

# CITY OF WATERTOWN, NEW YORK

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## *FINANCIAL STATEMENTS*

June 30, 2024



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## **INDEPENDENT AUDITOR'S REPORT**

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### **SENIOR MANAGEMENT, MAYOR AND MEMBERS OF THE CITY COUNCIL OF THE CITY OF WATERTOWN, NEW YORK**

#### **Report on the Audit of the Financial Statements**

##### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, New York (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, New York, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The Trustees of Roswell P. Flower Memorial Library, which represent 100 percent of the assets, net position, and revenues of the component unit as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for The Trustees of Roswell P. Flower Memorial Library, are based solely on the report of the other auditors.

##### **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 the City of Watertown, New York 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 the City of Watertown, New York'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 the City of Watertown, New York'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 City of Watertown, New York'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**

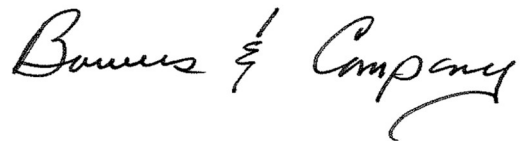
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 25, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios on page 92, Budgetary Comparison Schedule – General Fund on page 93, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) – NYSLRS Pension Plan on page 94, and the Schedule of the City's Contributions – NYSLRS Pension Plan on page 95 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 the City of Watertown, New York's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 102-103 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Expenditures of Federal Awards on pages 102-103 is 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 February 10, 2025, on our consideration of the City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned above the date and location text.

Watertown, New York  
February 10, 2025



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

As management of the City of Watertown (the “City”) we offer this overview and analysis of the financial activities of the City of Watertown for the fiscal year ended June 30, 2024. This discussion and analysis is designed to (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the financial activity, (c) identify changes in the City’s financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns. Since management’s discussion and analysis is designed to focus on the current year’s activities, resulting changes, and known facts, readers are encouraged to consider the information presented here in conjunction with the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

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- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2024 by \$41,513,415 (net position). This consists of \$137,870,527 net investment in capital assets, \$4,371,591 restricted for specific purposes and unrestricted net position of (\$100,728,703). The accumulated deficit results primarily from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2017-2018.
- The City’s total net position increased \$16,455,376 in fiscal year 2023-24. Governmental activities increased the City’s net position by \$10,779,232 and the business-type activities increased the net position by \$5,676,144.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$29,978,446 which represents a decrease of \$2,840,057 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,151,574 or 28% of General Fund expenditures and other financing uses. This amount is available for spending at the government’s discretion (unassigned fund balance) and constitutes approximately 60% of the General Fund’s total fund balance of \$26,759,853.
- The City issued \$2,812,500 in bond anticipation notes dated June 27, 2024 maturing June 27, 2025 at an interest rate of 4.25% (priced to yield 3.50%) to provide financing for the purchase of a pumper truck, a sanitary sewer project at Washington Street and Keyes Avenue as well as the re-financing of the bond anticipation notes issued in the previous fiscal year the replacement of roofs at the Water Treatment Plant complex and for a soda ash dry chemical system at the Water Treatment Plant.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

### OVERVIEW OF FINANCIAL STATEMENTS

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Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (inter-period or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements, which further explains and supports the information presented in these statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All of the activities of the City, except of a fiduciary nature, are included in these statements. The government-wide statements provide short-term and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all the City's assets (including capital assets), deferred outflows of resources, liabilities (including long-term debt), and deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base, bond ratings, the condition of its infrastructure, and the County's sales tax base, should also be considered.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Since full accrual accounting is used for the government-wide statements, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and interest payments on debt). This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions are self-supporting and/or dependent on general taxes and other revenues for support.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**Government-Wide Financial Statements - Continued**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include most of the City's basic services such as the City's fire and police services, public works, parks and recreation, the bus system, library, and general government support. Sales tax, property taxes, and State Aid finance most of these services. The business-type activities of the City include the water and sewer utilities. User fees support these activities.

The government-wide financial statements include not only the City of Watertown itself (known as the primary government), but also the Roswell P. Flower Memorial Library Board of Trustees as a discretely presented component unit.

**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. These statements provide more detailed information about the City's most significant funds (major funds) and not the City as a whole. All of the funds of the City can be divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term sources and uses of available resources. These funds are reported using the modified accrual method of accounting that measures cash and all other financial assets that can be readily converted to cash.

The governmental fund financial statements provide a more detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus (current financial resources) of governmental funds is narrower than that of the government-wide financial statements (total economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**Fund Financial Statements - Continued**

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Watertown maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balance for the General, Community Development, and Capital Projects Funds, which are considered to be the City's major governmental funds. Data for the other governmental funds is combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, a Budgetary Comparison Schedule for the General Fund has been provided as Required Supplemental Information following the Basic Financial Statements.

**Proprietary Funds**

Proprietary funds are generally used to account for services for which the City charges customers (both external and internal). These funds use accrual accounting, which is the same method used by the private sector. The City of Watertown has two proprietary or enterprise funds. The City's proprietary funds are the Water and Sewer Funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, both of which are considered to be major funds of the City.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. These funds are reported using the accrual accounting method.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

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**Other Information**

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. This section includes the budgetary comparison schedule for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2024, the City had a surplus net position (total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources) of \$41,513,415 compared to a surplus net position of \$25,058,039 at June 30, 2023, which represents an increase of \$16,455,376. The City's Other Postemployment Benefits total \$110,939,417 which represents a decrease of \$1,580,279. The largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction in progress, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets at the end of the year was \$137,870,527 which represents an increase of \$17,678,178 or 14.71%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

An additional \$4,371,591 of the net position represents resources that are subject to external restrictions on how they may be used. Currently, the amount of restricted net position represents the net position of the Tourism Fund, Community Development Fund, Workers Compensation Fund, Insurance Liability Fund, and Debt Service Fund.

The following schedule summarizes, on a comparison basis, the City's net position. The complete Statement of Net Position for the year ended June 30, 2024 can be found in the City's basic financial statements.

<b>City of Watertown's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>6/30/2024</u></b>	<b><u>6/30/2023</u></b>	<b><u>6/30/2024</u></b>	<b><u>6/30/2023</u></b>	<b><u>6/30/2024</u></b>	<b><u>6/30/2023</u></b>
Current and Other Assets	\$ 49,384,100	\$ 56,771,160	\$ 16,377,987	\$ 20,213,881	\$ 65,762,087	\$ 76,985,041
Capital Assets	104,214,109	93,963,289	60,955,767	54,510,153	165,169,876	148,473,442
Total Assets	<u>\$ 153,598,209</u>	<u>\$ 150,734,449</u>	<u>\$ 77,333,754</u>	<u>\$ 74,724,034</u>	<u>\$ 230,931,963</u>	<u>\$ 225,458,483</u>
Deferred Outflows of Resources	<u>\$ 19,994,652</u>	<u>\$ 23,692,009</u>	<u>\$ 2,750,926</u>	<u>\$ 3,437,916</u>	<u>\$ 22,745,578</u>	<u>\$ 27,129,925</u>
Long-term Liabilities						
Outstanding	\$ 128,626,360	\$ 135,589,684	\$ 27,391,293	\$ 29,263,532	\$ 156,017,653	\$ 164,853,216
Other Liabilities	20,461,322	25,087,862	8,262,485	10,226,049	28,723,807	35,313,911
Total Liabilities	<u>\$ 149,087,682</u>	<u>\$ 160,677,546</u>	<u>\$ 35,653,778</u>	<u>\$ 39,489,581</u>	<u>\$ 184,741,460</u>	<u>\$ 200,167,127</u>
Deferred Inflows of Resources	<u>\$ 24,256,016</u>	<u>\$ 24,278,981</u>	<u>\$ 3,166,650</u>	<u>\$ 3,084,261</u>	<u>\$ 27,422,666</u>	<u>\$ 27,363,242</u>
Net Position:						
Net Investment in Capital Assets	\$ 89,462,476	\$ 77,293,560	\$ 48,408,051	\$ 42,898,790	\$ 137,870,527	\$ 120,192,350
Restricted	4,371,591	4,715,545	-	-	4,371,591	4,715,545
Unrestricted	(93,584,904)	(92,539,174)	(7,143,799)	(7,310,682)	(100,728,703)	(99,849,856)
Total Net Position	<u>\$ 249,163</u>	<u>\$ (10,530,069)</u>	<u>\$ 41,264,252</u>	<u>\$ 35,588,108</u>	<u>\$ 41,513,415</u>	<u>\$ 25,058,039</u>

The schedule on the following page summarizes, on a comparison basis, the City's activities. The complete Statement of Activities can be found in the City's basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

<b>City of Watertown's Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
<b>Revenues:</b>	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2023</b>
Program Revenues:						
Charges for Services	\$ 14,107,574	\$ 11,421,391	\$ 13,709,674	\$ 12,917,685	\$ 27,817,248	\$ 24,339,076
Operating Grants and Contributions	3,629,119	3,607,733	-	-	3,629,119	3,607,733
Capital Grants and Contributions	9,560,805	9,541,220	4,511,225	2,632,568	14,072,030	12,173,788
General Revenues:						
Property Taxes	10,052,365	10,010,974	-	-	10,052,365	10,010,974
Sales Tax	24,882,431	24,614,716	-	-	24,882,431	24,614,716
Utilities Gross Receipts Tax	317,183	340,084	-	-	317,183	340,084
Franchise Tax	293,773	323,429	-	-	293,773	323,429
Hotel Occupancy Tax	252,512	255,306	-	-	252,512	255,306
Mortgage Tax	375,611	613,140	-	-	375,611	613,140
Unrestricted Grants and Entitlements	4,703,354	4,703,208	-	-	4,703,354	4,703,208
Investment Earnings	2,088,965	1,318,476	467,275	261,127	2,556,240	1,579,603
<b>Total Revenues</b>	<b>70,263,692</b>	<b>66,749,677</b>	<b>18,688,174</b>	<b>15,811,380</b>	<b>88,951,866</b>	<b>82,561,057</b>
<b>Expenses:</b>						
General Government Support	16,978,601	12,692,925	-	-	16,978,601	12,692,925
Hydroelectric Production	750,385	675,377	-	-	750,385	675,377
Fire	11,634,771	10,908,595	-	-	11,634,771	10,908,595
Police	10,369,242	8,760,899	-	-	10,369,242	8,760,899
Other Public Safety	977,760	898,620	-	-	977,760	898,620
Public Works	7,285,191	7,903,476	-	-	7,285,191	7,903,476
Bus	1,707,047	1,750,177	-	-	1,707,047	1,750,177
Watertown Empire Zone	-	-	-	-	-	-
Other Economic Assistance	12,288	12,359	-	-	12,288	12,359
Library	1,281,923	1,158,771	-	-	1,281,923	1,158,771
Other Culture and Recreation	4,672,497	4,701,067	-	-	4,672,497	4,701,067
Refuse and Recycling	912,199	854,939	-	-	912,199	854,939
Other Home and Comm.	2,605,202	1,124,507	-	-	2,605,202	1,124,507
Interest on Debt Service	443,217	533,030	-	-	443,217	533,030
Water	-	-	6,654,326	5,642,860	6,654,326	5,642,860
Sewer	-	-	6,211,841	6,255,532	6,211,841	6,255,532
<b>Total Expenses</b>	<b>59,630,323</b>	<b>51,974,742</b>	<b>12,866,167</b>	<b>11,898,392</b>	<b>72,496,490</b>	<b>63,873,134</b>
<b>Excess of Revenues over Expenses</b>	<b>10,633,369</b>	<b>14,774,935</b>	<b>5,822,007</b>	<b>3,912,988</b>	<b>16,455,376</b>	<b>18,687,923</b>
Transfers	145,863	145,863	(145,863)	(145,863)	-	-
<b>Change in Net Position</b>	<b>10,779,232</b>	<b>14,920,798</b>	<b>5,676,144</b>	<b>3,767,125</b>	<b>16,455,376</b>	<b>18,687,923</b>
Net Position – Beginning	(10,530,069)	(25,450,867)	35,588,108	31,820,983	25,058,039	6,370,116
<b>Net Position - Ending</b>	<b>\$ 249,163</b>	<b>\$ (10,530,069)</b>	<b>\$ 41,264,252</b>	<b>\$ 35,588,108</b>	<b>\$ 41,513,415</b>	<b>\$ 25,058,039</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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**Governmental Activities**

Governmental activities increased the City's net position by a total \$10,779,232 compared to last year's increase of \$14,920,798.

The major factors contributing to the overall revenue increase of \$3,514,015 were:

- Charges for services increased by \$2,686,183 primarily due to an increases of \$714,957 from the sale of the City's excess hydro-electricity, \$1,201,305 in health insurance plan stop loss insurance policy reimbursements, \$70,016 in retiree health insurance premiums, \$270,018 from Water and Sewer Funds' health insurance premiums to the City's health insurance plan, \$26,819 from prescription rebates, \$188,471 for Parks and Recreation golf course fees due to this being the first full fiscal year operating the course, \$20,254 from Parks and Recreation ice rink revenue, \$46,596 from Refuse sticker sales, and \$21,775 from Refuse totes. Offsetting decreases were realized for Medicare Part D prescription drug subsidies to the City's health plan (\$51,676), Parks and Recreation field use charges (\$31,532), concession sales (\$35,076) and arena rentals (\$22,443).
- Revenue from the City's sales tax distribution agreement with Jefferson County is the City's largest revenue source. Sales tax totaled \$24,882,431 for the year, which was an increase of \$267,715 or 1.09%, over last year's total of \$24,614,716. Sales tax revenue represented 35.41% of the governmental activities' revenue in FY 2023/24 compared to 36.88% in FY 2022/23.
- Revenues from property tax related items increased \$41,391 or 0.41% due to an increase in the property tax levy of \$138,461 or 1.42%, an increase of \$176,687 in deferred property tax revenues, a decrease of \$261,778 to the allowance for uncollectible property taxes on certain parcels that were in bankruptcy or in poor condition and a decrease of \$20,328 from lower interest and penalties on property tax late payments.
- Revenues received from mortgage taxes decreased by \$237,529, or 38.74%, from last year to \$375,611.
- Revenues received from hotel occupancy taxes decreased by \$2,794 or 1.09%, from last year to \$252,512.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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**Governmental Activities – Continued**

- Interest earnings increased \$770,489 with \$413,581 of the increase related to General Fund cash and \$201,674 of the increase related to earnings on unspent American Rescue Plan Act (ARPA) funds.
- Operating grants increased slightly by \$21,386 or 0.60% to \$3,629,119, due to a New York State (NYS) Division of Criminal Justice Services Gun Involved Violence Elimination (GIVE) grant (\$150,000), a NYS Division of Criminal Justice Services Hot Spot Policing grant (\$50,000), and Assistance to Firefighters grant for hazmat training (\$127,944), New York State Department of Transportation Consolidated Local Street and Highway Improvement Program (CHIPs) funding for Department of Public Works' personnel costs for road paving (\$304,430), Federal Transportation System Section 5307 funding (\$1,259,770) and New York State Operating Assistance (STOA) (\$408,415) for bus operating and maintenance costs, American Rescue Plan Act funded projects such as Hospice facility ventilation project (\$225,000), street and park tree pruning (\$66,950), Thompson Park trail groomer (\$40,732) and Police shooting range improvements (\$78,850) and Community Development Block grants for various programs (\$1,567,119).
- Capital grants received by the City increased slightly by \$19,585 to \$9,560,805. Some of the major capital projects receiving aid include the Consolidated Local Street and Highway Improvement Program for various streets and equipment (\$1,704,807), Federal and State assistance for the Court Street Bridge reconstruction and Massey and Coffeen Streets resurfacing project (\$3,001,874), the Downtown Revitalization Initiative grant for the Franklin and Court Streets streetscape enhancements (\$136,851), American Rescue Plan Act funded projects such as the Franklin and Court Streets streetscape enhancements (\$760,939), the reconstruction of Henry Street/Grant Street/Seward Street (\$1,094,735), VanDuzee Street bridge rehabilitation (\$880,097) Flynn pool construction (\$437,085), Arsenal Street parking lot (\$124,400), City Hall renovation design costs (\$345,909) and hydro-electric facility improvements (\$200,390).
- Fire expenses increased \$726,176 due to an increase of \$166,444 in the department's net pension obligation, an increase in the department's long-term workers compensation liability of \$334,672, an increase of \$35,985 to the compensated absences liability, an increase of \$487,397 in personal services excluding last year's NYS Healthcare Worker Bonus Program wages of \$201,600 and a decrease of \$424,999 in the net Other Postemployment Benefits (OPEB) liability.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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**Governmental Activities – Continued**

- Police expenses increased \$1,608,343 due to an increase of \$787,143 in personal services costs and \$441,181 of related fringe benefits due to less vacancies than the prior fiscal year, an increase of \$232,645 to the department's long-term workers compensation liability, an increase of \$304,967 in the department's net pension obligation, and a decrease of \$371,090 in the change to the net other postemployment benefits (OPEB) liability.
- Public Works expenses increased \$493,080 (when storm sewer expenses are excluded from last year as they are now reported on the Other Home and Community Services line) due to an increase of \$167,393 in the department's net pension obligation, increases in the operating costs of municipal maintenance (\$129,158) and road maintenance (\$161,198), a decrease of \$119,413 in the change to the net Other Postemployment Benefits (OPEB) liability, and a decrease of \$9,115 to the department's long-term workers compensation liability.
- Other Culture and Recreation (Parks and Recreation) expenses decreased \$28,570. However, when last year's one-time write-off of \$625,000 of non-capitalized golf course equipment purchased from the previous course owner the increase is \$596,430. Primary reasons for the increase were an increase of \$101,772 in the department's net pension obligation, an increase in operating expenses of \$78,341 for Parks and Playground Maintenance, an increase in operating expenses of \$69,070 for Parks and Recreation Programs and Events, an increase in operating expenses of \$212,896 for the golf course due to this being the first full fiscal year of operations, a decrease of \$20,755 to the department's long-term workers compensation liability, a decrease of \$48,581 in the change to the net Other Postemployment Benefits (OPEB) liability, and a decrease of \$61,127 in operating expenses for the Arena.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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**Business-Type Activities**

Business-type activities increased the City's net position by \$5,676,144 compared to \$3,767,125 last year. Key elements for this year are as follows:

- Water operating revenues increased by \$457,835 or 7.83%, to \$6,308,444 due to revenue from inside of the City customers increasing \$378,070 or 9.98% due to a water rate increase of 10.00% and outside of the City customers increased \$140,584 or 9.22%. Operating expenses increased by \$973,591 or 17.50%, to \$6,536,844 due to an increase of \$222,006 to the long-term workers compensation liability, an increase of \$37,851 in the change to the net Other Postemployment Benefits (OPEB) liability and related deferred inflows and outflows of resources, an increase of \$92,829 in the treatment plant's wages, an increase of \$73,288 in the treatment plant's cost of materials and supplies (chemicals), an increase of \$102,894 in expendable equipment related purchases and an increase in the net pension obligation of \$125,000.
- The City has a contract with the Development Authority of the North Country (DANC) to produce and deliver treated fresh water to Fort Drum as well as other outside water districts connected to the Development Authority of the North Country's water distribution line. In the current fiscal year, the revenue derived from this agreement was \$736,819 or an increase of \$54,600 or 8.00% over last year's total of \$682,219. Water revenues from this agreement accounted for 11.68% of the total water revenues compared to 11.66% last year.
- Total revenues from water sales to outside of the City customers such as the Development Authority of the North Country and Town of Watertown water districts was \$1,664,988 or an increase of \$140,585 or 9.22%, over last year's total of \$1,524,403. Water revenues to outside of the City customers represented 26.39% of the water operating revenues compared to 26.06% last year.
- Sewer operating revenues increased \$334,154 or 4.73%, to \$7,401,230 due to revenue from inside of the City customers decreasing \$32,771 or 1.24% and outside of the City customers increasing \$351,378 or 21.76%. Operating expenses decreased slightly by \$24,044 or 0.39%, to \$6,091,149 due to a decrease of \$249,996 in the change to the net Other Postemployment Benefits (OPEB) liability and related deferred inflows and outflows of resources, an increase in the net pension obligation of \$97,797 and an increase of \$186,432 in the long-term workers compensation liability.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

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**Business-Type Activities – Continued**

- The City has a contract with the Development Authority of the North Country to provide wastewater treatment services to Fort Drum as well as other outside sewer districts. In the current fiscal year, the revenue derived from this agreement was \$1,249,251 or a decrease of \$77,139 or 5.82% below last year's total of \$1,326,390. Sewer revenues from this agreement accounted for 16.88% of the total sewer revenues compared to 18.77% last year.
- Total sewer revenues from outside of the City customers such as the Development Authority of the North Country and Town of Watertown districts was \$2,163,637, or a decrease of \$54,135 or 2.44% below last year's total of \$2,217,772. Sewer revenues to outside of the City customers represented 29.23% of the sewer operating revenues compared to 31.38% last year.
- Capital grants received by the City increased by \$1,878,657 to \$4,511,225. Some of the major capital projects receiving aid include projects funded by the American Rescue Plan Act such as the Winslow Street water main replacement (\$717,982), the Pratt and Sherman Streets water main replacement (\$514,797), the Barben Avenue/Bugbee Drive/Holcomb Street water main replacement (\$1,596,915), the East Street water main replacement (\$218,150), the coagulation basin pumping station generator (\$284,675) and the Thompson Park reservoir rehabilitation (\$200,988).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2024, the City's governmental funds reported combined ending fund balances of \$29,978,446 representing a decrease of \$2,840,057 or 4.82%, in comparison with the prior year. Approximately 54%, or \$16,151,574 represents the unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) *non-spendable* to indicate that it is not available for new spending because it must be maintained intact for prepaid expenditures (\$27,402), and (2) *restricted* to indicate limitations on its use imposed by grants, debt, or legislation (\$4,371,591).

#### General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,151,574 while the total General Fund balance equaled \$26,759,853 compared to \$25,358,841 in the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and other financing uses. Unassigned fund balance represents 27.87% of total General Fund expenditures and other financing uses compared to 27.81% last year, while total fund balance represents 46.18% of that same amount compared to 41.56% last year.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,401,012 as compared to last year's decrease of \$4,367,834.

#### Capital Projects Fund

The Capital Projects Fund accounts for the construction and acquisition of the capital assets of the City. At the end of the current fiscal year, the fund balance was \$2,962,261 compared to \$7,203,011 in the previous year. Within the current year \$166,304 is considered restricted due to debt financing and \$2,795,957 is considered assigned due to the funding being from operating fund transfers.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

- Continued

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**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position (deficit) at the end of the fiscal year of the Water Fund was (\$4,475,745) compared to (\$3,706,349) in the prior fiscal year. The deficit unrestricted net position is due to the implementation of GASB Statement No. 75 in fiscal year 2017-2018. The water fund had an increase in net position in the amount of \$3,907,642 compared to an increase of \$2,700,748 in the previous year.

Unrestricted net position (deficit) at the end of the fiscal year of the Sewer Fund was (\$2,668,054) compared to (\$3,550,876) in the prior year. The deficit unrestricted net position is due to the implementation of GASB Statement No. 75 in fiscal year 2017-2018. The Sewer Fund had an increase in net position in the amount of \$1,768,502 compared to an increase of \$1,066,377 in the prior fiscal year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

The General Fund budget was re-adopted numerous times throughout the year for various reasons, such as to adjust ARPA funding for City Hall renovations (\$20,000) and ARPA funding for river vegetation removal (\$50,000), to appropriate fund balance for a Police Department over-hire due to pending retirements (\$231,000), to accept Police grants (\$200,000), to accept a Fire Department grant (\$85,755), to authorizing ARPA funds to Hospice of Jefferson County (\$225,000), to appropriate fund balance to provide funding to the Thompson Park Conservancy (\$160,000), to appropriate fund balance for the Flynn Pool parking lot reconstruction (\$100,000), to appropriate fund balance to cover the City's share of a 25% mid-year increase to health insurance premiums (\$917,497), to authorize a Central Garage over-hire due to a pending retirement (budget neutral due to position vacancy savings), to appropriate fund balance for the solar eclipse (\$123,000), to transfer Department of Public Work's snow account budget savings to Parks and Recreation to purchase golf course equipment (\$29,250) funded by snow department budget savings and to transfer Police Department budget savings to cover the additional costs of the Public Square fountain restoration project (\$40,900).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

- Continued

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**General Fund Budgetary Highlights – Continued**

General Fund revenues of \$59,348,367 on a budgetary basis exceeded final budgeted revenues of \$57,252,539 by \$2,095,828, or 3.66%. Areas where actual revenues to budgeted revenues exceeded expectations were sales tax (\$97,431), Department of Public Works fees from code violations (\$77,736), sale of hydroelectricity (\$645,225), interest and earnings (\$1,365,489) and use of ARPA funds for various purposes (\$285,066). Under performing areas were gross receipts tax on utilities (\$42,817), cable franchise agreement (\$17,305), Parks and Recreation golf course fees (\$41,746), refuse tote charges (\$42,448), building permits (\$35,546), mortgage tax receipts (\$19,389) and NYS Consolidated Highway Improvement Program (CHIPS) reimbursements for labor and equipment purchases (\$306,570).

General Fund budgetary basis expenditures of \$57,947,355 were \$4,239,298 or 6.82%, lower than the final budgeted expenditures of \$62,186,653 which excludes \$996,269 of open year-end encumbrances. Actual expenditures were lower than the budgeted expenditures due mostly to personal services (\$372,062), vehicle and equipment purchases due to longer than usual delivery dates (\$880,497), contracted services (\$878,130), professional fees (\$197,179), miscellaneous expenses (\$130,820), vehicle expenses (\$158,559), materials and supplies (\$344,230), minor equipment (\$204,951), and transfers to the Self-Funded Health Insurance Fund for the City's share of General Fund employees' health insurance premiums (\$417,592). Additionally, the budgetary based expenditures included a transfer to the contingency and tax stabilization reserve (\$500,000) that when recorded is not considered an actual expenditure.

These combined revenue and expenditure results reduced the expected use of \$3,230,856 in appropriated fund balance and reserves that was budgeted in the 2023-24 General Fund budget to a surplus of \$1,401,012 instead.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

The City's investment in capital assets, net of accumulated depreciation and amortization, for its governmental and business-type activities as of June 30, 2024, amounts to \$165,169,876. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, traffic signals, intangible lease assets and other infrastructure.

<b>City of Watertown's Capital Assets, Net of Accumulated Depreciation and Amortization</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2023</b>
Land	\$ 4,949,200	\$ 4,949,200	\$ -	\$ -	\$ 4,949,200	\$ 4,949,200
Construction in Progress	12,441,559	9,161,331	18,736,004	12,437,423	31,177,563	21,598,754
Land Improvements	2,035,630	2,173,084	13,213	13,968	2,048,843	2,187,052
Building and Improvements	29,089,648	29,623,181	13,807,574	13,989,774	42,897,222	43,612,955
Infrastructure	48,015,450	40,454,825	22,813,428	22,500,643	70,828,878	62,955,468
Machinery and Equipment	4,730,381	4,157,743	4,977,251	5,076,814	9,707,632	9,234,557
Vehicles	2,880,348	3,348,286	608,297	491,531	3,488,645	3,839,817
Intangible Lease Assets	71,893	95,639	-	-	71,893	95,639
Total Capital Assets, Net	\$ 104,214,109	\$ 93,963,289	\$ 60,955,767	\$ 54,510,153	\$ 165,169,876	\$ 148,473,442

Major capital asset events during the current fiscal year included the following projects:

- Utilized \$1,822,000 of NYS Department of Transportation Consolidated Local Street and Highway Improvement Program (CHIPs) funding for completed street paving such as the Gotham Street Thompson Park entrance (\$133,968), portion of Mill Street (\$195,361), Morrison Street (\$74,201), High Street (\$252,846), portions of Academy Street (\$352,293), portion of Arsenal Street (\$81,961), portion of State Street (\$80,186), Park Circle (\$217,160), portion of the Franklin Street and Court Street streetscape project (\$122,338), portion of Barben Avenue (\$141,550) and Pearl Street (\$94,372). Additional streets started but not completed by June 30th include Myrtle Avenue (\$98,843) and Olmstead Drive (\$92,025).
- Completed the project to rehabilitate the Court Street bridge and resurface Massey Street and Coffeen Street at a final cost of \$7,775,154.
- Replaced windows at the Roswell P. Flower Memorial Library at a cost of \$359,279.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**CAPITAL ASSETS AND DEBT ADMINISTRATION -**

Continued

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**Capital Assets – Continued**

- Completed the replacement of an existing 24” square stone sewer on Washington Street between Winslow Street and Keyes Avenue as well as a portion of the sewer which extends up Keyes Avenue at a cost of \$1,049,569.
- Completed rehabilitation of the VanDuzee Street bridge at a cost of \$1,024,035.
- Continued with the construction of the sludge modification project for the wastewater treatment plant. The project is being segmented into Phases 1a and 1b. Phase 1a achieves a significant carbon footprint reduction through the elimination of the use of fuel oil as an auxiliary fuel, as well as a reduction in electrical consumption and enables the discontinuance of sewage sludge incineration. Phase 1b enables biogas conditioning and beneficial reuse, which will enable a further reduction of the plant’s electrical demand. The project is estimated to cost \$9,850,000. The City was awarded a grant from the New York State Energy and Research Authority in the amount of \$585,646. The City has also been awarded a New York State Environmental Facilities Corporation grant of the lesser of 25% of the project cost or \$2,301,715. Additionally, the City has qualified for a zero percent loan for the project balance through the New York State Environmental Facilities Corporation. Construction in progress at fiscal year-end was \$9,376,778.
- Commenced the estimated \$4,00,000 project to rehabilitate Grant Street, Henry Street and Seward Street to include reconstructed streets, sidewalks, storm sewers, water mains and sanitary sewer mains. Construction in progress at year-end was \$2,153,881.
- Continued to construct the estimated \$4,500,000 streetscape enhancement project to the 200 block of Franklin Street, the area around the Governor Roswell P. Flower Monument on Washington Street, Lachenauer Plaza and the 100-300 blocks of Court Street and the 200 block of Coffeen Street. Improvements in these areas will include site preparation, sidewalks, curbing, paving, crosswalks, bollards, lighting, landscaping, tree planting and drainage. Construction in progress at year-end was \$4,414,537.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**CAPITAL ASSETS AND DEBT ADMINISTRATION -**

Continued

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**Capital Assets – Continued**

- Continued with the design or construction of numerous water main replacement projects that are being funded with American Rescue Plan Act funds. Water mains being replaced and amounts spent to date are as follows: Ohio Street (\$64,776), Winslow Street (\$780,522), Pratt and Sherman Streets (\$1,063,354), Barben Avenue/ Holcomb Street/ Bugbee Drive (\$1,926,199), Division Street East (\$403,449), East Street (\$238,450) and Thompson Street (\$623,540).
- Continued the construction on the City Center Industrial Park Stormwater Improvements to reconstruct two outfalls from the City's stormwater system that discharged water onto property owned by Renzi Foodservice which was impacting their expansion project. The estimated project cost of \$200,000 is funded with American Rescue Plan Act funds. Construction-in-progress at year-end was \$184,187.
- Continued with the design of the Flynn Pool reconstruction and bathhouse rehabilitation estimated to cost \$4,000,000 with the American Rescue Plan Act funding \$750,000 and the remaining \$3,250,000 from General Fund fund balance. Construction-in-progress at year-end was \$3,902,992.
- Began the design of a major capital project to reduce the amount of disinfection byproducts found in the City's treated water. The current project estimate is \$61,700,000. Design costs spent as of year-end were \$1,645,822.

Additional information on the City's capital assets can be found in the notes to the audited basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**CAPITAL ASSETS AND DEBT ADMINISTRATION -**  
Continued**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,692,363. This entire amount is backed by the full faith and credit of the City of Watertown. Following is a comparative statement of outstanding debt:

	City of Watertown's Outstanding Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
General Obligation Bonds	\$ 13,845,423	\$ 15,617,479	\$ 11,846,940	\$ 13,138,864	\$ 25,692,363	\$ 28,756,343
Total	\$ 13,845,423	\$ 15,617,479	\$ 11,846,940	\$ 13,138,864	\$ 25,692,363	\$ 28,756,343

The New York State Constitution restricts the City's level of indebtedness to an amount no greater than 7% of the average full valuation of taxable real property for the most recent five years. Water debt, sewer debt, self-sustaining debt, and refunded debt are excluded from the debt limit calculation. Accordingly, as of June 30, 2024, the City's NYS constitutional debt limit was \$86,273,102 with total net indebtedness of \$14,929,233 after statutory exclusions, thus exhausting 17.30% of the City's debt limit.

Additional information on the City's capital debt can be found in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when adopting the fiscal year 2024-2025 budget, most importantly how the local economy was still rebounding after the COVID-19 pandemic and the influx of \$22.3 million from the American Rescue Plan Act of 2021.

The City of Watertown is the county seat of Jefferson County. The unemployment rates in June 2024 were 4.1% for Watertown, 3.9% for Jefferson County, 4.3% for New York State, and 4.1% for the United States. Comparably, the unemployment rates in June 2023 were 4.0% for Watertown, 3.7% for Jefferson County, 4.1% for New York State, and 3.6% for the United States.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS  
AND RATES**

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Primary budget factors considered during the preparation of the FY 2024-2025 budget focused on completing all of the ARPA projects as well attempting to keep routine operating costs down but still providing sufficient resources to accomplish the desired tasks.

The City's 2024-2025 budget was significantly impacted from higher NYS Retirement System contribution rates for the cost of employees' retirement benefits. The budgeted contribution rate to the Employees' Retirement System will range from 11.62% to 22.00% of salaries, up from a range of 10.08% to 18.83% in the previous year. The budgeted contribution rate for the Police and Fire Retirement System also increased and ranged from 25.30% to 35.80% of salaries, compared to last year's range of 21.73% to 31.03% of salaries. The NYS Retirement System does utilize smoothing techniques to avoid sharp increases or decreases due to large market fluctuations.

The City was able to hold the line on health insurance premiums after increasing the premiums 9.53% at the start of Fiscal Year 2023-24 and then again mid-year an additional 25%.

The City did override the NYS Property tax cap and increased the property tax levy by \$740,055 or 7.47% over the FY 2023-24 amount. Due to taxable assessed values increasing \$4,703,433 or 0.42% and pro-rata taxes of \$18,006 the property tax rate increased 7.06% over the previous year.

The City's FY 2024-2025 General Fund operating costs increased by \$1,330,579, or 2.36%, to \$57,714,496. The City appropriated \$3,504,459 of fund balance, a decrease of \$83,219 over the final re-adopted FY 2023-2024 appropriated fund balance.

Water Fund appropriations decreased by \$69,318 or 0.97% due to an increase in the source of supply, power and pumping's cost of utilities (\$35,500 or 4.72%), treatment plant utilities increased \$60,650 or 15.89% and materials and supplies increased \$74,700 or 8.21% due to process chemicals increasing. To offset these increases the amount budgeted as a transfer to fund capital projects decreased \$285,000 over the previous year. The Water Fund was able to appropriate \$577,824 of fund balance but was forced to still increase water rates by 3.00%.

Sewer Fund appropriations increased by \$72,677 or 0.90% due to an increase in wastewater treatment plant equipment purchases (\$283,200 or 64.95%) and wastewater treatment plant contracted to rebuild two trickling filter pumps (\$117,030 or 25.26%). To offset these increases the amount budgeted as a transfer to fund capital projects decreased \$620,000 over the previous year. The Sewer Fund also was able to maintain the sewer rates through the appropriation of \$400,708 of fund balance but also raised sewer rates 3.00%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

**REQUESTS FOR INFORMATION**

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The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, City of Watertown, Municipal Building, 245 Washington Street, Watertown, New York 13601.

**CITY OF WATERTOWN, NEW YORK**

**AUDITED BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

June 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Trustees of the Roswell P. Flower Memorial Library
<b>ASSETS</b>				
Unrestricted Cash and Cash Equivalents	\$ 25,560,560	\$ 9,774,349	\$ 35,334,909	\$ 229,579
Restricted Cash and Cash Equivalents	15,592,708	293,661	15,886,369	41,731
Certificates of Deposit	-	-	-	114,745
Receivables				
Lease Receivable	616,384	-	616,384	-
Account, Net of Allowances	5,370,798	2,277,345	7,648,143	8,911
Taxes, Net of Allowances	929,186	-	929,186	-
Due from Other Governments	2,644,871	521,397	3,166,268	-
State and Federal Aid Receivables	2,153,426	-	2,153,426	-
Prepaid Expenses	27,402	-	27,402	-
Internal Balances	(3,511,235)	3,511,235	-	-
	<u>49,384,100</u>	<u>16,377,987</u>	<u>65,762,087</u>	<u>394,966</u>
Capital Assets				
Non-Depreciable	17,390,759	18,736,004	36,126,763	14,516
Depreciable, Net	86,823,350	42,219,763	129,043,113	39,127
Total Capital Assets	<u>104,214,109</u>	<u>60,955,767</u>	<u>165,169,876</u>	<u>53,643</u>
<b>TOTAL ASSETS</b>	<u>\$ 153,598,209</u>	<u>\$ 77,333,754</u>	<u>\$ 230,931,963</u>	<u>\$ 448,609</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Bond Refunding	\$ 11,898	\$ -	\$ 11,898	\$ -
Deferred Outflows of Resources, Pensions	13,362,432	1,192,072	14,554,504	-
Deferred Outflows of Resources, OPEB	6,620,322	1,558,854	8,179,176	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 19,994,652</u>	<u>\$ 2,750,926</u>	<u>\$ 22,745,578</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,054,571	\$ 2,157,164	\$ 5,211,735	\$ 6,982
Accrued Interest Payable	68,340	32,328	100,668	-
Accrued Liabilities	2,658,769	137,358	2,796,127	-
Retainage Payable	406,366	229,010	635,376	-
Current Debt Obligations Due Within One Year, Net of				
Unamortized Premium	1,922,323	1,363,039	3,285,362	-
Compensated Absences Due Within One Year	25,773	-	25,773	-
Other Liabilities	58,977	14,127	73,104	-
Due to Other Governments	403,480	140	403,620	-
Due to Retirement System	1,454,679	108,019	1,562,698	-
Unearned Revenue	9,623,044	2,193,800	11,816,844	-
Bond Anticipation Note Payable	785,000	2,027,500	2,812,500	-
Other Post Employment Benefits Payable	96,770,028	14,169,389	110,939,417	-
Other Long-Term Liabilities	1,084,244	129,109	1,213,353	-
Net Pension Liability - Proportionate Share	16,226,982	1,437,286	17,664,268	-
Workers Compensation Liability	1,621,896	986,179	2,608,075	-
Lease Liability Due and Payable After One Year	48,093	-	48,093	-
Serial Bonds Due and Payable After One Year, Net of				
Unamortized Premium	12,875,117	10,669,330	23,544,447	-
<b>TOTAL LIABILITIES</b>	<u>\$ 149,087,682</u>	<u>\$ 35,653,778</u>	<u>\$ 184,741,460</u>	<u>\$ 6,982</u>

See notes to audited basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF NET POSITION – Continued**  
June 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Trustees of the Roswell P. Flower Memorial Library
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources, Leases	\$ 581,317	\$ -	\$ 581,317	\$ -
Deferred Inflows of Resources, Pensions	6,510,846	862,529	7,373,375	-
Deferred Inflows of Resources, OPEB	17,163,853	2,304,121	19,467,974	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 24,256,016</u>	<u>\$ 3,166,650</u>	<u>\$ 27,422,666</u>	<u>\$ -</u>
<b>NET POSITION (DEFICIT)</b>				
Net Investment in Capital Assets	\$ 89,462,476	\$ 48,408,051	\$ 137,870,527	\$ -
Restricted for:				
Capital Reserve	1,686,933	-	1,686,933	-
Workers' Compensation Reserve	259,644	-	259,644	-
Insurance Reserve - General	692,484	-	692,484	-
Debt Service	90,601	-	90,601	-
Contingency and Tax Stabilization Reserve	1,475,625	-	1,475,625	-
Capital Projects	166,304	-	166,304	-
Library	-	-	-	134,782
Unrestricted (Deficit)	<u>(93,584,904)</u>	<u>(7,143,799)</u>	<u>(100,728,703)</u>	<u>306,845</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$ 249,163</u>	<u>\$ 41,264,252</u>	<u>\$ 41,513,415</u>	<u>\$ 441,627</u>

See notes to audited basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	The Trustees of the Roswell P. Flower Memorial Library
FUNCTIONS/PROGRAMS	Expenses							
Governmental Activities								
General Government Support								
General Government Support	\$ 16,978,601	\$ 5,613,887	\$ 52,661	\$ 345,909	\$ (10,966,144)	\$ -	\$ (10,966,144)	\$ -
Hydroelectric Production	750,385	5,795,225	-	220,390	5,265,230	-	5,265,230	-
Public Safety								
Fire	11,634,771	56,200	368,571	202,331	(11,007,669)	-	(11,007,669)	-
Police	10,369,242	180,196	-	-	(10,189,046)	-	(10,189,046)	-
Other Public Safety	977,760	144,156	-	-	(833,604)	-	(833,604)	-
Public Works	7,285,191	198,724	759,496	7,624,307	1,297,336	-	1,297,336	-
Transportation								
Bus	1,707,047	116,202	1,118,482	20,036	(452,327)	-	(452,327)	-
Economic Opportunity and Development								
Other Economic Assistance	12,288	-	-	-	(12,288)	-	(12,288)	-
Culture and Recreation								
Library	1,281,923	2,425	74,511	73,962	(1,131,025)	-	(1,131,025)	-
Other Culture and Recreation	4,672,497	881,462	-	665,938	(3,125,097)	-	(3,125,097)	-
Home and Community Services								
Refuse and Recycle	912,199	1,086,194	-	-	173,995	-	173,995	-
Other Home and Community Services	2,605,202	32,903	1,255,398	407,932	(908,969)	-	(908,969)	-
Interest on Debt	443,217	-	-	-	(443,217)	-	(443,217)	-
Total Governmental Activities	<u>59,630,323</u>	<u>14,107,574</u>	<u>3,629,119</u>	<u>9,560,805</u>	<u>(32,332,825)</u>	<u>-</u>	<u>(32,332,825)</u>	<u>-</u>
Business-Type Activities								
Water	6,654,326	6,308,444	-	4,249,810	-	3,903,928	3,903,928	-
Sewer	6,211,841	7,401,230	-	261,415	-	1,450,804	1,450,804	-
Total Business-Type Activities	<u>12,866,167</u>	<u>13,709,674</u>	<u>-</u>	<u>4,511,225</u>	<u>-</u>	<u>5,354,732</u>	<u>5,354,732</u>	<u>-</u>
Total Primary Government	<u>\$ 72,496,490</u>	<u>\$ 27,817,248</u>	<u>\$ 3,629,119</u>	<u>\$ 14,072,030</u>	<u>(32,332,825)</u>	<u>5,354,732</u>	<u>(26,978,093)</u>	<u>-</u>
Component Unit								
The Trustees of the R.P. Flower Memorial Library	<u>\$ 154,775</u>	<u>\$ -</u>	<u>\$ 123,397</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,378)</u>
Total Component Unit	<u>\$ 154,775</u>	<u>\$ -</u>	<u>\$ 123,397</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,378)</u>
Net (Expense) Revenue and Changes in Net Position Brought Forward					<u>(32,332,825)</u>	<u>5,354,732</u>	<u>(26,978,093)</u>	<u>(31,378)</u>
GENERAL REVENUES								
Property Taxes					10,052,365	-	10,052,365	75,000
Sales Taxes					24,882,431	-	24,882,431	-
Utilities Gross Receipts Tax					317,183	-	317,183	-
Franchise Tax					293,773	-	293,773	-
Hotel Occupancy Tax					252,512	-	252,512	-
Mortgage Tax					375,611	-	375,611	-
Grants and Entitlements Not Restricted to Specific Programs					4,703,354	-	4,703,354	-
Investment Earnings					2,088,965	467,275	2,556,240	1,632
Total General Revenues					<u>42,966,194</u>	<u>467,275</u>	<u>43,433,469</u>	<u>76,632</u>
Transfers					145,863	(145,863)	-	-
Change in Net Position					10,779,232	5,676,144	16,455,376	45,254
Total Net Position (Deficit) - Beginning of Year					<u>(10,530,069)</u>	<u>35,588,108</u>	<u>25,058,039</u>	<u>396,373</u>
Total Net Position (Deficit) - End of Year					<u>\$ 249,163</u>	<u>\$ 41,264,252</u>	<u>\$ 41,513,415</u>	<u>\$ 441,627</u>

See notes to audited basic financial statements.



**CITY OF WATERTOWN, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2024

	<b>General</b>	<b>Capital Projects</b>	<b>Community Development</b>	<b>Non Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Unrestricted Cash and Cash Equivalents	\$ 25,557,027	\$ 2,864	\$ -	\$ 669	\$ 25,560,560
Restricted Cash and Cash Equivalents	13,500,638	2,079,453	12,617	-	15,592,708
Receivables					
Accounts, Net of Allowances	1,399,432	-	3,964,076	7,290	5,370,798
Taxes, Net of Allowances	929,186	-	-	-	929,186
Due from Other Governments	2,644,871	-	-	-	2,644,871
Lease Receivables	616,384	-	-	-	616,384
State and Federal Aid Receivables	1,206,515	728,037	218,874	-	2,153,426
Prepaid Expenses	27,402	-	-	-	27,402
Due from Other Funds	2,186,535	7,216,665	166,226	341,526	9,910,952
<b>TOTAL ASSETS</b>	<b>\$ 48,067,990</b>	<b>\$ 10,027,019</b>	<b>\$ 4,361,793</b>	<b>\$ 349,485</b>	<b>\$ 62,806,287</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,433,802	\$ 1,526,585	\$ 79,531	\$ 14,653	\$ 3,054,571
Accrued Liabilities	2,629,095	-	1,390	28,284	2,658,769
Compensated Absences	25,773	-	-	-	25,773
Other Liabilities	58,977	-	-	-	58,977
Due to Other Funds	10,991,120	2,259,764	145,023	26,280	13,422,187
Due to Other Governments	400,369	-	3,111	-	403,480
Due to Retirement System	1,430,743	-	-	23,936	1,454,679
Unearned Revenue	2,996,897	2,493,409	4,132,738	-	9,623,044
Bond Anticipation Note Payable	-	785,000	-	-	785,000
Total Liabilities	<b>19,966,776</b>	<b>7,064,758</b>	<b>4,361,793</b>	<b>93,153</b>	<b>31,486,480</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Property Tax Revenues	760,044	-	-	-	760,044
Unavailable Lease Revenues	581,317	-	-	-	581,317
Total Deferred Inflows of Resources	<b>1,341,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,341,361</b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid Expenses	27,402	-	-	-	27,402
Restricted					
Capital Reserve - General	1,686,933	-	-	-	1,686,933
Workers Compensation Reserve	259,644	-	-	-	259,644
Insurance Reserve - General	692,484	-	-	-	692,484
Debt Service Reserve	90,601	-	-	-	90,601
Contingency and Tax Stabilization Reserve	1,475,625	-	-	-	1,475,625
Capital Projects	-	166,304	-	-	166,304
Assigned					
Self-Funded Health Insurance Plan	1,879,321	-	-	-	1,879,321
General Government Support	36,450	-	-	-	36,450
Fire	102,390	-	-	-	102,390
Police	601,571	-	-	-	601,571
Public Works	120,541	-	-	-	120,541
Other Culture and Recreation	75,157	-	-	-	75,157
Hydroelectric Production	26,335	-	-	-	26,335
Refuse and Recycle	231	-	-	-	231
Other Home and Community Services	33,594	-	-	-	33,594
Capital Projects	-	2,795,957	-	-	2,795,957
Subsequent Year's Expenditures	3,500,000	-	-	256,332	3,756,332
Unassigned	16,151,574	-	-	-	16,151,574
Total Fund Balances	<b>26,759,853</b>	<b>2,962,261</b>	<b>-</b>	<b>256,332</b>	<b>29,978,446</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 48,067,990</b>	<b>\$ 10,027,019</b>	<b>\$ 4,361,793</b>	<b>\$ 349,485</b>	<b>\$ 62,806,287</b>

See notes to audited basic financial statements.

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

June 30, 2024

<b>TOTAL FUND BALANCE - GOVERNMENTAL FUNDS</b>	\$	29,978,446
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of Capital Assets	\$	213,967,840	
Accumulated Depreciation and Amortization		(109,753,731)	104,214,109

Proportionate share of the long-term liability 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		(16,226,982)
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Certain property tax revenues are deferred in the Governmental funds due to applying the "availability criterion" to receivables for the modified accrual basis of accounting. However, these deferred inflows of resources are considered revenue in the Statement of Activities and, therefore, are not reported on the Statement of Net Position:

		760,044
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Deferred outflows of resources that are not available to pay for current-period expenditures and, therefore, are not reported in the governmental fund statements consist of:

Deferred Charge on Bond Refunding	11,898		
Deferred Outflows of Resources, Pensions		13,362,432	
Deferred Outflows of Resources, OPEB		6,620,322	19,994,652

Long-term liabilities, including serial bonds and other long-term debt, are not due and payable in the current period and therefore not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	(13,845,423)		
Accrued Interest on Bonds Payable		(68,340)	
Premium on Bond Issue		(846,217)	
Retainage Payable		(406,366)	
Lease Liability		(71,893)	
Compensated Absences		(1,084,244)	
Workers Compensation Liability		(1,703,896)	
Other Postemployment Benefits Payable		(96,770,028)	(114,796,407)

Deferred inflows of resources that are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Deferred Inflows of Resources, Pensions	(6,510,846)		
Deferred Inflows of Resources, OPEB		(17,163,853)	(23,674,699)

<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>249,163</b>
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**CITY OF WATERTOWN, NEW YORK**

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

Year Ended June 30, 2024

	<b>General</b>	<b>Capital Projects</b>	<b>Community Development</b>	<b>Non Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Real Property Taxes	\$ 9,362,633	\$ -	\$ -	\$ -	\$ 9,362,633
Real Property Tax Items	261,087	-	-	-	261,087
Nonproperty Taxes	25,745,899	-	-	-	25,745,899
Departmental Income	8,287,646	-	-	-	8,287,646
Intergovernmental Charges	238,603	-	-	-	238,603
Use of Money and Property	2,109,454	63,676	-	-	2,173,130
Licenses and Permits	156,717	-	-	-	156,717
Fines and Forfeitures	121,861	-	-	2,425	124,286
Sale of Property and Compensation for Loss	1,316,152	-	-	-	1,316,152
Miscellaneous Local Sources	2,327,902	-	29,728	74,511	2,432,141
Interfund Revenue	1,634,169	-	-	-	1,634,169
State Sources	6,054,040	2,206,232	385,841	-	8,646,113
Federal Sources	1,571,826	6,989,583	1,181,279	-	9,742,688
Total Revenues	<u>59,187,989</u>	<u>9,259,491</u>	<u>1,596,848</u>	<u>76,936</u>	<u>70,121,264</u>
<b>EXPENDITURES</b>					
General Government Support	5,817,908	346,033	-	-	6,163,941
Public Safety	22,535,268	494,547	-	-	23,029,815
Transportation	5,719,420	9,922,364	-	-	15,641,784
Economic Assistance and Opportunity	12,288	-	-	-	12,288
Culture and Recreation	3,877,353	4,280,869	-	966,942	9,125,164
Home and Community Services	1,887,762	343,733	1,266,130	-	3,497,625
Employee Benefits	12,823,097	-	-	438,393	13,261,490
Debt Service	2,250,485	-	-	124,592	2,375,077
Total Expenditures	<u>54,923,581</u>	<u>15,387,546</u>	<u>1,266,130</u>	<u>1,529,927</u>	<u>73,107,184</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,264,408</u>	<u>(6,128,055)</u>	<u>330,718</u>	<u>(1,452,991)</u>	<u>(2,985,920)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Interfund Transfers In	160,378	1,892,093	-	1,452,672	3,505,143
Interfund Transfers Out	<u>(3,023,774)</u>	<u>(4,788)</u>	<u>(330,718)</u>	<u>-</u>	<u>(3,359,280)</u>
Total Other Financing Sources (Uses)	<u>(2,863,396)</u>	<u>1,887,305</u>	<u>(330,718)</u>	<u>1,452,672</u>	<u>145,863</u>
Net Change in Fund Balances	<u>1,401,012</u>	<u>(4,240,750)</u>	<u>-</u>	<u>(319)</u>	<u>(2,840,057)</u>
Fund Balances, Beginning of Year	25,358,841	7,203,011	-	256,651	32,818,503
Fund Balances, End of Year	<u>\$ 26,759,853</u>	<u>\$ 2,962,261</u>	<u>\$ -</u>	<u>\$ 256,332</u>	<u>\$ 29,978,446</u>

See notes to audited basic financial statements.

# RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,840,057)

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 Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which the capital outlays exceed the depreciation and amortization expense and loss on disposal in the period.

Capital Outlays	\$ 15,800,983	
Depreciation and Amortization Expense	(5,920,484)	
Loss on Disposal	<u>(36,045)</u>	9,844,454

Governmental funds report repayment of bond and lease principal as an expenditure. However, in the Statement of Net Position, the principal payments reduce the liability and do not result in an expense in the Statement of Activities.

1,795,802

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences relating to deferred property tax revenue is reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.

760,044

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Revenues related to the deferred property tax revenue was reported as revenue in the Statement of Activities in the prior year and as a deferred inflow in the governmental funds. When funds were collected in the current year, they were then reported as revenue in the governmental funds. The amount represents prior year deferred inflow from the governmental funds.

(331,399)

(Increase) decrease in proportionate share of net pension (asset) liability and related deferred outflows/inflows reported in 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.

Employees' Retirement System	(703,179)	
Police and Fire Retirement System	<u>(450,126)</u>	(1,153,305)

**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CONTINUED**

Year Ended June 30, 2024

Interest on long-term debt in the Statement of Activities differs from the amounts 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	13,763	
Amortization of Bond Premium	128,467	
Amortization of Deferred Charge on Bond Refunding	<u>(6,172)</u>	136,058

In the Statement of Activities, certain operating expenses - compensated absences (vacation and sick pay), special early termination benefits (early retirement) and OPEB costs - are measured by the amounts earned during the current period. In the governmental funds, however, expenditures for these items are measured by the amount of current financial resources used.

3,101,476

Long-term portions of accrued claims and judgments, and landfill monitoring liability are included in the outstanding liability in the Statement of Net Position. Accordingly, the net change in the long-term portion is reported as a reduction to that liability rather than an expense in the Statement of Activities.

(533,841)**Change in Net Position of Governmental Activities**\$ 10,779,232

**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2024

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Unrestricted Cash and Cash Equivalents	\$ 2,438,565	\$ 7,335,784	\$ 9,774,349
Accounts Receivable, Net of Allowance for Credit Losses	1,154,672	1,122,673	2,277,345
Due from Governmental Funds	3,576,239	434,675	4,010,914
Due from Other Governments	298,511	222,886	521,397
Total Current Assets	<u>7,467,987</u>	<u>9,116,018</u>	<u>16,584,005</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Cash and Cash Equivalents	29,662	263,999	293,661
Capital Assets, Net of Accumulated Depreciation	27,918,920	33,036,847	60,955,767
Total Non-Current Assets	<u>27,948,582</u>	<u>33,300,846</u>	<u>61,249,428</u>
<b>TOTAL ASSETS</b>	<u>\$ 35,416,569</u>	<u>\$ 42,416,864</u>	<u>\$ 77,833,433</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources, Pensions	\$ 624,411	\$ 567,661	\$ 1,192,072
Deferred Outflows of Resources, OPEB	1,072,721	486,133	1,558,854
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,697,132</u>	<u>\$ 1,053,794</u>	<u>\$ 2,750,926</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 1,545,255	\$ 611,909	\$ 2,157,164
Retainage Payable	58,073	170,937	229,010
Accrued Interest Payable	10,504	21,824	32,328
Accrued Liabilities	69,398	67,960	137,358
Due to Retirement System	56,040	51,979	108,019
Due to Governmental Funds	471,535	28,144	499,679
Due to Other Governments	140	-	140
Other Liabilities	14,127	-	14,127
Unearned Revenue	1,823,113	370,687	2,193,800
Bond Anticipation Note Payable	1,102,500	925,000	2,027,500
Current Portion of Long-Term Liabilities, Net of Unamortized Premium	398,399	964,640	1,363,039
Total Current Liabilities	<u>5,549,084</u>	<u>3,213,080</u>	<u>8,762,164</u>
<b>LONG-TERM LIABILITIES</b>			
Workers Compensation Liability	299,011	687,168	986,179
Compensated Absences	70,152	58,957	129,109
Net Pension Liability - Proportionate Share	753,571	683,715	1,437,286
Other Postemployment Benefits Liability	8,322,003	5,847,386	14,169,389
Serial Bonds Payable, Net of Unamortized Premium	1,628,394	9,040,936	10,669,330
Total Long-Term Liabilities	<u>11,073,131</u>	<u>16,318,162</u>	<u>27,391,293</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 16,622,215</u>	<u>\$ 19,531,242</u>	<u>\$ 36,153,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources, Pensions	\$ 452,225	\$ 410,304	\$ 862,529
Deferred Inflows of Resources, OPEB	918,865	1,385,256	2,304,121
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 1,371,090</u>	<u>\$ 1,795,560</u>	<u>\$ 3,166,650</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 23,596,141	\$ 24,811,910	\$ 48,408,051
Unrestricted	(4,475,745)	(2,668,054)	(7,143,799)
<b>TOTAL NET POSITION</b>	<u>\$ 19,120,396</u>	<u>\$ 22,143,856</u>	<u>\$ 41,264,252</u>

See notes to audited basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**

Year Ended June 30, 2024

	<b>Business - Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
OPERATING REVENUES			
Charges for Services	\$ 4,595,168	\$ 5,207,607	\$ 9,802,775
Intergovernmental Charges	1,664,988	2,163,637	3,828,625
Other Operating Revenue	48,288	29,986	78,274
Total Operating Revenues	6,308,444	7,401,230	13,709,674
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	2,972,417	2,164,447	5,136,864
Contractual Services	2,865,146	2,963,266	5,828,412
Depreciation	699,281	963,439	1,662,720
Total Operating Expenses	6,536,844	6,091,152	12,627,996
Income from Operations	(228,400)	1,310,078	1,081,678
NON-OPERATING REVENUES (EXPENSES)			
Interest Revenue	134,577	332,698	467,275
Interest Expense	(117,482)	(120,689)	(238,171)
Total Non-Operating Revenue (Expenses)	17,095	212,009	229,104
Income Before Contributions and Transfers	(211,305)	1,522,087	1,310,782
Capital Contributions	4,249,810	261,415	4,511,225
Transfers Out	(130,863)	(15,000)	(145,863)
Change in Net Position	3,907,642	1,768,502	5,676,144
Net Position, Beginning of Year	15,212,754	20,375,354	35,588,108
Net Position, End of Year	\$ 19,120,396	\$ 22,143,856	\$ 41,264,252

See notes to audited basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

Year Ended June 30, 2024

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Cash Received from Providing Services	\$ 6,310,203	\$ 6,971,909	\$ 13,282,112
Cash Payments for Contractual Expense	(2,736,275)	(3,057,439)	(5,793,714)
Cash Payments for Personal Services and Benefits	(2,551,623)	(2,366,874)	(4,918,497)
Other Operating Revenue	50,902	29,987	80,889
Net Cash Provided by Operating Activities	1,073,207	1,577,583	2,650,790
Cash Flows from Non-Capital Financing Activities			
Transfers to Other Funds	(130,863)	(15,000)	(145,863)
Cash Flows from Capital and Related Financing Activities			
Proceeds of Capital Debt	4,435	925,000	929,435
Principal Paid on Capital Debt	(530,697)	(883,727)	(1,414,424)
Interest Paid on Capital Debt	(127,243)	(124,280)	(251,523)
Purchase of Capital Assets	(5,119,746)	(1,979,264)	(7,099,010)
Capital Grants	3,133,454	261,415	3,394,869
Net Cash Used In Capital and Related Financing Activities	(2,639,797)	(1,800,856)	(4,440,653)
Cash Flows from Investing Activities			
Interest Income	113,141	630,864	744,005
Net Cash Provided By Investing Activities	113,141	630,864	744,005
Net Increase (Decrease) in Cash and Cash Equivalents	(1,584,312)	392,591	(1,191,721)
Cash and Cash Equivalents, Beginning of Year	4,052,539	7,207,192	11,259,731
Cash and Cash Equivalents, End of Year	\$ 2,468,227	\$ 7,599,783	\$ 10,068,010
Reconciliation of Income from Operations to Net			
Cash Provided By Operating Activities			
Income from Operations	\$ (228,400)	\$ 1,310,078	\$ 1,081,678
Depreciation	699,281	963,439	1,662,720
Change in Operating Assets			
Accounts Receivable	(78,200)	(6,076)	(84,276)
Due from Governmental Funds	240,903	(366,954)	(126,051)
Due from Other Governments	(115,408)	(27,054)	(142,462)
State and Federal Aid Receivables	2,616	-	2,616
Deferred Outflow of Resources, Pensions	9,121	21,615	30,736
Deferred Outflow of Resources, OPEB	386,414	269,840	656,254
Change in Operating Liabilities			
Accounts Payable	(15,536)	(245,282)	(260,818)
Retainage Payable	58,073	170,937	229,010
Accrued Liabilities	10,297	5,020	15,317
Due to Retirement System	12,858	14,011	26,869
Due to Governmental Funds	86,809	(17,079)	69,730
Due to Other Governments	(476)	-	(476)
Other Liabilities	2,754	-	2,754
Workers Compensation Liability	222,006	(83,522)	138,484
Compensated Absences	12,779	12,264	25,043
Net Pension Liability	(237,544)	(241,854)	(479,398)
Other Postemployment Benefits Liability	(228,675)	(50,654)	(279,329)
Deferred Inflows of Resources, Pensions	353,423	318,036	671,459
Deferred Inflows of Resources, OPEB	(119,888)	(469,182)	(589,070)
Net Cash Provided By Operating Activities	\$ 1,073,207	\$ 1,577,583	\$ 2,650,790
Reconciliation of Total Cash and Cash Equivalents			
Current Assets - Unrestricted Cash and Cash Equivalents	\$ 2,438,565	\$ 7,335,784	\$ 9,774,349
Non-Current Assets - Restricted Cash and Cash Equivalents	29,662	263,999	293,661
Total Cash and Cash Equivalents	\$ 2,468,227	\$ 7,599,783	\$ 10,068,010

See notes to audited basic financial statements.



**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2024

	<b>Custodial Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and Cash Equivalents	<hr/> \$ 30,528
<b>TOTAL ASSETS</b>	<hr/> \$ 30,528 <hr/>
<b>NET POSITION</b>	
Held in Trust for Scholarships	<hr/> \$ 30,528
<b>TOTAL NET POSITION</b>	<hr/> \$ 30,528 <hr/>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2024

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Interest Revenue	\$ 65
Taxes Collected for Other Governments (School and County Taxes Within City Limits)	20,027,664
Total Additions	20,027,729
<b>DEDUCTIONS</b>	
Payment of Tax to Other Governments (School and County Taxes Within City Limits)	20,027,664
Total Deductions	20,027,664
Change in Net Position	65
Net Position, Beginning of Year	30,463
Net Position, End of Year	\$ 30,528

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the City of Watertown, New York (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the City are discussed below.

**Reporting Entity**

The City was incorporated in 1869. The Charter of the City of Watertown, City law and other general laws of the State of New York, govern the City. The City Council, which is the governing body of the City, consists of the Mayor and four Councilpersons. The City Manager serves as Chief Executive Officer of the City and is appointed by the Council. The City Comptroller serves as the Chief Fiscal Officer of the City and is appointed by the City Manager.

The City provides the following basic services: public safety (police and fire), water and sewer, library, recreation, refuse collection, economic assistance, street maintenance, snow removal, and general administrative services.

The reporting entity of the City is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB No. 14 and No. 39*, GASB Statement 80 - *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, GASB 84, *Fiduciary Activities*, and GASB 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 And No. 84, and a Supersession of GASB 32. The financial reporting entity consists of the primary government, which is the City of Watertown, 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Reporting Entity - Continued**

Based on the forgoing criteria and the significant factors presented below, the following organization is included in the reporting entity:

The Trustees of Roswell P. Flower Memorial Library

The Trustees of the Roswell P. Flower Memorial Library, a nonprofit organization, was formed May 1, 1901 to care for and maintain the library as a free public library for the City of Watertown. The City Council appoints the Organization's governing body and significantly influences the activities of the Organization. The decision to include a potential component unit in the City's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Trustees of the Roswell P. Flower Memorial Library is included as a discretely presented component unit. Copies of their financial statements may be obtained at 229 Washington Street, Watertown, New York 13601.

**New Accounting Standards**

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

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

**Future New Accounting Standards**

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

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

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

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Basis of Presentation**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide statements and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, library and recreation, public works, sports arena, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

Government-Wide Financial Statements

The government-wide statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government (governmental and business-type) statements and its component units except those that are fiduciary. The focus of the government-wide statements addresses the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc.).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Basis of Presentation - Continued**

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The City records its transactions in the fund types described below:

**1. Governmental Funds**

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. In addition, risk-based activities and central garage activities have been recorded in the General Fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted for specified purposes. The City maintains the following special revenue funds:

**Community Development Fund** - To account for the use of federal grant monies received under the Community Development Block Grant Program and any other state economic development project revenue. The Community Development Fund is considered a major fund for reporting purposes.

**Public Library Fund** - To account for the operation of the Roswell P. Flower Memorial Library.

Debt Service Fund - To account for the accumulation of resources for and the payment of general long-term debt principal and interest for the mandatory reserve fund. The debt service fund also accumulates interest earned on borrowed money.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Basis of Presentation - Continued**

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital expenditures. The Capital Projects Fund is considered a major fund for reporting purposes.

**2. Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds - To account for water and sewer operations.

**Water Enterprise Fund** - established by law to account for revenues derived from charges for water consumption and benefited assessments and the application of such revenues toward related operating expenses and debt retirement.

**Sewer Enterprise Fund** - established by law to account for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

**3. Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (custodial funds). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Basis of Accounting / Measurement Focus**

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

Accrual Basis - The government-wide financial statements and the proprietary fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis - The governmental fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. City revenues are generally considered available if collected within 60 days of year-end. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. Expenditures are recorded when incurred except for prepaid expenditures and inventory items, which are recognized at the time of purchase; principal and interest on indebtedness, which are not recognized as expenditures until due; and compensated absences, such as vacation, which vests or accumulates and is charged as expenditures when paid.

**Property Taxes**

Real property tax levies are fully accrued at the beginning of the fiscal year and are received and accounted for in the General Fund. The current year's property taxes are levied, and the prior year's unpaid water and sewer bills are re-levied on a warrant to collect taxes due as of July 5<sup>th</sup> based on the assessed value of real property within the City. The City also levies and collects property taxes on behalf of Jefferson County, which become due as of January 15<sup>th</sup>, and enforces collection of unpaid City school taxes transmitted by the school district to the City in December of each year.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Property Taxes - Continued**

Uncollected property taxes assumed by the City as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The amount owed to the School District for uncollected school taxes is \$393,480 and is included in "Due to other Governments". A portion of the total property taxes receivable, \$760,044, is considered unavailable and is presented as a deferred inflow of resources.

An allowance for uncollectible taxes of \$1,217,850 has been included in the General Fund accounts receivable balance at June 30, 2024. Amounts considered to be uncollectible are based on historical trends and specific knowledge related to particular parcels.

The City is permitted by the Constitution of New York State to levy property taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt service and capital expenditures. For the year ended June 30, 2024, the City had exhausted 26.54% of its tax limit and had a constitutional margin of \$18,799,650.

**Budget Policies**

The budget policies are as follows:

1. Prior to April 30<sup>th</sup> of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings are conducted to obtain taxpayers' comments.
3. At the last regular or special meeting in May, the budget is adopted by the City Council through the adoption of various resolutions.
4. City taxes included in the budget are levied on July 5<sup>th</sup>. The collection period is July 5<sup>th</sup> through August 5<sup>th</sup>.
5. Subsequent budget re-adoptions or transfers are approved by City Council.
6. For year-end financial reporting, adjustments are made to actual results to conform to modified budget classifications and reflect year-end encumbrances.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Budget Policies - Continued**

The City prepares a legally adopted annual operating budget for the General Fund. The City's budget is adopted using a basis of accounting consistent with generally accepted accounting principles (GAAP). The City's actual amounts in the financial statements are presented on a GAAP basis; therefore, no reconciliation is necessary.

**Estimates**

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

**Cash and Cash Equivalents**

The City considers cash and cash equivalents to include cash on hand, time and demand deposits, and certificates of deposit with original maturities of three months or less.

**Receivables, Net of Allowances**

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federal programs. Other receivables represent amounts owed to the City, which include sales tax, tax sale certificates, sewer rents, water rents, rehabilitation loans, and assessments.

Effective July 1, 2023, the City adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The City adopted this new guidance utilizing the modified retrospective transition method. Financial assets held by the City that are subject to ASU 2016-13 include receivables in the business type activities enterprise funds. The adoption of this ASU did not have a material impact on the City's financial statements but did change how the allowance for credit losses is determined in the enterprise funds.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Receivables, Net of Allowances - Continued**

Management provides for probable uncollectible amounts through a provision for credit losses and an adjustment to the allowance for credit losses based on its assessment of the current status of individual accounts. A considerable amount of judgment is required when determining expected credit losses. Estimates of such losses are recorded when management believes a customer, group of customers, or grantor, may not be able to meet their financial obligations due to deterioration in the financial condition or credit rating. Factors relevant to the assessment include prior collection history with customers, the related aging of past due balances, projections of credit losses based on historical trends in credit quality indicators or past events, and forecasts of future economic conditions.

The allowance for credit losses in the governmental funds was \$1,277,256 in the General Fund and \$369,232 in the Community Development Fund as of June 30, 2024.

The allowance for credit losses in the business type activities enterprise funds was \$5,000 in the Sewer Fund and \$11,271 in the Water Fund as of June 30, 2024.

**Capital Assets and Intangible Lease Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Water and Sewer System	60 - 65 years
Machinery and Equipment	5 - 30 years
Building Improvements	5 - 25 years
Land Improvements	20 - 50 years
Other Infrastructure	10 - 50 years

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Capital Assets and Intangible Lease Assets - Continued**

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

**Compensated Absences**

Employees are granted the following compensated absences each year:

Sick Leave	12 days
Vacation	10 - 30 days

Sick leave may be accumulated from year-to-year, up to 180 days. Upon retirement or other termination, no payment is made for accumulated sick time except for police, firemen, and electrical workers who may receive a portion of their sick leave at retirement. The liability for sick leave is recorded in the Statement of Net Position, since it is anticipated that none of the liability will be liquidated with expendable available financial resources. Vacation time vests and may be accumulated from year-to year up to 10 days for management, civil service employee's association members, police, and electrical workers, and 5 days for all other employees.

The liability will be liquidated with expendable available financial resources; therefore, it is accounted for in the respective governmental fund type. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Insurance and Risk Management**

In accordance with New York State guidelines and GASB Statement No. 10, *Accounting and Financial Reports for Risk Financing and Related Insurance Issues*, the City self-insures for the following:

1. General Liability - The City has a self-insurance program for general liability insurance. The reserved fund balance is recorded within the General Fund.
2. Workers' Compensation - On May 10, 1920 the City became self-insured for the purposes of providing benefits under the Workers' Compensation Law of the State of New York. The City recognizes workers compensation expenditures when paid. Annual estimates are appropriated from the General and Enterprise funds, as determined by the City Council. An estimated liability of \$2,776,075 as of June 30, 2024 has been recorded on the Statement of Net Position representing the long-term liability of open workers' compensation cases.
3. Unemployment Insurance - The City has a self-insurance program for unemployment, but has not established a reserve for claims. Expenditures are recorded as claims are submitted. Total unemployment insurance expenditures for the year ended June 30, 2024 were \$52,989.
4. Health Care Benefits - On July 1, 1992, the City became self-insured for health care benefits for all eligible City employees and retirees. A third-party administrator selected by the City manages this self-insurance plan. A stop loss policy was also purchased to protect and insure this plan against major claims in excess of \$195,000. The City has calculated a monthly premium equivalent based upon historical experience and projected costs that are billed to the respective funds on a monthly basis. An estimated liability of \$1,225,105 has been recorded in the self-insurance fund for claims incurred as of June 30, 2024, but not reported based upon historical experience.

**Operating Revenue and Expenses**

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's water and sewer funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position 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 City has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-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 life of the refunding debt. The second item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension asset or liability and difference during the measurement period between the City's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the City's contributions to the PFRS and ERS pension systems and to the Other Postemployment Benefit (OPEB) plan subsequent to the measurement date. The fourth item relates to OPEB reported in the government-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and the changes of assumptions or other inputs.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect or the net change in the City's proportion of the collective net pension asset or liability and difference during the measurement periods between the City's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the government-wide Statement of Net Position. This represents the effect of net changes of assumptions or other inputs. The third item is related to leases and represents the present value of future payments the City will collect as lessor over the life of the lease.

The Balance Sheet – Governmental Funds includes a section of deferred inflows of resources. The City has two types, which arise under the modified accrual basis of accounting that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes and leases.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

**Equity Classifications**

Government-Wide Statements

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

**Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) and intangible lease assets (present value of future payments remaining on the term less accumulated amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

**Restricted Net Position** – reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, 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 is deemed to be available for general use by the City.

Fund Statements

Fund balance is the excess of assets over liabilities in a governmental fund. There are five separate components of fund balance, each of which identifies to what extent the City is bound to honor constraints on the specific purpose for which amounts can be spent. The five components are:

1. **Nonspendable Fund Balance** - The portion of a fund balance that cannot be spent because they are either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment.
2. **Restricted Fund Balance** - The portion of a fund balance that has constraints placed on the use of resources that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

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**Equity Classifications – Continued**

3. Committed Fund Balance - The portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and remain binding unless removed in the same manner.
4. Assigned Fund Balance - The portion of a fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established either by the City Council or by an official designated for that purpose.
5. Unassigned Fund Balance - The portion of a fund balance that includes amounts that do not fall into one of the above four categories.

The City considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be used first, followed by assigned amounts and then unassigned amounts.

The City does not currently have a formal minimum fund balance policy. The City Council shall approve all commitments by formal action. The action to commit funds must occur prior to fiscal year-end to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action.

When it is appropriate for fund balance to be assigned for items, such as encumbrance amounts, the City Council delegates the responsibility to assign funds to the City Comptroller. Assignments may occur subsequent to fiscal year-end.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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State statutes govern the City investment policies. In addition, the City has its own written investment policy. City monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The City Comptroller is authorized to use demand accounts, certificates of deposits, and permissible investments. Permissible investments include obligations of the U.S. Government and its agencies, repurchase agreements, and obligations of the State of New York, obligations issued by any municipality, school district or corporation other than the City of Watertown, and obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the State authorizes such investments. During the fiscal year ended June 30, 2024, the City limited its investments to demand and savings accounts, certificates of deposit, and U.S. Treasury Bills.

The City does not typically purchase long-term investments and is not exposed to material interest rate risk.

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

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

Collateral is required for demand, savings deposits, and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State, its municipalities and school districts, treasury strips, and other obligations as outlined in the City's investment policy.

Separate bank accounts are not maintained for all City funds. Instead, the majority of the cash is deposited in pooled checking and savings accounts with accounting records maintained to show the portion of the balance attributable to each fund.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Deposits - GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as to custodial risk if they are not covered by depository insurance, and the deposits are either:

- a) Insured by Federal Deposit Insurance Corporation (FDIC) or by collateral held by the City or by the City's agent in the City's name; or
- b) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 2 – CASH AND CASH EQUIVALENTS - Continued**

- c) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the entity's name.)

Total financial institution (bank) balances at June 30, 2024 per the banks were \$13,520,906. These deposits are categorized as follows:

<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
\$ 404,739	\$ 13,116,167	\$ -

As of June 30, 2024, the City had the following cash equivalents:

U.S. Treasury Bills (4 week - 13 week maturities)	\$ 38,888,000
Certificates of Deposit - Custodial Funds	<u>26,026</u>
	<u>\$ 38,914,026</u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 3 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

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

A summary of the changes in capital assets for the year ended June 30, 2024 were as follows:

<b><u>Governmental Activities</u></b>	<b><u>Balance June 30, 2023</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance June 30, 2024</u></b>
Non-Depreciable Capital Assets:				
Land	\$ 4,949,200	\$ -	\$ -	\$ 4,949,200
Construction in Progress	9,161,331	15,793,915	(12,513,687)	12,441,559
Total	<u>14,110,531</u>	<u>15,793,915</u>	<u>(12,513,687)</u>	<u>17,390,759</u>
Other Capital Assets:				
Land Improvements	10,696,551	124,492	-	10,821,043
Buildings and Improvements	52,075,070	760,568	-	52,835,638
Infrastructure	92,611,757	10,602,670	-	103,214,427
Machinery and Equipment	16,141,631	1,044,639	(283,219)	16,903,051
Vehicles	12,512,616	394,752	(246,690)	12,660,678
Intangible Lease Assets	<u>142,244</u>	<u>-</u>	<u>-</u>	<u>142,244</u>
Total	<u>184,179,869</u>	<u>12,927,121</u>	<u>(529,909)</u>	<u>196,577,081</u>
Less: Accumulated Depreciation:				
Land Improvements	8,523,467	261,946	-	8,785,413
Buildings and Improvements	22,451,889	1,294,101	-	23,745,990
Infrastructure	52,156,932	3,042,045	-	55,198,977
Machinery and Equipment	11,983,888	462,761	(273,979)	12,172,670
Vehicles	9,164,330	835,885	(219,885)	9,780,330
Less: Accumulated Amortization				
Intangible Lease Assets	<u>46,605</u>	<u>23,746</u>	<u>-</u>	<u>70,351</u>
Total Depreciation and Amortization	<u>104,327,111</u>	<u>5,920,484</u>	<u>(493,864)</u>	<u>109,753,731</u>
Total Other Capital Assets, Net	<u>79,852,758</u>	<u>7,006,637</u>	<u>(36,045)</u>	<u>86,823,350</u>
Total	<u>\$ 93,963,289</u>	<u>\$ 22,800,552</u>	<u>\$ (12,549,732)</u>	<u>\$ 104,214,109</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 3 – CAPITAL ASSETS AND INTANGIBLE LEASE****ASSETS - Continued**

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

General Government Support	\$	90,122
Hydroelectric Production		292,116
Police		157,533
Fire		251,285
Other Public Safety		10,430
Public Works		3,663,962
Bus		334,709
Library		212,848
Other Culture and Recreation		830,328
Refuse and Recycling		<u>77,151</u>
Total Depreciation and Amortization Expense	\$	<u><u>5,920,484</u></u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 3 – CAPITAL ASSETS AND INTANGIBLE LEASE

## ASSETS - Continued

A summary of the changes in capital assets for the year ended June 30, 2024 were as follows:

<u>Business-Type Activities</u>	<u>Balance June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>
Non-Depreciable Capital Assets:				
Construction in Progress	\$ 12,437,423	\$ 7,841,787	\$ (1,543,206)	\$ 18,736,004
Total	<u>12,437,423</u>	<u>7,841,787</u>	<u>(1,543,206)</u>	<u>18,736,004</u>
Depreciable Capital Assets:				
Land Improvements	265,669	-	-	265,669
Buildings and Improvements	35,717,696	565,586	-	36,283,282
Infrastructure	32,968,265	822,801	-	33,791,066
Machinery and Equipment	20,417,229	185,932	-	20,603,161
Vehicles	1,338,067	235,434	(45,271)	1,528,230
Total	<u>90,706,926</u>	<u>1,809,753</u>	<u>(45,271)</u>	<u>92,471,408</u>
Less: Accumulated Depreciation:				
Land Improvements	251,701	755	-	252,456
Buildings and Improvements	21,727,922	747,786	-	22,475,708
Infrastructure	10,467,622	510,016	-	10,977,638
Machinery and Equipment	15,340,415	285,495	-	15,625,910
Vehicles	846,536	118,668	(45,271)	919,933
Total	<u>48,634,196</u>	<u>1,662,720</u>	<u>(45,271)</u>	<u>50,251,645</u>
Depreciable Capital Assets, Net	<u>42,072,730</u>	<u>147,033</u>	<u>-</u>	<u>42,219,763</u>
Total	<u>\$ 54,510,153</u>	<u>\$ 7,988,820</u>	<u>\$ (1,543,206)</u>	<u>\$ 60,955,767</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 699,281
Sewer	<u>963,439</u>
Total Depreciation Expense	<u>\$ 1,662,720</u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 – RESTRICTED CASH AND CASH  
EQUIVALENTS

Restricted cash and cash equivalents are as follows as of June 30, 2024:

<b>Fund</b>	<b>Restriction</b>	<b>Amount</b>
General	Reserve for Capital Projects	\$ 1,693,823
General	Reserve for Special Assessment Sidewalk Program Debt	18,468
General	Reserve for Workers' Compensation Claims	260,699
General	Reserve for General Liability Claims	725,606
General	Reserve for Black River Trust	227,322
General	Reserve for Contingency and Tax Stabilization	1,486,208
General	Tax Sale Surplus Bid Deposits	22,700
General	American Rescue Plan Act (ARPA) Grant Funds	8,988,365
General	Other Restricted Deposits	77,447
Capital Projects	Reserve for Capital Project Acquisitions and Construction	2,079,453
Community Development	Federal and State Community Development Grants	12,617
Sewer	Reserve for Capital Project Acquisitions and Construction	263,999
Water	Reserve for Capital Project Acquisitions and Construction	29,662
Total Restricted Cash and Cash Equivalents		<u>\$ 15,886,369</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 5 – NOTES RECEIVABLE**

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To assist in the rehabilitation of homes and apartments of low and moderate-income persons, the City has been awarded various grants for its "Housing Improvement Program" from the Community Development Block Grant Program (CDBG) Small Cities Program and the North Country HOME Consortium. The purpose of this program is to improve living conditions in Watertown by promoting repair and rehabilitation of the local housing stock. The primary objective is to eliminate conditions that might become hazardous to the health or safety of local residents. Energy conservation improvements, historic preservation, and other necessary repairs will also be encouraged whenever assistance is provided under this program. Grants are subject to repayment if the owner moves or sells the property within the number of years established by the grant, prorated equally per year. Loans are repaid in monthly installments ranging from five to thirty years and are subject to immediate repayment if the owner moves or sells the property. The loans are collateralized by a mortgage on the home. The grants are not collateralized.

The City participates as an Entitlement Community in the Community Development Block Grant Program administered by the U.S. Department of Housing and Urban Development (HUD). The City partially uses HUD CDBG funds to perform housing rehabilitations through its Rental Rehabilitation Program and Owner-Occupied Housing Program. Grants are subject to repayment if the owner moves or sells the property within the number of years established by the grant, prorated equally per year. Loans are repaid in monthly installments ranging from five to ten years and are subject to immediate repayment if the owner moves or sells the property. The loans are collateralized by a mortgage on the home. The grants are not collateralized.

The balance of the Small Cities, Home Consortium, and Entitlement grants subject to repayment at June 30, 2024 was \$1,158,746. The balance of the New York Empire State Development loan and the Small Cities and Program Income loans subject to repayment at June 30, 2024 was \$2,805,330.

**CITY OF WATERTOWN, NEW YORK**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 5 – NOTES RECEIVABLE - Continued**

The following table summarizes notes receivable at June 30, 2024:

<b>Grant Source</b>	<b>Grant Purpose</b>	<b>Grant</b>	<b>Loan Terms</b>	<b>Loan Balance</b>
NYS Rental Rehabilitation Section 17 Program -1989	Rehabilitate apartment building	\$ -	Loan is subordinate to existing mortgages, maturing 2024 and bearing interest at 6.25%. All accrued interest and principal are payable at maturity. Deferred revenue has also been recorded equivalent to the amount of the loan outstanding	\$ 71,500
NYS Empire State Development	Rehabilitate apartment building	\$ -	Loan term is 40 years at 0% interest	\$ 2,500,000
CDBG Small Cities 2005	Single purpose home ownership	\$ -	Loans not to exceed \$20,000 to be repaid at 0% interest in monthly installments over 20 - 30 years	\$ 55,207
CDBG Small Cities 2006	Single purpose housing rehabilitations	\$ -	Over 5 years in monthly installments at a rate of \$18 per \$1,000	\$ 3,715
CDBG Small Cities 2011	Rental rehabilitations and downtown apartments	\$ -	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 20,000
CDBG Small Cities 2012	Rental rehabilitations and downtown apartments	\$ 6,627	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 5,000
CDBG Small Cities 2013	City-wide housing rehabilitations	\$ 53,041	5 years - 20 years at 0% interest for newly developed rental apartments and 5 – 10 years at 0% for City-wide rehabilitations	N/A
CDBG Entitlement	Housing rehabilitations	\$ 1,099,078	5 years - 10 years at 0% interest for owner-occupied or rental rehabilitations	\$ 149,908
	<b>Total</b>	<b>\$ 1,158,746</b>	<b>Total</b>	<b>\$ 2,805,330</b>



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 6 – LEASE RECEIVABLE**

The City, as a lessor, has entered into a lease agreement with the Watertown Family YMCA for a portion of the Alex Duffy Fairgrounds property. The twenty-five-year lease is for the period of July 9, 2009 through July 8, 2034 with an option to renew by Watertown Family YMCA for an additional fifteen years if such renewal is approved by the New York State Legislature.

The City, as a lessor, entered into a lease agreement with the S&V Baseball Management for a portion of the Alex Duffy Fairgrounds property. The two-year lease is for the period of April 1, 2022 through March 31, 2024 with an option to renew for an additional year. This lease was amended with an updated lease agreement due to changes in ownership interest to Wolves Den LLC, effective May 21, 2024, with a term of May 7, 2024 through March 31, 2025, with an option to renew through 2026.

In accordance with GASB 87, *Leases*, the total amount of inflows of resources, including lease revenue, interest revenue, and other lease related inflows recognized during the fiscal year was \$52,472. Lease receivable at June 30, 2024 is \$616,384.

**NOTE 7 – SHORT-TERM DEBT**

The City issued a bond anticipation note on June 28, 2023 to finance the water treatment plant's soda ash system as well as the replacement of two roofs of buildings at the water treatment plant complex in the amount of \$1,225,000, which matured on June 28, 2024. The City issued another bond anticipation note at maturity and added borrowing for a fire pumper truck and the sanitary sewer project at Washington Street and Keyes Avenue. The new bond anticipation note was issued for \$2,812,500 with a 4.25% interest rate and a premium of \$11,313 lowering the net interest cost to 3.50%. The bond anticipation note is backed by the full faith and credit of the City of Watertown.

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

	<b>Balance</b>			<b>Balance</b>
<b>Governmental Activities</b>	<b><u>June 30, 2023</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>June 30, 2024</u></b>
Bond Anticipation Note	\$ -	\$ 785,000	\$ -	\$ 785,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>Balance</b>			<b>Balance</b>
<b>Business-Type Activities</b>	<b><u>June 30, 2023</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>June 30, 2024</u></b>
Bond Anticipation Note	\$ 1,225,000	\$ 2,027,500	\$ (1,225,000)	\$ 2,027,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 8 – LONG-TERM DEBT

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.

## Lease Liabilities

The City has entered into agreements to lease parking areas from Guilfoyle Ambulance Service and the Jefferson Historical Society. 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.

During the year ended June 30, 2024, the following changes occurred in long-term obligations for governmental activities:

Governmental Activities	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
General Obligation Debt					
Serial Bonds	\$ 15,617,479	\$ -	\$ (1,772,056)	\$ 13,845,423	\$ 1,688,056
Premium on Debt Issuance	974,684	-	(128,467)	846,217	128,467
Total	<u>\$ 16,592,163</u>	<u>\$ -</u>	<u>\$ (1,900,523)</u>	<u>\$ 14,691,640</u>	<u>\$ 1,816,523</u>
Compensated Absences	\$ 1,051,508	\$ 32,736	\$ -	\$ 1,084,244	\$ -
Workers' Compensation	1,152,055	551,841	-	1,703,896	82,000
Landfill Monitoring	18,000	-	(18,000)	-	-
Lease Liability	95,639	-	(23,746)	71,893	23,800
Total	<u>\$ 2,317,202</u>	<u>\$ 584,577</u>	<u>\$ (41,746)</u>	<u>\$ 2,860,033</u>	<u>\$ 105,800</u>

The Statement of Net Position at June 30, 2024 includes a deferred amount of \$11,898 on the advance refunding of bonds.

Changes in the net pension (asset) liability – proportionate share and the changes in the total OPEB liability are reported in Notes 10 and 11, respectively.

Payments on general obligation bonds are made by the General Fund and Library Fund.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

During the year ended June 30, 2024, the following changes occurred in long-term obligations for business-type activities:

<b>Business-Type Activities</b>	<b>Balance June 30, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2024</b>	<b>Due Within One Year</b>
General Obligation Bonds					
Serial Bonds - Water	\$ 2,360,551	\$ -	\$ (408,197)	\$ 1,952,354	\$ 379,197
Serial Bonds - Sewer	10,778,313	-	(883,727)	9,894,586	886,530
Premium on Debt Issuance					
- Water	70,259	-	(7,820)	62,439	7,202
Premium on Debt Issuance					
- Sewer	41,100	-	(4,110)	36,990	4,110
Total	<u>\$ 13,250,223</u>	<u>\$ -</u>	<u>\$ (1,303,854)</u>	<u>\$ 11,946,369</u>	<u>\$ 1,277,039</u>
Workers Compensation					
Water	\$ 89,005	\$ 222,006	\$ -	\$ 311,011	\$ 12,000
Sewer	842,690	-	(81,522)	761,168	74,000
Total	<u>\$ 931,695</u>	<u>\$ 222,006</u>	<u>\$ (81,522)</u>	<u>\$ 1,072,179</u>	<u>\$ 86,000</u>
Compensated Absences					
Water	\$ 57,373	\$ 12,779	\$ -	\$ 70,152	\$ -
Sewer	46,693	12,264	-	58,957	-
Total	<u>\$ 104,066</u>	<u>\$ 25,043</u>	<u>\$ -</u>	<u>\$ 129,109</u>	<u>\$ -</u>

Changes in the net pension (asset) liability – proportionate share and the changes in the total OPEB liability are reported in Notes 10 and 11, respectively.

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 8 – LONG-TERM DEBT - Continued

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 10 to 30-year serial bonds with equal amounts of principal maturing each year. General obligation bonds at June 30, 2024 are as follows:

	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Paid June 30, 2024</b>	<b>Outstanding June 30, 2024</b>	<b>Maturity Date</b>
Public Improvements	3.00-3.50%	\$ 1,645,000	\$ 75,000	\$ 300,000	10/15/2027
Public Improvements, Ser.A	1.50-2.75%	1,195,000	75,000	-	4/1/2024
Public Imp. Refunding	1.00- 2.625%	4,485,000	35,000	-	11/15/2023
Public Improvements, Ser.B	2.00-3.25%	5,110,000	360,000	1,960,000	4/1/2029
Public Improvements, Ser.A	3.00-3.50%	10,000,000	335,000	7,370,000	6/15/2040
Public Improvements, Ser.B	2.00-3.125%	5,810,000	375,000	2,175,000	6/15/2030
Public Improvements	2.00-3.00%	5,130,000	460,000	1,915,000	6/15/2032
Public Improvements	3.00-5.00%	5,965,749	520,000	3,300,000	9/1/2033
Public Improvements	5.00%	2,800,000	315,000	1,915,000	5/15/2031
Public Imp. Refunding	3.00-5.00%	1,640,000	225,000	400,000	2/15/2026
Public Improvements	0.00%	7,224,303	288,980	6,357,363	1/22/2046
Total General Obligation Bonds		<u>\$ 51,005,052</u>	<u>\$ 3,063,980</u>	<u>\$ 25,692,363</u>	

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 8 – LONG-TERM DEBT - Continued**General Obligation Bonds - Continued

Annual debt service requirements to maturity for general obligation bonds for fiscal year ending June 30, 2024 are as follows:

**Governmental Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,688,056	\$ 510,787	\$ 2,198,843
2026	1,608,057	444,143	2,052,200
2027	1,390,557	381,248	1,771,805
2028	1,255,557	327,050	1,582,607
2029	1,180,557	278,548	1,459,105
2030-2034	3,447,639	887,171	4,334,810
2035-2039	2,680,000	392,175	3,072,175
2040	595,000	20,825	615,825
Totals	<u>\$ 13,845,423</u>	<u>\$ 3,241,947</u>	<u>\$ 17,087,370</u>

**Business-type Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,265,727	\$ 172,134	\$ 1,437,861
2026	1,255,923	141,626	1,397,549
2027	1,208,423	111,614	1,320,037
2028	1,188,423	81,925	1,270,348
2029	1,168,423	53,114	1,221,537
2030-2034	2,292,261	42,091	2,334,352
2035-2039	1,444,900	-	1,444,900
2040-2044	1,444,900	-	1,444,900
2045-2046	577,960	-	577,960
Totals	<u>\$ 11,846,940</u>	<u>\$ 602,504</u>	<u>\$ 12,449,444</u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 8 – LONG-TERM DEBT - Continued

Existing lease obligations as of June 30, 2024 are as follows:

Description	Interest Rate	Issue Date	Final Maturity	Balance
Parking Lot Lease	0.90%	10/1/2017	10/1/2027	\$ 3,877
Parking Lot Lease	0.90%	10/1/2007	9/30/2027	<u>68,016</u>
				<u>\$ 71,893</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,800	\$ 650	\$ 24,450
2026	24,015	435	24,450
2027	<u>24,078</u>	<u>215</u>	<u>24,293</u>
Totals	<u>\$ 71,893</u>	<u>\$ 1,300</u>	<u>\$ 73,193</u>

## Advanced Refunding and Defeased Debt

In prior years, the City defeased certain general obligations and other bonds by placing 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 City's financial statements. Bonds outstanding in the amount of \$435,000 are considered defeased.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 9 – UNEARNED REVENUE**

Unearned revenue consisted of the following as of June 30, 2024:

General Fund:

Unearned Revenue from American Rescue Plan Act Grant	\$ 2,581,010
Unearned Refuse Tote Revenue, Treasury Bill Interest and Prepaid Interest	
Installments on Special Assessments	415,887
	<u>\$ 2,996,897</u>

Community Development Fund:

Notes and Loans Receivable Funded from Grant Proceeds	\$ 4,132,738
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Capital Fund:

Unearned Revenue from American Rescue Plan Act Grant	\$ 2,493,409
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Water Fund:

Unearned Interest Earnings	\$ 19,371
Unearned Revenue from American Rescue Plan Act Grant	1,803,742
	<u>\$ 1,823,113</u>

Sewer Fund:

Unearned Interest Earnings	\$ 20,886
Unearned Revenue from American Rescue Plan Act Grant	349,801
	<u>\$ 370,687</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS**

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**Plan Descriptions**

The City of Watertown participates in the New York State and Local Employees' Retirement System (ERS) becoming a member on June 25, 1923, and the New York State and Local Police and Fire Retirement System (PFRS) becoming a member on February 1, 1932, which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer retirement systems. 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, 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. Dinapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. 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 City of Watertown 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](http://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, New York 12244.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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**ERS and PFRS Benefits Provided**

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

*Tiers 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 five 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 aged 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 three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of 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 two years.

*Tiers 3, 4, and 5*

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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**ERS and PFRS Benefits Provided - Continued**

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members aged 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS 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 of final average salary is limited to no more than 10 percent of the average of the previous four years.

*Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain police and fire retirement system members.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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**ERS and PFRS Benefits Provided - Continued**

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement waived.

*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 pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, 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 member 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued****Funding Policies**

The ERS system is contributory except for employees who joined the New York State and Local Employees' Retirement System before July 26, 1976. Employees hired between July 27, 1976 and December 31, 2009 contribute 3% of their salary and after ten years of service become noncontributory as well. Employees hired between January 1, 2010 and March 31, 2012 contribute 3% of their salary for all years of public service and there is a limitation on the amount of overtime that can be included as wages. Employees hired after April 1, 2012 contributed 3% of their salary through March 31, 2013 and thereafter the percentage of salary contributed ranges from 3.0% to 6.0% depending on annual wages.

The PFRS system is contributory except for employees who joined the New York State and Local Employees' Retirement System before June 30, 2009. Employees hired between July 1, 2009 and January 8, 2010 contribute 3% of their salary for 25 years or until retirement. Employees hired between January 9, 2010 and March 31, 2012 contribute 3% of their salary for all years of public service and there is a limitation on the amount of overtime that can be included as wages. Employees hired after April 1, 2012 contributed 3% of their salary through March 31, 2013 and thereafter the percentage of salary contributed ranges from 3.0% to 6.0% depending on annual wages.

Under the authority of the NYSRSSL, the state comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City of Watertown is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Employer Contributions</b>			
ERS	\$ 1,230,327	\$ 973,695	\$ 1,290,972
PFRS	\$ 3,538,425	\$ 3,028,791	\$ 3,361,570
<b>Employee Contributions</b>			
ERS	\$ 252,695	\$ 210,015	\$ 177,476
PFRS	\$ 193,369	\$ 147,761	\$ 136,450

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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**Funding Policies – Continued**

The City's contributions made to the Systems were equal to 100 percent of the contributions required for each year. Each retirement system issues a publicly available financial report that includes financial statements and supplementary information. The reports may be obtained by writing to: New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

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

At June 30, 2024, the City of Watertown reported a liability of \$5,500,519 for its proportionate share of the Employees' Retirement System net pension liability and a liability of \$12,163,749 for its proportionate share of the Police and Fire Employees' Retirement System net pension liability. The net pension (asset) liability was measured as of March 31, 2024, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of April 1, 2023. The City's proportion of the net pension (asset) liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2024, the City's proportionate share was 0.0373574% for the Employees' Retirement System and 0.2564663% for the Police and Fire Employees' Retirement System. The change in proportion since the last measurement date was 0.0037682% for ERS and (0.0216234%) for PFRS.

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 10 – RETIREMENT BENEFITS - Continued

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

For the year ended June 30, 2024, the City recognized a pension expense of \$925,976 for the Employees' Retirement System and \$450,126 for the Police and Fire Employees' Retirement System. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Employees' Retirement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,771,713	\$ 149,985
Changes of Assumption	2,079,623	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,686,974
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	297,355	463,955
City Contributions Subsequent to Measurement Date	403,354	-
Total	<u>\$ 4,552,045</u>	<u>\$ 3,300,914</u>
<b>Police and Fire Retirement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,747,488	\$ -
Changes of Assumption	4,588,176	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,301,871
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	574,175	770,590
City Contributions Subsequent to Measurement Date	1,092,620	-
Total	<u>\$ 10,002,459</u>	<u>\$ 4,072,461</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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

The City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Employees'</b> <b>Retirement System</b>	<b>Police and Fire</b> <b>Retirement System</b>
2025	\$ (1,128,209)	\$ (929,954)
2026	964,565	3,584,741
2027	1,578,412	1,981,972
2028	(566,991)	(355,556)
2029	-	556,175

**Changes in Net Pension (Asset) Liability – Proportionate Share**

<b>Governmental Activities</b>	<b>Balance</b> <b>June 30, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>June 30, 2024</b>
Net Pension (Asset) Liability - Proportionate Share	\$ 20,610,243	\$ -	\$ (4,383,261)	\$ 16,226,982
<b>Business-Type Activities</b>	<b>Balance</b> <b>June 30, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>June 30, 2024</b>
Net Pension (Asset) Liability - Proportionate Share				
Water	\$ 991,115	\$ -	\$ (237,544)	\$ 753,571
Sewer	925,569	-	(241,854)	683,715
Total	\$ 1,916,684	\$ -	\$ (479,398)	\$ 1,437,286

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued****Payables to the Pension Plan**

For ERS and PFRS pension plans, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2024 represent the projected employer contributions for the period April 1, 2024 through June 30, 2024 based on ERS and PFRS wages multiplied by the employer's rate, by tier. The accrued ERS retirement contributions as of June 30, 2024 were \$295,335 for governmental activities and \$108,019 for business-type activities. The accrued PFRS retirement contribution as of June 30, 2024 was \$1,092,620 for governmental activities, plus an additional \$66,724 for retro pay accruals.

**Actuarial Assumptions**

The total pension liability at March 31, 2024 was determined by using an actuarial valuation as of April 1, 2023, with update procedures used to roll forward the total pension liability to March 31, 2024. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2023 valuation were as follows:

	<b>Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>
Inflation Rate	2.90%	2.90%
Salary Scale	4.40%	6.20%
Interest Rate	5.90%	5.90%
Cost of Living Adjustments	1.50%	1.50%

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.

The actuarial assumption used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.



## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 10 – RETIREMENT BENEFITS - Continued

## Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2024 are summarized in the following table:

	<b>Long-Term Expected Real Rates of Return</b>
Asset Type:	
Domestic Equity	4.00%
International Equity	6.65%
Private Equity	7.25%
Real Estate	4.60%
Opportunistic / ARS Portfolio	5.25%
Credit	5.40%
Real Assets	5.79%
Fixed Income	1.50%
Cash	0.25%

## Discount Rate

The discount rate used to calculate the total pension (asset) liability was 5.9%. 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 System's 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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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

The following presents the City's proportionate share of the net pension (asset) liability calculated using the discount rate of 5.90%, as well as the City's proportionate share of the net pension liability if it were calculated using a discount rate that is 1 percentage point lower (4.90%) or 1 percentage point higher (6.90%) than the current rate:

	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.90%)</b>	<b>1% Increase (6.90%)</b>
<b>ERS</b>			
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,294,193	\$ 5,500,519	\$ (4,349,646)
	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.90%)</b>	<b>1% Increase (6.90%)</b>
<b>PFRS</b>			
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 28,429,533	\$ 12,163,749	\$ (1,274,167)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2024, were as follows:

(In Thousands)

	<b>Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>	<b>Total</b>
Employers' Total Pension Liability	\$ 240,696,851	\$ 46,137,717	\$ 286,834,568
Fiduciary Net Position	225,972,801	41,394,895	267,367,696
Employers' Net Pension Liability	<u>\$ 14,724,050</u>	<u>\$ 4,742,822</u>	<u>\$ 19,466,872</u>
Ratio of Fiduciary Net Position to the Employers' Total Pension Liability	93.88%	89.72%	

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 – RETIREMENT BENEFITS - Continued**

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**Bonus Retirement Plan**

Under the terms of the police and fire union contracts, the City also made available a bonus retirement plan to all eligible employees. To be eligible, the employee must have accumulated 20 years of service within the retirement system and must retire within 3 years from that date. The following is a schedule of the benefits paid based upon the retirement date:

1 <sup>st</sup> Year	\$ 5,000
2 <sup>nd</sup> Year	\$ 4,000
3 <sup>rd</sup> Year	\$ 3,000

The City has reported \$60,000 relating to this bonus retirement plan as part of the accrued compensated absences balance in the General Fund.

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

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**General Information about the OPEB Plan**

*Plan Description* – The City’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City and funded on a pay-as-you go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Benefit provisions are established through negotiations between the City and the unions representing the employees and are renegotiated at the end of each of the bargaining periods.

The City administers its Health Plan (the plan) as a single-employer, self-insured benefit plan. The City provides postemployment healthcare benefits to certain employees that are eligible to retire under the New York State Retirement Systems and additional contract specific stipulations. The plan provides medical and prescription drug coverage to certain retirees and their dependents based upon the City’s collective bargaining agreements with its various unions. Substantially all the City’s employees may become eligible for these benefits if they reach normal retirement age while working for the City. The financial information for the City’s plan is contained solely within these basic financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****General Information about the OPEB Plan - Continued**

*Benefits Provided* - The City provides healthcare benefits to current and future retirees and their dependents through a self-funded plan administered by UMR. Benefits are dependent on which employee contract each member falls under, hire date, and years of service. The specifics of each contract are on file at the City and are available upon request.

*Contributions* – The contribution requirements are dependent on which employee contract each member falls under, hire date, and management level. The specifics of each contract are on file at the City and are available upon request.

The City reimburses the full Medicare Part B premium rates to retirees, spouses, and surviving spouses for all contracts, with the exclusion of the Civil Service Employees Association (Local 1000) contract. The City reimburses the civil service contracted retirees the full Medicare Part B premium rates to retirees, spouses, and surviving spouses who retire prior to July 1, 2019, and no reimbursement to members who retire on/after July 1, 2019.

*Employees Covered by Benefit Terms* – As of the Valuation Date, the following employees were covered by the benefit terms.

Inactive Members or Beneficiaries Currently Receiving Payments	302
Active Members	295
Total Covered Employees	597

**Total OPEB Liability**

The City has obtained an actuarial valuation report as of June 30, 2024 which indicates that the total liability for other postemployment benefits is \$110,939,417 which is reflected in the Statement of Net Position. The OPEB liability was measured as of September 1, 2023 and was determined by an actuarial valuation as of September 1, 2022.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****Total OPEB Liability – Continued**

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Actuarial Methods and Assumptions**

Measurement Date	09/01/23
Rate of Compensation Increase	2.00%
Inflation Rate	2.50%
Discount Rate	3.81%

**Assumed Health Care Trend Rates at June 30**

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.80%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.94%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2093

**Additional Information**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (Years)	5.86
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on Bond Buyer Weekly 20-Bond GO index as of the measurement date.

Mortality rates were based on the sex-distinct and job category-specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and healthy retirees, adjusted for mortality improvements with scale MP-2021 mortality improvement scale on a generational basis.

The actuarial valuation was based upon the plan data and the actuarial valuation as of September 1, 2022 and financial data and actuarial rollforward techniques to calculate the results as of September 1, 2023 (the measurement date).

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

## BENEFITS - Continued

## Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 112,519,696
Changes for the Year:	
Service Cost	1,435,886
Interest	4,059,316
Changes in Benefit Terms	(25,676)
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	(2,177,991)
Benefit Payments	(4,871,814)
Net Changes	(1,580,279)
Balance at June 30, 2024	\$ 110,939,417

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent as of September 1, 2022 to 3.81 percent as of September 1, 2023.

Watertown Professional Fire Fighters' contribution changed from 14.5% to 15% for post July 1, 1983 hires.

Changed eligibility requirements for Tier 5 and 6 management employees from 10 to 5 years.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.81 percent) or 1 percentage point higher (4.81 percent) than the current discount rate:

	1% Decrease 2.81%	Discount Rate 3.81%	1% Increase 4.81%
Total OPEB Liability	\$ 124,758,199	\$ 110,939,417	\$ 99,359,908

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)****BENEFITS - Continued****Changes in the Total OPEB Liability- Continued**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 6.8%) or 1 percentage point higher (trend increasing to 8.80%) than the current healthcare cost trend rate:

	<b>1% Decrease (7.80% decreasing to 6.80%)</b>	<b>Healthcare Cost Trend Rates (7.80%)</b>	<b>1% Increase (7.80% increasing to 8.80%)</b>
Total OPEB Liability	\$ 97,976,328	\$ 110,939,417	\$ 126,431,126

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

For the year ended June 30, 2024, the City recognized total OPEB benefit of \$3,134,212. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 1,125,914	\$ 8,934,740
Changes of Assumptions or Other Inputs	2,745,489	10,533,234
Employer Contributions Subsequent to the Measurement Date (Expected Employer Contribution including Implicit Subsidy)	4,307,773	-
Total	<u>\$ 8,179,176</u>	<u>\$ 19,467,974</u>

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**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

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

**BENEFITS - Continued**

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

City benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>For the Fiscal Year Ending June 30</b>	
2025	\$ (5,124,020)
2026	(5,868,768)
2027	(2,218,989)
2028	(2,065,158)
2029	(319,636)
Total	<u>\$ (15,596,571)</u>

**NOTE 12 – FUND BALANCES**

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**Nonspendable Fund Balances**

Non-spendable fund balance consists of prepaid stop loss insurance on the City's health insurance plan.

**Restricted Fund Balances**

Restricted fund balances consist of the following:

General Fund

**Capital Reserves** - Pursuant to Section 6-c of the General Municipal Law of the State of New York, the City established a capital reserve fund to finance future capital improvement projects.

**Workers' Compensation** - An amount reserved to pay workers' compensation claims.

**Insurance** - An amount reserved to pay claims and judgments for the City's general liability and the cost of providing health care benefits to eligible employees and retirees.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 12 – FUND BALANCES - Continued**

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**Restricted Fund Balances - Continued**

**Contingency and Tax Stabilization Reserve** - Pursuant to Section 6-e of the General Municipal Law of the State of New York, the City established a contingency and tax stabilization reserve to finance certain unanticipated revenue losses or unanticipated expenditures chargeable to the “eligible portion of the annual budget,” and to lessen or prevent projected increases in excess of 2½ percent of the amount of the real property tax levy needed to finance the eligible portion of the annual budget.

Capital Projects Fund

**Capital Projects** – Amounts restricted for current projects in process funded by debt or grants.

**Other Fund Balance Disclosures**

Deficit Fund Balance

No funds had deficit fund balances as of June 30, 2024.

**Excess of Expenditures over Appropriations**

General Fund

The debt service expenditure line item exceeded budgeted appropriations by \$24,447 due to the recognition under GASB 87, *Leases*, for the recording of lease amortization expense.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 13 – INTERFUND TRANSACTIONS**

During the course of normal operations, the City records numerous transactions between funds including expenditures for services as well as transfers to finance various projects and debt payments.

Interfund receivable and payable balances arising from these transactions as of June 30, 2024 were as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenue</b>	<b>Expenditures</b>
General Fund	\$ 2,186,535	\$ 10,991,120	\$ 160,378	\$ 3,023,774
Capital Project Funds	7,216,665	2,259,764	1,892,093	4,788
Community Development	166,226	145,023	-	330,718
Water Fund	3,576,239	471,535	-	130,863
Sewer Fund	434,675	28,144	-	15,000
Non Major Funds	341,526	26,280	1,452,672	-
Total	<u>\$ 13,921,866</u>	<u>\$13,921,866</u>	<u>\$ 3,505,143</u>	<u>\$ 3,505,143</u>

**Interfund Eliminations**

For financial statement purposes, the following interfund balances have been eliminated:

	<b>General Fund</b>	<b>Self-funded Health Insurance Fund</b>
Revenues	\$ -	\$ 7,702,206
Expenditures	7,702,206	-
Total	<u>\$ 7,702,206</u>	<u>\$ 7,702,206</u>

## NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

## NOTE 14 – TAX ABATEMENTS

The City receives revenue through numerous 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 Agency or by the City itself. During the year ended June 30, 2024, the City collected approximately \$135,000 of PILOT payments.

Owner Name	Start Date	End Date	% Abated	Assessed Value	(A) Appr. Taxes Foregone	(B) PILOT Payment Received	(A) - (B) Net Reduction in Tax Revenues
JCIDA - WICLDC	2017	2025	14.34%	\$ 1,374,000	\$ 12,073	\$ 10,342	\$ 1,731
JCIDA - Roth Industries	2006	2032	0.88%	3,457,600	30,382	19,844	10,538
JCIDA - Woolworth							
Watertown LLC	2015	2029	85.36%	3,325,000	29,217	3,548	25,669
JCIDA - New York Airbrake	2017	2032	75.00%	960,000	8,436	4,218	4,218
JCIDA - Current Applications	2016	2030	50.00%	435,700	3,829	1,914	1,915
JCIDA - Rail Spur	2006	None	100.00%	12,800	112	-	112
Watertown Housing Authority	Various	None	72.97%	19,901,300	174,289	56,334	117,955
HKBBE Apartments	2017	2058	67.83%	11,258,300	98,928	39,007	59,921
Creekwood II Housing Development Fund Company Inc	2014	2023	72.08%	5,809,800	12,266	-	12,266
					<u>\$ 369,532</u>	<u>\$ 135,207</u>	<u>\$ 234,325</u>

The Jefferson County Industrial Agency (JCIDA) also has the authority to exempt sales tax and mortgage recording taxes which could lower City tax revenues. For the fiscal year ended June 30, 2024, there were no mortgage recording tax abatement agreements entered into by the Jefferson County Industrial Agency that reduced these City tax revenues.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

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**Litigation**

The City has been named in several claims arising out of the conduct of its business, including claims for property damage, personnel practices, personal injury, false arrest, and disputes over union contracts and suits contesting assessments. These claims, in the opinion of City officials, will not result in material judgments against the City, and, therefore, are not expected to have a material effect on the general-purpose financial statements. Additionally, as of June 30, 2024, the financial impact of these claims, if any, cannot be determined. Accordingly, the general-purpose financial statements have not been adjusted to reflect the potential result of these claims. However, the City has accumulated a reserve of \$692,484 as of June 30, 2024 for un-funded general liability claims.

**Grant Programs**

The City participates in a number of Federal and State grant programs. These programs are subject to financial and compliance audits by the grantors of their representatives. The City believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the City's financial position or results of operations.

**Environmental Concerns**

On April 27, 2007, the City acquired several parcels of property from Black Clawson known as Sewall's Island. On December 26, 2006, the City received a grant under the Environmental Restoration Program (ERP) from the New York State Department of Conservation for the investigation of the Sewall's Island project site. The ERP grant provided \$705,540 towards the investigation phase of the project. The City's local share to the ERP grant was funded from a U.S. Environmental Protection Agency Brownfields Pilot Program grant. The City Council has spent \$900,545 for a professional services contract with Lu Engineers to prepare the investigation phase of the Environmental Restoration Program. As of June 30, 2024, the City is not expected to have any liability for this potential environmental clean-up due to the "safe harbor" provisions of the ERP grant.

The City is engaged in many activities (i.e. water and sewer service, refuse collection, and gasoline storage) in the normal course of operations that are potentially hazardous to the environment. As of June 30, 2024, the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 15 – COMMITMENTS AND CONTINGENCIES - Continued**

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**Landfill Closure**

State and federal laws and regulations required the City to close its landfill site in 1993. Although the closure has been completed, the City must continue to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs incurred during the closure were expensed as incurred. The post-closure monitoring occurs three times a year at an estimated annual expenditure of \$18,000. At June 30, 2024 the liability was extinguished.

**Black River Fund**

The City of Watertown owns a hydroelectric facility on the Black River. On November 21, 1994, the City Council approved an agreement between the City and New York Rivers United, an environmental group, for the establishment of a Black River Fund. On June 16, 1995, the Federal Energy Regulatory Agency (FERC) issued the City a hydroelectric generation license.

This Fund is established in consideration of the immitigable impacts of the Watertown Project and for the purpose of financing projects and facilities that enhance the natural resources and human values of the Black River within the City's boundaries. This Fund will be used to finance projects and facilities which conserve and enhance the fish, plant, and wildlife resources of the Black River, improve water quality, educate the public about the river and its uses, and provide for recreation.

This Fund is being administered by a Black River Fund Committee, which shall determine the distribution of funding each year. If able to demonstrate that their proposal provides a clear public benefit, governmental agencies, non-profit organizations, education institutions, and individuals shall be eligible to receive funding from the Black River Fund. On December 16, 2006, the Committee allocated \$20,000 to New York Rivers United to document the river's ecology in terms of quality, water quantity, general biodiversity, and ecological status since the passage of the 1977 Federal Clean Water Act. The Committee contributed \$80,000 to the City for its Hole Brothers Access Improvement Project between 2008 and 2009.

Under the terms of the agreement, within sixty (60) days of the City's acceptance of a new FERC license, the City agreed to contribute \$30,000 to cover the first three (3) years of the license's forty (40) year term. The City started to contribute \$10,000 annually beginning in the fiscal year ending June 30, 2003, for a total agreed contribution of \$400,000. The City has increased its annual contribution in accordance with the agreement and for the year ended June 30, 2024, contributed \$20,409. The balance in the fund as of June 30, 2024 was \$227,322.

Additionally, the City agreed to establish a replacement reserve to accumulate funds towards the anticipated cost of repairing, replacing, or retiring of energy generation equipment at the facility.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 15 – COMMITMENTS AND CONTINGENCIES - Continued**

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**Electrical Distribution System Agreement**

The City approved a sale of its Electrical Distribution System in March 1991. In connection with the sale, the parties agreed to the following:

1. National Grid was to operate the existing municipal hydro plant at no cost to the City beginning January 1, 1991 and extending until removal of the plant from service for reconstruction.
2. The City would proceed in the process of undertaking re-licensing of the hydro plant in accordance with the Federal Energy Regulatory Commission (FERC) rules and regulations and would undertake the refurbishing of the plant.
3. The City will lease all of its surplus power to National Grid for a term not exceeding forty years.

The City commenced reconstruction of the hydroelectric plant on June 2, 1997. The project, which cost \$9,075,000, was completed in January 2000.

**Metropolitan Planning Organization**

After the 2010 Census was completed, the U.S. Census Bureau delineated an Urbanized Area that includes the City of Watertown. The Urbanized Area designation set in motion changes to the City's relationship with several federal programs. A Metropolitan Planning Organization (MPO) was formed to plan for the expenditure of federal highway and transit funds within a Metropolitan Planning Area (MPA) that was delineated around the Urbanized Area.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 15 – COMMITMENTS AND CONTINGENCIES - Continued**

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**Metropolitan Planning Organization – Continued**

The Watertown-Jefferson County Transportation Council was designated as the MPO on September 19, 2014 by the Commissioner of the NYS Department of Transportation on behalf of the Governor. The MPO is governed by a Memorandum of Understanding between the City, Jefferson County, and NYS Department of Transportation.

The federal Office of Management and Budget used the Urbanized Area to create the Watertown-Fort Drum, NY Metropolitan Statistical Area (MSA) on February 28, 2013. As a Principal City in the MSA, Watertown became an Entitlement Community under U.S. Housing and Urban Development's Community Development Block Grant program. This means the City will be receive an annual allocation of community development funds.

The City will also become responsible for enforcing U. S. Environmental Protection Agency storm water regulations under the Municipal Separate Storm Sewer System (MS4) program.

**NOTE 16 – SUBSEQUENT EVENTS**

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The City has evaluated events and transactions that occurred between June 30, 2024 and February 10, 2025, which is the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

**CITY OF WATERTOWN, NEW YORK**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST SEVEN FISCAL YEARS**

Ended June 30, 2024

<b>Total OPEB Liability</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Service Cost	\$ 1,435,886	\$ 1,764,023	\$ 1,773,296	\$ 2,000,656	\$ 1,673,568	\$ 1,611,408	\$ 1,961,321
Interest	4,059,316	2,651,303	2,714,287	4,488,960	5,242,827	4,577,420	4,050,342
Changes of Benefit Terms	(25,676)	-	-	(571,209)	(1,274,882)	(1,135,737)	-
Differences Between Expected and Actual Experience	-	1,709,290	-	(29,357,000)	-	5,942,389	-
Changes of Assumptions or Other Inputs	(2,177,991)	(13,248,632)	934,193	1,064,006	18,162,379	(4,216,123)	(13,496,504)
Benefit Payments	(4,871,814)	(4,969,880)	(4,823,158)	(5,506,472)	(5,257,801)	(4,457,706)	(4,286,372)
Net Change in Total OPEB Liability	(1,580,279)	(12,093,896)	598,618	(27,881,059)	18,546,091	2,321,651	(11,771,213)
Total OPEB Liability - Beginning	112,519,696	124,613,592	124,014,974	151,896,033	133,349,942	131,028,291	142,799,504
Total OPEB Liability - Ending	<u>\$ 110,939,417</u>	<u>\$ 112,519,696</u>	<u>\$ 124,613,592</u>	<u>\$ 124,014,974</u>	<u>\$ 151,896,033</u>	<u>\$ 133,349,942</u>	<u>\$ 131,028,291</u>
Covered Payroll	\$ 22,898,050	\$ 21,668,719	\$ 21,584,305	\$ 20,080,856	\$ 21,008,381	\$ 20,028,068	\$ 19,575,482
Total OPEB as a Percentage of Covered Payroll	484.49%	519.27%	577.33%	617.58%	723.03%	665.82%	669.35%

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

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



**CITY OF WATERTOWN, NEW YORK**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year Ended June 30, 2024

	<b>Original</b>	<b>Final</b>		<b>Variance With</b>
	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Favorable</b>
				<b>(Unfavorable)</b>
Resources (Inflows)				
Real Property Taxes	\$9,904,896	\$9,904,896	\$ 9,362,633	\$ (542,263)
Real Property Tax Items	252,800	252,800	261,087	8,287
Non-Property Taxes	25,716,000	25,718,525	25,745,899	27,374
Departmental Income	7,685,835	7,685,835	8,287,646	601,811
Intergovernmental Charges	260,100	260,100	238,603	(21,497)
Use of Money and Property	527,760	527,760	2,109,454	1,581,694
Licenses and Permits	169,050	169,050	156,717	(12,333)
Fines and Forfeitures	105,000	105,000	121,861	16,861
Sale of Property and Compensation for Loss	122,000	802,500	1,316,152	513,652
Miscellaneous Local Sources	1,854,594	2,442,349	2,327,902	(114,447)
Interfund Revenue	1,584,172	1,278,316	1,634,169	355,853
State Source	6,096,360	6,246,360	6,054,040	(192,320)
Federal Sources	1,341,086	1,715,710	1,571,826	(143,884)
Transfers from Other Funds	145,863	143,338	160,378	17,040
Amounts Available for Appropriation	55,765,516	57,252,539	59,348,367	2,095,828
Charges to Appropriations (Outflows)				
General Government Support	7,005,773	6,836,846	5,817,908	\$ 36,450 982,488
Public Safety	23,159,174	23,716,054	22,535,268	703,961 476,825
Transportation	6,959,096	6,593,947	5,719,420	146,876 727,651
Economic Assistance and Development	25,000	26,300	12,288	- 14,012
Culture and Recreation	3,893,585	4,411,660	3,877,353	75,157 459,150
Home and Community Services	1,940,463	1,979,563	1,887,762	33,825 57,976
Employee Benefits	10,682,642	12,823,883	12,823,097	- 786
Debt Service	2,226,038	2,226,038	2,250,485	- (24,447)
Transfers to Other Funds	3,091,208	3,572,362	3,023,774	- 548,588
Total Charges to Appropriations	58,982,979	62,186,653	57,947,355	\$ 996,269 3,243,029
Excess (Deficiency) of Resources Over				
Charges to Appropriations	(3,217,463)	(4,934,114)	1,401,012	6,335,126
Appropriation of Prior Year Fund Balance/ Reserves	3,230,856	4,949,181	-	(4,949,181)
Excess (Deficiency) of Resources Over				
Charges to Appropriations	\$ 13,393	\$ 15,067	1,401,012	\$ 1,385,945
Fund Balance, Beginning of Year			25,358,841	
Fund Balance, End of Year			\$ 26,759,853	

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

# **SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – NYSLRS PENSION PLAN LAST TEN FISCAL YEARS**

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Employees' Retirement System (ERS)</b>										
City's Proportion of the Net Pension Liability (Asset)	0.0373574%	0.0335892%	0.0342341%	0.0351740%	0.0348062%	0.0341289%	0.0343930%	0.0345264%	0.0341549%	0.3534050%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,500,519	\$ 7,202,870	\$ (2,798,498)	\$ 35,024	\$ 9,216,889	\$ 2,418,135	\$ 1,110,015	\$ 3,244,181	\$ 5,481,964	\$ 1,193,889
City's Covered Payroll	\$ 10,418,176	\$ 10,250,000	\$ 9,433,385	\$ 8,842,076	\$ 9,135,087	\$ 9,150,789	\$ 9,130,292	\$ 8,906,648	\$ 8,685,504	\$ 8,549,403
City's Proportionate Share of the Net Pension Liability (Asset) As a Percentage of its Covered Payroll	52.80%	70.27%	29.67%	0.40%	100.90%	26.43%	12.16%	36.42%	63.12%	13.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
<b>Police and Fire Retirement System (PFRS)</b>										
City's Proportion of the Net Pension Liability	0.2564663%	0.2780897%	0.3023085%	0.3017055%	0.2952398%	0.2846016%	0.2907128%	0.2951272%	0.3194832%	0.3048112%
City's Proportionate Share of the Net Pension Liability	\$ 12,163,749	\$ 15,324,057	\$ 1,717,247	\$ 5,238,441	\$ 15,780,380	\$ 4,772,949	\$ 2,938,400	\$ 6,116,959	\$ 9,459,217	\$ 839,022
City's Covered Payroll	\$ 12,726,143	\$ 12,119,436	\$ 11,744,455	\$ 11,029,401	\$ 11,176,009	\$ 10,891,734	\$ 10,604,741	\$ 10,390,767	\$ 9,983,832	\$ 9,556,238
City's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Payroll	95.58%	126.44%	14.62%	47.50%	141.20%	43.82%	27.71%	58.87%	94.75%	8.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.72%	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	97.90%	99.00%

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

**SCHEDULE OF THE CITY'S CONTRIBUTIONS – NYSLRS PENSION PLAN****LAST TEN FISCAL YEARS**

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Employees' Retirement System (ERS)</b>										
Contractually Required Contribution	\$ 1,230,327	\$ 973,695	\$ 1,290,972	\$ 1,234,673	\$ 1,265,209	\$ 1,255,658	\$ 1,268,232	\$ 1,305,395	\$ 1,343,922	\$ 1,657,173
Contributions in Relation to the Contractually Required Contribution	1,230,327	973,695	1,290,972	1,234,673	1,265,209	1,255,658	1,268,232	1,305,395	1,343,922	1,657,173
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 10,418,176	\$ 10,250,000	\$ 9,433,385	\$ 8,842,076	\$ 9,135,087	\$ 9,150,789	\$ 9,130,292	\$ 8,906,648	\$ 8,685,504	\$ 8,549,403
Contributions as a Percentage of Covered Payroll	11.81%	9.50%	13.69%	13.96%	13.85%	13.72%	13.89%	14.66%	15.47%	19.38%
<b>Police and Fire Retirement System (PFRS)</b>										
Contractually Required Contribution	\$ 3,538,425	\$ 3,028,791	\$ 3,361,750	\$ 2,720,015	\$ 2,370,618	\$ 2,305,182	\$ 2,354,924	\$ 2,276,464	\$ 2,136,795	\$ 2,494,595
Contributions in Relation to the Contractually Required Contribution	3,538,425	3,028,791	3,361,750	2,720,015	2,370,618	2,305,182	2,354,924	2,276,464	2,136,795	2,494,595
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 12,726,143	\$ 12,119,436	\$ 11,744,455	\$ 11,029,401	\$ 11,176,009	\$ 10,891,734	\$ 10,604,741	\$ 10,390,767	\$ 9,983,832	\$ 9,556,238
Contributions as a Percentage of Covered Payroll	27.80%	24.99%	28.62%	24.66%	21.21%	21.16%	22.21%	21.91%	21.40%	26.10%

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

## **FEDERAL AWARDS 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**

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**SENIOR MANAGEMENT, MAYOR AND MEMBERS OF THE CITY COUNCIL OF THE CITY OF WATERTOWN, NEW YORK**

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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, New York, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Watertown, New York’s basic financial statements, and have issued our report thereon dated February 10, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Watertown, New York’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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Watertown’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Watertown, New York’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 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.

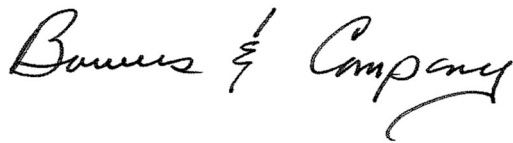
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 the City of Watertown, New York's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned above the date and location text.

Watertown, New York  
February 10, 2025

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

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### **SENIOR MANAGEMENT, MAYOR AND MEMBERS OF THE CITY COUNCIL OF THE CITY OF WATERTOWN, NEW YORK**

#### **Report on Compliance for Each Major Federal Program**

##### **Opinion on Each Major Federal Program**

We have audited the City of Watertown, New York'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 the City of Watertown, New York's major federal programs for the year ended June 30, 2024. The City of Watertown, New York'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, City of Watertown, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2024.

##### **Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the City of Watertown, New York 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 City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York'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 the City of Watertown, New York's internal control over compliance. Accordingly, no such opinion is expressed.

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



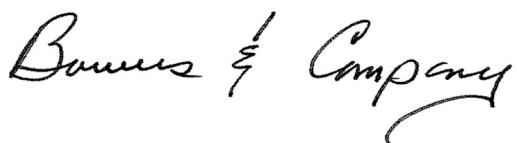
## Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Watertown, New York  
February 10, 2025

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2024

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Housing &amp; Urban Development</b>				
Direct Award:				
Community Development Block Grant / Entitlement Grant	14.218	B-18-MC-36-0121	\$ 61,633	\$ 73,982
Community Development Block Grant / Entitlement Grant	14.218	B-19-MC-36-0121	116,170	-
Community Development Block Grant / Entitlement Grant	14.218	B-20-MC-36-0121	20,143	-
COVID-19: Community Development Block Grant / Entitlement Grant	14.218	B-20-MW-36-0121	5,902	-
Community Development Block Grant / Entitlement Grant	14.218	B-21-MC-36-0121	243,729	102,074
Community Development Block Grant / Entitlement Grant	14.218	B-22-MC-36-0121	604,408	300,180
Community Development Block Grant / Entitlement Grant	14.218	B-23-MC-36-0121	129,294	-
Total Community Development Block Grant / Entitlement Grant Cluster			<u>1,181,279</u>	<u>476,236</u>
Total U.S. Department of Housing & Urban Development			<u>1,181,279</u>	<u>476,236</u>
<b>U.S. Department of Transportation</b>				
Direct Award:				
Urbanized Area Formula Grant	20.507	NY-2022-06002	82,044	
Urbanized Area Formula Grant	20.507	NY-2024-05801	581,719	
Urbanized Area Formula Grant	20.507	NY-2023-03001	25,056	
Buses and Bus Facilities Formula	20.526	NY-2023-09703	3,169	
Buses and Bus Facilities Formula	20.526	NY-2023-09702	15,579	
Buses and Bus Facilities Formula	20.526	NY-2022-06305	16,588	
Buses and Bus Facilities Formula	20.526	NY-2022-06305	3,448	
Total Federal Transit Cluster			<u>727,603</u>	
Passed Through New York State Department of Transportation:				
Highway Planning and Construction				
Highway Planning and Construction	20.205	PIN 7807.88	121,104	
Highway Planning and Construction	20.205	PIN 7753.62.121	3,001,874	
Total Highway Planning and Construction / Total Passed Through New York State Department of Transportation			<u>3,122,978</u>	
Total U.S. Department of Transportation			<u>3,850,581</u>	
Subtotal to Next Page			<u>\$ 5,031,860</u>	<u>\$ 476,236</u>

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

**CITY OF WATERTOWN, NEW YORK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED**

Year Ended June 30, 2024

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
Subtotal from Previous Page			<u>\$ 5,031,860</u>	<u>\$ 476,236</u>
<b>U.S. Department of Homeland Security</b>				
Direct Awards:				
Assistance to Firefighters Grant	97.044	EMW-2020-FG-17440	127,499	
Assistance to Firefighters Grant	97.044	EMW-2021-FG-07215	162,324	
Assistance to Firefighters Grant	97.044	EMW-2021-FP-00526	1,952	
Total U.S. Department of Homeland Security			<u>291,775</u>	
<b>U.S. Department of Treasury</b>				
Direct Awards:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>8,389,121</u>	
Total U.S. Department of Treasury			<u>8,389,121</u>	
<b>U.S. Department of Justice</b>				
Direct Awards:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0265	12,294	
Edward Byrne Memorial Justice Assistance Grant Program	16.034	2020-VD-BX-0677	26,526	
Total U.S. Department of Justice			<u>38,820</u>	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 13,751,576</u></u>	<u><u>\$ 476,236</u></u>

See paragraph on supplementary schedules 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, 2024

**NOTE 1 – BASIS OF PRESENTATION**

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The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the City, which is described in Note 1 to the City'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**

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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 City'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 City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2024

**NOTE A - SUMMARY OF AUDITOR'S RESULTS**

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

COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Highway Planning and Construction	20.205
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Watertown, New York was determined to be a low-risk auditee.

**NOTE B - FINANCIAL STATEMENT AUDIT FINDINGS**

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There were no findings to report.

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

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There were no findings to report.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

June 30, 2024

**NOTE A – FINANCIAL STATEMENT AUDIT FINDINGS**

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There were no prior year audit findings.

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

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There were no prior year audit findings.

## **STATE TRANSPORTATION ASSISTANCE PROGRAMS**

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND INTERNAL  
CONTROL OVER STATE TRANSPORTATION ASSISTANCE EXPENDED BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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**SENIOR MANAGEMENT, MAYOR AND  
MEMBERS OF THE CITY COUNCIL OF  
THE CITY OF WATERTOWN, NEW YORK**

**Report on Compliance for State Transportation Assistance Programs**

**Opinion on State Transportation Assistance Programs**

We have audited the City of Watertown, New York’s compliance with the types of compliance requirements described in Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on each state transportation assistance program tested for the year ended June 30, 2024. The programs tested are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for state transportation assistance expended.

In our opinion, City of Watertown, New York complied, in all material respects, with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended June 30, 2024.

**Basis for Opinion on Each State Transportation Assistance 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 Part 43 of NYCRR. Our responsibilities under these standards and Part 43 of NYCRR are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Watertown, New York 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 state transportation assistance program. Our audit does not provide a legal determination of City of Watertown, New York’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 City of Watertown's state 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 the City of Watertown, New York'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 Part 43 of the NYCRR 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 the City of Watertown, New York's compliance with the requirements of each state transportation assistance program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Part 43 of the NYCRR, 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 the City of Watertown, New York'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 the City of Watertown, New York'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 Part 43 of the NYCRR, but not for the purpose of expressing an opinion on the effectiveness of the City of Watertown, New York'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 does not allow management of 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 state transportation assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state transportation assistance 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.

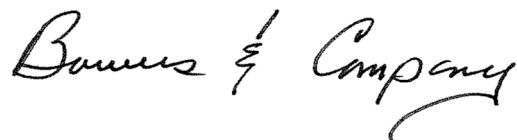
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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.

## Report on Schedule of State Transportation Assistance Expended

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, New York as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Watertown's basic financial statements. We issued our report thereon dated February 10, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Part 43 of NYCRR and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 expenditures of state transportation assistance expended is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bowens & Company". The signature is written in dark ink and is positioned above the printed name and date.

Watertown, New York  
February 10, 2025

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**CITY OF WATERTOWN, NEW YORK**

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**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**

June 30, 2024

<b>Program Title</b>	<b>Ref. Number</b>	<b>Expenditures</b>
Consolidated Local Street and Highway Improvement Program Capital - Reimbursement / CHIPS	732059	\$ 1,704,807
Marchiselli Match for Federal Aid Highway Projects	D035666	562,851
Bus Transit Operating Assistance		<u>408,415</u>
Total		<u>\$ 2,676,073</u>

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See accompanying notes to schedule of state transportation assistance expended.

**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
June 30, 2024

**NOTE A - GENERAL**

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The Schedule of State Transportation Assistance Expended of the City of Watertown, New York, presents the activity of all major financial assistance programs provided by the New York State Department of Transportation.

**NOTE B - BASIS OF ACCOUNTING**

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The Schedule of State Transportation Assistance Expended is presented using the modified accrual basis of accounting.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE  
TRANSPORTATION ASSISTANCE EXPENDED**

June 30, 2024

**Summary of Auditor's Results****Internal Control Over State Transportation Assistance Expended:**

Material weaknesses identified	None reported
Significant deficiencies identified that are not considered to be material weaknesses	None reported

Type of Auditor's Report Issued on Compliance for Program Tested:	Unmodified
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Summary of Audit Findings:	N/A
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**Identification of State Transportation Assistance  
Programs Tested:**

Consolidated Local Street and Highway Improvement Program Capital – Reimbursement/CHIPS	732059
Marchiselli Match for Federal Aid Highway Projects	D035666

**Compliance Findings and Questioned Costs**

No matters were reported