses increased 3.56%.

General Support

General support consists of the Board of Education, Central Administration, Finance, Human Resources, Maintenance, Utilities, Central Printing, Central Data Processing, Fire and Liability Insurance, and BOCES Administrative costs.

Instruction

Instruction includes costs associated with teachers and entire instructional staff including aides and assistants.

Pupil Transportation

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

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

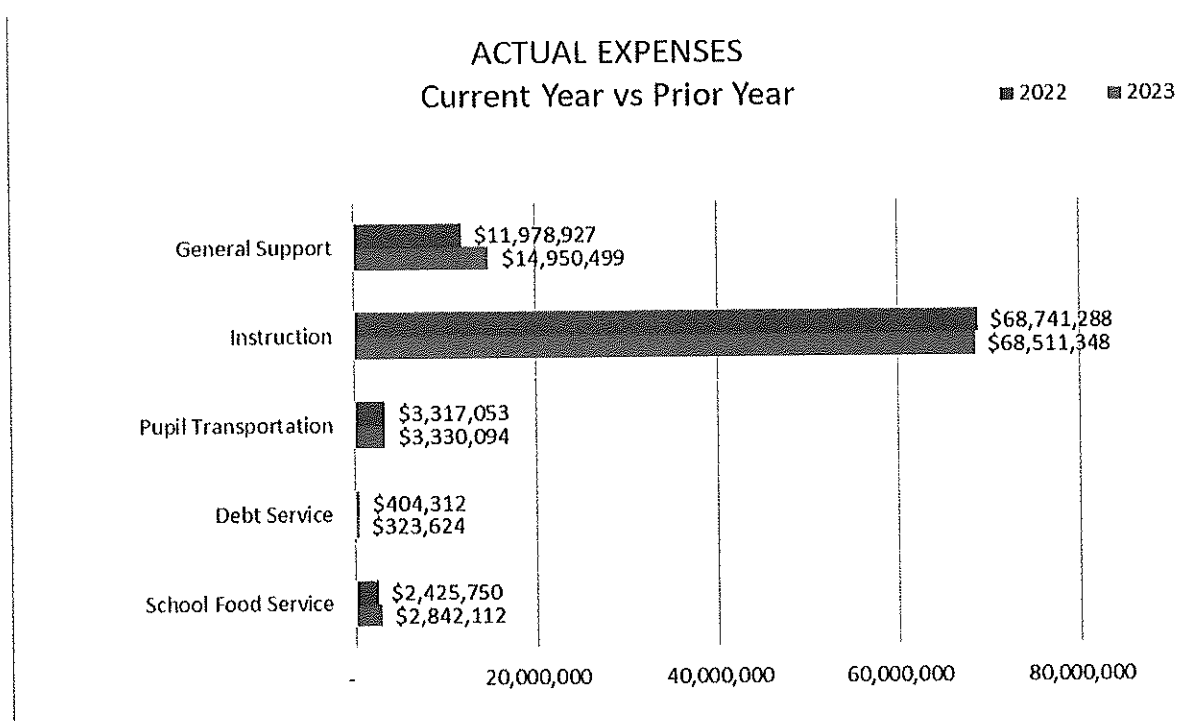
School Food Service Program

The School Food Service Program expenses increased by 17.16% from the prior year. The increase was related to an increase in associated expenses, inventory shortages, and cost of goods sold increased across the board. The District was eligible for CEP (Community Eligibility Provision) in the 2022-23 school year whereas all students were able to receive a free breakfast and lunch.

Debt Service

Debt service decreased by 19.96%. See note 6 and 7 for more details.

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2023 in comparison to the prior year:



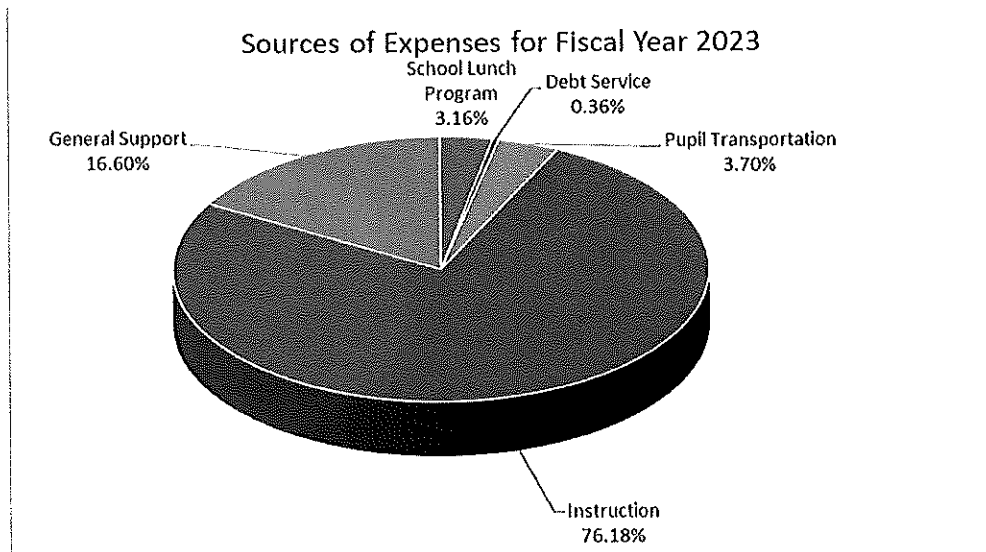
WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued

Expenses - Continued



CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of the fiscal year 2023, the School District had \$67,356,925 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 2022 balances to 2023.

	2022	2023	Total Percentage Change
Land	\$ 654,977	\$ 654,977	0.00%
Construction in Progress	4,174,824	3,167,931	-24.12%
Buildings and Improvements	60,664,207	62,344,497	2.77%
Furniture and Equipment	658,955	904,723	37.30%
Intangible Lease Assets	445,617	284,797	-36.09%
Total	\$ 66,598,580	\$ 67,356,925	1.14%

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

On May 18, 2021, the voters approved a capital project in the amount of \$13,000,000 to improve safety and security for students, renovate and enhance existing infrastructure, and modernize our educational environment. The project has been approved by the State Education Department and is in the construction phases and current costs remain in construction in progress. The project is being funded with BANs in the short-term, which will be converted to long-term bonds at completion of the project.

On May 16, 2023, the voters approved a capital project in the amount of \$1,400,000 for improvements at Watertown High School and the turf field. The project is in the initial design phase and has not yet received approval from the State Education Department.

Total Net Capital Assets increased \$758,345 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 July 2022 for \$5,000,000, which was renewed in June 2023 in the amount of \$12,715,000. Outstanding BAN's payable at June 30, 2023 are reported in the Capital Fund in the amount of \$12,715,000. The BAN is being used as short-term financing for the \$13M capital project in process. For more information refer to Note 6.

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 2012 to 2022. The earliest bond issue, 2012, will be complete on June 1, 2026. The last date that bonds will be paid is June 15, 2036. The District participated in DASNY refunding our old 2012C and 2012H bonds to newly issued bonds on October 4, 2022. Anticipated savings from this is roughly \$285,000 over the life of the debt.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Long-Term Debt – Continued

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2023 and 2022:

	2021-2022	2022-2023
Due and Payable in One Year, Net	\$ 3,162,191	\$ 2,419,433
Due and Payable After One Year, Net	<u>17,526,076</u>	<u>14,830,640</u>
Total Long-Term Bonds Payable, Net of Unamortized Premium	<u>\$ 20,688,267</u>	<u>\$ 17,250,073</u>

For more information refer to Note 7.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Revenues for the District's governmental funds totaled \$92,271,688. Expenditures for the year ended June 30, 2023 were \$84,759,281, resulting in a excess of revenues over expenditures of \$7,512,407.

Table 4: Summary of Governmental Funds Expenditures

The cost of the District's activities for 2023 and 2022 were as follows:

	2022	2023
General Support	\$ 7,311,367	\$ 10,785,193
Instruction	42,984,681	41,899,513
Pupil Transportation	3,194,802	3,219,659
Employee Benefits	19,147,163	20,158,330
Debt Service	5,671,132	4,062,711
Capital Expenditures	2,610,544	2,706,541
Other Expenditures	134,794	203,885
Cost of Sales - School Food Service	1,307,064	1,623,994
Total Expenditures	<u>\$ 82,361,547</u>	<u>\$ 84,659,826</u>

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

General Fund

The General Fund showed an end of year fund balance of \$36,394,103. This is up from the prior year's fund balance of \$26,909,592. Of this end of year fund balance, \$13,360,800 was restricted, \$8,394,370 was assigned to the 2023-24 budget as a source of funds plus encumbrances of \$189,615, leaving \$14,449,318 as unassigned. This represented 15.69% of the 2023-2024 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 in the construction phase and will hopefully be wrapping up by early 2024.

The Smart Schools Bond Act project in the amount of \$3,624,125 remains in process, with \$3,613,979 of expenditures incurred to date. The project is funded through State Aid and has a deficit of (\$1,463,682) due to reimbursements for prior year and current year expenditures not yet submitted or collected as of June 30, 2023.

On May 16, 2023, the voters approved a capital project in the amount of \$1,400,000 for improvements at Watertown High School and the turf field. The project is in the initial design phase.

During the year ended June 30, 2023, the District used \$8,295,000 in general obligation bonds to advance refund \$8,570,000 of outstanding 2012 bonds, with expected present value savings of approximately \$285,000.

School Food Service Fund

The School Food Service Fund Balance had revenues exceeding expenditures by \$256,879 in the current year. The current year increase and change in fund balance was due mainly to having everyone back in school increasing revenues, while inventory shortages caused limited expenditures in certain areas by not allowing us to get everything that was preferred for the program. The District started Community Eligibility Provision (CEP) in December 2016. This provision provides meals to students in our District at no cost to the families. The District is then reimbursed at a percentage of free and paid rates via the National School Lunch Program.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Special Aid Fund

Federal and State grants provide funding for specific purposes ranging from academic intervention services to meeting the needs of students with disabilities. The following chart indicates the 2022-2023 revenues for each grant.

	Purpose	2022-2023
Title I	Improving Academic Achievement	\$ 2,452,385
Title II	Supporting Effective Instruction State Grants	206,531
Title III	Limited English Proficiency	3,741
Title IV	English Language	315,211
DODEA IV	Department of Defense Grant	206,945
IDEA	School Age Special Ed	1,136,599
IDEA	Preschool Special Ed	44,430
UPK	Universal Pre-K	3,009,644
ARPA	American Rescue Plan	5,076,083
Section 4408	Summer School Handicapped	121,904
Other	Various	455,751
		<u>\$ 13,029,224</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District was able to keep actual expenditures incurred within the final budget amounts without use of appropriated fund balance.

The School District continues to be in excellent financial condition with a total of \$36,130,599 in fund balance of which \$21,944,785 is restricted for the 2023-24 tax levy, encumbrances, debt service, unemployment benefits, property loss and liabilities, tax certiorari's, employer benefits, and \$14,449,318 unassigned for emergency, unanticipated expenditures and future tax levies.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued

Table 5: Final Revenue Budget Compared to Actual Revenues

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Tax Items	\$ 18,353,781	\$ 18,975,239	\$ 621,458
Charges for Services	188,250	202,213	13,963
Use of Money and Property	8,000	940,065	932,065
Sale of Property and Compensation for Loss	10,000	28,501	18,501
Miscellaneous	346,000	753,197	407,197
State Sources	53,728,788	53,798,407	69,619
Federal Sources	400,000	598,633	198,633
	<u>\$ 73,034,819</u>	<u>\$ 75,296,255</u>	<u>\$ 2,261,436</u>

The total difference between Final Budgeted Revenues and Actual Revenues for 2022-2023 is \$2,261,436. This difference is mainly due improved interest rates, miscellaneous grants, and an increase in our sales tax revenues.

Table 6: Final Expenditure Budget Compared to Actual Expenditures

	<u>Final Budget</u>	<u>Actual Plus Encumbrances</u>	<u>Variance</u>
General Support	\$ 9,370,904	\$ 6,522,549	\$ 2,848,355
Instruction	43,413,061	33,896,157	9,516,904
Pupil Transportation	3,329,324	3,219,659	109,665
Employee Benefits	23,033,487	18,223,573	4,809,914
Debt Service	3,878,494	4,039,966	(161,472)
Transfers to Other Funds	190,000	99,455	90,545
	<u>\$ 83,215,270</u>	<u>\$ 66,001,359</u>	<u>\$ 17,213,911</u>

The total difference between Final Budgeted Expenditures and Actual Expenditures and Encumbrances was \$17,213,911. This variance is due mainly to variances in three areas, Instruction, General Support, and Employee Benefits. Instruction and employee benefits was under expended by \$14,326,818 in total. This variance is due to utilization of COVID federal grant funds to supplement the budget in areas such as teacher salaries and special education and the related benefit costs, which were reported in the Special Aid Fund in the current year. General Support was under expended by \$2,848,355 due to the COVID-19 pandemic hampering supply chain for many items the District attempted to purchase, such as work trucks and availability of maintenance equipment. COVID also contributed to vacancies throughout the District which were unable to be filled and continue to have difficulty with finding qualified people to fill roles.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CURRENT FINANCIAL ISSUES AND CONCERNS

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

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

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

As a result of the COVID pandemic, there may be future cuts to State budgets and a potential future impact on the District, but the District has reserves and fund balance available to help cover some of the potential reductions in State Aid.

These issues require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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.

WATERTOWN CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Joshua Hartshorne, Assistant Superintendent of Finance
Watertown City School District
1351 Washington Street
PO Box 586
Watertown, New York 13601
email: jhartshorne@watertowncsd.org

WATERTOWN CITY SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2023

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 22,068,943
Restricted	26,295,181
Receivables	
Taxes	323,192
State and Federal Aid	7,047,891
Due from Other Governments	1,711,761
Other	93,916
Inventories	161,591
Capital Assets, Net	67,356,925
TOTAL ASSETS	\$ 125,059,400
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$ 18,802,568
Other Postemployment Benefits	34,063,408
Deferred Charge on Refunding	20,901
Total Deferred Outflows of Resources	\$ 52,886,877
LIABILITIES	
Payables	
Accounts Payable	\$ 2,417,553
Accrued Liabilities	1,403,865
Accrued Interest on BAN and Bonds Payable	74,784
Due to Other Governments	33,894
Due to Teachers' Retirement System	3,145,110
Due to Employees' Retirement System	264,145
Compensated Absences Payable - Current	79,925
Bond Anticipation Note Payable	12,715,000
Unearned Credits	
Unearned Revenues - Other	48,702
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	2,419,433
Lease Liability	115,928
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	14,830,640
Lease Liability	99,274
Compensated Absences Payable	726,267
Net Pension Liability - Proportionate Share	7,883,683
Other Postemployment Benefits Payable	238,705,585
TOTAL LIABILITIES	\$ 284,963,788
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 25,630,692
Pensions	1,782,875
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 27,413,567
NET POSITION	
Net Investment in Capital Assets	\$ 47,831,737
Restricted	
Debt Service	1,946,935
Other Legal Restrictions	13,520,776
Unrestricted (Deficit)	(197,730,526)
TOTAL NET POSITION	\$ (134,431,078)

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, 2023

		Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position	
FUNCTIONS/PROGRAMS					
General Support	\$ 14,950,499	\$ -	\$ -	\$ 238,366	\$ (14,712,133)
Instruction	68,511,348	202,213	13,223,305	-	(55,085,830)
Pupil Transportation	3,330,094	-	-	-	(3,330,094)
Debt Service - Interest	323,624	-	-	-	(323,624)
School Food Service Program	2,842,112	80,771	3,182,670	-	421,329
	\$ 89,957,677	\$ 282,984	\$ 16,405,975	\$ 238,366	(73,030,352)
 GENERAL REVENUES					
Real Property Taxes					17,117,785
Other Tax Items					1,857,454
Use of Money and Property					1,298,333
Sale of Property and Compensation for Loss					28,501
State Sources					53,798,407
Medicaid Reimbursements					36,864
Federal Sources					367,688
Miscellaneous					978,242
					75,483,274
					2,452,922
Change in Net Position					(136,884,000)
Net Position - Beginning of Year					\$ (134,431,078)
Net Position - End of Year					\$ (134,431,078)

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Capital Projects Fund - District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents					
Unrestricted	\$ 19,246,419	\$ -	\$ 718,667	\$ 2,103,857	\$ 22,068,943
Restricted	13,360,800	11,759,063	-	1,175,318	26,295,181
Receivables					
Taxes	323,192	-	-	-	323,192
State and Federal Aid	1,154,990	-	4,210,696	1,682,205	7,047,891
Due from Other Funds	33,381,769	40,128,100	-	956,278	74,466,147
Due from Other Governments	1,707,970	-	-	3,791	1,711,761
Other	85,495	-	8,421	-	93,916
Inventories	-	-	-	161,591	161,591
TOTAL ASSETS	\$ 69,260,635	\$ 51,887,163	\$ 4,937,784	\$ 6,083,040	\$ 132,168,622
LIABILITIES					
Payables					
Accounts Payable	\$ 884,151	\$ 1,124,877	\$ 371,894	\$ 36,631	\$ 2,417,553
Accrued Liabilities	1,381,801	-	7,383	14,681	1,403,865
Due to Other Funds	27,077,537	41,203,217	4,509,805	1,675,588	74,466,147
Due to Other Governments	33,863	-	-	31	33,894
Due to Teachers' Retirement System	3,145,110	-	-	-	3,145,110
Due to Employees' Retirement System	264,145	-	-	-	264,145
Compensated Absences Payable	79,925	-	-	-	79,925
Bond Anticipation Note Payable	-	12,715,000	-	-	12,715,000
Unearned Credits					
Unearned Revenues- Other	-	-	48,702	-	48,702
Total Liabilities	32,866,532	55,043,094	4,937,784	1,726,931	94,574,341
DEFERRED INFLOWS OF RESOURCES					
Deferred State Aid	-	-	-	1,463,682	1,463,682
Total Deferred Inflows of Resources	-	-	-	1,463,682	1,463,682
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	161,591	161,591
Restricted	13,360,800	-	-	2,106,911	15,467,711
Assigned	8,583,985	-	-	2,099,607	10,683,592
Unassigned (Deficit)	14,449,318	(3,155,931)	-	(1,475,682)	9,817,705
Total Fund Balances (Deficits)	36,394,103	(3,155,931)	-	2,892,427	36,130,599
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 69,260,635	\$ 51,887,163	\$ 4,937,784	\$ 6,083,040	\$ 132,168,622

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, 2023

Total Fund Balance - Governmental Funds \$ 36,130,599

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

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

Net Pension Liability - Proportionate Share - TRS	\$ (2,934,906)	
Net Pension Liability - Proportionate Share - ERS	<u>(4,948,777)</u>	(7,883,683)

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	\$ 25,630,692	
Pensions	<u>1,782,875</u>	(27,413,567)

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	\$ 34,063,408	
Pensions	18,802,568	
Deferred Charge on Refunding	<u>20,901</u>	52,886,877

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to Smart Schools Bond Funding is reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.

1,463,682

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

Cost of Capital Assets	\$ 104,744,113	
Accumulated Depreciation and Amortization	<u>(37,387,188)</u>	67,356,925

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

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

June 30, 2023

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	\$ 15,525,000	
Accrued Interest on BAN and Bonds Payable	74,784	
Lease Liability	215,202	
Compensated Absences Payable	726,267	
Other Postemployment Benefits Payable	238,705,585	
Premium on Bond Issue	<u>1,725,073</u>	<u>(256,971,911)</u>
Total Net Position - Governmental Activities		<u><u>\$ (134,431,078)</u></u>

WATERTOWN CITY SCHOOL DISTRICT

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

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund- District Wide</u>	<u>Special Aid Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real Property Taxes	\$ 17,117,785	\$ -	\$ -	\$ -	\$ 17,117,785
Other Tax Items	1,857,454	-	-	-	1,857,454
Charges for Services	202,213	-	-	-	202,213
Sale of Property and Compensation for Loss	28,501	-	-	-	28,501
Use of Money and Property	940,065	-	-	238,111	1,178,176
Miscellaneous	753,197	-	-	225,062	978,259
State Sources	53,798,407	-	3,342,086	57,999	57,198,492
Medicaid Reimbursements	36,864	-	-	-	36,864
Federal Sources	561,769	-	9,687,138	2,906,690	13,155,597
Surplus Food	-	-	-	217,981	217,981
Sales - School Food Service	-	-	-	80,754	80,754
Total Revenues	<u>75,296,255</u>	<u>-</u>	<u>13,029,224</u>	<u>3,726,597</u>	<u>92,052,076</u>
EXPENDITURES					
General Support	6,500,898	-	3,240,142	1,044,153	10,785,193
Instruction	33,728,193	-	8,171,320	-	41,899,513
Pupil Transportation	3,219,659	-	-	-	3,219,659
Employee Benefits	18,223,573	-	1,617,762	316,995	20,158,330
Debt Service:					
Principal	2,891,132	-	-	19,544	2,910,676
Interest	1,148,834	-	-	3,201	1,152,035
Cost of Sales - School Food Service	-	-	-	1,623,994	1,623,994
Other Expenditures	-	-	-	203,885	203,885
Capital Outlay	-	2,356,720	-	349,821	2,706,541
Total Expenditures	<u>65,712,289</u>	<u>2,356,720</u>	<u>13,029,224</u>	<u>3,561,593</u>	<u>84,659,826</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>9,583,966</u>	<u>(2,356,720)</u>	<u>-</u>	<u>165,004</u>	<u>7,392,250</u>
OTHER FINANCING SOURCES AND (USES)					
Operating Transfers In	-	-	-	99,455	99,455
Operating Transfers (Out)	(99,455)	-	-	-	(99,455)
Proceeds from Bond Refunding	-	-	-	8,295,000	8,295,000
Payment to Escrow Agent	-	-	-	(8,595,983)	(8,595,983)
Debt Issuance Costs	-	-	-	(158,516)	(158,516)
Premium on Debt Issuance	-	-	-	579,656	579,656
Total Other Financing Sources (Uses)	<u>(99,455)</u>	<u>-</u>	<u>-</u>	<u>219,612</u>	<u>120,157</u>
Net Change in Fund Balances	9,484,511	(2,356,720)	-	384,616	7,512,407
Fund Balances (Deficits) - Beginning of Year	<u>26,909,592</u>	<u>(799,211)</u>	<u>-</u>	<u>2,507,811</u>	<u>28,618,192</u>
Fund Balances (Deficits) - End of Year	<u>\$ 36,394,103</u>	<u>\$ (3,155,931)</u>	<u>\$ -</u>	<u>\$ 2,892,427</u>	<u>\$ 36,130,599</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 7,512,407

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial individual cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period.

Capital Outlays	\$	2,971,939	
Depreciation and Amortization Expense		<u>(2,213,594)</u>	758,345

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. 2,910,676

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. Payment to the escrow agent relating to debt refunding is an expenditure in the governmental funds, however, the amount reduced the outstanding bonds payables on the Statement of Net Position. These are the amounts related to the bond refunding during the year:

Refunding Bond Proceeds	\$	(8,295,000)	
Premium Earned		(459,499)	
Amortization of Refunded Bonds			
Premium and Deferred Charge on Refunding		434,218	
Principal Payment to Refunded Bond Escrow Agent		<u>8,595,983</u>	275,702

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 – CONTINUED**

Year Ended June 30, 2023

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	\$	29,842	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding		364,351	394,193

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement)--are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (16,650)

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to Smart Schools Bond Funding is reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 238,366

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. (7,775,788)

(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	\$	(864,253)	
Employees' Retirement System		(980,076)	(1,844,329)

Change in Net Position of Governmental Activities **\$ 2,452,922**

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

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

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2023

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

See notes to audited basic financial statements.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extra Classroom Activity Funds

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

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

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

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

During the year, the District was billed \$7,530,210 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to \$4,191,126. This represents state aid distributions of \$3,795,489 and 2022 fund balance returned to schools of \$395,637.

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Statements

The fund statements provide information about the District's funds, including each type of fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition, extra classroom activity funds which the District has administrative involvement or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

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

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

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

Capital Projects Funds: These funds are used to account for the financial resources used for the acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

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

There is one class of fiduciary funds:

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

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

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

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

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 6, 2022. Taxes are collected during the period October 6, 2022 to December 6, 2022.

The City and County in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Restricted Resources

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

Interfund Transactions

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

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

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

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

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

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

Receivables

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

Inventories and Prepaid Items

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

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Assets

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

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

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to July 1, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

The District does not possess any infrastructure.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Intangible Lease Assets

Intangible lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. A capitalization threshold of \$5,000 is used for lease acquisitions that are prepaid and have no corresponding lease liability. Intangible lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and the changes on assumptions and other inputs. The fourth item is the District's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources - Continued

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as deferred inflow of resources for Smart Schools Bond Act payments which have not yet been received within 60 days of year-end. They represent a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-Wide Statement of Activities. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS system) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to the resources, the liability for unearned revenues is removed and revenue is recognized.

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits - Continued

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

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

Other Benefits

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

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

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

Short-Term Debt

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt - Continued

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes are converted to long-term financing within five years after the original issue date.

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full, in a timely manner, from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Equity Classifications

District-Wide Statements

In the District-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation and amortization) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Restricted Net Position – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$161,591.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Extra Classroom Activity Funds

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

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, expenditures made from the employee benefit accrued liability reserve fund must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Unemployment Insurance

According to General Municipal Law §6-m, all expenditures made from the unemployment insurance payment reserve fund must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Insurance

According to General Municipal Law §6-n, all expenditures made from the insurance reserve fund must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Liability Claims and Property Loss

According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population under 125,000. These reserves are accounted for in the General Fund.

Repairs

According to General Municipal Law §6-d, expenditures made from the repair reserve fund must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Tax Certiorari

According to Education Law §3651.1-a, funds must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

Capital

According to Education Law §3651, all expenditures made from the capital reserve fund must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted fund balance includes the following at June 30, 2023:

General Fund	
Capital Reserve	\$ 8,618,628
Employee Benefit Accrued Liability	880,477
Liability Claims	105,926
Insurance	104,143
Property Loss	104,146
Repairs	30,119
Retirement Contributions- NYSERS	963,643
Retirement Contributions- NYSTRS	1,515,257
Tax Certiorari	461,936
Unemployment Insurance	576,525
Debt Service Fund	1,946,935
Extra Classroom Activity Funds	142,733
Scholarships and Awards Fund	<u>17,243</u>
Total Restricted Funds	<u>\$ 15,467,711</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, 2023.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards

The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2023, the District implemented the following new statements issued by GASB:

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards – Continued

GASB Statement No. 99, *Omnibus 2022*.

Future Changes in Accounting Standards

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

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

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue and Expense Differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset (liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year ended June 30, 2023.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred, or the commitment is paid.

Other

The portion of the District's fund balance subject to the New York State Real Property Tax Law Section 1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include the funding of appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

The Capital Projects Fund – 2022 District Wide had a deficit balance of \$3,155,931, Capital Projects Fund – Smart Bond Act had a deficit balance of \$1,463,682, Capital Projects Fund – Turf Field had a deficit balance of \$10,800, and Capital Projects Fund – Capital Outlay Projects had a deficit balance of \$1,200 at June 30, 2023. These will be funded when the District obtains permanent financing for its current construction project or through use of local funds, as well as receipt of State Aid under the Smart Bond Act.

The District's School Food Service fund balance was in excess of the allowable 3 months average expenditures under 7 CFR §210.14b by \$1,197,241, however, the District has an approved plan with the New York State Education Department to reduce the excess fund balance to an amount within the allowable limits.

The District's General Fund debt service actual expenditures were over budget for the year by \$161,472.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Cash

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

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

Uncollateralized	<u>\$ -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	<u>\$ 10,220,236</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 \$13,360,800 restricted for various fund balance reserves in the General Fund, \$11,759,063 restricted for a voter approved capital project in the Capital Project - District Wide Fund, \$1,015,342 restricted for debt service in the Debt Service Fund, \$142,733 restricted for extra classroom activity funds in the Extra Classroom Activity Funds, and \$17,243 restricted for scholarships and awards within the Scholarships and Awards Fund within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District’s agent in the District’s name, (2) collateralized, and for which the securities are held by the pledging financial institution’s trust department or agent in the District’s name, or (3) uncollateralized. At June 30, 2023, all deposits were fully insured and collateralized by the District’s agent.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Cash – Continued

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

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, § 119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total amounts held represent the cost of the investment pool shares and are considered to approximate net asset value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NYCLASS. At June 30, 2023, the District held \$38,050,167 in the investment pool which are included in unrestricted and restricted cash and cash equivalents.

Pooled Accounts

The following funds participated in pooled money market accounts:

General Fund	\$ 51,902
School Food Service Fund	1,854,588
Special Aid Fund	<u>433,077</u>
Total Pooled Book Balance	<u>\$ 2,339,567</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

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

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 654,977	\$ -	\$ -	\$ 654,977
Construction in Progress	4,174,824	2,688,327	(3,695,220)	3,167,931
Total Nondepreciable Assets	<u>4,829,801</u>	<u>2,688,327</u>	<u>(3,695,220)</u>	<u>3,822,908</u>
Other Capital Assets:				
Buildings and Improvements	91,678,301	-	3,613,979	95,292,280
Furniture and Equipment	4,725,238	283,612	81,241	5,090,091
Intangible Lease Assets - Equipment	538,834	-	-	538,834
Total Other Capital Assets	<u>96,942,373</u>	<u>283,612</u>	<u>3,695,220</u>	<u>100,921,205</u>
Less Accumulated Depreciation:				
Buildings and Improvements	31,014,094	1,933,689	-	32,947,783
Furniture and Equipment	4,066,283	119,085	-	4,185,368
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	93,217	160,820	-	254,037
Total Accumulated Depreciation and Amortization				
	<u>35,173,594</u>	<u>2,213,594</u>	<u>-</u>	<u>37,387,188</u>
Total Other Capital Assets, Net	<u>61,768,779</u>	<u>(1,929,982)</u>	<u>3,695,220</u>	<u>63,534,017</u>
Capital Assets, Net	<u>\$ 66,598,580</u>	<u>\$ 758,345</u>	<u>\$ -</u>	<u>\$ 67,356,925</u>

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

General Support	\$ 2,122,203
Instruction	51,319
School Food Service	40,072
Total Depreciation and Amortization Expense	<u>\$ 2,213,594</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 6 - SHORT-TERM DEBT

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2023 are as follows:

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/28/2023	3.75%	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -
BAN	6/27/2024	4.50%	-	12,715,000	-	12,715,000
			<u>\$ -</u>	<u>\$ 17,715,000</u>	<u>\$ 5,000,000</u>	<u>\$ 12,715,000</u>

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

Interest Paid	\$ 182,813
Less: Accrued Interest in the Prior Year	-
Plus: Accrued Interest in the Current Year	<u>4,703</u>
Total Interest on Short-Term Debt	<u>\$ 187,516</u>

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

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

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

Serial Bonds

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Lease Liabilities

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

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	\$ 18,595,000	\$ 8,295,000	\$ 11,365,000	\$ 15,525,000	\$ 2,050,000
Premium on Bonds	2,093,267	459,499	827,693	1,725,073	369,433
Total Bonds & Notes Payable	20,688,267	8,754,499	12,192,693	17,250,073	2,419,433
Other Liabilities					
Compensated Absences Payable	709,617	16,650	-	726,267	-
Other Postemployment Benefits Liability	255,294,713	-	16,589,128	238,705,585	-
Net Pension Liability Proportionate Share	-	7,883,683	-	7,883,683	-
Lease Liability	330,878	-	115,676	215,202	115,928
Total Other Liabilities	256,335,208	7,900,333	16,704,804	247,530,737	115,928
Total Governmental Activities	\$ 277,023,475	\$ 16,654,832	\$ 28,897,497	\$ 264,780,810	\$ 2,535,361

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Refunded Serial Bond	10/4/2022	6/1/2026	5.0%	\$ 3,900,000
Refunded Serial Bond	10/4/2022	9/15/2030	4.0-5.0%	3,125,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	1,210,000
Serial Bond	6/15/2022	6/15/2036	5.0%	<u>7,290,000</u>
				<u>\$15,525,000</u>

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

	Principal	Interest	Total
2024	\$ 2,050,000	\$ 726,780	\$ 2,776,780
2025	3,135,000	594,450	3,729,450
2026	2,580,000	464,650	3,044,650
2027	1,190,000	353,250	1,543,250
2028	1,110,000	303,975	1,413,975
2029-2033	4,425,000	858,850	5,283,850
2034-2036	<u>1,035,000</u>	<u>68,750</u>	<u>1,103,750</u>
Total	<u>\$ 15,525,000</u>	<u>\$ 3,370,705</u>	<u>\$ 18,895,705</u>

Existing lease obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
RIC Computer Equipment	8/15/2020	12/1/2023	2.374%	\$ 50,005
RIC Computer Equipment	12/1/2021	12/1/2024	1.1181%	95,361
Ryder Refrigerated Truck	9/1/2020	3/1/2027	4.0%	<u>69,836</u>
				<u>\$ 215,202</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

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

	Principal	Interest	Total
2024	\$ 115,928	\$ 4,741	\$ 120,669
2025	67,199	2,279	69,478
2026	20,025	971	20,996
2027	<u>12,050</u>	<u>205</u>	<u>12,255</u>
Total	<u><u>\$ 215,202</u></u>	<u><u>\$ 8,196</u></u>	<u><u>\$ 223,398</u></u>

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

Interest Paid	\$ 969,222
Less: Interest Accrued in the Prior Year	(104,626)
Plus: Interest Accrued in the Current Year	70,081
Less: Amortization of Bond Premium	(827,693)
Plus: Amortization of Deferred Charge on Refunding	<u>29,124</u>
Total Interest on Long-Term Debt	<u><u>\$ 136,108</u></u>

Advanced Refunding/Defeased Bonds

On October 4, 2022, the District used \$8,295,000 in general obligation bonds with an average interest rate of 4.0% to 5.0% to advance refund \$8,570,000 of outstanding 2012 serial bonds with an average interest rate of 2.0% to 5.0%. The net proceeds of \$8,595,983 (after payment of \$158,515 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2012 serial bonds are considered defeased, and the liability for those bonds have been removed from the District's financial statements. At June 30, 2023, the balance of the advance refunded bonds was \$7,260,000. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$25,983. The aggregate present value savings will be \$285,547.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Advanced Refunding/Defeased Bonds – Continued

The deferred gain on the advance refunding of the 2012 Series Bonds will be amortized on the district-wide financial statements using the straight-line method over 4-9 years, the remaining time to maturity of the refunded bonds. Amortization in the amount of \$5,083 was recorded for the year ending June 30, 2023.

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 \$4,799,000 are considered defeased.

NOTE 8 - PENSION PLANS

General Information

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS) Plan Description

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits for Tiers 1-6 are now vested after 5 years of credited service. Prior to April 9, 2022, Tier 5 and 6 members were to attain 10 years of state service credit to be vested. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Death Benefits

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

Prior and Military Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service. Certain members may also claim military service credit prior to or interrupting membership.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of maximum annual benefit. The applicable percentage payable beginning September 2022 and 2021 is 3.0% and 1.4%, respectively. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 5 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous four years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

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

	NYSTRS	NYSERS
2022-2023	\$ 2,655,325	\$ 710,296
2021-2022	2,479,833	929,320
2020-2021	2,280,302	854,267

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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

At June 30, 2023, 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, 2023 for ERS and June 30, 2022 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement Date	March 31, 2023	June 30, 2022
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,948,777)	\$ (2,934,906)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0230776%	0.152948%
Change in Proportion Since the Prior Measurement Date	0.0026333%	-0.000360%

For the year ended June 30, 2023, the District's recognized pension expense of \$980,076 for ERS and \$864,253 for TRS.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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

At June 30, 2023, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 527,083	\$ 3,075,410	\$ 138,980	\$ 58,810
Changes of Assumptions	2,403,445	5,693,221	26,563	1,182,263
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,792,177	29,074	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	146,785	48,193	86,632	260,553
District's Contributions Subsequent to the Measurement Date	264,145	2,852,109	-	-
Total	\$ 3,341,458	\$ 15,461,110	\$ 281,249	\$ 1,501,626

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, 2024, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2024	\$ 666,593	\$ 2,113,689
2025	(248,552)	1,085,523
2026	1,013,538	(527,617)
2027	1,364,485	7,437,107
2028	-	951,923
Thereafter	-	46,750

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2023	June 30, 2022
Actuarial Valuation Date	April 1, 2022	June 30, 2021
Interest Rate	5.9%	6.95%
Salary Scale	4.4%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation Rate	2.9%	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 used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Actuarial Assumptions – Continued

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

	ERS	TRS
Measurement Date	March 31, 2023	June 30, 2022
Asset Type		
Domestic Equity	4.30%	6.50%
International Equity	6.85%	7.20%
Private Equity	7.50%	9.90%
Global Equity		6.90%
Real Estate	4.60%	6.20%
Opportunistic / Absolute Return Strategies Portfolio	5.38%	
Credit	5.43%	
Real Assets	5.84%	
Fixed Income	1.50%	
Cash		-0.30%
Private Debt		5.30%
Real Estate Debt		2.40%
Domestic Fixed Income Securities		1.10%
Global Bonds		0.60%
High-Yield Bonds		3.30%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (11,959,071)	\$ (4,948,777)	\$ 909,140

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (27,061,208)	\$ (2,934,906)	\$ 17,355,156

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)		
	ERS	TRS	Total
Measurement Date	March 31, 2023	June 30, 2022	
Employer's Total Pension Asset (Liability)	\$ (232,627,259)	\$ (133,883,474)	\$ (366,510,733)
Plan Net Position	211,183,223	131,964,582	343,147,805
Employer's Net Pension Asset (Liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,892)</u>	<u>\$ (23,362,928)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	90.78%	98.57%	

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$264,145. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October, and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$3,145,110.

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2023 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 33,381,769	\$ 27,077,537	\$ -	\$ 99,455
Special Aid	-	4,509,805	-	-
School Food Service	135	211,906	-	-
Debt Service	931,593	-	-	-
Capital Projects	40,152,650	42,666,899	99,455	-
Total	<u>\$ 74,466,147</u>	<u>\$ 74,466,147</u>	<u>\$ 99,455</u>	<u>\$ 99,455</u>

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2023:

Fund Balances	General	Capital Projects- District Wide	Special Aid Fund	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Inventory	\$ -	\$ -	\$ -	\$ 161,591	\$ 161,591
Restricted					
Capital Reserve	8,618,628	-	-	-	8,618,628
Employee Benefit Accrued Liability	880,477	-	-	-	880,477
Liability Claims	105,926	-	-	-	105,926
Insurance	104,143	-	-	-	104,143
Property Loss	104,146	-	-	-	104,146
Repairs	30,119	-	-	-	30,119
Retirement Contributions-NYSERS	963,643	-	-	-	963,643
Retirement Contributions-NYSTRS	1,515,257	-	-	-	1,515,257
Tax Certiorari	461,936	-	-	-	461,936
Unemployment Insurance	576,525	-	-	-	576,525
Debt Service	-	-	-	1,946,935	1,946,935
Extra Classroom Activity Funds	-	-	-	142,733	142,733
Scholarships and Awards Fund	-	-	-	17,243	17,243
Assigned					
General Support	21,651	-	-	-	21,651
Instruction	167,964	-	-	-	167,964
Designated for Next Fiscal year	8,394,370	-	-	-	8,394,370
School Food Service Fund	-	-	-	2,099,607	2,099,607
Unassigned (Deficit)					
General Fund	14,449,318	-	-	-	14,449,318
Capital Projects Funds	-	(3,155,931)	-	(1,475,682)	(4,631,613)
Total Governmental Fund Balance	<u>\$ 36,394,103</u>	<u>\$(3,155,931)</u>	<u>\$ -</u>	<u>\$ 2,892,427</u>	<u>\$ 36,130,599</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS**

General Information about the OPEB Plan

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

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

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

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

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

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

General Information about the OPEB Plan - Continued

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

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan - Continued

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2023, the District recognized \$5,286,406 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, 2023 which indicates that the total liability for other postemployment benefits is \$238,705,585, which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2022 and was determined by actuarial valuation as of July 1, 2022.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Total OPEB Liability - Continued

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	6/30/2022
Rate of Compensation Increase	3.00%
Discount Rate	3.77%

Assumed Pre-65 Medical Trend Rates at June 30

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

Assumed Post-65 Medical Trend Rates at June 30

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

Additional Information

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

The discount rate was based on the average of three 20-year bond indices as of June 30, 2022.

Mortality rates were based on Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 255,294,713
Changes for the Year	
Service Cost	5,479,833
Interest	9,490,812
Changes of Assumptions or Other Inputs	(24,461,709)
Benefit Payments	<u>(7,098,064)</u>
Net Changes	<u>(16,589,128)</u>
Balance at June 30, 2023	<u><u>\$ 238,705,585</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.09 percent as of June 30, 2021 to 3.77 percent as of June 30, 2022.

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 (2.77 percent) or 1 percentage point higher (4.77 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	<u>2.77%</u>	<u>3.77%</u>	<u>4.77%</u>
Total OPEB Liability	<u>\$ 284,529,085</u>	<u>\$ 238,705,585</u>	<u>\$ 203,011,524</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Changes in the Total OPEB Liability – Continued

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

	Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 3.5%)	Healthcare Cost Trend Rates (Trend at 4.5%)	Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Increasing to 5.5%)
Total OPEB Liability	\$ 199,718,128	\$ 238,705,585	\$ 290,169,773

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$7,775,788. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,210,301	\$ -
Changes of Assumptions or Other Inputs	22,795,181	25,630,692
Benefit Payments Subsequent to the Measurement Date	7,057,926	-
	<u>\$ 34,063,408</u>	<u>\$ 25,630,692</u>

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,

2024	\$ 2,232,372
2025	3,270,255
2026	1,395,403
2027	250,481
2028	(333,686)
Thereafter	<u>(5,440,035)</u>
	<u>\$ 1,374,790</u>

NOTE 12 - RISK MANAGEMENT

General

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

Consortiums and Self-Insured Plans

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

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 12 - RISK MANAGEMENT – Continued

Consortiums and Self-Insured Plans – Continued

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2023 and prior years, the District was served with multiple Notice of Claims and has open claims from prior years or that have the right of appeal from the plaintiff. All actions have not been settled, but the District does not expect to incur any significant financial impact and no additional accruals have been recognized related to such matters.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 14 – TAX ABATEMENTS

The District receives revenue through a number of Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Development Agency or directly by the municipalities where the properties are located. The purpose of the PILOT agreements is to provide real property tax abatement for value added construction on renovations.

For the fiscal year ended June 30, 2023, the District’s portion of the Pilots was approximately \$423,000 and the District abated the following taxes:

Owner Name	Start Date	End Date	2022 % Abated	Assessed Value	(A) Abated Total	(B) Appr. Tax Rate	(A) * (B) Appr. Taxes Foregone
JCIDA - WICLDC	2017	2025	100%	\$ 1,374,000	\$ 1,374,000	11.089652	\$ 15,237
JCIDA - Roth Industries	2006	2032	100%	2,722,400	2,722,400	11.089652	30,190
JCIDA - Woolworth Watertown LLC	2015	2029	100%	2,622,700	2,622,700	11.089652	29,085
JCIDA - New York Airbrake	2017	2032	100%	960,000	960,000	11.089652	10,646
JCIDA - Current Applications	2016	2030	100%	435,700	435,700	11.089652	4,832
JCIDA - Rail Spur	2006	n/a	100%	60,000	60,000	11.089652	665
JCIDA - COR	2015	2025	100%	24,371,000	24,371,000	11.089652	270,266
JCIDA - Morgan	2015	2030	100%	17,718,500	17,718,500	11.089652	196,492
JCIDA - Black River Solar Watertown Housing Authority	2020	2023	100%	209,800	209,800	11.089652	2,327
	various	n/a	100%	19,873,900	19,873,900	11.089652	220,395
HKBBE Apartments	2017	2058	100%	11,258,300	11,258,300	11.089652	124,851
Total Approximate Taxes Foregone							<u>\$ 904,986</u>

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WATERTOWN CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS
Ended June 30, 2023**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 5,479,833	\$ 10,148,867	\$ 8,710,067	\$ 5,467,354	\$ 4,957,062	\$ 5,842,834
Interest	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	(24,461,709)	17,737,336	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(7,098,064)	(4,399,133)	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
Net Change in Total OPEB Liability	<u>(16,589,128)</u>	<u>28,187,637</u>	<u>15,780,591</u>	<u>23,162,226</u>	<u>18,558,884</u>	<u>(12,223,397)</u>
Total OPEB Liability - Beginning	<u>255,294,713</u>	<u>227,107,076</u>	<u>211,326,485</u>	<u>188,164,259</u>	<u>169,605,375</u>	<u>181,828,772</u>
Total OPEB Liability - Ending	<u><u>\$ 238,705,585</u></u>	<u><u>\$ 255,294,713</u></u>	<u><u>\$ 227,107,076</u></u>	<u><u>\$ 211,326,485</u></u>	<u><u>\$ 188,164,259</u></u>	<u><u>\$ 169,605,375</u></u>
Covered Payroll	\$ 38,564,000	\$ 28,612,455	\$ 28,612,455	\$ 31,212,890	\$ 31,212,890	\$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	618.99%	892.25%	793.74%	677.05%	602.84%	566.69%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**
Year Ended June 30, 2023

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 17,128,139	\$ 17,128,139
Other Tax Items	1,225,642	1,225,642
Charges for Services	188,250	188,250
Use of Money and Property	8,000	8,000
Sale of Property and Compensation for Loss	10,000	10,000
Miscellaneous	346,000	346,000
Total Local Sources	<u>18,906,031</u>	<u>18,906,031</u>
State Sources	53,728,788	53,728,788
Federal Sources	400,000	400,000
Total Revenues	<u>73,034,819</u>	<u>73,034,819</u>
EXPENDITURES		
General Support		
Board of Education	43,970	45,470
Central Administration	289,110	332,610
Finance	636,400	643,900
Staff	561,710	586,710
Central Services	6,501,887	6,489,039
Special Items	1,253,818	1,273,175
Total General Support	<u>9,286,895</u>	<u>9,370,904</u>
Instruction		
Instruction, Administration and Improvement	2,717,180	2,752,180
Teaching-Regular School	22,175,831	22,225,831
Programs for Children with Handicapping Conditions	7,450,830	7,370,830
Teaching - Special School	281,650	321,650
Occupational Education	2,164,940	2,164,940
Instructional Media	4,812,567	4,658,558
Pupil Services	3,919,072	3,919,072
Total Instruction	<u>43,522,070</u>	<u>43,413,061</u>
Pupil Transportation	3,284,324	3,329,324
Employee Benefits	23,053,487	23,033,487
Debt Service	3,878,494	3,878,494
Total Expenditures	<u>83,025,270</u>	<u>83,025,270</u>
OTHER FINANCING USES		
Transfers to Other Funds	190,000	190,000
Total Expenditures and Other Financing Uses	<u>83,215,270</u>	<u>83,215,270</u>
Net Change in Fund Balance	(10,180,451)	(10,180,451)
Fund Balance - Beginning of Year	26,909,592	26,909,592
Fund Balance - End of Year	<u>\$ 16,729,141</u>	<u>\$ 16,729,141</u>

WATERTOWN CITY SCHOOL DISTRICT

	Actual		Final Budget Variance With Actual
\$	17,117,785		\$ (10,354)
	1,857,454		631,812
	202,213		13,963
	940,065		932,065
	28,501		18,501
	753,197		407,197
	<u>20,899,215</u>		<u>1,993,184</u>
	53,798,407		69,619
	598,633		198,633
	<u>75,296,255</u>		<u>\$ 2,261,436</u>

		Year-End Encumbrances		Final Budget Variance with Actual And Encumbrances
	17,240	\$ -	\$	28,230
	298,365	-		34,245
	544,779	604		98,517
	419,512	-		167,198
	4,123,526	-		2,365,513
	1,097,476	<u>21,047</u>		<u>154,652</u>
	<u>6,500,898</u>	<u>21,651</u>		<u>2,848,355</u>
	2,340,763	-		411,417
	16,839,910	-		5,385,921
	6,144,241	167,330		1,059,259
	114,641	634		206,375
	2,098,130	-		66,810
	2,875,423	-		1,783,135
	3,315,085	-		603,987
	<u>33,728,193</u>	<u>167,964</u>		<u>9,516,904</u>
	3,219,659	-		109,665
	18,223,573	-		4,809,914
	4,039,966	-		(161,472)
	<u>65,712,289</u>	<u>189,615</u>		<u>17,123,366</u>
	99,455	-		90,545
	<u>65,811,744</u>	<u>\$ 189,615</u>	<u>\$</u>	<u>17,213,911</u>
	9,484,511			
	26,909,592			
	<u>\$ 36,394,103</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 NINE FISCAL YEARS**

Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)									
District's Proportion of the Net Pension Asset (Liability)	0.152948%	0.153308%	0.151634%	0.149353%	0.146539%	0.146169%	0.142023%	0.147088%	0.150523%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (2,934,906)	\$ 26,566,854	\$ (4,190,049)	\$ 3,880,214	\$ 2,649,805	\$ 1,111,029	\$ (1,521,131)	\$ 15,277,757	\$ 16,767,331
District's Covered Payroll	\$ 27,546,049	\$ 26,182,642	\$ 26,119,503	\$ 25,570,611	\$ 23,869,500	\$ 23,162,957	\$ 21,915,656	\$ 22,121,967	\$ 22,234,730
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	10.65%	101.47%	16.04%	15.17%	11.10%	4.80%	6.94%	69.06%	75.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)									
District's Proportion of the Net Pension Asset (Liability)	0.0230776%	0.0204443%	0.0212646%	0.0206539%	0.0204048%	0.0194381%	0.0178569%	0.0192270%	0.0189420%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (4,948,777)	\$ 1,671,240	\$ (21,174)	\$ (5,469,264)	\$ (1,445,742)	\$ (627,352)	\$ (1,677,873)	\$ (3,199,004)	\$ (639,906)
District's Covered Payroll	\$ 6,701,337	\$ 6,261,456	\$ 6,375,526	\$ 5,975,565	\$ 5,870,077	\$ 5,647,489	\$ 5,197,849	\$ 5,223,625	\$ 5,398,372
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	73.85%	26.69%	0.33%	91.53%	24.63%	11.11%	32.28%	61.24%	11.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN

LAST NINE FISCAL YEARS

Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)									
Contractually Required Contribution	\$ 2,655,325	\$ 2,479,833	\$ 2,280,302	\$ 2,647,516	\$ 2,339,211	\$ 2,714,699	\$ 2,906,016	\$ 3,873,186	\$ 3,741,295
Contributions in Relation to the Contractually Required Contribution	<u>2,655,325</u>	<u>2,479,833</u>	<u>2,280,302</u>	<u>2,647,516</u>	<u>2,339,211</u>	<u>2,714,699</u>	<u>2,906,016</u>	<u>3,873,186</u>	<u>3,741,295</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$27,546,049	\$26,182,642	\$26,119,503	\$25,570,611	\$23,869,500	\$23,162,957	\$21,915,656	\$22,121,967	\$22,234,730
Contributions as a Percentage of Covered Payroll	9.64%	9.47%	8.73%	10.35%	9.80%	11.72%	13.26%	17.51%	16.83%
Employees' Retirement System (ERS)									
Contractually Required Contribution	\$ 710,296	\$ 929,320	\$ 854,267	\$ 814,342	\$ 829,712	\$ 826,463	\$ 783,160	\$ 905,777	\$ 1,043,107
Contributions in Relation to the Contractually Required Contribution	<u>710,296</u>	<u>929,320</u>	<u>854,267</u>	<u>814,342</u>	<u>829,712</u>	<u>826,463</u>	<u>783,160</u>	<u>905,777</u>	<u>1,043,107</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 6,701,337	\$ 6,261,456	\$ 6,375,526	\$ 5,975,565	\$ 5,870,077	\$ 5,647,489	\$ 5,197,849	\$ 5,223,625	\$ 5,398,372
Contributions as a Percentage of Covered Payroll	10.60%	14.84%	13.40%	13.63%	14.13%	14.63%	15.07%	17.34%	19.32%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each subsequent year of implementation until 10 years of historical data is available.

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

WATERTOWN CITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 82,983,069
Add: Prior Year's Encumbrances	<u>232,201</u>
Original Budget	83,215,270
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 83,215,270</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-24 Voter Approved Expenditure Budget	<u>\$ 92,067,925</u>
Maximum Allowed 4% of 2023 - 2024 Budget	<u><u>\$ 3,682,717</u></u>

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 8,583,985
Unassigned Fund Balance	<u>14,449,318</u>
Total Unrestricted Fund Balance	<u><u>23,033,303</u></u>

Less:	
Appropriated Fund Balance	8,394,370
Encumbrances Included in Assigned Fund Balance	<u>189,615</u>
Total Adjustments	<u><u>8,583,985</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 14,449,318</u></u>
Actual Percentage	<u><u>15.69%</u></u>

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2023

PROJECT TITLE	Expenditures					Methods of Financing					Fund Balance (Deficit) 6/30/2023
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds Of Obligations	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$ 3,624,125	\$ 3,624,125	\$ 3,375,613	\$ 238,366	\$ 3,613,979	\$ 10,146	\$ -	\$ 2,150,297	\$ -	\$ 2,150,297	\$ (1,463,682)
Additions & Renovations	13,000,000	13,000,000	799,211	2,356,720	3,155,931	9,844,069	-	-	-	-	(3,155,931)
2023 Capital Outlay	100,000	100,000	-	99,455	99,455	545	-	-	99,455	99,455	-
2024 Capital Outlay	100,000	100,000	-	1,200	1,200	98,800	-	-	-	-	(1,200)
Turf Field	1,400,000	1,400,000	-	10,800	10,800	1,389,200	-	-	-	-	(10,800)
Total	\$ 18,224,125	\$ 18,224,125	\$ 4,174,824	\$ 2,706,541	\$ 6,881,365	\$ 11,342,760	\$ -	\$ 2,150,297	\$ 99,455	\$ 2,249,752	\$ (4,631,613)

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

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ 2,103,857	\$ -	\$ -
Restricted	-	1,015,342	-
Receivables			
State and Federal Aid	218,523	-	1,463,682
Due From Other Funds	135	931,593	-
Due From Other Governments	3,791	-	-
Inventories	161,591	-	-
TOTAL ASSETS	<u>\$ 2,487,897</u>	<u>\$ 1,946,935</u>	<u>\$ 1,463,682</u>
LIABILITIES			
Payables			
Accounts Payable	\$ 81	\$ -	\$ -
Accrued Liabilities	14,681	-	-
Due to Other Funds	211,906	-	1,463,682
Due to Other Governments	31	-	-
Total Liabilities	<u>226,699</u>	<u>-</u>	<u>1,463,682</u>
DEFERRED INFLOW OF RESOURCES			
Deferred State Aid	-	-	1,463,682
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,463,682</u>
FUND BALANCES (DEFICIT)			
Nonspendable	161,591	-	-
Restricted	-	1,946,935	-
Assigned	2,099,607	-	-
Unassigned (Deficit)	-	-	(1,463,682)
Total Fund Balances (Deficit)	<u>2,261,198</u>	<u>1,946,935</u>	<u>(1,463,682)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICIT)			
	<u>\$ 2,487,897</u>	<u>\$ 1,946,935</u>	<u>\$ 1,463,682</u>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund - Turf Field	Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,103,857
-	-	142,733	17,243	1,175,318
-	-	-	-	1,682,205
-	24,550	-	-	956,278
-	-	-	-	3,791
-	-	-	-	161,591
<u>\$ -</u>	<u>\$ 24,550</u>	<u>\$ 142,733</u>	<u>\$ 17,243</u>	<u>\$ 6,083,040</u>
\$ 10,800	\$ 25,750	\$ -	\$ -	\$ 36,631
-	-	-	-	14,681
-	-	-	-	1,675,588
-	-	-	-	31
<u>10,800</u>	<u>25,750</u>	<u>-</u>	<u>-</u>	<u>1,726,931</u>
-	-	-	-	1,463,682
-	-	-	-	1,463,682
-	-	-	-	161,591
-	-	142,733	17,243	2,106,911
-	-	-	-	2,099,607
<u>(10,800)</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>(1,475,682)</u>
<u>(10,800)</u>	<u>(1,200)</u>	<u>142,733</u>	<u>17,243</u>	<u>2,892,427</u>
<u>\$ -</u>	<u>\$ 24,550</u>	<u>\$ 142,733</u>	<u>\$ 17,243</u>	<u>\$ 6,083,040</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, 2023

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - Smart Bond Act
REVENUES			
Use of Money and Property	\$ 1,325	\$ 236,085	\$ -
Miscellaneous	17	-	-
State Sources	57,999	-	-
Federal Sources	2,906,690	-	-
Surplus Food	217,981	-	-
Sales - School Food Service	80,754	-	-
Total Revenues	<u>3,264,766</u>	<u>236,085</u>	<u>-</u>
EXPENDITURES			
General Support	1,044,153	-	-
Employee Benefits	316,995	-	-
Debt Service:			
Principal - Leases	19,544	-	-
Interest - Leases	3,201	-	-
Cost of Sales - School Food Service	1,623,994	-	-
Other Expenditures	-	-	-
Capital Outlays	-	-	238,366
Total Expenditures	<u>3,007,887</u>	<u>-</u>	<u>238,366</u>
Excess of Revenues Over Expenditures	<u>256,879</u>	<u>236,085</u>	<u>(238,366)</u>
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	-	-	-
Proceeds from Bond Refunding	-	8,295,000	-
Debt Issuance Cost	-	(158,516)	-
Payment to Escrow Agent	-	(8,595,983)	-
Premium on Debt Issuance	-	579,656	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>120,157</u>	<u>-</u>
Net Change in Fund Balances	256,879	356,242	(238,366)
Fund Balances (Deficit) - Beginning of Year	<u>2,004,319</u>	<u>1,590,693</u>	<u>(1,225,316)</u>
Fund Balances (Deficit) - End of Year	<u>\$ 2,261,198</u>	<u>\$ 1,946,935</u>	<u>\$ (1,463,682)</u>

WATERTOWN CITY SCHOOL DISTRICT

Capital Projects Fund- Turf Field	Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activity Funds	Scholarships and Awards Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ 701	\$ 238,111
-	-	225,045	-	225,062
-	-	-	-	57,999
-	-	-	-	2,906,690
-	-	-	-	217,981
-	-	-	-	80,754
<u>-</u>	<u>-</u>	<u>225,045</u>	<u>701</u>	<u>3,726,597</u>
-	-	-	-	1,044,153
-	-	-	-	316,995
-	-	-	-	19,544
-	-	-	-	3,201
-	-	-	-	1,623,994
-	-	203,735	150	203,885
10,800	100,655	-	-	349,821
<u>10,800</u>	<u>100,655</u>	<u>203,735</u>	<u>150</u>	<u>3,561,593</u>
<u>(10,800)</u>	<u>(100,655)</u>	<u>21,310</u>	<u>551</u>	<u>165,004</u>
-	99,455	-	-	99,455
-	-	-	-	8,295,000
-	-	-	-	(158,516)
-	-	-	-	(8,595,983)
-	-	-	-	579,656
<u>-</u>	<u>99,455</u>	<u>-</u>	<u>-</u>	<u>219,612</u>
(10,800)	(1,200)	21,310	551	384,616
<u>-</u>	<u>-</u>	<u>121,423</u>	<u>16,692</u>	<u>2,507,811</u>
<u>\$ (10,800)</u>	<u>\$ (1,200)</u>	<u>\$ 142,733</u>	<u>\$ 17,243</u>	<u>\$ 2,892,427</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, 2023

Capital Assets, Net		\$ 67,356,925
Add:		
Deferred Charge on Refunding		<u>20,901</u>
Deduct:		
Bond Anticipation Note Payable	12,715,000	
Less: Unspent BAN Proceeds	(10,634,186)	
Premium on Bonds Payable	1,725,073	
Short-Term Portion of Lease Liability	115,928	
Short-Term Portion of Bonds Payable	2,050,000	
Long-Term Portion of Lease Liability	99,274	
Long-Term Portion of Bonds Payable	<u>13,475,000</u>	<u>19,546,089</u>
Net Investment in Capital Assets		<u>\$ 47,831,737</u>

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

FEDERAL AWARD PROGRAM INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2023, 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 5, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

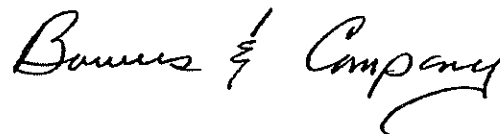
As part of obtaining reasonable assurance about whether Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Watertown City School District's Response to Findings

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

Purpose of this Report

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



Watertown, New York
October 5, 2023

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, 2023. 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, 2023.

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.

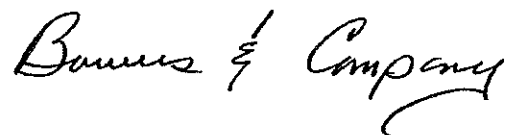
Report on Internal Control over Compliance

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.



Watertown, New York
October 5, 2023

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing Number	Agency or Pass-Through Number	Total Federal Expenditures
U. S. Department of Education			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010A	0021-23-1205	\$ 2,089,208
Title I Grants to Local Educational Agencies	84.010A	0011-23-2200	197,684
Title I Grants to Local Educational Agencies	84.010A	0021-22-1205	150,487
Title I Grants to Local Educational Agencies	84.010A	0011-22-2200	967
Total Title I Grants to Local Educational Agencies			<u>2,438,346</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-23-0323	1,136,599
COVID-19: Special Education - Grants to States (IDEA, Part B)	84.027X	5532-22-0323	214,994
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-23-0323	44,430
COVID-19: Special Education - Preschool Grants (IDEA Preschool)	84.173X	5533-22-0323	24,935
Total Special Education Cluster			<u>1,420,958</u>
Education Stabilization Fund:			
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - ARP ESSER	84.425U	5880-21-1205	4,797,728
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	5218-21-1205	38,426
Total Education Stabilization Fund			<u>4,836,154</u>
Supporting Effective Instruction State Grants	84.367A	0147-23-1205	203,314
Supporting Effective Instruction State Grants	84.367A	0147-22-1205	3,217
Total Supporting Effective Instruction State Grants			<u>206,531</u>
English Language Acquisition State Grants:			
English Language Acquisition State Grant	84.365A	0293-23-1205	3,675
English Language Acquisition State Grant	84.365A	0293-22-1205	66
Total English Language Acquisition State Grants			<u>3,741</u>
Student Support and Academic Enrichment	84.424A	0204-23-1205	231,045
Student Support and Academic Enrichment	84.424A	0204-22-1205	84,166
Total Student Support and Academic Enrichment			<u>315,211</u>
Total Passed Through NYS Education Department			<u>9,220,941</u>
Direct Program:			
Impact Aid	84.041B		367,688
Total Direct Programs from U.S. Department of Education			<u>367,688</u>
Total U.S. Department of Education			<u>9,588,629</u>
Subtotal this Page			<u>\$ 9,588,629</u>

See paragraph on supplementary information included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2023

Subtotal From Previous Page		\$ 9,588,629
<u>U. S. Department of Defense</u>		
Direct Programs:		
Achievement at Military Connected Schools	12.556	206,945
Total Direct Programs from U.S. Department of Defense		206,945
Total U.S. Department of Defense		206,945
<u>U. S. Department of Health and Human Services</u>		
Passed-Through Jefferson-Lewis BOCES:		
COVID-19: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	453,333
Total Passed Through Jefferson-Lewis BOCES		453,333
Total U.S. Department of Health and Human Services		453,333
<u>U. S. Department of Agriculture</u>		
Passed-Through NYS Education Department:		
COVID-19: Pandemic EBT Administrative Costs	10.649	7,531
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
Fresh Fruits and Vegetable Program	10.582	75,163
National School Lunch Program	10.555	142,818
Non-Cash Assistance Subtotal		217,981
Cash Assistance		
School Breakfast Program	10.553	771,703
National School Lunch Program	10.555	1,934,497
COVID-19: Supply Chain Assistance Grant	10.555	119,264
Summer Food Service Program	10.559	73,695
Cash Assistance Subtotal		2,899,159
Total Child Nutrition Cluster		3,117,140
Total Passed Through NYS Education Department		3,124,671
Total U.S. Department of Agriculture		3,124,671
Total Federal Assistance		\$ 13,373,578

See paragraph on supplementary information included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The federal expenditures are recognized under the Uniform Guidance.

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

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

NOTE 3 – SUBRECIPIENTS

No amounts were provided to subrecipients.

WATERTOWN CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

NOTE 4 – OTHER DISCLOSURES

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

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

NOTE 5 - NON-MONETARY FEDERAL PROGRAM

This District is the recipient of federal award programs that do not result in cash received or disbursed. The District was granted \$142,818 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$75,163 of commodities under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

NOTE 6 – SCOPE OF AUDIT

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

WATERTOWN CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Watertown City School District.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Watertown City School District.
3. One instance of noncompliance material to the financial statements of Watertown City School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of Watertown City School District.
5. The auditor's report on compliance for the major federal award programs for Watertown City School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award programs for Watertown City School District.
7. The Programs tested as major programs include:

U.S. Department of Education:

Passed Through NYS Education Department:

COVID-19: American Rescue Plan – Elementary and Secondary School Emergency Relief -ARP ESSER	84.425U
COVID-19: American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W
Special Education – Grants to States (IDEA, Part B)	84.027A
COVID-19: Special Education – Grants to States (IDEA, Part B)	84.027X
Special Education – Preschool Grants (IDEA Preschool)	84.173A
COVID-19: Special Education – Preschool Grants (IDEA Preschool)	84.173X

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Watertown City School District qualifies as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2023-001

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

Context

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of \$14,449,318 had exceeded maximum allowed unexpended balance of \$3,682,717 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, 2023.

Cause

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

NOTE B - FINDINGS - FINANCIAL STATEMENT AUDIT -

Continued

Finding Control Number: 2023-001 – 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 2022-23 year ended with an excess fund balance as a holding pattern for fiscal responsibility due to careful spending, increased sales tax revenues, ancillary grants and favorable inflation rates. We will continue to reduce our fund balance in a stable and graduated way toward the 4% limitation. With additional grant funding coming in for 2023-2025, the District will continue to concentrate on their long-term reserve planning, which will align closely with our fund balance management and fiscal strategy. The District planned to have on the agenda an additional reserve funding resolution to move \$1.5M into the capital reserve at the end of 22-23, however, felt it better to wait until after state aid and taxes started coming in to avoid any potential cash flow issues.

**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, 2023

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2022-001

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

Views of Responsible Officials and Corrective Actions

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

Current Status

Similar finding was noted in the 2023 audit.

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

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

TO THE BOARD OF EDUCATION WATERTOWN CITY SCHOOL DISTRICT

Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Watertown City School District for the year ended June 30, 2023, and the related note to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Watertown City School District for the year ended June 30, 2023, 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.

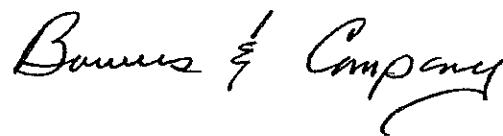
Auditor's Responsibilities for the Audit of the Financial Statement

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 5, 2023

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2023

Account Name	Cash Balance 7/1/2022	Cash Receipts	Cash Disbursements	Cash Balance 6/30/23
HIGH SCHOOL:				
Class of 2023	\$ 11,981	\$ 17,819	\$ 29,800	\$ -
Class of 2024	10,365	19,017	9,760	19,622
Class of 2025	9,328	10,587	6,369	13,546
Class of 2026	-	22,115	15,333	6,782
Class of 2027	-	1,000		1,000
Art Club	470	-	-	470
Band	1,218	-	92	1,126
Book Club	122	-	-	122
Business Club	536	-	200	336
Chorus	21,227	31,210	28,200	24,237
Cychronicle	516	-	516	-
Diversity Club	723	-	723	-
Drama	432	-	-	432
Environmental Club	720	565	823	462
Future Farmers of America	1,288	245	750	783
Gay Straight Alliance	72	68	5	135
Interact Club	785	-	785	-
International Club	206	12,534	11,663	1,077
National Honor Society	1,352	6,827	6,116	2,063
Ohio Reading Buddies	77	-	77	-
Photography Club	248	395	46	597
SADD	2,398	-	2,398	-
Student Council	11,724	9,127	10,421	10,430
Student Council - Special	10,563	28,877	22,905	16,535
Teen Aids Task Force	300	-	300	-
Video Club	2,574	2,051	527	4,098
Volunteering Club	1,018	903	1,185	736
Whiz Quiz	140	1,150	-	1,290
World Language Ambassador	-	723	-	723
Yearbook	2,012	15,159	12,626	4,545
Subtotal This Page	<u>\$ 92,395</u>	<u>\$ 180,372</u>	<u>\$ 161,620</u>	<u>\$ 111,147</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT

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

Year Ended June 30, 2023

Account Name	Cash Balance 7/1/2022	Cash Receipts	Cash Disbursements	Cash Balance 6/30/23
Subtotal Previous Page	\$ 92,395	\$ 180,372	\$ 161,620	\$ 111,147
CASE MIDDLE SCHOOL:				
Art Club	31	7	-	38
7th Grade Constitution	1,797	1,052	1,892	957
8th Grade Constitution	3,971	16,675	16,132	4,514
Book Fair	73	-	73	-
International Club	2,918	5,962	7,520	1,360
Musical	5,494	5,280	3,249	7,525
National Honor Society	1,381	1,245	2,040	586
SADD	4,001	13,834	11,038	6,797
Student Council	2,239	191	10	2,420
Ted ED	96	-	96	-
Gender Sexuality Alliance	198	-	34	164
Yearbook	5,696	426	31	6,091
WILEY SCHOOL:				
Student Council	948	1	-	949
Koobraey (Yearbook)	185	-	-	185
	<u>\$ 121,423</u>	<u>\$ 225,045</u>	<u>\$ 203,735</u>	<u>\$ 142,733</u>

See note to financial statement.

WATERTOWN CITY SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

June 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

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

October 5, 2023

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, 2023, 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 5, 2023, on the financial statements of Watertown City School District.

Condition: Non-Compliance with Federal Regulations

The School District did not comply with federal regulation 7CFR Part 210.14(b) which requires School Food Service fund balance not to exceed three months' worth of expenses. The District has excess fund balance of \$1,197,241 as of June 30, 2023.

Recommendation

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

Management's Response

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

Condition: General Ledger Maintenance and Closing Reconciliations

Our auditing procedures relating to the governmental funds revealed opportunities for strengthening internal controls over financial reporting. Our audit procedures revealed instances of general ledger errors and lack of management review or oversight to ensure accuracy of the general ledgers and financial reports throughout the year, but most importantly at year-end for audit. Several material journal entries were required to adjust balance sheet accounts to correct year-end balances in accordance with the modified accrual basis of accounting and additional entries to record significant transactions from the year such as a bond refunding within the Debt Service Fund. Additional entries were also required to properly report Medicaid reimbursements and Excess Cost Aid within the General Fund.

It was also found that the final budget amounts within the General Fund general ledger were understated by approximately \$116,000 due to issues with roll over of available encumbrances from June 30, 2022. Inaccurate budget amounts would not allow for proper monitoring of spending throughout the year and to prepare budget adjustments or amendments as need be.

Recommendation

In order to ensure that all accounting processes, reconciliations and general ledger maintenance procedures are being performed, we recommend that management develop a comprehensive checklist to be used by the business office on a periodic basis, specifically year-end, that addresses all general ledger reconciliation and maintenance procedures. The checklist should be detailed enough to ensure all procedures are addressed, noting who is responsible for each task and a place for sign off and date completed. This will assist with assigning tasks among department staff and enhance the review process over general ledger maintenance as well as promote accurate financial reporting for management and the board of education. Management should also develop a formalized reconciliation process for all balance sheet accounts to ensure properly reported in accordance with the modified accrual basis of accounting at year-end. We recommend management and business office staff review the provided guidance on proper reporting of Medicaid transactions to ensure properly recognized as Medicaid and Excess Cost Aid revenues.

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

Management's Response

The budget adjustment was localized to BOCES rollover PO due to the timing that we receive our final bills from them. The final bills are immaterial and the impact on BOCES budget is minimal. Once the general ledger is given to the auditors, we do not make changes to avoid doubling the workload on both ends. If we make entries after the fact, we have to pull and resend.

The District does monitor budget to actuals on a rolling basis as well as forecasting, which is incorporated into creating the budget year over year. Budget adjustments appeared on the Board of Education multiple times in the 22-23 school year.

Untimely Grant Reimbursement Requests

The District has a Smart Schools Bond Act project within the Capital Fund, which such program is operated on a reimbursement basis. As of June 30, 2022, there was approximately \$1,225,000 of expenditures incurred and paid by the District, with an additional \$238,000 paid during the year ended June 30, 2023 as the project was completed. It was noted that the District has not submitted such expenditures for reimbursement through the Smart Schools Bond Act program to date and therefore, approximately \$1,463,000 is reported within the governmental fund statements as receivable from State and deferred state aid. The carryover of uncollected grant funds due to untimely reimbursement requests also resulted in lost interest income in the current year of approximately \$75,000 based on the current market rates the District is earning with NYCLASS.

Recommendation

We recommend that grant reimbursement requests be submitted timely or on a regular basis such as annually if a program will expand beyond one year, or more importantly within a short time after completion of the project. This will ensure collection of grant funds occurs within the same period as expenditures are incurred and also allow the District to capitalize on its cash through interest earnings.

Management's Response

Final reimbursement request was submitted on August 8, 2023.

Condition: Extra Classroom Activity Funds

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

- We reviewed all students' ledgers to agree their reported balances to the Central Treasurers reporting and found multiple variances, or incomplete student ledgers were provided as of year-end.
- Evidence of receiving was lacking on 2 of 10 disbursements tested.
- 1 of 10 receipts tested was not deposited timely to the bank.

Recommendation

We suggest the student treasurers and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding record keeping within the Extra Classroom Activity Fund. Student ledgers should be maintained and reconciled with the Central Treasurers records on a regular basis, and notably at year-end. Receiving documentation should be attached to all invoices or signed off as received prior to payments being issued. Deposits should be made within three business days of collection or reconciliation with the Central Treasurer.

Management's Response

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

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.

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Bowens & Company

Watertown, New York
October 5, 2023