

CITY OF WATERTOWN, NEW YORK

FINANCIAL STATEMENTS

June 30, 2022

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CITY OF WATERTOWN, NEW YORK

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CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**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, 2022, 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, 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, 2022, 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.

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

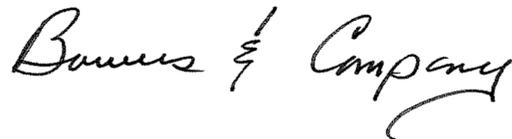
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 24, the Schedule of Changes in the City’s Total OPEB Liability and Related Ratios on page 92, Budgetary Comparison Schedule – General Fund on page 93, the Schedule 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 1, 2023, 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 "Bowens & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Watertown, New York
February 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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, 2022. 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

- Government-wide unrestricted net position showed a deficit of (\$101,691,564) at June 30, 2022. 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 \$16,920,370 in fiscal year 2021-2022.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$31,735,896 an increase of \$6,985,163 from the previous year. Approximately 56% of this total amount or \$17,789,936 or 37% of General Fund expenditures and other financing uses, is available for spending at the government’s discretion (unassigned fund balance).
- General Fund revenues of \$54,991,700 on a budgetary basis exceeded budgeted revenues by \$6,464,681 or 13.32% while budgetary basis expenditures and year-end encumbrances finished \$1,837,372 lower than budgeted expenditures. These results reduced the need to use the full \$2,251,018 in the original appropriated fund balance budgeted for in the 2021-2022 General Fund budget.
- The City converted two bond anticipation notes into one serial bond with the New York State Environmental Facilities Corporation for the wastewater treatment plant’s sludge modification project and the waste water treatment plant’s bar screens and grit removal equipment replacement project. On December 16, 2021, the bond anticipation notes were converted to a twenty-five year serial bond in the amount of \$6,968,736 at 0% interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS

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, 2022

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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 Watertown Empire Zone as a blended component unit as it is not a legally separate entity and 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, 2022

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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 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, 2022

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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.

Change in Accounting Principle

For the fiscal year ended June 30, 2022, the City implemented GASB Statement No. 87, *Leases*. The implementation of this statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2022, the City had a surplus net position (total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources) of \$6,370,116 compared to a deficit net position of (\$10,550,254) at June 30, 2021, as restated, which represents an increase of \$16,920,370. 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 Other Postemployment Benefits total \$124,613,592 which represents an increase of \$598,618. 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 \$105,468,831 which represents an increase of \$3,743,534 or 3.68%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

An additional \$2,592,849 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 Watertown Empire Zone, 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, 2022 can be found in the City's basic financial statements.

City of Watertown's Net Position						
	Governmental Activities		Business-type Activities		Total	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Current and Other Assets	\$ 58,967,725	\$ 43,626,788	\$ 21,932,803	\$ 12,713,596	\$ 80,900,528	\$ 56,340,384
Capital Assets	85,638,909	87,481,705	51,428,193	50,993,987	137,067,102	138,475,692
Total Assets	<u>\$ 144,606,634</u>	<u>\$ 131,108,493</u>	<u>\$ 73,360,996</u>	<u>\$ 63,707,583</u>	<u>\$ 217,967,630</u>	<u>\$ 194,816,076</u>
Deferred Outflows of Resources	<u>\$ 29,821,001</u>	<u>\$ 37,278,900</u>	<u>\$ 3,317,972</u>	<u>\$ 4,439,685</u>	<u>\$ 33,138,973</u>	<u>\$ 41,718,585</u>
Long-term Liabilities						
Outstanding	\$ 129,733,685	\$ 135,546,752	\$ 29,439,614	\$ 24,185,546	\$ 159,173,299	\$ 159,732,298
Other Liabilities	27,013,350	21,043,325	10,491,431	9,226,955	37,504,781	30,270,280
Total Liabilities	<u>\$ 156,747,035</u>	<u>\$ 156,590,077</u>	<u>\$ 39,931,045</u>	<u>\$ 33,412,501</u>	<u>\$ 196,678,080</u>	<u>\$ 190,002,578</u>
Deferred Inflows of Resources	<u>\$ 43,131,467</u>	<u>\$ 51,366,546</u>	<u>\$ 4,926,940</u>	<u>\$ 6,025,532</u>	<u>\$ 48,058,407</u>	<u>\$ 57,392,078</u>
Net Position:						
Net Investment in Capital Assets						
Assets	\$ 66,565,975	\$ 66,199,609	\$ 38,902,856	\$ 35,525,688	\$ 105,468,831	\$ 101,725,297
Restricted	2,592,849	2,752,526	-	-	2,592,849	2,752,526
Unrestricted	(94,609,691)	(108,521,365)	(7,081,873)	(6,816,453)	(101,691,564)	(115,337,818)
Total Net Position	<u>\$ (25,450,867)</u>	<u>\$ (39,569,230)</u>	<u>\$ 31,820,983</u>	<u>\$ 28,709,235</u>	<u>\$ 6,370,116</u>	<u>\$ (10,859,995)</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

City of Watertown's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,249,509	\$ 7,980,570	\$ 12,504,772	\$ 12,073,935	\$ 24,754,281	\$ 20,054,505
Operating Grants and Contributions	3,401,004	2,013,105	-	-	3,401,004	2,013,105
Capital Grants and Contributions	1,877,847	1,121,001	1,159,382	211,597	3,037,229	1,332,598
General Revenues:						
Property Taxes	10,269,739	9,784,103	-	-	10,269,739	9,784,103
Sales Tax	23,628,579	22,201,114	-	-	23,628,579	22,201,114
Utilities Gross Receipts Tax	332,801	285,654	-	-	332,801	285,654
Franchise Tax	345,835	355,345	-	-	345,835	355,345
Hotel Occupancy Tax	222,961	133,745	-	-	222,961	133,745
Mortgage Tax	533,592	461,180	-	-	533,592	461,180
Unrestricted Grants and Entitlements	4,703,208	5,627,159	-	-	4,703,208	5,627,159
Investment Earnings	58,361	24,495	10,627	66,622	68,988	91,117
Total Revenues	<u>57,623,436</u>	<u>49,987,471</u>	<u>13,674,781</u>	<u>12,352,154</u>	<u>71,298,217</u>	<u>62,339,625</u>
Expenses:						
General Government Support	11,689,091	12,661,988	-	-	11,689,091	12,661,988
Hydroelectric Production	663,385	654,542	-	-	663,385	654,542
Fire	7,878,584	8,963,150	-	-	7,878,584	8,963,150
Police	7,892,573	7,719,518	-	-	7,892,573	7,719,518
Other Public Safety	580,838	364,862	-	-	580,838	364,862
Public Works	6,885,361	7,029,175	-	-	6,885,361	7,029,175
Bus	1,211,054	1,176,537	-	-	1,211,054	1,176,537
Watertown Empire Zone	2,690	2,556	-	-	2,690	2,556
Other Economic Assistance	63,809	13,282	-	-	63,809	13,282
Library	1,143,390	1,018,037	-	-	1,143,390	1,018,037
Other Culture and Recreation	3,053,604	2,302,282	-	-	3,053,604	2,302,282
Refuse and Recycling	713,053	847,012	-	-	713,053	847,012
Other Home and Comm.	1,568,308	1,297,830	-	-	1,568,308	1,297,830
Interest on Debt Service	617,019	679,892	-	-	617,019	679,892
Water	-	-	5,065,465	4,637,313	5,065,465	4,637,313
Sewer	-	-	5,349,623	5,746,322	5,349,623	5,746,322
Total Expenses	<u>43,962,759</u>	<u>44,730,663</u>	<u>10,415,088</u>	<u>10,383,635</u>	<u>54,377,847</u>	<u>55,114,298</u>
Excess of Revenues over Expenses	13,660,677	5,256,808	3,259,693	1,968,519	16,920,370	7,225,327
Transfers	147,945	30,000	(147,945)	(30,000)	-	-
Change in Net Position	<u>13,808,622</u>	<u>5,286,808</u>	<u>3,111,748</u>	<u>1,938,519</u>	<u>16,920,370</u>	<u>7,225,327</u>
Net Position – Beginning, Restated	(39,259,489)	(44,856,038)	28,709,235	26,770,716	(10,550,254)	(18,085,322)
Net Position - Ending	<u>\$ (25,450,867)</u>	<u>\$ (39,569,230)</u>	<u>\$ 31,820,983</u>	<u>\$ 28,709,235</u>	<u>\$ 6,370,116</u>	<u>\$ (10,859,995)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Governmental Activities

Governmental activities increased the City's net position by a total \$13,808,622 compared to last year's increase of \$5,286,808.

The major factors contributing to the overall revenue increase of \$7,635,965 were:

- Charges for services increased by \$4,268,939 primarily due to an increases of \$3,637,214 for the sale of the City's excess hydro-electricity, \$140,788 for Parks and Recreation concession sales, \$57,601 in ice skating charges, \$27,265 in Arena charges, \$65,460 in police services due to a second School Resource being contracted to the Watertown City School District, and \$54,570 in building permits \$32,805 for Medicare Part D prescription subsidies to the City's health plan, \$21,571 for tax processing services to the Watertown City School District and \$40,177 in insurance recoveries. Decrease in charges for services were \$39,821 in health insurance premiums to the City's health insurance plan from the Water and Sewer Funds, \$13,472 for Civil Service charges to the Watertown School District, and \$146,460 in health insurance plan stop loss insurance policy reimbursements.
- Revenue from the City's sales tax distribution agreement with Jefferson County is the City's largest revenue source. Sales tax totaled \$23,628,579 for the year, which was an increase of \$1,427,465 or 6.43%, over last year's total of \$22,201,114. Sales tax revenue represented 41.01% of the governmental activities' revenue in FY 2021/22 compared to 44.41% in FY 2020/21.
- Revenues from property tax related items increased \$485,636 or 4.96% due to an increase of \$713,394 to the allowance for uncollectible property taxes on certain parcels that were in bankruptcy or demolished and a decrease resulting from a prior period restatement of \$309,741 for reclassifying deferred property tax revenues to the full accrual method.
- Revenues received from the hotel occupancy tax increased by \$89,216 or 66.71%, from last year to \$222,961 as revenues returned to pre-Covid levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Governmental Activities – Continued

- Revenues received from the City's gross receipts tax on utilities increased by \$47,147 or 16.50% from last year to \$332,801.
- Revenues received from the mortgage tax increased by \$72,412 or 15.70%, from last year to \$533,592.
- Operating grants increased by \$1,387,899 or 68.94%, due to the receipt of \$48,267 from the Federal Emergency Management Act for COVID related expenses, \$44,610 for an urban tree canopy project funded from the American Rescue Plan Act, an increase of \$1,066,058 in Federal Transportation System Section 5307 funding and deferred inflows for bus operating and maintenance costs, an increase of \$421,156 in Community Development Block grants for various programs and a decrease of \$31,659 in New York State Department of Transportation Consolidated Local Street and Highway Improvement Program (CHIPs) funding for Department of Public Works' personnel costs and equipment purchases.
- Capital grants received by the City increased by \$756,846. Some of the major capital projects receiving aid include \$82,421 in Community Development Block grants for the Tilden Street sidewalk project, \$250,416 in Community Development Block grants for the Tilden Street sidewalk project, the receipt of \$404,522 in Federal and State Aid for a transit bus, the receipt of \$70,783 for Fairgrounds grandstand improvements, the Consolidated Local Street and Highway Improvement Program for various streets (\$495,227), the Downtown Revitalization Initiative grant for the Franklin and Court Streets streetscape enhancements (\$204,729), the Court Street Bridge reconstruction and Massey and Coffeen Streets resurfacing project (\$21,750), Harrison Street storm and sanitary sewer project funded by the American Rescue Plan Act funding (\$136,741) and the Congestion Mitigation and Air Quality Improvement project (\$131,184).

The major factors contributing to the overall expense decrease of \$767,904 were:

- General government support decreased \$972,897 due to a decrease of \$978,371 for non-pharmacy health insurance claim costs, \$729,263 to the annual OPEB expense, and \$102,069 in net pension obligations. Offsetting these decreases was an increase in pharmacy health insurance claim costs of \$504,569.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Governmental Activities – Continued

- Fire expenses decreased \$1,084,566 due to a decrease in the department's net pension obligation of \$872,288, a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$155,976, a decrease in the department's long-term workers compensation liability of \$350,006, change to the compensated absences liability of \$265,345 and an increase in personal services of \$288,312.
- Police expenses increased \$173,055 due to a decrease in the department's net pension obligation of \$687,363, a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$144,752, an increase in personal services of \$477,895, the implementation of the body cameras at a cost of \$111,743 and an increase of \$96,940 to the department's long-term workers compensation liability.
- Public Works expenses decreased \$143,814 due to a decrease in the department's net pension obligation of \$189,921, a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$60,892, a decrease to the department's long-term workers compensation liability by \$293,840 and an increase to the Traffic lighting and Control Department's utility costs of \$114,345.

Business-Type Activities

Business-type activities increased the City's net position by \$3,111,748 compared to \$1,938,519 last year. Key elements for this year are as follows:

- Water operating revenues increased by \$204,899 or 3.80%, to \$5,595,962 due to revenue from inside of the City customers increased \$66,266 or 1.70% and outside of the City customers increased \$151,067, or 12.31%. Operating expenses increased by \$448,414, or 9.94%, to \$4,958,089 due to an increase of \$216,096 to the source of supply, power and pumping's utility costs and an increase of \$142,571 in the treatment plants cost of materials and supply.
- 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 \$611,305 or an increase of \$76,984 or 14.41% over last year's total of \$534,321 due to a 9.01% increase in volume purchased. Water revenues from this agreement accounted for 10.92% of the total water revenues compared to 9.91% last year.

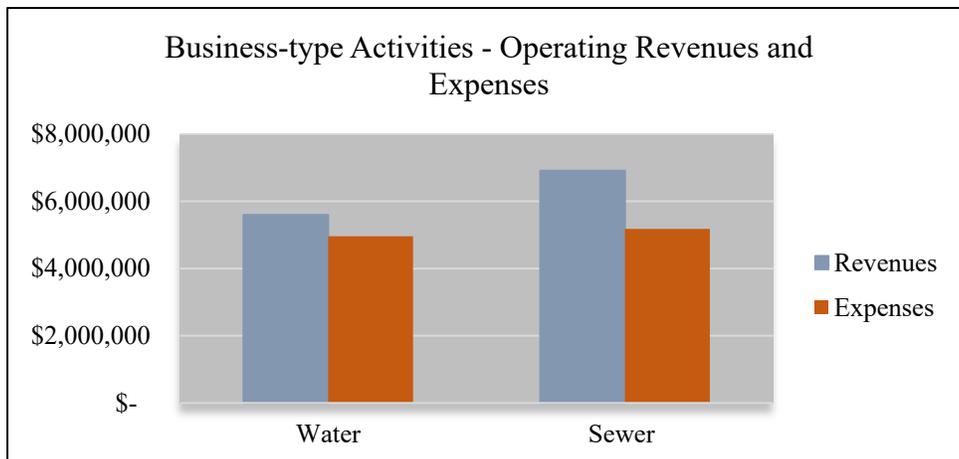
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Business-Type Activities – Continued

- 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 \$1,378,628 or an increase of \$151,067 or 12.31%, over last year’s total of \$1,227,561. Water revenues to outside of the City customers represented 24.64% of the water operating revenues compared to 22.77% last year.
- Sewer operating revenues increased by \$225,938 or 3.38%, to \$6,908,810 due to revenue from inside of the City customers increased \$124,353 or 4.90% and outside of the City customers increased \$273,155 or 14.16%. Operating expenses decreased by \$372,300 or 6.71%, to \$5,179,495 due to a decrease in the net pension obligation of \$136,702 and a decrease of \$76,649 to the annual OPEB expense.
- 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 \$1,157,409 or an increase of \$58,561 or 5.33% over last year’s total of \$1,098,848. Sewer revenues from this agreement accounted for 16.75% of the total sewer revenues compared to 16.44% 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 \$2,202,243, or an increase of \$273,155 or 14.16% over last year’s total of \$1,929,088. Sewer revenues to outside of the City customers represented 31.88% of the sewer operating revenues compared to 28.87% last year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, 2022, the City's governmental funds reported combined ending fund balances of \$31,735,896 representing an increase of \$6,985,163 or 28.22%, in comparison with the prior year. Approximately 56%, or \$17,789,936 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 (\$26,934), and 2) *restricted* to indicate limitations on its use imposed by grants, debt, or legislation (\$1,534,119).

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 \$17,789,936 while the total General Fund balance equaled \$29,726,675 compared to \$22,640,384 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 37.14% of total General Fund expenditures and other financing uses compared to 37.28% last year, while total fund balance represents 62.05% of that same amount compared to 51.03% last year.

During the current fiscal year, the fund balance of the City's General Fund increased by \$7,086,291 compared to last year's increase of \$4,823,520.

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 \$1,877,822 compared to \$2,006,030 in the previous year. Within the current year \$1,061,073 is considered restricted due to debt financing and \$816,749 is considered assigned due to the funding being from operating fund transfers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

- Continued

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 (\$3,706,349) compared to (\$4,091,893) 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 \$725,089 compared to an increase of \$984,322 in the previous year.

Unrestricted net position (deficit) at the end of the fiscal year of the Sewer Fund was (\$3,375,524) compared to (\$2,724,560) in the prior year. The Sewer Fund had an increase in net position in the amount of \$2,386,659 compared to an increase of \$954,197 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 approve a Police Department over-hire (\$67,200), to approve a tree canopy program funded by the American Rescue Plan Act (\$100,000), to re-instate the Deputy Fire Chief position (\$60,345), to increase the funding to relocate the Flynn pool filter to the Alteri pool, to add three positions in Code Enforcement (\$103,450), to fund engineering services for the Fairgrounds steel repair project (\$28,960), to approve a Thompson Park brush clearing and trail enhancement project funded by the American Rescue Plan Act (\$50,000), to approve the design phase of Zoo NY funded by the American Rescue Plan Act (\$75,000), to fund promotion costs related to the 2024 solar eclipse (\$1,000), to create the position of Confidential Assistant to the City Manager (\$15,675), to install a third flagpole at City Hall (\$7,900), and to approve a stormwater flow monitoring project funded by the American Rescue Plan Act (\$125,500).

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

- Continued

General Fund Budgetary Highlights – Continued

General Fund revenues of \$54,991,700 on a budgetary basis exceeded final budgeted revenues of \$48,527,019 by \$6,464,681, or 13.32%. Areas where actual revenues to budgeted revenues exceeded expectations were sales tax (\$3,733,579), gross receipts tax on utilities (\$22,801), sale of hydro-electricity (\$1,980,983), mortgage tax receipts (\$233,592), arena concessions (\$48,046), building permits (\$34,578), insurance recoveries (\$55,996), refund of prior year expenditures (\$73,052), sale of equipment (\$54,322) and Federal transportation Section 5307 assistance (\$545,816) due to additional Federal support related to the Covid-19 CARES Act. Revenues that fell short were interest and penalties on late property tax payments (\$23,792), refuse charges (\$37,556), bus fares (\$27,978), and CHIPs reimbursements for labor and equipment purchases (\$92,481).

General Fund budgetary basis expenditures of \$47,905,409 were \$3,225,629 or 6.31%, lower than the final budgeted expenditures of \$51,131,038 which excludes \$1,388,257 of open year-end encumbrances. Actual expenditures were lower than the budgeted expenditures due mostly to personal services (\$82,715), vehicle and equipment purchases due to supply chain delays (\$824,550), contracted services (\$656,930), miscellaneous expenses (\$113,237), materials and supplies (\$121,090), minor equipment (\$102,185), contributions to the Police and Fire Retirees System (\$311,085) and transfers to the Self-Funded Health Insurance Fund for the City's share of General Fund employees' health insurance premiums (\$376,904). These combined results reduced the use of \$2,251,018 in appropriated fund balance and reserves that was budgeted in the 2021-22 General Fund original adopted budget to a surplus of \$7,086,291.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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, 2022, amounts to \$137,067,102. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, traffic signals, intangible lease assets and other infrastructure.

City of Watertown's Capital Assets, Net of Accumulated Depreciation and Amortization						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Land	\$ 2,849,200	\$ 2,849,200	\$ -	\$ -	\$ 2,849,200	\$ 2,849,200
Construction in Progress	1,563,792	1,258,177	9,891,020	8,856,686	11,454,812	10,114,863
Land Improvements	2,438,332	2,707,487	14,723	-	2,453,055	2,707,487
Building and Improvements	30,099,310	30,855,032	14,118,936	14,833,553	44,218,246	45,688,585
Infrastructure	42,157,246	43,934,322	22,407,962	22,091,147	64,565,208	66,025,469
Machinery and Equipment	3,265,722	3,045,495	4,512,910	4,669,564	7,778,632	7,715,059
Vehicles	3,146,289	2,831,992	482,642	543,037	3,628,931	3,375,029
Intangible Lease Assets	119,018	142,244	-	-	119,018	142,244
Total Capital Assets, Net	\$ 85,638,909	\$ 87,623,949	\$ 51,428,193	\$ 50,993,987	\$ 137,067,102	\$ 138,617,936

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

- Utilized \$495,227 of NYS Department of Transportation Consolidated Local Street and Highway Improvement Program (CHIPs) funding for streets such as Pleasant Street North (\$53,611), Main Street West (\$115,945), Meadow Street (\$63,373), Haley Street (\$46,832), and Brett Street (\$48,847). CHIPS funding was also used for the purchase of a new street sweeper (\$221,728).
- Replacement of the Arena boilers, hot water heaters and storage tanks at a cost of \$189,500.
- Completion of roof replacements at the Veteran's Memorial Walkway Pavilion (\$25,330) and the Thompson Park Zoo Discovery (\$69,191).
- Purchase new bleachers for the Fairgrounds Grandstand at a cost of \$135,042.
- Completed an emergency sanitary sewer replacement in Central Street at a cost of \$170,802.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION -

Continued

Capital Assets – Continued

- Purchased a new bus (\$444,619), snowplow (\$249,288), and electric department aerial service truck (\$160,722).
- Completed the construction of 2,700 linear feet of sidewalks in the 300 - 500 blocks of Tilden Street at a cost of \$211,686.
- Completed the construction of 2,900 linear feet of sidewalks in the 600 block of Grant Street at a cost of \$250,416.
- 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 \$8,883,388.
- Continued the work on the Water Treatment Plant's soda ash dry chemical system project. Construction in progress at year-end was \$593,246.
- Continued to design the estimated \$7,739,000 project to rehabilitate the Court Street bridge and resurface Massey Street and Coffeen Street. Construction in progress at year-end was \$716,160. The construction contract was awarded to Tioga Construction on July 5, 2022 in the amount of \$7,029,429.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION -

Continued

Capital Assets – Continued

- Continued to design the estimated \$4,012,305 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 \$205,004.

- Began the design phase of several 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 (\$22,607), Winslow Street (\$23,880), Pratt and Sherman Streets (\$26,692), Barben Avenue/ Holcomb Street/ Bugbee Drive (\$32,250), and East Street (\$6,250).

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

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$32,500,323. 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>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
General Obligation Bonds	\$ 17,881,521	\$ 20,092,562	\$ 14,618,802	\$ 8,912,438	\$ 32,500,323	\$ 29,005,000
Total	\$ 17,881,521	\$ 20,092,562	\$ 14,618,802	\$ 8,912,438	\$ 32,500,323	\$ 29,005,000

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, 2022, the City’s NYS constitutional debt limit was \$81,821,748 with total net indebtedness of \$15,738,855 after statutory exclusions, thus exhausting 19.24% of the City’s debt limit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION -

Continued

Long-Term Debt – Continued

The City converted two bond anticipation notes into one serial bond with the New York State Environmental Facilities Corporation for the wastewater treatment plant's sludge modification project and the waste water treatment plant's bar screens and grit removal equipment replacement project. On December 16, 2021 the bond anticipation notes were converted to a twenty-five year serial bond in the amount of \$6,968,736 at 0% interest.

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 2022-2023 budget, most importantly how the local economy rebounded after the COVID-19 pandemic and the influx of \$22.3 million from the American Rescue Plan Act of 2021. The first installment of the funds was primarily dedicated to water infrastructure and the FY 2022-2023 budget dedicates the second installment to recreational projects such as Thompson Park renovations, Zoo NY phase I, Black River Parks and Trails, and sidewalk reconstructions.

The City of Watertown is the county seat of Jefferson County. The unemployment rates in June 2022 were 3.7% for Watertown, 3.4% for Jefferson County, 4.3% for New York State, and 3.8% for the United States. The unemployment rates in June 2021 were 5.9% for Watertown, 5.1% for Jefferson County, 7.5% for New York State, and 6.1% for the United States. The unemployment rates in June 2020 were 12.0% for Watertown, 9.3% for Jefferson County, 13.4% for New York State, and 11.2% for the United States.

A primary budget factor considered during the preparation of the FY 2022-2023 budget focused on the use of the increase in sales tax revenue to add approximately twenty positions in certain departments such as Police and Department of Public Works while being mindful that the positions be both functionally and financially sustainable in the short-term and long-term. This budget continued to address the looming expiration of the National Grid hydro-electric contract in 2030 by transferring \$500,000 into the Contingency and Tax Stabilization Reserve Fund. The City has an agreement with National Grid for the purchase of the City's excess hydro-electricity that increases the rate paid per kilowatt by 4.33% per year of the agreement until expiration on December 31, 2030.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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

The City's 2022-2023 budget will benefit from lower NYS Retirement System contribution rates for the cost of employees' retirement benefits. The budgeted contribution rate to the Employees' Retirement System will range from 8.3% to 16.1% of salaries, down from a range of 10.2% to 22.0% in the previous year. The budgeted contribution rate for the Police and Fire Retirement System decreased for tier 2 employees while increased for tier 6 employees. Accordingly, rates will range from 20.2% to 29.0% of salaries, compared to last year's range of 19.3% to 29.0% of salaries. The NYS Retirement System does utilize smoothing techniques to avoid sharp increases or decreases due to large market fluctuations.

Due to negative trends in health claim costs in FY 2021-2022, the self-insurance fund premiums were increased 9.44% over the previous fiscal year's rates. The City did not override the NYS Property tax cap and maintained the property tax levy at the FY 2021-22 amount. The property tax rate decreased \$0.16 or 1.77% due to an increase of \$19,731,918, or 1.81%, in taxable assessed value.

The City's FY 2022-2023 General Fund operating costs increased by \$10,785,434, or 22.97%, to \$57,731,644, as positions and other spending were brought back to a pre-pandemic level. The Transfer to the Capital Projects Fund increased by \$1,349,683 as the City was able to pay for more capital projects with current fiscal year resources including \$970,000 for the refurbishments of a Fire engine truck and a ladder truck. The City appropriated \$6,564,644 of fund balance, an increase of \$5,057,818 over FY 2021-2022 primarily to fund the Capital Reserve (\$5,000,000). Positions brought back included three Police officers, five firefighters (contingent on receiving a SAFER grant), five in the Department of Public Works, two Engineers and various other positions.

Appropriations for the Water Fund increased by \$616,775 or 10.74% primarily due to an increase in the cost of process chemicals (\$200,00) and an increase in the transfer to capital projects for treatment facility building improvements (\$280,000). Revenues increased a modest \$117,825 or 2.00%. The Water Fund was able to appropriate \$472,053 of fund balance to avoid any water rate increases. The Sewer Fund appropriations decreased by \$416,897 or 5.19% due to a decrease in the Transfer to the Capital Projects Fund (\$723,500). Revenues increased \$288,901 or 4.23% from inside the City customers as well as outside of the City customers such as the Development Authority of the North Country and the Town of Watertown. The Sewer Fund also was able to maintain the sewer rates through the appropriation of \$510,202 of fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

REQUESTS FOR INFORMATION

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.

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AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Trustees of the Roswell P. Flower Memorial Library
ASSETS				
Unrestricted Cash, Cash Equivalents and Investments	\$ 29,135,369	\$ 10,261,825	\$ 39,397,194	\$ 158,167
Restricted Cash, Cash Equivalents and Investments	24,758,505	13,744	24,772,249	107,824
Certificates of Deposit	-	-	-	60,079
Receivables (Net of Allowance for Uncollectibles)				
Lease Receivable	726,272	-	726,272	-
Accounts	5,415,587	1,975,910	7,391,497	4,401
Taxes	125,925	-	125,925	-
Due from Other Governments	2,131,110	428,444	2,559,554	-
State and Federal Aid Receivables	2,429,835	672,570	3,102,405	-
Prepaid Expenses	26,934	-	26,934	852
Internal Balances	(7,797,290)	7,797,290	-	-
Net Pension Asset - Proportionate Share	2,015,478	783,020	2,798,498	-
	<u>58,967,725</u>	<u>21,932,803</u>	<u>80,900,528</u>	<u>331,323</u>
Capital Assets				
Non-Depreciable	4,412,992	9,891,020	14,304,012	14,516
Depreciable, Net	81,225,917	41,537,173	122,763,090	45,618
Total Capital Assets	<u>85,638,909</u>	<u>51,428,193</u>	<u>137,067,102</u>	<u>60,134</u>
TOTAL ASSETS	<u>\$ 144,606,634</u>	<u>\$ 73,360,996</u>	<u>\$ 217,967,630</u>	<u>\$ 391,457</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Bond Refunding	\$ 30,756	\$ -	\$ 30,756	\$ -
Deferred Outflows of Resources, Pensions	15,899,170	1,446,570	17,345,740	-
Deferred Outflows of Resources, OPEB	13,891,075	1,871,402	15,762,477	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,821,001</u>	<u>\$ 3,317,972</u>	<u>\$ 33,138,973</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ 1,471,540	\$ 911,807	\$ 2,383,347	\$ 147
Accrued Interest Payable	97,499	45,914	143,413	-
Accrued Liabilities	3,244,235	116,679	3,360,914	-
Current Debt Obligations Due Within One Year, Net of				
Unamortized Premium	2,493,888	1,607,945	4,101,833	-
Compensated Absences Due Within One Year	33,965	-	33,965	-
Other Liabilities	52,321	15,271	67,592	-
Due to Other Governments	194,885	185	195,070	-
Due to Retirement System	1,082,902	68,834	1,151,736	-
Unearned Revenue	18,342,115	7,724,796	26,066,911	-
Other Post Employment Benefits Payable	109,226,151	15,387,441	124,613,592	-
Other Long-Term Liabilities	904,230	94,168	998,398	-
Net Pension Liability - Proportionate Share	1,717,247	-	1,717,247	-
Workers Compensation Liability	1,198,255	707,782	1,906,037	-
Lease Liability Due and Payable After One Year	95,639	-	95,639	-
Serial Bonds Due and Payable After One Year, Net of				
Unamortized Premium	16,592,163	13,250,223	29,842,386	-
TOTAL LIABILITIES	<u>\$ 156,747,035</u>	<u>\$ 39,931,045</u>	<u>\$ 196,678,080</u>	<u>\$ 147</u>

See notes to audited basic financial statements.

STATEMENT OF NET POSITION – Continued
June 30, 2022

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>The Trustees of the Roswell P. Flower Memorial Library</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources, Leases	\$ 714,946	\$ -	\$ 714,946	\$ -
Deferred Inflows of Resources, Pensions	21,929,900	2,789,587	24,719,487	-
Deferred Inflows of Resources, OPEB	20,486,621	2,137,353	22,623,974	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 43,131,467</u>	<u>\$ 4,926,940</u>	<u>\$ 48,058,407</u>	<u>\$ -</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	\$ 66,565,975	\$ 38,902,856	\$ 105,468,831	\$ -
Restricted for:				
Capital Reserve	15,218	-	15,218	-
Workers' Compensation Reserve	238,868	-	238,868	-
Insurance Reserve - General	682,430	-	682,430	-
Economic Development and Assistance	2,343	-	2,343	-
Debt Service	192,917	-	192,917	-
Contingency and Tax Stabilization Reserve	400,000	-	400,000	-
Capital Projects	1,061,073	-	1,061,073	-
Library	-	-	-	134,088
Unrestricted (Deficit)	<u>(94,609,691)</u>	<u>(7,081,873)</u>	<u>(101,691,564)</u>	<u>257,222</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (25,450,867)</u>	<u>\$ 31,820,983</u>	<u>\$ 6,370,116</u>	<u>\$ 391,310</u>

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit The Trustees of the Roswell P. Flower Memorial Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
General Government Support								
General Government Support	\$ 11,689,091	\$ 3,546,833	\$ 45,387	\$ -	\$ (8,096,871)	\$ -	\$ (8,096,871)	\$ -
Hydroelectric Production	663,385	6,604,983	-	-	5,941,598	-	5,941,598	-
Public Safety								
Fire	7,878,584	-	-	-	(7,878,584)	-	(7,878,584)	-
Police	7,892,573	159,578	27,621	-	(7,705,374)	-	(7,705,374)	-
Other Public Safety	580,838	196,864	-	-	(383,974)	-	(383,974)	-
Public Works	6,885,361	137,538	306,396	1,023,339	(5,418,088)	-	(5,418,088)	-
Transportation								
Bus	1,211,054	102,988	1,584,530	412,038	888,502	-	888,502	-
Economic Opportunity and Development								
Other Economic Assistance	63,809	-	-	-	(63,809)	-	(63,809)	-
Empire Zone	2,690	-	-	-	(2,690)	-	(2,690)	-
Culture and Recreation								
Library	1,143,390	4,087	73,451	-	(1,065,852)	-	(1,065,852)	-
Other Culture and Recreation	3,053,604	496,582	-	84,633	(2,472,389)	-	(2,472,389)	-
Home and Community Services								
Refuse and Recycle	713,053	994,556	-	-	281,503	-	281,503	-
Other Home and Community Services	1,568,308	5,500	1,363,619	357,837	158,648	-	158,648	-
Interest on Debt	617,019	-	-	-	(617,019)	-	(617,019)	-
Total Governmental Activities	<u>43,962,759</u>	<u>12,249,509</u>	<u>3,401,004</u>	<u>1,877,847</u>	<u>(26,434,399)</u>	<u>-</u>	<u>(26,434,399)</u>	<u>-</u>
Business-Type Activities								
Water	5,065,465	5,595,962	-	323,532	-	854,029	854,029	-
Sewer	5,349,623	6,908,810	-	835,850	-	2,395,037	2,395,037	-
Total Business-Type Activities	<u>10,415,088</u>	<u>12,504,772</u>	<u>-</u>	<u>1,159,382</u>	<u>-</u>	<u>3,249,066</u>	<u>3,249,066</u>	<u>-</u>
Total Primary Government	<u>\$ 54,377,847</u>	<u>\$ 24,754,281</u>	<u>\$ 3,401,004</u>	<u>\$ 3,037,229</u>	<u>(26,434,399)</u>	<u>3,249,066</u>	<u>(23,185,333)</u>	<u>-</u>
Component Unit								
The Trustees of the R.P. Flower Memorial Library	\$ 206,409	\$ -	\$ 137,687	\$ -	-	-	-	(68,722)
Total Component Unit	<u>\$ 206,409</u>	<u>\$ -</u>	<u>\$ 137,687</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,722)</u>
Net (Expense) Revenue and Changes in Net Position Brought Forward					<u>(26,434,399)</u>	<u>3,249,066</u>	<u>(23,185,333)</u>	<u>(68,722)</u>
GENERAL REVENUES								
Property Taxes					10,269,739	-	10,269,739	75,000
Sales Taxes					23,628,579	-	23,628,579	-
Utilities Gross Receipts Tax					332,801	-	332,801	-
Franchise Tax					345,835	-	345,835	-
Hotel Occupancy Tax					222,961	-	222,961	-
Mortgage Tax					533,592	-	533,592	-
Grants and Entitlements Not Restricted to Specific Programs					4,703,208	-	4,703,208	-
Investment Earnings					58,361	10,627	68,988	336
Total General Revenues					<u>40,095,076</u>	<u>10,627</u>	<u>40,105,703</u>	<u>75,336</u>
Transfers					147,945	(147,945)	-	-
Change in Net Position					13,808,622	3,111,748	16,920,370	6,614
Total Net Position - Beginning of Year, As Restated					<u>(39,259,489)</u>	<u>28,709,235</u>	<u>(10,550,254)</u>	<u>384,696</u>
Total Net Position - End of Year					<u>\$ (25,450,867)</u>	<u>\$ 31,820,983</u>	<u>\$ 6,370,116</u>	<u>\$ 391,310</u>

See notes to audited basic financial statements.

CITY OF WATERTOWN, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Unrestricted Cash, Cash Equivalents and Investments	\$ 28,952,948	\$ 143,389	\$ 39,032	\$ 29,135,369
Restricted Cash, Cash Equivalents, and Investments	23,428,371	1,299,450	30,684	24,758,505
Receivables (Net of Allowance for Uncollectibles)				
Accounts	967,329	-	4,448,258	5,415,587
Taxes	125,925	-	-	125,925
Due from Other Governments	2,131,110	-	-	2,131,110
Lease Receivables	726,272	-	-	726,272
State and Federal Aid Receivables	1,375,323	850,890	203,622	2,429,835
Prepaid Expenses	26,934	-	-	26,934
Due from Other Funds	1,021,193	3,684,177	225,000	4,930,370
TOTAL ASSETS	<u>\$ 58,755,405</u>	<u>\$ 5,977,906</u>	<u>\$ 4,946,596</u>	<u>\$ 69,679,907</u>
LIABILITIES				
Accounts Payable	\$ 907,342	\$ 337,928	\$ 226,270	\$ 1,471,540
Accrued Liabilities	3,218,360	3,201	22,674	3,244,235
Compensated Absences	33,965	-	-	33,965
Other Liabilities	52,321	-	-	52,321
Due to Other Funds	11,755,554	897,805	74,301	12,727,660
Due to Other Governments	185,608	-	9,277	194,885
Due to Retirement System	1,065,443	-	17,459	1,082,902
Unearned Revenue	11,015,749	2,861,150	4,465,216	18,342,115
Total Liabilities	<u>28,234,342</u>	<u>4,100,084</u>	<u>4,815,197</u>	<u>37,149,623</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Tax Revenues	79,442	-	-	79,442
Unavailable Lease Revenues	714,946	-	-	714,946
Total Deferred Inflows of Resources	<u>794,388</u>	<u>-</u>	<u>-</u>	<u>794,388</u>
FUND BALANCES				
Nonspendable				
Prepaid Expenses	26,934	-	-	26,934
Restricted				
Capital Reserve - General	15,218	-	-	15,218
Workers Compensation Reserve	238,868	-	-	238,868
Insurance Reserve - General	682,430	-	-	682,430
Debt Service Reserve	192,917	-	-	192,917
Contingency and Tax Stabilization Reserve	400,000	-	-	400,000
Economic Development and Assistance Reserve	-	-	2,343	2,343
Capital Projects	-	1,061,073	-	1,061,073
Assigned				
Self-Funded Health Insurance Plan	2,427,471	-	-	2,427,471
General Government Support	51,878	-	-	51,878
Fire	149,301	-	-	149,301
Police	302,134	-	-	302,134
Public Works	338,431	-	-	338,431
Bus	101,137	-	-	101,137
Other Culture and Recreation	360,841	-	-	360,841
Hydroelectric Production	1,298	-	-	1,298
Library	-	-	8,523	8,523
Refuse and Recycle	21,920	-	-	21,920
Other Home and Community Services	61,317	-	-	61,317
Capital Projects	-	816,749	-	816,749
Subsequent Year's Expenditures	6,564,644	-	120,533	6,685,177
Unassigned	17,789,936	-	-	17,789,936
Total Fund Balances	<u>29,726,675</u>	<u>1,877,822</u>	<u>131,399</u>	<u>31,735,896</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 58,755,405</u>	<u>\$ 5,977,906</u>	<u>\$ 4,946,596</u>	<u>\$ 69,679,907</u>

See notes to audited basic financial statements.

CITY OF WATERTOWN, NEW YORK

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

June 30, 2022

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 31,735,896

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	\$	184,728,565	
Accumulated Depreciation and Amortization		(99,089,656)	85,638,909

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

Net Pension Asset - Proportionate Share	2,015,478
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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:

79,442

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	30,756		
Deferred Outflows of Resources, Pensions		15,899,170	
Deferred Outflows of Resources, OPEB		13,891,075	29,821,001

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	(17,881,521)		
Accrued Interest on Bonds Payable		(97,499)	
Premium on Bond Issue		(1,103,151)	
Lease Liability		(119,018)	
Compensated Absences		(886,230)	
Workers Compensation Liability		(1,258,255)	
Landfill Post-Closure Liability		(36,000)	
Net Pension Liability - Proportionate Share		(1,717,247)	
Other Postemployment Benefits Payable		(109,226,151)	(132,325,072)

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	(21,929,900)		
Deferred Inflows of Resources, OPEB		(20,486,621)	(42,416,521)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (25,450,867)

CITY OF WATERTOWN, NEW YORK

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

Year Ended June 30, 2022

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real Property Taxes	\$ 10,215,097	\$ -	\$ -	\$ 10,215,097
Real Property Tax Items	284,941	-	-	284,941
Nonproperty Taxes	24,530,176	-	-	24,530,176
Departmental Income	8,565,796	-	-	8,565,796
Intergovernmental Charges	214,905	-	-	214,905
Use of Money and Property	109,933	705	2	110,640
Licenses and Permits	155,592	-	-	155,592
Fines and Forfeitures	117,254	-	3,167	120,421
Sale of Property and Compensation for Loss	233,612	-	920	234,532
Miscellaneous Local Sources	1,622,741	-	73,451	1,696,192
Interfund Revenue	1,269,162	-	-	1,269,162
State Sources	5,797,132	837,436	146,027	6,780,595
Federal Sources	1,635,943	682,577	1,570,442	3,888,962
Total Revenues	<u>54,752,284</u>	<u>1,520,718</u>	<u>1,794,009</u>	<u>58,067,011</u>
EXPENDITURES				
General Government Support	5,011,674	-	-	5,011,674
Public Safety	18,863,111	250,050	-	19,113,161
Transportation	5,027,410	2,281,333	-	7,308,743
Economic Assistance and Opportunity	63,809	-	2,690	66,499
Culture and Recreation	2,431,805	651,026	983,016	4,065,847
Home and Community Services	1,327,999	148,360	1,358,632	2,834,991
Employee Benefits	9,470,034	-	368,414	9,838,448
Debt Service	2,861,012	-	129,418	2,990,430
Total Expenditures	<u>45,056,854</u>	<u>3,330,769</u>	<u>2,842,170</u>	<u>51,229,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,695,430</u>	<u>(1,810,051)</u>	<u>(1,048,161)</u>	<u>6,837,218</u>
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfers In	239,416	1,769,468	1,527,711	3,536,595
Interfund Transfers Out	<u>(2,848,555)</u>	<u>(87,625)</u>	<u>(452,470)</u>	<u>(3,388,650)</u>
Total Other Financing Sources (Uses)	<u>(2,609,139)</u>	<u>1,681,843</u>	<u>1,075,241</u>	<u>147,945</u>
Net Change in Fund Balances	<u>7,086,291</u>	<u>(128,208)</u>	<u>27,080</u>	<u>6,985,163</u>
Fund Balances, Beginning of Year	<u>22,640,384</u>	<u>2,006,030</u>	<u>104,319</u>	<u>24,750,733</u>
Fund Balances, End of Year	<u>\$ 29,726,675</u>	<u>\$ 1,877,822</u>	<u>\$ 131,399</u>	<u>\$ 31,735,896</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 6,985,163

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 expense. This is the amount by which the depreciation expense and loss on disposal exceeded the capital outlays in the period.

Capital Outlays	\$	3,464,199	
Depreciation and Amortization Expense		(5,352,623)	
Loss on Disposal		<u>(96,616)</u>	(1,985,040)

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.

2,234,267

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.

79,442

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.

(309,741)

(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		835,814	
Police and Fire Retirement System		<u>1,776,807</u>	2,612,621

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

Year Ended June 30, 2022

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	22,004	
Amortization of Bond Premium	128,467	
Amortization of Deferred Charge on Bond Refunding	(11,328)	139,143

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.

3,808,728

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.

244,039

Change in Net Position of Governmental Activities

\$ 13,808,622

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2022

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT ASSETS			
Unrestricted Cash, Cash Equivalents and Investments	\$ 3,427,998	\$ 6,833,827	\$ 10,261,825
Accounts Receivable, Net of Allowance for Uncollectible Accounts	1,037,363	938,547	1,975,910
Due from Governmental Funds	7,885,672	97,331	7,983,003
Due from Other Governments	277,847	150,597	428,444
State and Federal Aid Receivables	7,601	664,969	672,570
Total Current Assets	<u>12,636,481</u>	<u>8,685,271</u>	<u>21,321,752</u>
NON-CURRENT ASSETS			
Restricted Cash and Cash Equivalents	13,744	-	13,744
Net Pension Asset - Proportionate Share	418,935	364,085	783,020
Capital Assets, Net of Accumulated Depreciation	19,747,679	31,680,514	51,428,193
Total Non-Current Assets	<u>20,180,358</u>	<u>32,044,599</u>	<u>52,224,957</u>
TOTAL ASSETS	<u>\$ 32,816,839</u>	<u>\$ 40,729,870</u>	<u>\$ 73,546,709</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources, Pensions	\$ 773,923	\$ 672,647	\$ 1,446,570
Deferred Outflows of Resources, OPEB	1,003,125	868,277	1,871,402
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,777,048</u>	<u>\$ 1,540,924</u>	<u>\$ 3,317,972</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 165,916	\$ 745,891	\$ 911,807
Accrued Interest Payable	16,001	29,913	45,914
Accrued Liabilities	55,330	61,349	116,679
Due to Retirement System	36,800	32,034	68,834
Due to Governmental Funds	118,659	67,054	185,713
Due to Other Governments	185	-	185
Other Liabilities	15,271	-	15,271
Unearned Revenue	7,708,778	16,018	7,724,796
Current Portion of Long-Term Liabilities, Net of Unamortized Premium	560,108	1,047,837	1,607,945
Total Current Liabilities	<u>8,677,048</u>	<u>2,000,096</u>	<u>10,677,144</u>
LONG-TERM LIABILITIES			
Workers Compensation Liability	153,524	554,258	707,782
Compensated Absences	55,226	38,942	94,168
Other Postemployment Benefits Liability	8,835,012	6,552,429	15,387,441
Serial Bonds Payable, Net of Unamortized Premium	2,430,810	10,819,413	13,250,223
Total Long-Term Liabilities	<u>11,474,572</u>	<u>17,965,042</u>	<u>29,439,614</u>
TOTAL LIABILITIES	<u>\$ 20,151,620</u>	<u>\$ 19,965,138</u>	<u>\$ 40,116,758</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources, Pensions	\$ 1,492,499	\$ 1,297,088	\$ 2,789,587
Deferred Inflows of Resources, OPEB	437,762	1,699,591	2,137,353
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,930,261</u>	<u>\$ 2,996,679</u>	<u>\$ 4,926,940</u>
NET POSITION			
Net Investment in Capital Assets	\$ 16,218,355	\$ 22,684,501	\$ 38,902,856
Unrestricted	(3,706,349)	(3,375,524)	(7,081,873)
TOTAL NET POSITION	<u>\$ 12,512,006</u>	<u>\$ 19,308,977</u>	<u>\$ 31,820,983</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, 2022

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for Services	\$ 4,061,037	\$ 4,607,467	\$ 8,668,504
Intergovernmental Charges	1,378,628	2,202,243	3,580,871
Other Operating Revenue	156,297	99,100	255,397
Total Operating Revenues	<u>5,595,962</u>	<u>6,908,810</u>	<u>12,504,772</u>
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	1,968,476	1,475,338	3,443,814
Contractual Services	2,344,623	2,794,573	5,139,196
Depreciation	644,990	909,584	1,554,574
Total Operating Expenses	<u>4,958,089</u>	<u>5,179,495</u>	<u>10,137,584</u>
Income from Operations	<u>637,873</u>	<u>1,729,315</u>	<u>2,367,188</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Revenue	4,005	6,622	10,627
Interest Expense	(98,769)	(161,335)	(260,104)
Loss on Disposal of Fixed Assets	(8,607)	(8,793)	(17,400)
Total Non-Operating Revenue (Expenses)	<u>(103,371)</u>	<u>(163,506)</u>	<u>(266,877)</u>
Income Before Contributions and Transfers	534,502	1,565,809	2,100,311
Capital Contributions	323,532	835,850	1,159,382
Transfers Out	(132,945)	(15,000)	(147,945)
Change in Net Position	725,089	2,386,659	3,111,748
Net Position, Beginning of Year	<u>11,786,917</u>	<u>16,922,318</u>	<u>28,709,235</u>
Net Position, End of Year	<u>\$ 12,512,006</u>	<u>\$ 19,308,977</u>	<u>\$ 31,820,983</u>

See notes to audited basic financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2022

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Cash Received from Providing Services	\$ 5,425,750	\$ 6,341,390	\$ 11,767,140
Cash Payments for Contractual Expense	(2,251,616)	(2,680,397)	(4,932,013)
Cash Payments for Personal Services and Benefits	(2,279,087)	(2,085,185)	(4,364,272)
Other Operating Revenue	185,332	99,100	284,432
Net Cash Provided by Operating Activities	<u>1,080,379</u>	<u>1,674,908</u>	<u>2,755,287</u>
Cash Flows from Non-Capital Financing Activities			
Transfers to Other Funds	(132,945)	(15,000)	(147,945)
Cash Flows from Capital and Related Financing Activities			
Proceeds of Capital Debt	-	337,080	337,080
Principal Paid on Capital Debt	(569,211)	(1,087,727)	(1,656,938)
Interest Paid on Capital Debt	(113,056)	(170,365)	(283,421)
Purchase of Capital Assets	(837,535)	(934,621)	(1,772,156)
Capital Grants	238,089	835,850	1,073,939
Net Cash Used In Capital and Related Financing Activities	<u>(1,281,713)</u>	<u>(1,019,783)</u>	<u>(2,301,496)</u>
Cash Flows from Investing Activities			
Interest Income	11,099	17,854	28,953
Net Cash Provided By Investing Activities	<u>11,099</u>	<u>17,854</u>	<u>28,953</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(323,180)	657,979	334,799
Cash and Cash Equivalents, Beginning of Year	3,764,922	6,175,848	9,940,770
Cash and Cash Equivalents, End of Year	<u>\$ 3,441,742</u>	<u>\$ 6,833,827</u>	<u>\$ 10,275,569</u>
Reconciliation of Income from Operations to Net Cash Provided By Operating Activities			
Income from Operations	\$ 637,873	\$ 1,729,315	\$ 2,367,188
Depreciation	644,990	909,584	1,554,574
Change in Operating Assets			
Accounts Receivable	(59,042)	(653,018)	(712,060)
Due from Governmental Funds	158,539	(37,962)	120,577
Due from Other Governments	(110,178)	222,411	112,233
State and Federal Aid Receivables	29,035	-	29,035
Deferred Outflow of Resources, Pensions	353,820	330,093	683,913
Deferred Outflow of Resources, OPEB	226,958	210,842	437,800
Change in Operating Liabilities			
Accounts Payable	13,118	69,559	82,677
Accrued Liabilities	(11,576)	12,287	711
Due to Retirement System	(11,190)	(10,771)	(21,961)
Due to Governmental Funds	79,896	44,864	124,760
Due to Other Governments	(7)	-	(7)
Other Liabilities	(3,232)	-	(3,232)
Workers Compensation Liability	(16,421)	(129,797)	(146,218)
Compensated Absences	(6,765)	(13,891)	(20,656)
Net Pension Asset (Liability)	(424,395)	(368,939)	(793,334)
Other Postemployment Benefits Liability	(42,850)	80,729	37,879
Deferred Inflows of Resources, Pensions	(136,842)	(151,448)	(288,290)
Deferred Inflows of Resources, OPEB	(241,352)	(568,950)	(810,302)
Net Cash Provided By Operating Activities	<u>\$ 1,080,379</u>	<u>\$ 1,674,908</u>	<u>\$ 2,755,287</u>
Reconciliation of Total Cash and Cash Equivalents			
Current Assets - Unrestricted Cash and Cash Equivalents	\$ 3,427,998	\$ 6,833,827	\$ 10,261,825
Non-Current Assets - Restricted Cash and Cash Equivalents	13,744	-	13,744
Total Cash and Cash Equivalents	<u>\$ 3,441,742</u>	<u>\$ 6,833,827</u>	<u>\$ 10,275,569</u>

See notes to audited basic financial statements.

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	Custodial Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 30,429
	<hr/>
TOTAL ASSETS	\$ 30,429
	<hr/>
NET POSITION	
Held in Trust for Scholarships	\$ 30,429
	<hr/>
TOTAL NET POSITION	\$ 30,429
	<hr/> <hr/>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Interest Revenue	\$ 14
Taxes Collected for Other Governments (School and County Taxes Within City Limits)	<u>20,171,110</u>
Total Additions	<u>20,171,124</u>
DEDUCTIONS	
Payment of Tax to Other Governments (School and County Taxes Within City Limits)	<u>20,171,110</u>
Total Deductions	<u>20,171,110</u>
Change in Net Position	14
Net Position, Beginning of Year	<u>30,415</u>
Net Position, End of Year	<u><u>\$ 30,429</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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 financial reporting entity consists of:

1. The primary government which is the City of Watertown.
2. Organizations for which the primary government is financially accountable.
3. 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 as set forth in GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statement No. 14 and No. 34*.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Reporting Entity - Continued

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

Watertown Empire Zone

Portions of the City of Watertown were designated as an Economic Development Zone on July 27, 1994. The program is designed to attract new businesses to the area and to enable existing businesses to expand and create jobs by offering a variety of financial incentives and economic benefits. The City Council appoints a voting majority of the Program's governing body and significantly influences the activities of the Watertown Empire Zone Program. The City includes the Watertown Empire Zone as a blended component unit.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2022, the City implemented the following new statement issued by GASB:

GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (paragraphs 11b, 13 and 14)*, effective for the year ending June 30, 2022.

GASB Statement No. 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 Statement No. 32*, effective for the year ending June 30, 2022.

Future New Accounting Standards

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 98, *The Annual Comprehensive Financial Report*, effective for the year ended June 30, 2023.

GASB has issued Statement No. 99, *Omnibus 2022*, effective for the year ended June 30, 2023.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future New Accounting Standards – Continued

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

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.

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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 non 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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 5th 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 15th, 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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 \$180,421 and is included in "Due to other Governments". A portion of the total property taxes receivable, \$79,442, is considered unavailable and is presented as a deferred inflow of resources.

An allowance for uncollectible taxes of \$1,090,929 has been included in the General Fund accounts receivable balance at June 30, 2022. 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, 2022, the City had exhausted 14.24% of its tax limit and had a constitutional margin of \$20,377,892.

Budget Policies

The budget policies are as follows:

1. Prior to April 30th of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. 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 5th. The collection period is July 5th through August 5th.
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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Receivables are stated net of the estimated allowance for uncollectible amounts. Amounts considered to be uncollectible are based on collection experience. 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. The allowance for uncollectible accounts receivable was \$42,418 at June 30, 2022.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences – Continued

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.

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 \$2,080,037 as of June 30, 2022 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, 2022 were \$-0-.
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 \$185,000. 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 \$959,205 has been recorded in the self-insurance fund for claims incurred as of June 30, 2022, but not reported based upon historical experience.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 proportion 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 proportion 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources – Continued

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.

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 amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement 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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Statements - 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.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the City implemented GASB Statement No, 87, *Leases*. The implementation of the statement establishes a single lease model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation had no effect on the opening balance of net position or fund balance.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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, 2022, 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, 2022

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS- 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, 2022 per the banks were \$15,278,460. These deposits are categorized as follows:

(a)	(b)	(c)
\$ 791,490	\$ 14,486,970	\$ -

As of June 30, 2022, the City had the following cash equivalents:

U.S. Treasury Bills (4 week - 13 week maturities)	\$ 44,492,500
Certificates of Deposit - Custodial Funds	<u>26,021</u>
	<u>\$ 44,518,521</u>

As of June 30, 2022, the City had the following investments:

U.S. Treasury Bills (26 week maturity)	<u>\$ 5,000,000</u>
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NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

A summary of the changes in capital assets for the year ended June 30, 2022 were as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-Depreciable Capital Assets:				
Land	\$ 2,849,200	\$ -	\$ -	\$ 2,849,200
Construction in Progress	1,258,177	3,330,768	(3,025,153)	1,563,792
Total	<u>4,107,377</u>	<u>3,330,768</u>	<u>(3,025,153)</u>	<u>4,412,992</u>
Other Capital Assets:				
Land Improvements	10,696,551	-	-	10,696,551
Buildings and Improvements	50,832,851	562,887	(122,342)	51,273,396
Infrastructure	90,572,897	959,335	-	91,532,232
Machinery and Equipment	14,628,069	559,718	(251,033)	14,936,754
Vehicles	11,082,987	1,076,644	(425,235)	11,734,396
Intangible Lease Assets, As Restated	142,244	-	-	142,244
Total	<u>177,955,599</u>	<u>3,158,584</u>	<u>(798,610)</u>	<u>180,315,573</u>
Less: Accumulated Depreciation:				
Land Improvements	7,989,064	269,155	-	8,258,219
Buildings and Improvements	19,977,819	1,258,071	(61,804)	21,174,086
Infrastructure	46,638,575	2,736,411	-	49,374,986
Machinery and Equipment	11,582,574	319,856	(231,398)	11,671,032
Vehicles	8,250,995	745,904	(408,792)	8,588,107
Less: Accumulated Amortization				
Intangible Lease Assets	-	23,226	-	23,226
Total Depreciation and Amortization	<u>94,439,027</u>	<u>5,352,623</u>	<u>(701,994)</u>	<u>99,089,656</u>
Total Other Capital Assets, Net	<u>83,516,572</u>	<u>(2,194,039)</u>	<u>(96,616)</u>	<u>81,225,917</u>
Total	<u>\$ 87,623,949</u>	<u>\$ 1,136,729</u>	<u>\$ (3,121,769)</u>	<u>\$ 85,638,909</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – CAPITAL ASSETS AND INTANGIBLE LEASE

ASSETS - Continued

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

General Government Support	\$	87,771
Hydroelectric Production		286,190
Police		159,477
Fire		232,355
Other Public Safety		3,230
Public Works		3,257,294
Parking Facilities		23,226
Bus		231,794
Library		207,432
Other Culture and Recreation		756,253
Refuse and Recycling		107,601
Total Depreciation and Amortization Expense	\$	<u>5,352,623</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS - Continued

A summary of the changes in capital assets for the year ended June 30, 2022 were as follows:

<u>Business-Type Activities</u>	<u>Balance June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Non-Depreciable Capital Assets:				
Construction in Progress	\$ 8,856,686	\$ 1,943,835	\$ (909,501)	\$ 9,891,020
Total	<u>8,856,686</u>	<u>1,943,835</u>	<u>(909,501)</u>	<u>9,891,020</u>
Depreciable Capital Assets:				
Land Improvements	250,568	15,101	-	265,669
Buildings and Improvements	35,118,359	-	-	35,118,359
Infrastructure	31,591,389	792,561	(1,100)	32,382,850
Machinery and Equipment	19,557,570	126,661	(112,628)	19,571,603
Vehicles	1,417,232	37,523	(192,831)	1,261,924
Total	<u>87,935,118</u>	<u>971,846</u>	<u>(306,559)</u>	<u>88,600,405</u>
Less: Accumulated Depreciation:				
Land Improvements	250,568	378	-	250,946
Buildings and Improvements	20,284,806	714,617	-	20,999,423
Infrastructure	9,500,242	475,746	(1,100)	9,974,888
Machinery and Equipment	14,888,006	265,915	(95,228)	15,058,693
Vehicles	874,195	97,918	(192,831)	779,282
Total	<u>45,797,817</u>	<u>1,554,574</u>	<u>(289,159)</u>	<u>47,063,232</u>
Depreciable Capital Assets, Net	<u>42,137,301</u>	<u>(582,728)</u>	<u>(17,400)</u>	<u>41,537,173</u>
Total	<u>\$ 50,993,987</u>	<u>\$ 1,361,107</u>	<u>\$ (926,901)</u>	<u>\$ 51,428,193</u>

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

Water	\$ 644,990
Sewer	909,584
Total Depreciation Expense	<u>\$ 1,554,574</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 5 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents are as follows as of June 30, 2022:

Fund	Restriction	Amount
General	Reserve for Capital Projects	\$ 15,218
General	Reserve for Special Assessment Sidewalk Program Debt	20,688
General	Reserve for Workers' Compensation Claims	239,516
General	Reserve for General Liability Claims	695,396
General	Reserve for Debt Service	49,084
General	Reserve for Black River Trust	182,787
General	Reserve for Contingency and Tax Stabilization	405,056
General	Tax Sale Surplus Bid Deposits	331,050
General	American Rescue Plan Act (ARPA) Grant Funds	21,433,989
General	Other Restricted Deposits	55,588
Capital Projects	Reserve for Capital Project Acquisitions and Construction	1,299,449
Non Major	Federal and State Community Development Grants	28,341
Non Major	Reserve for Empire Zone	2,343
Water	Reserve for Capital Project Acquisitions and Construction	<u>13,744</u>
Total Restricted Cash and Cash Equivalents		<u><u>\$ 24,772,249</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 – NOTES RECEIVABLE

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, 2022 was \$1,558,108. The balance of the New York Empire State Development loan and the Small Cities and Program Income loans subject to repayment at June 30, 2022 was \$2,890,150.

CITY OF WATERTOWN, NEW YORK

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 – NOTES RECEIVABLE - Continued

The following table summarizes notes receivable at June 30, 2022:

Grant Source	Grant Purpose	Grant	Loan Terms	Loan Balance
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	\$ 91,012
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 2008	Rental rehabilitations and downtown apartments	\$ -	Over 5-10 years in monthly installments at a rate of \$18 per \$1,000	\$ 2,804
CDBG Small Cities 2009	Rental rehabilitations and downtown apartments	\$ -	Up to 20 years at 0% interest for downtown apartments and up to 10 years at 0% for rental rehabilitations	\$ 3,500
CDBG Small Cities 2011	Rental rehabilitations and downtown apartments	\$ 41,045	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 27,667
CDBG Small Cities 2012	Rental rehabilitations and downtown apartments	\$ 47,539	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 17,500
CDBG Small Cities 2013	City-wide housing rehabilitations	\$ 125,302	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	\$ 1,333,350	5 years - 10 years at 0% interest for owner-occupied or rental rehabilitations	\$ 172,452
Program Income - CDBG Small Cities	Repair and rehabilitate the local housing stock	\$ 10,872	Loan repayments received from recipients of previous CDBG Small Cities grant awards	\$ -
	Total	\$ 1,558,108	Total	\$ 2,890,150

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 7 – 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, has entered into a lease agreement with the Watertown Golf Club for a portion of land in Thompson Park. The twenty-three-year lease is for the period of January 1, 2007 through December 31, 2029.

The City, as a lessor, has 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.

In accordance with GASB 87, *Leases*, the lease receivable of \$714,559 was recorded to equal the present value of all payments expected to be received during the lease term with a corresponding offset to deferred inflow of resources as of July 1, 2021. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease related inflows recognized during the fiscal year was \$54,878. Lease receivable at June 30, 2022 is \$726,272.

NOTE 8 – SHORT-TERM DEBT

The City continued to increase its two bond anticipation note amounts with the New York State Environmental Facilities Corporation for the wastewater treatment plant’s sludge modification project and the waste water treatment plant’s bar screens and grit removal equipment replacement project. Both bond anticipation notes are issued at 0% interest. Principal repayment was made in the amount of \$139,000 on the notes during the fiscal year. On December 16, 2021 the bond anticipation notes were converted to a twenty-five year serial bond in the amount of \$6,968,736 at 0% interest.

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

Business-Type Activities	Balance			Balance
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Bond Anticipation Note	\$ 7,026,223	\$ 81,513	\$ (7,107,736)	\$ -

There were no short-term debt financial transactions for governmental activities for the year ended June 30, 2022.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 – 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, 2022, the following changes occurred in long-term obligations for governmental activities:

Governmental Activities	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
General Obligation Debt					
Serial Bonds	\$ 20,092,562	\$ -	\$ (2,211,041)	\$ 17,881,521	\$ 2,264,042
Premium on Debt Issuance	1,231,618	-	(128,467)	1,103,151	128,467
Total	<u>\$ 21,324,180</u>	<u>\$ -</u>	<u>\$ (2,339,508)</u>	<u>\$ 18,984,672</u>	<u>\$ 2,392,509</u>
Compensated Absences	\$ 1,113,223	\$ -	\$ (226,993)	\$ 886,230	\$ -
Workers' Compensation	1,484,294	-	(226,039)	1,258,255	60,000
Landfill Monitoring	54,000	-	(18,000)	36,000	18,000
Lease Liability, As Restated	142,244	-	(23,226)	119,018	23,379
Total	<u>\$ 2,793,761</u>	<u>\$ -</u>	<u>\$ (494,258)</u>	<u>\$ 2,299,503</u>	<u>\$ 101,379</u>

The Statement of Net Position at June 30, 2022 includes a deferred amount of \$30,756 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 11 and 12, respectively.

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 – LONG-TERM DEBT - Continued

During the year ended June 30, 2022, the following changes occurred in long-term obligations for business-type activities:

Business-Type Activities	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
General Obligation Bonds					
Serial Bonds - Water	\$ 3,467,973	\$ -	\$ (569,211)	\$ 2,898,762	\$ 538,211
Serial Bonds - Sewer	5,444,465	7,224,303	(948,728)	11,720,040	941,727
Premium on Debt Issuance					
- Water	90,053	-	(9,897)	80,156	9,897
Premium on Debt Issuance					
- Sewer	49,319	-	(4,109)	45,210	4,110
Total	\$ 9,051,810	\$ 7,224,303	\$ (1,531,945)	\$ 14,744,168	\$ 1,493,945
Workers Compensation					
Water	\$ 181,946	\$ -	\$ (16,422)	\$ 165,524	\$ 12,000
Sewer	786,055	-	(129,797)	656,258	102,000
Total	\$ 968,001	\$ -	\$ (146,219)	\$ 821,782	\$ 114,000
Compensated Absences					
Water	\$ 61,991	\$ -	\$ (6,765)	\$ 55,226	\$ -
Sewer	52,833	-	(13,891)	38,942	-
Total	\$ 114,824	\$ -	\$ (20,656)	\$ 94,168	\$ -

Changes in the net pension (asset) liability – proportionate share and the changes in the total OPEB liability are reported in Note 11 and 12, respectively.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 – 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, 2022 are as follows:

	Interest Rate	Original Amount	Paid June 30, 2022	Outstanding June 30, 2022	Maturity Date
Public Imp. Refunding, Ser.C	2.00-6.00%	\$ 3,695,000	\$ 375,000	\$ 400,000	11/15/2022
Public Improvements	3.00-3.50%	1,645,000	125,000	500,000	10/15/2027
Public Imp. Refunding	1.00- 2.625%	4,485,000	35,000	70,000	11/15/2022
Public Improvements, Ser.A	1.50-2.75%	1,195,000	100,000	150,000	4/1/2024
Public Improvements, Ser.B	2.00-3.25%	5,110,000	335,000	2,665,000	4/1/2029
Public Improvements, Ser.A	3.00-3.50%	10,000,000	310,000	8,025,000	6/15/2040
Public Improvements, Ser.B	2.00-3.125%	5,810,000	375,000	2,925,000	6/15/2030
Public Improvements	2.00-3.00%	5,130,000	460,000	2,835,000	6/15/2032
Public Improvements	3.00-5.00%	5,965,749	535,000	4,355,000	9/1/2033
Public Improvements	5.00%	2,800,000	270,000	2,530,000	5/15/2031
Public Imp. Refunding	3.00-5.00%	1,640,000	520,000	1,110,000	2/15/2026
Public Improvements	0.00%	7,224,303	288,980	6,935,323	1/22/2046
		<u>\$ 54,700,052</u>	<u>\$ 3,728,980</u>	<u>\$ 32,500,323</u>	
Total General Obligation Bonds		<u>\$ 54,700,052</u>	<u>\$ 3,728,980</u>	<u>\$ 32,500,323</u>	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 – LONG-TERM DEBT - Continued

General Obligation Bonds - Continued

Annual debt service requirements to maturity for general obligation bonds for fiscal year ending June 30, 2022 are as follows:

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,264,042	\$ 663,136	\$ 2,927,178
2024	1,772,056	578,571	2,350,627
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
2028-2032	4,773,059	1,210,259	5,983,318
2033-2037	2,660,694	573,360	3,234,054
2038-2040	1,725,000	122,150	1,847,150
Totals	<u>\$ 17,881,521</u>	<u>\$ 4,483,654</u>	<u>\$ 22,365,175</u>

Business-type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,479,938	\$ 242,393	\$ 1,722,331
2024	1,291,924	203,182	1,495,106
2025	1,265,727	172,134	1,437,861
2026	1,255,923	441,626	1,697,549
2027	1,208,423	111,614	1,320,037
2028-2032	3,976,841	175,715	4,152,556
2033-2037	1,539,206	1,415	1,540,621
2038-2042	1,444,900	-	1,444,900
2043-2046	1,155,920	-	1,155,920
Totals	<u>\$ 14,618,802</u>	<u>\$ 1,348,079</u>	<u>\$ 15,966,881</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 – LONG-TERM DEBT - Continued

Existing lease obligations as of June 30, 2022 are as follows:

Description	Interest Rate	Issue Date	Final Maturity	Balance
Parking Lot Lease	0.90%	10/1/2017	10/1/2027	\$ 7,301
Parking Lot Lease	0.90%	10/1/2007	9/30/2027	<u>111,717</u>
				<u><u>\$ 119,018</u></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>
2023	\$ 23,379	\$	1,071	\$	24,450
2024	23,589		861		24,450
2025	23,800		650		24,450
2026	24,015		435		24,450
2027	24,235		215		24,450
Totals	<u>\$ 119,018</u>	\$	<u>3,232</u>	\$	<u>122,250</u>

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 \$1,195,000 are considered defeased.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 – UNEARNED REVENUE

Unearned revenue consisted of the following as of June 30, 2022:

General Fund:

Unearned Revenue from American Rescue Plan Act Grant	\$ 10,687,069
Unearned Refuse Tote Revenue, Treasury Bill Interest, and Prepaid Interest	
Installments on Special Assessments	328,680
	\$ 11,015,749

Community Development Fund:

Notes Receivable Funded from Grant Proceeds	\$ 4,457,449

Library Fund:

Unearned Grant Revenue	\$ 7,767

Capital Fund:

Unearned Revenue from American Rescue Plan Act Grant	\$ 2,861,150

Water Fund:

Unearned Water Rents	\$ 18,287
Unearned Revenue from American Rescue Plan Act Grant	7,690,491
	\$ 7,708,778

Sewer Fund:

Unearned Sewer Rents	\$ 16,018

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – RETIREMENT BENEFITS

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 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, 2022

NOTE 11 – RETIREMENT BENEFITS - Continued

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 age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 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 and 4 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. Tier 5 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 Tiers 3, 4, and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – RETIREMENT BENEFITS - Continued

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 age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 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, 2022

NOTE 11 – RETIREMENT BENEFITS - Continued

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, 2022

NOTE 11 – 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:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Employer Contributions			
ERS	\$ 1,290,972	\$ 1,234,673	\$ 1,265,209
PFRS	\$ 3,361,570	\$ 2,720,015	\$ 2,370,618
Employee Contributions			
ERS	\$ 177,476	\$ 151,569	\$ 148,308
PFRS	\$ 136,450	\$ 109,784	\$ 90,119

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – RETIREMENT BENEFITS - Continued

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, 2022, the City of Watertown reported an asset of (\$2,798,498) for its proportionate share of the Employees' Retirement System net pension asset and a liability of \$1,717,247 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, 2022, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of April 1, 2021. 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, 2022, the City's proportionate share was 0.0342341% for the Employees' Retirement System and 0.3023085% for the Police and Fire Employees' Retirement System. The change in proportion since the last measurement date was (0.0009399%) for ERS and 0.000603% for PFRS.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – 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, 2022, the City recognized a pension benefit of \$835,814 for the Employees’ Retirement System and \$1,776,807 for the Police and Fire Employees’ Retirement System. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Employees' Retirement System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 211,934	\$ 274,891
Changes of Assumption	4,670,379	78,808
Net Difference Between Projected and Actual Earnings on Plan Investments	-	9,163,908
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	41,688	452,326
City Contributions Subsequent to Measurement Date	243,421	-
Total	<u>\$ 5,167,422</u>	<u>\$ 9,969,933</u>

<u>Police and Fire Retirement System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 925,781	\$ -
Changes of Assumption	10,278,096	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	14,429,361
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	217,056	320,193
City Contributions Subsequent to Measurement Date	757,385	-
Total	<u>\$ 12,178,318</u>	<u>\$ 14,749,554</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – 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, 2023.

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

	Employees' Retirement System	Police and Fire Retirement System
2023	\$ (840,646)	\$ (768,045)
2024	(1,148,450)	(1,188,616)
2025	(2,488,599)	(3,373,707)
2026	(568,237)	1,946,332
2027	-	55,415

Changes in Net Pension (Asset) Liability – Proportionate Share

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental Activities				
Net Pension (Asset) – Proportionate Share	\$ -	\$ 2,015,478	\$ -	\$ (2,015,478)
Net Pension Liability – Proportionate Share	5,263,151	-	(3,545,904)	1,717,247
Total Net Pension (Asset) Liability, Net	\$ 5,263,151	\$ 2,015,478	\$ (3,545,904)	\$ (298,231)
 Business-Type Activities				
Net Pension (Asset) Liability - Proportionate Share				
Water	\$ 5,460	\$ -	\$ (424,395)	\$ (418,935)
Sewer	4,854	-	(368,939)	(364,085)
Total	\$ 10,314	\$ -	\$ (793,334)	\$ (783,020)

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – 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 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contributions for the period April 1, 2022 through June 30, 2022 based on ERS and PFRS wages multiplied by the employer’s rate, by tier. The accrued ERS retirement contributions as of June 30, 2022 were \$174,587 for governmental activities and \$68,834 for business-type activities. The accrued PFRS retirement contribution as of June 30, 2022 was \$757,385 for governmental activities.

Actuarial Assumptions

The total pension liability at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2021 valuation were as follows:

	<u>Employees'</u> <u>Retirement System</u>	<u>Police and Fire</u> <u>Retirement System</u>
Inflation Rate	2.70%	2.70%
Salary Scale	4.40%	6.20%
Interest Rate	5.90%	5.90%
Cost of Living Adjustments	1.40%	1.40%

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-2020.

The actuarial assumption used in the April 1, 2021 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, 2022

NOTE 11 – 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, 2022 are summarized in the following table:

	Long-Term Expected Real Rates of Return
Asset Type:	
Domestic Equity	3.30%
International Equity	5.85%
Private Equity	6.50%
Real Estate	5.00%
Opportunistic / Absolute Return Strategies Portfolio	4.10%
Credit	3.78%
Real Assets	5.58%
Cash	-1.00%

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, 2022

NOTE 11 – 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:

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,203,303	\$ (2,798,498)	\$ (11,164,522)

PFRS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 19,101,724	\$ 1,717,247	\$ (12,672,484)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2022, were as follows:

(In Thousands)

	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' Total Pension Liability	\$ 223,874,888	\$ 42,237,292	\$ 266,112,180
Fiduciary Net Position	232,049,473	41,669,250	273,718,723
Employers' Net Pension (Asset) Liability	<u>\$ (8,174,585)</u>	<u>\$ 568,042</u>	<u>\$ (7,606,543)</u>
Ratio of Fiduciary Net Position to the Employers' Total Pension (Asset) Liability	103.65%	98.66%	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – RETIREMENT BENEFITS - Continued

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 st Year	\$ 5,000
2 nd Year	\$ 4,000
3 rd Year	\$ 3,000

The City has reported \$35,000 relating to this bonus retirement plan as part of the accrued compensated absences balance in the General Fund.

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

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, 2022

NOTE 12 – 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	312
Active Members	306
Total Covered Employees	618

Total OPEB Liability

The City has obtained an actuarial valuation report as of June 30, 2022 which indicates that the total liability for other postemployment benefits is \$124,613,592 which is reflected in the Statement of Net Position. The OPEB liability was measured as of September 1, 2021 and was determined by an actuarial valuation as of September 1, 2020.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

Total OPEB Liability – Continued

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	09/01/21
Rate of Compensation Increase	2.00%
Inflation Rate	2.50%
Discount Rate	2.14%

Assumed Health Care Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.04%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2091

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (Years)	5.75
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 RPH-2014 SOA Mortality Tables for employees and healthy annuitants, adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2020.

The actuarial valuation was based upon the plan data and the actuarial valuation as of September 1, 2020 and financial data and actuarial rollforward techniques to calculate the results as of September 1, 2021 (the measurement date).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability

Balance at June 30, 2021	\$	124,014,974
<hr/>		
Changes for the Year:		
Service Cost		1,773,296
Interest		2,714,287
Changes in Benefit Terms		-
Difference Between Expected and Actual Experience		-
Changes of Assumptions or Other Inputs		934,193
Benefit Payments		(4,823,158)
Net Changes		<hr/> 598,618 <hr/>
Balance at June 30, 2022	\$	<hr/> <hr/> 124,613,592 <hr/> <hr/>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20 percent as of September 1, 2020 to 2.14 percent as of September 1, 2021.

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 (1.14 percent) or 1 percentage point higher (3.14 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	1.14%	2.14%	3.14%
	<hr/>	<hr/>	<hr/>
Total OPEB Liability	\$ 141,887,102	\$ 124,613,592	\$ 110,329,918

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 12 - 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 5.50%) or 1 percentage point higher (trend increasing to 7.50%) than the current healthcare cost trend rate:

	1% Decrease (6.50% decreasing to 5.50%)	Healthcare Cost Trend Rates (6.50%)	1% Increase (6.50% increasing to 7.50%)
Total OPEB Liability	\$ 108,843,650	\$ 124,613,592	\$ 143,691,798

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

For the year ended June 30, 2022, the City recognized total OPEB expense of \$1,029,069. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,705,393	\$ 19,145,870
Changes of Assumptions or Other Inputs	9,915,517	3,478,104
Employer Contributions Subsequent to the Measurement Date (Expected Employer Contribution including Implicit Subsidy)	4,141,567	-
Total	\$ 15,762,477	\$ 22,623,974

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

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, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ending June 30	
2023	\$ (3,458,514)
2024	(1,355,299)
2025	(2,783,178)
2026	(3,527,926)
2027	121,853
Total	<u><u>\$ (11,003,064)</u></u>

NOTE 13 – FUND BALANCES

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, 2022

NOTE 13 – FUND BALANCES - Continued

Restricted Fund Balances - Continued

Debt Service - Balance of debt issued on behalf of property owners who elected to participate in the City's ten-year special assessment program for sidewalk replacements.

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 Governmental Funds

Economic Development – An amount which represents the net position of the Watertown Empire Zone.

Other Fund Balance Disclosures

Deficit Fund Balance

No funds as of June 30, 2022 had deficit fund balances.

Excess of Expenditures over Appropriations

General Fund

The debt service expenditure line item exceeded budgeted appropriations by \$22,384 due to the implementation of GASB 87 Lease standard and the recording of lease amortization expense.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 14 – 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, 2022 were as follows:

	Interfund		Interfund	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenue</u>	<u>Expenditures</u>
General Fund	\$ 1,021,193	\$ 11,755,554	\$ 239,416	\$ 2,848,555
Capital Project Funds	3,684,177	897,805	1,769,468	87,625
Water Fund	7,885,672	118,659	-	132,945
Sewer Fund	97,331	67,054	-	15,000
Non Major Funds	225,000	74,301	1,527,711	452,470
Total	<u><u>\$ 12,913,373</u></u>	<u><u>\$12,913,373</u></u>	<u><u>\$3,536,595</u></u>	<u><u>\$ 3,536,595</u></u>

Interfund Eliminations

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

	<u>General Fund</u>	<u>Self-funded Health Insurance Fund</u>
	Revenues	\$ -
Expenditures	5,940,114	-
Total	<u><u>\$ 5,940,114</u></u>	<u><u>\$ 5,940,114</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 15 – 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, 2022, the City collected approximately \$119,000 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	\$ 12,290	\$ 10,528	\$ 1,762
JCIDA - Roth Industries	2006	2032	75.00%	2,722,400	24,352	18,125	6,227
JCIDA - Woolworth							
Watertown LLC	2015	2029	85.36%	2,708,800	24,230	3,548	20,682
JCIDA - New York Airbrake	2017	2032	75.00%	960,000	8,587	2,147	6,440
JCIDA - Current Applications	2016	2030	50.00%	435,700	3,897	1,949	1,948
JCIDA - Rail Spur	2006	None	100.00%	60,000	537	-	537
Watertown Housing Authority	Various	None	72.97%	19,901,300	177,421	49,197	128,224
HKBBE Apartments	2017	2058	67.83%	11,258,300	100,705	33,239	67,466
Creekwood Housing Development Fund Company Inc	2013	2022	46.91%	3,024,200	12,690	-	12,690
Creekwood II Housing Development Fund Company Inc	2014	2023	72.08%	5,809,800	37,459	-	37,459
Creekwood Housing Development Fund Company Inc	2013	2022	45.84%	2,188,300	8,973	-	8,973
					\$ 411,141	\$ 118,733	\$ 292,408

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, 2022, there were no mortgage recording tax abatement agreements entered into by the Jefferson County Industrial Agency that reduced these City tax revenues. The JCIDA issued a New York State and Jefferson County sales tax exemption starting February 19, 2019 and expiring December 31, 2020 estimated at \$65,280.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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, 2022, 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 \$682,430 as of June 30, 2022 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, 2022, 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, 2022, 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, 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES - Continued

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, 2022, an estimated \$36,000 in post-closure care cost will be incurred over the remaining 2-year period. This liability is recorded as long-term debt in the Statement of Net Position and is amortized in the General Fund at approximately \$18,000 each year. The current landfill-monitoring contract expired in 2000. The estimated total liability was computed assuming future contracts monitoring costs would be comparable.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES - Continued

Black River Fund - Continued

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, 2022, contributed \$18,550. The balance in the fund as of June 30, 2022 was \$182,787.

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.

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, 2022

NOTE 16 – COMMITMENTS AND CONTINGENCIES - Continued

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 17 – SUBSEQUENT EVENTS

The City has evaluated events and transactions that occurred between June 30, 2022 and February 1, 2023, 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.

NOTE 18 – RESTATEMENT OF NET POSITION

A one-time prior period adjustment has been made to correct the reporting of unavailable property tax revenues for the governmental activities, which are deemed earned but not available in accordance with GASB 65. Therefore, the amounts remain a deferred inflow of resources on the fund financial statements, but on the government wide financials such amounts will be recognized as income. The change in reporting has increased the beginning net position for governmental activities as of July 1, 2021 by \$309,741, to a beginning balance of (\$39,259,489).

Due to the City's implementation of GASB Statement No. 87, *Leases*, a one-time prior period adjustment must be made to reflect the transition to GASB 87. As of July 1, 2021, an adjustment of \$142,244 must be made to Capital Assets, Net and Lease Liability and \$714,559 to Lease Receivable and Deferred Inflow – Unearned Lease Revenues on the Statement of Activities. The implementation has no impact on beginning net position.

REQUIRED SUPPLEMENTARY INFORMATION

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

Ended June 30, 2022

Total OPEB Liability	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Service Cost	\$ 1,773,296	\$ 2,000,656	\$ 1,673,568	\$ 1,611,408	\$ 1,961,321
Interest	2,714,287	4,488,960	5,242,827	4,577,420	4,050,342
Changes of Benefit Terms	-	(571,209)	(1,274,882)	(1,135,737)	-
Differences Between Expected and Actual Experience	-	(29,357,000)	-	5,942,389	-
Changes of Assumptions or Other Inputs	934,193	1,064,006	18,162,379	(4,216,123)	(13,496,504)
Benefit Payments	(4,823,158)	(5,506,472)	(5,257,801)	(4,457,706)	(4,286,372)
Net Change in Total OPEB Liability	598,618	(27,881,059)	18,546,091	2,321,651	(11,771,213)
Total OPEB Liability - Beginning	124,014,974	151,896,033	133,349,942	131,028,291	142,799,504
Total OPEB Liability - Ending	\$ 124,613,592	\$ 124,014,974	\$ 151,896,033	\$ 133,349,942	\$ 131,028,291
Covered Payroll	\$ 21,584,305	\$ 20,080,856	\$ 21,008,381	\$ 20,028,068	\$ 19,575,482
Total OPEB as a Percentage of Covered Payroll	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, 2022

	Original	Final		Variance With	
	Budget	Budget	Actual	Final Budget	
				Favorable	
				(Unfavorable)	
Resources (Inflows)					
Real Property Taxes	\$ 9,768,517	\$ 9,768,517	\$ 10,215,097	\$ 446,580	
Real Property Tax Items	318,000	318,000	284,941	(33,059)	
Non-Property Taxes	20,746,000	20,789,000	24,530,176	3,741,176	
Departmental Income	6,456,630	6,456,630	8,565,796	2,109,166	
Intergovernmental Charges	202,275	202,275	214,905	12,630	
Use of Money and Property	79,450	79,450	109,933	30,483	
Licenses and Permits	125,600	125,600	155,592	29,992	
Fines and Forfeitures	113,000	113,000	117,254	4,254	
Sale of Property and Compensation for Loss	112,000	112,000	233,612	121,612	
Miscellaneous Local Sources	1,622,488	1,622,488	1,622,741	253	
Interfund Revenue	1,397,366	1,355,558	1,269,162	(86,396)	
State Source	5,702,960	5,702,960	5,797,132	94,172	
Federal Sources	1,383,216	1,733,716	1,635,943	(97,773)	
Transfers from Other Funds	147,825	147,825	239,416	91,591	
	<u>48,175,327</u>	<u>48,527,019</u>	<u>54,991,700</u>	<u>6,464,681</u>	
Amounts Available for Appropriation					
Charges to Appropriations (Outflows)					
				Year-End	
				Encumbrances	
General Government Support	5,968,080	5,383,370	5,011,674	\$ 63,821	307,875
Public Safety	18,924,479	19,738,981	18,863,111	451,435	424,435
Transportation	5,619,166	5,503,761	5,027,410	255,404	220,947
Economic Assistance and Development	65,000	66,660	63,809	-	2,851
Culture and Recreation	2,368,639	2,922,810	2,431,805	360,841	130,164
Home and Community Services	1,834,257	1,638,212	1,327,999	256,756	53,457
Employee Benefits	9,779,385	9,754,905	9,470,034	-	284,871
Debt Service	2,838,628	2,838,628	2,861,012	-	(22,384)
Transfers to Other Funds	3,028,711	3,283,711	2,848,555	-	435,156
	<u>50,426,345</u>	<u>51,131,038</u>	<u>47,905,409</u>	<u>\$ 1,388,257</u>	<u>1,837,372</u>
Total Charges to Appropriations					
Excess (Deficiency) of Resources Over					
Charges to Appropriations	(2,251,018)	(2,604,019)	7,086,291		9,690,310
Appropriation of Prior Year Fund Balance/ Reserves	2,251,018	2,604,019	-		(2,604,019)
Excess of Resources Over					
Charges to Appropriations	<u>\$ -</u>	<u>\$ -</u>	7,086,291		<u>\$ 7,086,291</u>
Fund Balance, Beginning of Year			22,640,384		
Fund Balance, End of Year			<u>\$ 29,726,675</u>		

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 EIGHT FISCAL YEARS**

Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Employees' Retirement System (ERS)								
City's Proportion of the Net Pension Liability (Asset)	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)	\$ (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	\$ 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	<u>-29.67%</u>	<u>0.40%</u>	<u>100.90%</u>	<u>26.43%</u>	<u>12.16%</u>	<u>36.42%</u>	<u>63.12%</u>	<u>13.96%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
Police and Fire Retirement System (PFRS)								
City's Proportion of the Net Pension Liability	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	\$ 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	\$ 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	<u>14.62%</u>	<u>47.50%</u>	<u>141.20%</u>	<u>43.82%</u>	<u>27.71%</u>	<u>58.87%</u>	<u>94.75%</u>	<u>8.78%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	97.90%	99.00%

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

SCHEDULE OF THE CITY'S CONTRIBUTIONS – NYSLRS PENSION PLAN

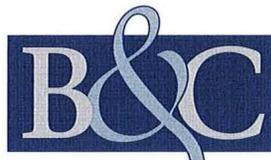
LAST EIGHT FISCAL YEARS

Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Employees' Retirement System (ERS)								
Contractually Required Contribution	\$ 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	<u>1,290,972</u>	<u>1,234,673</u>	<u>1,265,209</u>	<u>1,255,658</u>	<u>1,268,232</u>	<u>1,305,395</u>	<u>1,343,922</u>	<u>1,657,173</u>
Contribution Deficiency (Excess)	<u>\$ -</u>							
City's Covered Payroll	\$ 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	13.69%	13.96%	13.85%	13.72%	13.89%	14.66%	15.47%	19.38%
Police and Fire Retirement System (PFRS)								
Contractually Required Contribution	\$ 3,361,570	\$ 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	<u>3,361,570</u>	<u>2,720,015</u>	<u>2,370,618</u>	<u>2,305,182</u>	<u>2,354,924</u>	<u>2,276,464</u>	<u>2,136,795</u>	<u>2,494,595</u>
Contribution Deficiency (Excess)	<u>\$ -</u>							
City's Covered Payroll	\$ 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	28.62%	24.66%	21.21%	21.16%	22.21%	21.91%	21.40%	26.10%

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

FEDERAL AWARDS PROGRAM INFORMATION



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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, 2022, 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 1, 2023.

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.

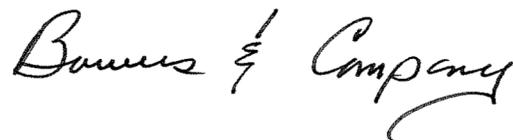
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

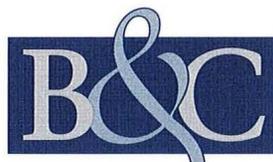
As part of obtaining reasonable assurance about whether the City of Watertown, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 black ink and is positioned to the right of the main text block.

Watertown, New York
February 1, 2023



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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, 2022. 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, 2022.

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.

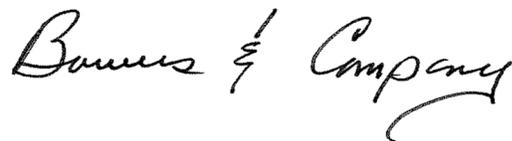
Report on Internal Control over Compliance

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.

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

Watertown, New York
February 1, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing & Urban Development				
Direct Award:				
Community Development Block Grant / Entitlement Grant	14.218	B-17-MC-36-0121	\$ 8,695	\$ 8,695
Community Development Block Grant / Entitlement Grant	14.218	B-18-MC-36-0121	111,421	111,038
Community Development Block Grant / Entitlement Grant	14.218	B-19-MC-36-0121	102,484	102,484
Community Development Block Grant / Entitlement Grant	14.218	B-20-MC-36-0121	527,544	268,540
COVID-19: Community Development Block Grant / Entitlement Grant	14.218	B-20-MW-36-0121	428,108	-
Community Development Block Grant / Entitlement Grant	14.218	B-21-MC-36-0121	392,190	59,726
Total Community Development Block Grant / Entitlement Grant Cluster			1,570,442	550,483
Total U.S. Department of Housing & Urban Development			1,570,442	550,483
U.S. Department of Transportation				
Direct Award:				
Urbanized Area Formula Grant	20.507	NY-2019-04803	43,439	
Urbanized Area Formula Grant	20.507	NY-2022-06002	175,000	
COVID-19: 5307 CARES Act Operating and Preventative Maintenance	20.507	NY-2020-01901	1,077,168	
Buses and Bus Facilities Formula	20.526	NY-2020-08403	283,286	
Buses and Bus Facilities Formula	20.526	NY-2020-08404	76,289	
Total Federal Transit Cluster			1,655,182	
Passed Through the Office of the New York State Comptroller:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PD-00223-(040)	1,428	
Total Highway Safety Cluster / Total Passed Through the Office of the New York State Comptroller			1,428	
Passed Through New York State Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	70PS02	33,708	
Highway Planning and Construction	20.205	PIN 7807.20.121	131,184	
Total Highway Planning and Construction Cluster / Total Passed Through New York State Department of Transportation			164,892	
Total U.S. Department of Transportation			1,821,502	
Subtotal to Next Page			\$ 3,391,944	\$ 550,483

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Year Ended June 30, 2022

Subtotal from Previous Page		<u>\$ 3,391,944</u>	<u>\$ 550,483</u>
U.S. Department of Homeland Security			
Direct Awards:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	24,233	
COVID-19: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.039	<u>48,267</u>	
Total U.S. Department of Homeland Security		<u>72,500</u>	
U.S. Department of Justice			
Direct Awards:			
Bullet Proof Vest Partnership	16.607	<u>1,959</u>	
Total U.S. Department of Justice		<u>1,959</u>	
U.S. Department of Treasury			
Direct Awards:			
COVID-19: Coronavirus State Fiscal Recovery Funds	21.027	<u>815,364</u>	
Total U.S. Department of Treasury		<u>815,364</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 4,281,767</u></u>	<u><u>\$ 550,483</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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

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.

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, 2022

NOTE A - SUMMARY OF AUDITOR'S RESULTS

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:

Community Development Block Grant / Entitlement Grant Cluster:	
Community Development Block Grant / Entitlement Grant	14.218
COVID-19: Community Development Block Grant / Entitlement Grant	14.218
COVID-19: Coronavirus State Fiscal Recovery Funds	
	21.027
Federal Transit Cluster:	
COVID-19: 5307 CARES Act Operating and Preventative Maintenance	20.507
Urbanized Area Formula Grant	20.507
Buses and Bus Facilities Formula	20.526
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

There were no findings to report.

NOTE C - MAJOR FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

There were no findings to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

NOTE A – FINANCIAL STATEMENT AUDIT FINDINGS

There were no prior year audit findings.

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

There were no prior year audit findings.

STATE TRANSPORTATION ASSISTANCE PROGRAMS



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

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, 2022. 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, 2022.

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.

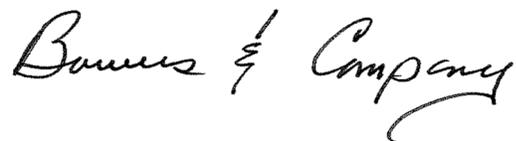
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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, 2022, 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 1, 2023, 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.

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Watertown, New York
February 1, 2023

CITY OF WATERTOWN, NEW YORK

SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED

June 30, 2022

Program Title	Ref. Number	Expenditures
Consolidated Local Street and Highway Improvement		
Program Capital - Reimbursement / CHIPS	732059	\$ 708,746
Marchiselli Match for Federal Aid Highway Projects	D035666	21,750
Bus Transit Operating Assistance		<u>296,439</u>
Total		<u>\$ 1,026,935</u>

See accompanying notes to schedule of state transportation assistance expended.

NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
June 30, 2022

NOTE A - GENERAL

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

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, 2022

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
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Compliance Findings and Questioned Costs

No matters were reported.