

**C**ITY OF WATERTOWN, NEW YORK

---

*FINANCIAL STATEMENTS*

June 30, 2021

# Table of Contents

---

CITY OF WATERTOWN, NEW YORK

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
AUDITED BASIC FINANCIAL STATEMENTS	23
STATEMENT OF NET POSITION	23
STATEMENT OF ACTIVITIES	24
BALANCE SHEET - GOVERNMENTAL FUNDS	25
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	26
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	27
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	28
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	30
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	32
STATEMENT OF FIDUCIARY NET POSITION	33
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	34
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	35
REQUIRED SUPPLEMENTARY INFORMATION	87
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS	87
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	88
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSLRS PENSION PLAN	89
SCHEDULE OF THE CITY'S CONTRIBUTIONS - NYSLRS PENSION PLAN	90

FEDERAL AWARDS PROGRAM INFORMATION _____	91
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 <i>GOVERNMENT AUDITING STANDARDS</i> _____	92
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE _____	94
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	98
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS _____	100
SCHEDULE OF FINDINGS AND QUESTIONED COSTS _____	101
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS _____	102
STATE TRANSPORTATION ASSISTANCE PROGRAMS _____	103
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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i> _____	104
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED _____	107
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED _____	108
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED _____	109



**BOWERS & COMPANY  
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 Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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, 2021, 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.

## **Other Matters**

### *Required Supplementary Information*

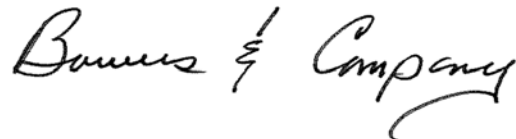
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 22, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios on page 87, Budgetary Comparison Schedule – General Fund on page 88, the Schedule of the City's Proportionate Share of the Net Pension Liability – NYSLRS Pension Plan on page 89, and the Schedule of the City's Contributions – NYSLRS Pension Plan on page 90 to be presented to supplement the basic financial statements. Such information, 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.

### *Other 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 98-99 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 98-99 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 January 13, 2022, 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.

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  
January 13, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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, 2021. 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 (\$115,337,818) at June 30, 2021. 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 \$7,225,327 in fiscal year 2020-2021.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$24,750,733 an increase of \$7,143,358 from the previous year. Approximately 67% of this total amount or \$16,536,469 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 \$49,186,481 on a budgetary basis exceeded budgeted revenues by \$5,068,191 or 11.49% while budgetary basis expenditures and year-end encumbrances finished \$1,144,774 lower than budgeted expenditures. These results reduced the need to use the full \$1,886,949 in the original appropriated fund balance budgeted for in the 2020-2021 General Fund budget.
- The City issued \$1,640,000 in serial bonds dated September 30, 2020 maturing February 15, 2026 at interest rates ranging from 3.00% to 5.00% (priced to yield 0.3809%) to refund \$1,750,000 of outstanding serial bonds issued in 2008, 2010 and 2011 which generated \$95,572 of net present value savings.
- The City issued \$2,800,000 in serial bonds dated May 18, 2021 maturing May 15, 2031 at interest rates of 5.00% (priced to yield 0.9027%) to provide financing for various capital projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**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, 2021

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

---

**Fund Financial Statements - Continued**

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. 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**OVERVIEW OF FINANCIAL STATEMENTS - Continued**

---

**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.

**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, 2021, the City implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of this statement establishes criteria for identifying fiduciary activities. For the City, this changed reporting of private purpose trusts and agency funds. See Note 16 of the financial statements for additional information on the implementation of the Statement.

**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, 2021, the City had a deficit net position (total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources) of (\$10,859,995) compared to a deficit net position of (\$18,085,322) at June 30, 2020, which represents an increase of \$7,225,327. 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 \$124,014,974 which represents a decrease of \$27,881,059. 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 are 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 \$101,725,297 which represents a decrease of \$2,143,202 or 2.06%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

An additional \$2,752,526 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, Alex T. Duffy Fairgrounds Stadium Repair Reserve Fund, Capital Reserve Fund, 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, 2021 can be found in the City's basic financial statements.

<b>City of Watertown's Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>6/30/2021</u></b>	<b><u>6/30/2020</u></b>	<b><u>6/30/2021</u></b>	<b><u>6/30/2020</u></b>	<b><u>6/30/2021</u></b>	<b><u>6/30/2020</u></b>
Current and Other Assets	\$ 43,626,788	\$ 29,317,575	\$ 12,713,596	\$ 11,819,720	\$ 56,340,384	\$ 41,137,295
Capital Assets	87,481,705	89,729,260	50,993,987	50,208,081	138,475,692	139,937,341
Total Assets	<u>\$ 131,108,493</u>	<u>\$ 119,046,835</u>	<u>\$ 63,707,583</u>	<u>\$ 62,027,801</u>	<u>\$ 194,816,076</u>	<u>\$ 181,074,636</u>
Deferred Outflows of Resources	<u>\$ 37,278,900</u>	<u>\$ 35,133,608</u>	<u>\$ 4,439,685</u>	<u>\$ 4,310,074</u>	<u>\$ 41,718,585</u>	<u>\$ 39,443,682</u>
Long-term Liabilities						
Outstanding	\$ 135,546,752	\$ 176,444,090	\$ 24,185,546	\$ 30,297,208	\$ 159,732,298	\$ 206,741,298
Other Liabilities	21,043,325	12,962,619	9,226,955	8,075,159	30,270,280	21,037,778
Total Liabilities	<u>\$ 156,590,077</u>	<u>\$ 189,406,709</u>	<u>\$ 33,412,501</u>	<u>\$ 38,372,367</u>	<u>\$ 190,002,578</u>	<u>\$ 227,779,076</u>
Deferred Inflows of Resources	<u>\$ 51,366,546</u>	<u>\$ 9,629,772</u>	<u>\$ 6,025,532</u>	<u>\$ 1,194,792</u>	<u>\$ 57,392,078</u>	<u>\$ 10,824,564</u>
Net Position:						
Net Investment in Capital Assets						
Assets	\$ 66,199,609	\$ 69,639,705	\$ 35,525,688	\$ 34,228,794	\$ 101,725,297	\$ 103,868,499
Restricted	2,752,526	1,531,367	-	9,041	2,752,526	1,540,408
Unrestricted	(108,521,365)	(116,027,110)	(6,816,453)	(7,467,119)	(115,337,818)	(123,494,229)
Total Net Position	<u>\$ (39,569,230)</u>	<u>\$ (44,856,038)</u>	<u>\$ 28,709,235</u>	<u>\$ 26,770,716</u>	<u>\$ (10,859,995)</u>	<u>\$ (18,085,322)</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, 2021

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

<b>City of Watertown's Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2020</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 7,980,570	\$ 9,695,296	\$ 12,073,935	\$ 11,788,131	\$ 20,054,505	\$ 21,483,427
Operating Grants and Contributions	2,013,105	4,002,759	-	-	2,013,105	4,002,759
Capital Grants and Contributions	1,121,001	2,529,396	211,597	92,324	1,332,598	2,621,720
General Revenues:						
Property Taxes	9,784,103	9,912,344	-	-	9,784,103	9,912,344
Sales Tax	22,201,114	18,998,780	-	-	22,201,114	18,998,780
Utilities Gross Receipts Tax	285,654	254,709	-	-	285,654	254,709
Franchise Tax	355,345	352,187	-	-	355,345	352,187
Hotel Occupancy Tax	133,745	189,043	-	-	133,745	189,043
Mortgage Tax	461,180	312,103	-	-	461,180	312,103
Unrestricted Grants and Entitlements	5,627,159	3,779,257	-	-	5,627,159	3,779,257
Investment Earnings	24,495	223,416	66,622	84,243	91,117	307,659
<b>Total Revenues</b>	<b>49,987,471</b>	<b>50,249,290</b>	<b>12,352,154</b>	<b>11,964,698</b>	<b>62,339,625</b>	<b>62,213,988</b>
<b>Expenses:</b>						
General Government Support	12,661,988	15,347,958	-	-	12,661,988	15,347,958
Hydroelectric Production	654,542	1,001,572	-	-	654,542	1,001,572
Fire	8,963,150	10,898,028	-	-	8,963,150	10,898,028
Police	7,719,518	9,663,922	-	-	7,719,518	9,663,922
Other Public Safety	364,862	880,763	-	-	364,862	880,763
Public Works	7,029,175	7,491,016	-	-	7,029,175	7,491,016
Bus	1,176,537	1,216,308	-	-	1,176,537	1,216,308
Watertown Empire Zone	2,556	2,443	-	-	2,556	2,443
Other Economic Assistance	13,282	42,176	-	-	13,282	42,176
Library	1,018,037	1,421,903	-	-	1,018,037	1,421,903
Other Culture and Recreation	2,302,282	2,736,423	-	-	2,302,282	2,736,423
Refuse and Recycling	847,012	881,616	-	-	847,012	881,616
Other Home and Comm. Serv.	1,297,830	1,596,493	-	-	1,297,830	1,596,493
Interest on Debt Service	679,892	722,422	-	-	679,892	722,422
Water	-	-	4,637,313	5,180,223	4,637,313	5,180,223
Sewer	-	-	5,746,322	5,935,137	5,746,322	5,935,137
<b>Total Expenses</b>	<b>44,730,663</b>	<b>53,903,043</b>	<b>10,383,635</b>	<b>11,115,360</b>	<b>55,114,298</b>	<b>65,018,403</b>
Excess of Revenues over Expenses	5,256,808	(3,653,753)	1,968,519	849,338	7,225,327	(2,804,415)
Transfers	30,000	30,000	(30,000)	(30,000)	-	-
<b>Change in Net Position</b>	<b>5,286,808</b>	<b>(3,623,753)</b>	<b>1,938,519</b>	<b>819,338</b>	<b>7,225,327</b>	<b>(2,804,415)</b>
Net Position – Beginning	(44,856,038)	(41,232,285)	26,770,716	25,951,378	(18,085,322)	(15,280,907)
<b>Net Position - Ending</b>	<b>\$ (39,569,230)</b>	<b>\$ (44,856,038)</b>	<b>\$ 28,709,235</b>	<b>\$ 26,770,716</b>	<b>\$ (10,859,995)</b>	<b>\$ (18,085,322)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

**Governmental Activities**

Governmental activities increased the City's net position by a total \$5,286,808 compared to last year's decrease of \$3,623,753.

The major factors contributing to the overall revenue decrease of \$261,819 were:

- Charges for services decreased by \$1,714,726 primarily due to a decrease of \$1,188,188 for the sale of the City's excess hydro-electricity due to low flows of the Black River, a decrease of \$185,925 in refund of prior years expenditures, a decrease of \$88,452 in health insurance premiums to the City's health insurance plan from the Water and Sewer Funds, a decrease of \$59,882 in employee health insurance premium contributions to the City's health insurance plan from the Water and Sewer Funds and a net decrease of \$173,270 for Parks and Recreation revenues (activity fees, concession stand sales, baseball stadium and other fields uses, arena rentals, and ice rink related revenues). Offsetting this decrease were increases of \$72,694 for refuse charges, \$20,612 for Civil Service charges to the Watertown School District due to the purchase of a new software system, \$15,731 in City Clerk revenues, \$22,815 in health insurance plan stop loss insurance policy reimbursements, and \$14,428 for Medicare Part D prescription subsidies to the City's health plan.
- Revenue from the City's sales tax distribution agreement with Jefferson County is the City's largest revenue source. Sales tax totaled \$22,201,114 for the year, which was an increase of \$3,202,334 or 16.86%, over last year's total of \$18,998,780. Sales tax revenue represented 44.41% of the governmental activities' revenue in FY 2020/21 compared to 37.81% in FY 2019/20.
- Revenues from property tax related items decreased \$128,241 or 1.29% due to the levy being increased \$256,087 or 2.69%, the decrease of \$46,265 in payments in lieu of taxes (PILOTs), the decrease of \$34,895 in interest and penalties on delinquent property taxes and the increase of \$303,628 to the allowance for uncollectible property taxes on certain parcels that were in bankruptcy or demolished.
- Revenue from the New York State Aid and Incentives to Municipalities (AIM) increased by \$1,847,902 over last year due to the release by the State of last year's 20% AIM withholding (\$923,951) due to the financial impact to the State from COVID-19.
- Revenues received from the hotel occupancy tax decreased by \$55,298 or 29.25%, from last year to \$133,745.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

**Governmental Activities – Continued**

- Revenues received from the City's gross receipts tax on utilities increased by \$30,946 or 12.15% from last year to \$285,654.
- Revenues received from the mortgage tax increased by \$149,078 or 47.77%, from last year to \$461,180.
- Operating grants decreased by \$1,989,654 or 49.71%, due to the decrease of \$51,228 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, the decrease of \$1,460,753 in Federal Transportation System Section 5307 funding and deferred inflows for bus operating and maintenance costs and the decrease of \$381,478 in Community Development Block grants for various programs.
- Capital grants received by the City decreased by \$1,408,395 primarily due to the Mill Street Bridge rehabilitation project grant received in the prior year. The City did receive \$1,063,062 in Federal and State Aid for various capital projects compared to \$2,414,863 in the previous year. Some of the major capital projects receiving aid include the Consolidated Local Street and Highway Improvement Program for various streets (\$521,816), the Mill Street bridge reconstruction project (\$63,319), the Pedestrian Safety Action Plan project (\$66,405), the Court Street Bridge reconstruction Massey and Coffeen Streets resurfacing project (\$261,566) and the Congestion Mitigation and Air Quality Improvement project (\$45,792).

The major factors contributing to the overall expense decrease of \$9,172,380 were:

- General government support decreased \$2,685,970 primarily due to a decrease of \$2,707,728 to the annual OPEB expense, a decrease of \$574,964 in net pension obligations, a decrease of \$154,889 in demolition costs for properties acquired for non-payment of property taxes and increase of \$110,281 for pharmacy health insurance claim costs. Offsetting this decrease was an increase in non-pharmacy health insurance claim costs of \$1,148,663.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued**

**Governmental Activities – Continued**

- Fire expenses decreased \$1,934,878 due to a decrease in the department's net pension obligation of \$1,572,267, a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$571,271 a decrease in the change to the compensated absences liability of \$162,733 and a decrease in wages of \$164,150. The change to the department's long-term workers compensation liability increased \$269,697 and overtime increased by \$224,122.
- Police expenses decreased \$1,944,404 due to a decrease in the department's net pension obligation of \$1,625,821, a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$478,260 a decrease in wages of \$35,776 and a decrease in overtime of \$152,971. There was an increase of \$229,320 in the change to the department's long-term workers compensation liability.
- Public Works expenses decreased \$461,841 due to a decrease in the department's net pension obligation of \$464,239 a decrease in the change to the net Other Postemployment Benefits (OPEB) liability of \$214,395 while the change to the department's long-term workers compensation liability increased by \$533,036.

**Business-Type Activities**

Business-type activities increased the City's net position by \$1,938,519 compared to \$819,338 last year. Key elements for this year are as follows:

- Water operating revenues increased by \$243,885 or 4.74%, to \$5,391,063 while operating expenses decreased by \$488,123, or 9.77%, to \$4,509,675 due to a decrease of \$269,804 to the annual OPEB expense. Revenues related to inside of the City customers increased \$160,779 or 4.59% and outside of the City customers increased \$10,498, or 0.86%.
- 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 \$534,321 or an increase of \$67,852 or 14.55% over last year's total of \$466,469 due to a 13.12% increase in volume purchased. Water revenues from this agreement accounted for 9.91% of the total water revenues compared to 9.06% last year.



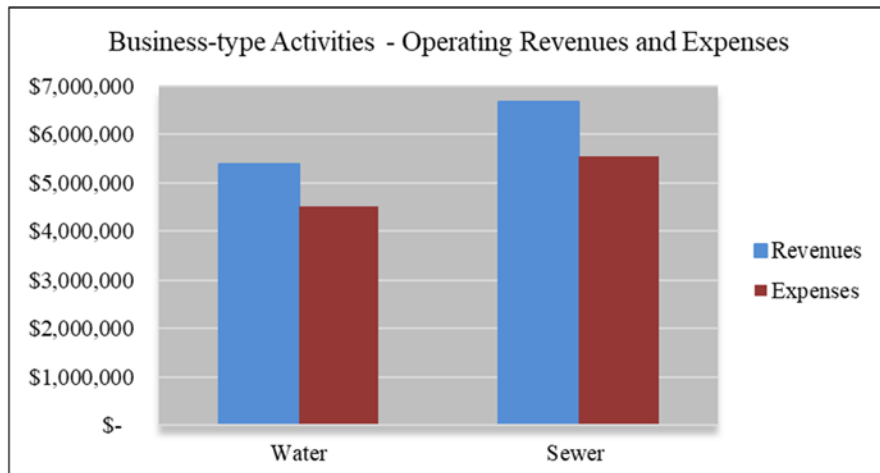
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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 \$1,227,561 or an increase of \$10,498 or 0.86%, over last year's total of \$1,217,063. Water revenues to outside of the City customers represented 22.77% of the water operating revenues compared to 23.65% last year.
- Sewer operating revenues increased by \$41,919 or 0.63%, to \$6,682,872 and operating expenses decreased by \$140,086 or 2.46%, to \$5,551,795 due to a decrease of \$464,088 to the annual OPEB expense. Revenues related to City customers decreased \$341,250 or 11.85% due primarily to a large industrial customer temporarily increasing its use of the City's sewer system.
- 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 \$1,098,848 or an increase of \$98,243 or 9.82% over last year's total of \$1,000,605. Sewer revenues from this agreement accounted for 16.44% of the total sewer revenues compared to 15.07% 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 \$1,929,088, or a decrease of \$29,835 or 1.52% over last year's total of \$1,958,923. Sewer revenues to outside of the City customers represented 28.87% of the sewer operating revenues compared to 29.50% last year.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**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, 2021, the City's governmental funds reported combined ending fund balances of \$24,750,733 representing an increase of \$7,143,358 or 40.57%, in comparison with the prior year. Approximately 67%, or \$16,536,469 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 (\$64,274), and 2) *restricted* to indicate limitations on its use imposed by grants, debt, or legislation (\$1,279,060).

**General Fund**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,536,469 while the total General Fund balance equaled \$22,640,384 compared to \$17,816,864 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 37.28% of total General Fund expenditures and other financing uses compared to 24.26% last year, while total fund balance represents 51.03% of that same amount compared to 38.58% last year.

During the current fiscal year, the fund balance of the City's General Fund increased by \$4,823,520 compared to last year's increase of \$926,779.

**Capital Projects Fund**

The Capital Projects Fund accounts for the construction and acquisition of the capital assets of the City. At the end of the current fiscal year, the fund balance was \$2,006,030 compared to (\$310,033) in the previous year. Within the current year \$1,473,466 is considered restricted due to debt financing and \$532,564 is considered assigned due to the funding being from operating fund transfers.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**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 (\$4,091,893) compared to (\$4,540,585) 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 \$984,322 compared to a decrease of \$4,263 in the previous year.

Unrestricted net position (deficit) at the end of the fiscal year of the Sewer Fund was (\$2,724,560) compared to (\$2,926,534) in the prior year. The Sewer Fund had an increase in net position in the amount of \$954,197 compared to an increase of \$823,601 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 restore Management and Management Confidential staff salaries to the Fiscal Year 2019-20 levels (\$31,378) and to appropriate additional funding for the Fairgrounds bleacher replacement project (\$31,617). The budget was also readopted multiple other times, all with no increase to appropriations (budget neutral), for actions such as restoring one Parks and Recreation Maintenance Worker that had been eliminated in the budget while decreasing the amount to be spent on Parks and Recreation temporary workers, operating a youth baseball program, operating an abbreviated pool season at the new Thompson Park pool, adding a shared Secretary for the Engineering and Planning Departments while eliminating an Engineering Department Civil Engineer I, adding two Code Enforcement Officer positions, adding a temporary clerical position in the Department of Public Works Administration, eliminating the Senior Code Enforcement Officer position, adding a part-time temporary Code Enforcement position, adding an additional Maintenance Worker and Account Clerk Typist in Parks and Recreation while eliminating the Assistant Superintendent of Parks and Recreation. Additionally, other routine budget amendments between departmental expenditure accounts did occur.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

- Continued

---

**General Fund Budgetary Highlights – Continued**

General Fund revenues of \$49,186,481 on a budgetary basis exceeded final budgeted revenues of \$44,118,290 by \$5,068,191, or 11.49%. Areas where actual revenues to budgeted revenues exceeded expectations were sales tax (\$5,553,114), State AIM due to the State's release of Fiscal Year 2019-20 withheld amount (\$923,951), mortgage tax receipts (\$211,180), refuse charges (\$90,383) sale of equipment (\$49,284) and Federal transportation Section 5307 assistance (\$420,529) due to additional Federal support related to the Covid-19 CARES Act. Revenues that fell short were the sale of hydro-electricity (\$1,419,231), bus fares (\$47,152), arena concessions (\$141,741), arena fees (\$29,667), ice rink charges (\$66,074), building permits (\$19,992), and CHIPs reimbursements for labor and equipment purchases (\$43,882).

General Fund budgetary basis expenditures of \$44,362,961 were \$1,718,327 or 3.73%, lower than the final budgeted expenditures of \$46,081,288 which excludes \$573,753 of open year-end encumbrances. Actual expenditures were lower than the budgeted expenditures due mostly to personal services (\$316,214), contracted services (\$261,962), miscellaneous expenses (\$71,566), materials and supplies (\$105,262) and transfers to the Self-Funded Health Insurance Fund for the City's share of General Fund employees' health insurance premiums (\$196,628). These combined results reduced the use of \$681,043 in appropriated fund balance and reserves that was budgeted in the 2020-21 General Fund original adopted budget to a surplus of \$4,823,520.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2021, amounts to \$138,475,692. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, traffic signals, and other infrastructure.

<b>City of Watertown's Capital Assets, Net of Accumulated Depreciation</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2021</b>	<b>6/30/2020</b>
Land	\$ 2,849,200	\$ 2,621,285	\$ -	\$ -	\$ 2,849,200	\$ 2,621,285
Construction in Progress	1,258,177	5,813,731	8,856,686	7,164,650	10,114,863	12,978,381
Land Improvements	2,707,487	2,922,992	-	-	2,707,487	2,922,992
Building and Improvements	30,855,032	28,374,721	14,833,553	15,309,627	45,688,585	43,684,348
Infrastructure	43,934,322	43,924,421	22,091,147	22,562,035	66,025,469	66,486,456
Machinery and Equipment	3,045,495	3,287,095	4,669,564	4,857,121	7,715,059	8,144,216
Vehicles	2,831,992	2,785,015	543,037	314,648	3,375,029	3,099,663
<b>Total Capital Assets</b>	<b>\$ 87,481,705</b>	<b>\$ 89,729,260</b>	<b>\$ 50,993,987</b>	<b>\$ 50,208,081</b>	<b>\$ 138,475,692</b>	<b>\$ 139,937,341</b>

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

- Utilized \$441,131 of NYS Department of Transportation Consolidated Local Street and Highway Improvement Program (CHIPs) funding for streets such as Thompson Boulevard (\$242,349), Indiana Avenue South (\$39,399), Gale Street (\$33,623), Pleasant Street North (\$52,384), Main Street West (\$35,367), and Meadow Street South (\$30,656).
- Completion of the rehabilitation of the north span of the Mill Street bridge at a cost of \$1,335,959.
- Completion of the rehabilitation of the north span of the Pearl Street bridge at a cost of \$868,310.
- Completed the Thompson Park pool and bathhouse project at a cost of \$3,134,248.
- Resurfaced the hydro-electric facility canal spillway at a cost of \$491,175.
- Installed a new trash and safety rack at the hydro-electric facility at a cost of \$35,594.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**CAPITAL ASSETS AND DEBT ADMINISTRATION -**

Continued

---

**Capital Assets – Continued**

- Purchased a Central Garage service truck with crane (\$91,218), sewer cleaner/vacuum truck (\$414,272) and refurbished Fire Engine 3 (\$153,517).
- Repointed the Water Pump House building at a cost of \$236,181.
- 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 \$8,237,226.
- Started the Water soda ash dry chemical system project at an estimated cost of \$575,000. Construction in progress at year-end was \$357,849.
- Started the construction of 2,700 linear feet of sidewalks in the 300 - 500 blocks of Tilden Street at an estimated cost of \$250,000. Construction in progress at year-end was \$129,265.
- Started the replacement of 1,200 linear feet of water main piping on Tilden Street at an estimated cost of \$400,000. Construction in progress at year-end was \$211,597.
- Continued to design the estimated \$7,100,000 project to rehabilitate the Court Street bridge and resurface Massey Street and Coffeen Street. Construction in progress at year-end was \$565,190.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

**CAPITAL ASSETS AND DEBT ADMINISTRATION -**

Continued

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$29,005,000. This entire amount is backed by the full faith and credit of the City of Watertown. Following is a comparative statement of outstanding debt:

<b>City of Watertown's Outstanding Long-term Debt</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
General Obligation Bonds	\$ 20,092,562	\$ 19,606,104	\$ 8,912,438	\$ 10,423,896	\$ 29,005,000	\$ 30,030,000
Total	<u>\$ 20,092,562</u>	<u>\$ 19,606,104</u>	<u>\$ 8,912,438</u>	<u>\$ 10,423,896</u>	<u>\$ 29,005,000</u>	<u>\$ 30,030,000</u>

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, 2021, the City's NYS constitutional debt limit was \$81,360,443 with total net indebtedness of \$16,454,159 after statutory exclusions, thus exhausting 20.22% of the City's debt limit.

The City issued \$1,640,000 in serial bonds dated September 30, 2020 maturing February 15, 2026 at interest rates ranging from 3.00% to 5.00% (priced to yield 0.3809%) to refund \$1,750,000 of outstanding serial bonds issued in 2008, 2010 and 2011 which generated \$95,572 of net present value savings.

The City issued \$2,800,000 in serial bonds dated May 18, 2021, maturing May 15, 2031 at an interest rate of 5.00% (priced to yield 0.9027%) to provide financing for various capital projects. The bonds are reflected in the capital projects fund and enterprise funds. The bonds are backed by the full faith and credit of the City of Watertown.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

---

The City's elected and appointed officials considered many factors when adopting the fiscal year 2021-2022 budget, most importantly how the COVID-19 pandemic was affecting the state and local economy.

The City of Watertown is the county seat of Jefferson County. The unemployment rates in June 2021 were 5.9% for Watertown, 5.1% for Jefferson County, 7.2% for New York State, and 5.9% for the United States. The unemployment rates in June 2020 were 13.6% for Watertown, 10.7% for Jefferson County, 14.8% for New York State, and 11.0% for the United States. The unemployment rates in June 2019 were 4.7% for Watertown, 4.3% for Jefferson County, 3.7% for New York State, and 3.6% for the United States.

Budget factors considered during the preparation of the FY 2021-2022 budget focused on balancing the continued unknown impacts of the COVID-19 pandemic on the national, state and local economies primarily on sales tax revenue and State AIM funding while also maintaining adequate staffing levels to be both functionally and financially sustainable in the short-term and long-term. Sales tax did not drop in Fiscal Year 2020-2021 as was projected so the amount budgeted was increased by \$3,274,000. This budget started to address the looming expiration of the National Grid hydro-electric contract in 2030 by transferring \$400,000 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.

Like most local governments, the City's 2021-2022 budget will experience upward NYS Retirement System contribution rates for the cost of employees' retirement benefits. The budgeted contribution rate to the Employees' Retirement System will range from 10.2% to 22.0% of salaries, up slightly from a range of 9.8% to 20.2% in the previous year. The budgeted contribution rate for the Police and Fire Retirement System will range from 19.3% to 29.7% of salaries, up from 16.1% to 26.2% of salaries in the previous year. The NYS Retirement System does utilize smoothing techniques to avoid sharp increases or decreases due to large market fluctuations.

Due to positive trends in health claim costs in FY 2020-2021, the self-insurance fund premiums were kept at the previous fiscal year's rates. The City did not override the NYS Property tax cap, and decreased the property tax levy slightly by \$6,850 or 0.07% to maintain the same property tax rate as the previous fiscal year. The City saw a decrease of \$973,255, or 0.09%, in taxable assessed value.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

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

---

The City's FY 2021-2022 General Fund operating costs increased by \$4,635,826, or 11.06%, to \$46,539,384, as positions and other spending were brought back to a pre-pandemic level. The Transfer to the Capital Projects Fund increased by \$874,200 as the prior year had been cut drastically due to the pandemic uncertainties. The City appropriated \$1,200,000 of fund balance, an increase of \$765,000 over FY 2020-2021. Positions brought back included four Police officers and the addition of a second School Resource Officer.

Appropriations for the Water Fund increased by \$213,571 or 3.87%, while revenues decreased \$131,142 or 2.45%. The decrease in revenues was primarily due to a decrease of \$126,000 in water rents from inside of the City customers and a decrease of \$185,707 in water rents from outside of the City customers. The Water Fund was able to appropriate \$517,825 of fund balance to avoid any water rate increases. The Sewer Fund appropriations increased by \$420,700 or 6.07% due to an increase in the Transfer to the Capital Projects Fund of \$200,500 to fund all of its capital projects with current resources and avoid debt. Revenues increased \$80,000 or 3.46% from inside the City customers, revenues from sewer charges for sludge and leachate haulers increased \$143,000 or 9.70% due to a new agreement with the Development Authority of the North Country and revenues from other governments decreased by \$47,000 or 2.10%. The Sewer Fund also was able to maintain the sewer rates through the appropriation of \$525,000 of fund balance.

The City will receive \$22,265,728 in funding from the American Rescue Plan Act of 2021. At the time of the budget development the rules regarding the use of the funding were still being developed but it was clear that replacing water and sewer infrastructure would be considered allowable uses. Accordingly, the budget funded Water Fund capital projects such as the repointing of the Water Plant maintenance and administration building (\$80,000), coagulation basin pumping station generator (\$530,000) and Thompson Park reservoir relining (\$500,000).

**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.

## AUDITED BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION

June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Trustees of the Roswell P. Flower Memorial Library
<b>ASSETS</b>				
Unrestricted Cash and Cash Equivalents	\$ 21,929,235	\$ 9,919,478	\$ 31,848,713	\$ 183,899
Restricted Cash and Cash Equivalents	14,424,189	21,292	14,445,481	118,037
Certificates of Deposit	-	-	-	59,823
Receivables (Net of Allowance for Uncollectibles)				
Accounts	2,209,374	1,928,821	4,138,195	2,267
Taxes	370,580	-	370,580	-
Due from Other Governments	3,224,795	540,677	3,765,472	-
State and Federal Aid Receivables	1,671,033	36,636	1,707,669	-
Prepaid Expenses	64,274	-	64,274	-
Internal Balances	(266,692)	266,692	-	-
	<u>43,626,788</u>	<u>12,713,596</u>	<u>56,340,384</u>	<u>364,026</u>
Capital Assets				
Non-Depreciable	4,107,377	8,856,686	12,964,063	14,516
Depreciable, Net	83,374,328	42,137,301	125,511,629	48,819
Total Capital Assets	<u>87,481,705</u>	<u>50,993,987</u>	<u>138,475,692</u>	<u>63,335</u>
<b>TOTAL ASSETS</b>	<u>\$ 131,108,493</u>	<u>\$ 63,707,583</u>	<u>\$ 194,816,076</u>	<u>\$ 427,361</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Bond Refunding	\$ 42,084	\$ -	\$ 42,084	\$ -
Deferred Outflows of Resources, Pensions	20,195,740	2,130,483	22,326,223	-
Deferred Outflows of Resources, OPEB	17,041,076	2,309,202	19,350,278	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 37,278,900</u>	<u>\$ 4,439,685</u>	<u>\$ 41,718,585</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 790,955	\$ 595,105	\$ 1,386,060	\$ 42,665
Accrued Interest Payable	119,503	55,225	174,728	-
Accrued Liabilities	2,936,956	115,968	3,052,924	-
Current Debt Obligations Due Within One Year, Net of Unamortized Premium	2,357,508	1,308,965	3,666,473	-
Compensated Absences Due Within One Year	3,527	-	3,527	-
Other Liabilities	59,245	18,503	77,748	-
Bond Anticipation Note	-	7,026,223	7,026,223	-
Due to Other Governments	195,199	192	195,391	-
Due to Retirement System	1,536,158	90,795	1,626,953	-
Unearned Revenue	13,044,274	15,979	13,060,253	-
Other Post Employment Benefits Payable	108,665,412	15,349,562	124,014,974	-
Other Long-Term Liabilities	1,149,223	114,824	1,264,047	-
Net Pension Liability - Proportionate Share	5,263,151	10,314	5,273,465	-
Workers Compensation Liability	1,484,294	902,001	2,386,295	-
Serial Bonds Due and Payable After One Year, Net of Unamortized Premium	18,984,672	7,808,845	26,793,517	-
<b>TOTAL LIABILITIES</b>	<u>\$ 156,590,077</u>	<u>\$ 33,412,501</u>	<u>\$ 190,002,578</u>	<u>\$ 42,665</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources, Unavailable Property Tax Revenues	\$ 309,741	\$ -	\$ 309,741	\$ -
Deferred Inflows of Resources, Pensions	23,277,709	3,077,877	26,355,586	-
Deferred Inflows of Resources, OPEB	27,779,096	2,947,655	30,726,751	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 51,366,546</u>	<u>\$ 6,025,532</u>	<u>\$ 57,392,078</u>	<u>\$ -</u>
<b>NET POSITION (DEFICIT)</b>				
Net Investment in Capital Assets	\$ 66,199,609	\$ 35,525,688	\$ 101,725,297	\$ -
Restricted for:				
Capital Reserve	10,292	-	10,292	-
Workers' Compensation Reserve	238,617	-	238,617	-
Insurance Reserve - General	755,940	-	755,940	-
Economic Development and Assistance	5,033	-	5,033	-
Debt Service	269,178	-	269,178	-
Capital Projects	1,473,466	-	1,473,466	-
Library	-	-	-	148,290
Unrestricted (Deficit)	<u>(108,521,365)</u>	<u>(6,816,453)</u>	<u>(115,337,818)</u>	<u>236,406</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>\$ (39,569,230)</u>	<u>\$ 28,709,235</u>	<u>\$ (10,859,995)</u>	<u>\$ 384,696</u>

See notes to audited basic financial statements.

**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2021

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	\$ 12,661,988	\$ 3,362,712	\$ 56,195	\$ -	\$ (9,243,081)	\$ -	\$ (9,243,081)	\$ -
Hydroelectric Production	654,542	2,967,769	-	-	2,313,227	-	2,313,227	-
Public Safety								
Fire	8,963,150	-	-	-	(8,963,150)	-	(8,963,150)	-
Police	7,719,518	94,094	180,123	-	(7,445,301)	-	(7,445,301)	-
Other Public Safety	364,862	109,606	-	-	(255,256)	-	(255,256)	-
Public Works	7,029,175	74,570	245,178	960,941	(5,748,486)	-	(5,748,486)	-
Transportation								
Bus	1,176,537	96,666	486,647	-	(593,224)	-	(593,224)	-
Economic Opportunity and Development								
Other Economic Assistance	13,282	-	-	-	(13,282)	-	(13,282)	-
Empire Zone	2,556	-	-	-	(2,556)	-	(2,556)	-
Culture and Recreation								
Library	1,018,037	8,171	63,879	102,181	(843,806)	-	(843,806)	-
Other Culture and Recreation	2,302,282	255,124	-	879	(2,046,279)	-	(2,046,279)	-
Home and Community Services								
Refuse and Recycle	847,012	1,006,383	-	-	159,371	-	159,371	-
Other Home and Community Services	1,297,830	5,475	981,083	57,000	(254,272)	-	(254,272)	-
Interest on Debt	679,892	-	-	-	(679,892)	-	(679,892)	-
Total Governmental Activities	<u>44,730,663</u>	<u>7,980,570</u>	<u>2,013,105</u>	<u>1,121,001</u>	<u>(33,615,987)</u>	<u>-</u>	<u>(33,615,987)</u>	<u>-</u>
Business-Type Activities								
Water	4,637,313	5,391,063	-	211,597	-	965,347	965,347	-
Sewer	5,746,322	6,682,872	-	-	-	936,550	936,550	-
Total Business-Type Activities	<u>10,383,635</u>	<u>12,073,935</u>	<u>-</u>	<u>211,597</u>	<u>-</u>	<u>1,901,897</u>	<u>1,901,897</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 55,114,298</u>	<u>\$ 20,054,505</u>	<u>\$ 2,013,105</u>	<u>\$ 1,332,598</u>	<u>(33,615,987)</u>	<u>1,901,897</u>	<u>(31,714,090)</u>	<u>-</u>
Component Unit								
The Trustees of the R.P. Flower Memorial Library	\$ 139,837	-	94,488	-	-	-	-	(45,349)
Total Component Unit	<u>\$ 139,837</u>	<u>\$ -</u>	<u>\$ 94,488</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,349)</u>
<b>Net (Expense) Revenue and Changes in Net Position Brought Forward</b>					<u>(33,615,987)</u>	<u>1,901,897</u>	<u>(31,714,090)</u>	<u>(45,349)</u>
			GENERAL REVENUES					
			Property Taxes		9,784,103	-	9,784,103	75,000
			Sales Taxes		22,201,114	-	22,201,114	-
			Utilities Gross Receipts Tax		285,654	-	285,654	-
			Franchise Tax		355,345	-	355,345	-
			Hotel Occupancy Tax		133,745	-	133,745	-
			Mortgage Tax		461,180	-	461,180	-
			Grants and Entitlements Not Restricted to Specific Programs		5,627,159	-	5,627,159	-
			Investment Earnings		24,495	66,622	91,117	474
			Total General Revenues		<u>38,872,795</u>	<u>66,622</u>	<u>38,939,417</u>	<u>75,474</u>
			Transfers		30,000	(30,000)	-	-
			Change in Net Position		5,286,808	1,938,519	7,225,327	30,125
			Total Net Position - Beginning of Year		<u>(44,856,038)</u>	<u>26,770,716</u>	<u>(18,085,322)</u>	<u>354,571</u>
			<b>Total Net Position - End of Year</b>		<u>\$ (39,569,230)</u>	<u>\$ 28,709,235</u>	<u>\$ (10,859,995)</u>	<u>\$ 384,696</u>

See notes to audited basic financial statements.

**CITY OF WATERTOWN, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Unrestricted Cash and Cash Equivalents	\$ 21,534,658	\$ 388,657	\$ 5,920	\$ 21,929,235
Restricted Cash and Cash Equivalents	12,997,155	1,400,360	26,674	14,424,189
Receivables (Net of Allowance for Uncollectibles)				
Accounts	247,895	-	1,961,479	2,209,374
Taxes	370,580	-	-	370,580
Due from Other Governments	3,224,795	-	-	3,224,795
State and Federal Aid Receivables	1,213,903	382,670	74,460	1,671,033
Prepaid Expenses	64,274	-	-	64,274
Due from Other Funds	567,724	446,357	225,755	1,239,836
<b>TOTAL ASSETS</b>	<u>\$ 40,220,984</u>	<u>\$ 2,618,044</u>	<u>\$ 2,294,288</u>	<u>\$ 45,133,316</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 617,044	\$ 120,343	\$ 53,568	\$ 790,955
Accrued Liabilities	2,916,580	-	20,376	2,936,956
Compensated Absences	3,527	-	-	3,527
Other Liabilities	59,245	-	-	59,245
Due to Other Funds	897,188	491,671	117,669	1,506,528
Due to Other Governments	186,129	-	9,070	195,199
Due to Retirement System	1,513,837	-	22,321	1,536,158
Unearned Revenue	11,077,309	-	1,966,965	13,044,274
Total Liabilities	<u>17,270,859</u>	<u>612,014</u>	<u>2,189,969</u>	<u>20,072,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Property Tax Revenues	309,741	-	-	309,741
Total Deferred Inflows of Resources	<u>309,741</u>	<u>-</u>	<u>-</u>	<u>309,741</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid Expenses	64,274	-	-	64,274
Restricted				
Capital Reserve - General	10,292	-	-	10,292
Workers Compensation Reserve	238,617	-	-	238,617
Insurance Reserve - General	755,940	-	-	755,940
Debt Service Reserve	265,334	-	3,844	269,178
Economic Development and Assistance Reserve	-	-	5,033	5,033
Capital Projects	-	1,473,466	-	1,473,466
Assigned				
Self-Funded Health Insurance Plan	2,995,705	-	-	2,995,705
General Government Support	26,946	-	-	26,946
Fire	169,189	-	-	169,189
Police	272,966	-	-	272,966
Other Public Safety	954	-	-	954
Public Works	76,800	-	-	76,800
Bus	8,202	-	-	8,202
Other Culture and Recreation	2,928	-	-	2,928
Hydroelectric Production	3,714	-	-	3,714
Library	-	-	37,340	37,340
Refuse and Recycle	5,309	-	-	5,309
Other Home and Community Services	6,745	-	-	6,745
Capital Projects	-	532,564	-	532,564
Subsequent Year's Expenditures	1,200,000	-	58,102	1,258,102
Unassigned	16,536,469	-	-	16,536,469
Total Fund Balances	<u>22,640,384</u>	<u>2,006,030</u>	<u>104,319</u>	<u>24,750,733</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 40,220,984</u>	<u>\$ 2,618,044</u>	<u>\$ 2,294,288</u>	<u>\$ 45,133,316</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, 2021

**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 24,750,733

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	\$ 181,920,732	
Accumulated Depreciation	<u>(94,439,027)</u>	87,481,705

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	42,084	
Deferred Outflows of Resources, Pensions	20,195,740	
Deferred Outflows of Resources, OPEB	<u>17,041,076</u>	37,278,900

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	(20,092,562)	
Accrued Interest on Bonds Payable	(119,503)	
Premium on Bond Issue	(1,231,618)	
Compensated Absences	(1,113,223)	
Workers Compensation Liability	(1,484,294)	
Landfill Post-Closure Liability	(54,000)	
Net Pension Liability - Proportionate Share	(5,263,151)	
Other Postemployment Benefits Payable	<u>(108,665,412)</u>	(138,023,763)

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	(23,277,709)	
Deferred Inflows of Resources, OPEB	<u>(27,779,096)</u>	<u>(51,056,805)</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (39,569,230)

**CITY OF WATERTOWN, NEW YORK**

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

Year Ended June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 9,481,984	\$ -	\$ -	\$ 9,481,984
Real Property Tax Items	302,119	-	-	302,119
Nonproperty Taxes	22,975,858	-	-	22,975,858
Departmental Income	4,570,340	-	-	4,570,340
Intergovernmental Charges	146,945	-	-	146,945
Use of Money and Property	80,222	1,172	7	81,401
Licenses and Permits	122,000	-	-	122,000
Fines and Forfeitures	63,608	-	1,471	65,079
Sale of Property and Compensation for Loss	313,727	-	-	313,727
Miscellaneous Local Sources	1,496,110	57,939	71,804	1,625,853
Interfund Revenue	1,216,110	-	-	1,216,110
State Sources	6,692,334	648,906	-	7,341,240
Federal Sources	1,529,200	414,156	937,474	2,880,830
<b>Total Revenues</b>	<u>48,990,557</u>	<u>1,122,173</u>	<u>1,010,756</u>	<u>51,123,486</u>
<b>EXPENDITURES</b>				
General Government Support	4,804,538	-	-	4,804,538
Public Safety	17,321,808	17,637	-	17,339,445
Transportation	4,549,815	1,857,076	-	6,406,891
Economic Assistance and Opportunity	13,282	-	2,555	15,837
Culture and Recreation	1,665,719	693,957	786,152	3,145,828
Home and Community Services	1,307,951	351,599	806,274	2,465,824
Employee Benefits	9,946,605	-	362,793	10,309,398
Debt Service	3,015,648	-	165,007	3,180,655
<b>Total Expenditures</b>	<u>42,625,366</u>	<u>2,920,269</u>	<u>2,122,781</u>	<u>47,668,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,365,191</u>	<u>(1,798,096)</u>	<u>(1,112,025)</u>	<u>3,455,070</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Proceeds from Serial Bond Issuance	-	2,800,000	-	2,800,000
BANs Redeemed from Appropriations	-	254,500	-	254,500
Proceeds from Bond Refunding	-	-	1,225,000	1,225,000
Payment to Escrow Agent	-	-	(1,326,744)	(1,326,744)
Bond Refunding Professional Fees	-	-	(52,002)	(52,002)
Interfund Transfers In	195,924	1,209,517	1,252,723	2,658,164
Interfund Transfers Out	(1,737,595)	(149,858)	(740,711)	(2,628,164)
Premium on Debt Issuances	-	-	757,534	757,534
<b>Total Other Financing Sources (Uses)</b>	<u>(1,541,671)</u>	<u>4,114,159</u>	<u>1,115,800</u>	<u>3,688,288</u>
<b>Net Change in Fund Balances</b>	<u>4,823,520</u>	<u>2,316,063</u>	<u>3,775</u>	<u>7,143,358</u>
Fund Balances (Deficits), Beginning of Year	17,816,864	(310,033)	100,544	17,607,375
<b>Fund Balances, End of Year</b>	<u>\$ 22,640,384</u>	<u>\$ 2,006,030</u>	<u>\$ 104,319</u>	<u>\$ 24,750,733</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, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$ 7,143,358

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	\$ 2,998,019	
Depreciation Expense	(5,206,377)	
Loss on Disposal	<u>(39,197)</u>	(2,247,555)

Governmental funds report repayment of bond 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.

2,230,542

Payment to the escrow agent relating to debt refunding is an expenditure in the governmental funds, however, the amount reduced the deferred charge on refunding included in deferred outflows on the Statement of Net Position and the initial amount does not affect the Statement of Activities

101,744

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 20% withholding of state aid/grant 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.

(932,496)

Governmental funds report bond proceeds as a source of funding. However, bond proceeds are not revenues in the Statement of Activities, but long-term liabilities in the Statement of Net Position

(2,800,000)

Decrease in proportionate share of net pension 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	432,933	
Police and Fire Retirement System	<u>234,374</u>	667,307

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

Year Ended June 30, 2021

Bond premiums/discounts and issuance costs associated with long-term bonds are recognized as expenditures and other financing sources/uses in the governmental funds at the time the debt issued. However, those items are capitalized on the Statement of Net Position and amortized over the life of the bonds on the Statement of Activities since they do not require the use of current financial resources.

(757,534)

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The following items resulted in a net decrease in interest expense being reported in the Statement of Activities.

Change in Accrued Interest Payable	(13,139)	
Amortization of Bond Premium	40,873	
Amortization of Deferred Charge on Bond Refunding	(8,166)	19,568

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.

2,286,420

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.

(424,546)

**Change in Net Position of Governmental Activities** \$ 5,286,808



**CITY OF WATERTOWN, NEW YORK**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2021

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Unrestricted Cash and Cash Equivalents	\$ 3,743,630	\$ 6,175,848	\$ 9,919,478
Accounts Receivable,			
Net of Allowance for Uncollectible Accounts	978,323	950,498	1,928,821
Due from Governmental Funds	268,276	59,369	327,645
Due from Other Governments	167,669	373,008	540,677
State and Federal Aid Receivables	36,636	-	36,636
Total Current Assets	<u>5,194,534</u>	<u>7,558,723</u>	<u>12,753,257</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Cash and Cash Equivalents	21,292	-	21,292
Capital Assets, Net of Accumulated Depreciation	19,773,810	31,220,177	50,993,987
Total Non-Current Assets	<u>19,795,102</u>	<u>31,220,177</u>	<u>51,015,279</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,989,636</u>	<u>\$ 38,778,900</u>	<u>\$ 63,768,536</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources, Pensions	\$ 1,127,743	\$ 1,002,740	\$ 2,130,483
Deferred Outflows of Resources, OPEB	1,230,083	1,079,119	2,309,202
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,357,826</u>	<u>\$ 2,081,859</u>	<u>\$ 4,439,685</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 362,868	\$ 232,237	\$ 595,105
Accrued Interest Payable	20,391	34,834	55,225
Accrued Liabilities	66,905	49,063	115,968
Due to Retirement System	47,990	42,805	90,795
Due to Governmental Funds	38,763	22,190	60,953
Due to Other Governments	192	-	192
Other Liabilities	18,503	-	18,503
Unearned Revenue	11,193	4,786	15,979
Bond Anticipation Note	-	7,026,223	7,026,223
Current Portion of Long-Term Liabilities, Net of Unamortized Premium	579,108	729,857	1,308,965
Total Current Liabilities	<u>1,145,913</u>	<u>8,141,995</u>	<u>9,287,908</u>
<b>LONG-TERM LIABILITIES</b>			
Workers Compensation Liability	181,946	720,055	902,001
Compensated Absences	61,991	52,833	114,824
Net Pension Liability	5,460	4,854	10,314
Other Postemployment Benefits Liability	8,877,862	6,471,700	15,349,562
Serial Bonds Payable, Net of Unamortized Premium	2,978,918	4,829,927	7,808,845
Total Long-Term Liabilities	<u>12,106,177</u>	<u>12,079,369</u>	<u>24,185,546</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 13,252,090</u>	<u>\$ 20,221,364</u>	<u>\$ 33,473,454</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources, Pensions	\$ 1,629,341	\$ 1,448,536	\$ 3,077,877
Deferred Inflows of Resources, OPEB	679,114	2,268,541	2,947,655
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 2,308,455</u>	<u>\$ 3,717,077</u>	<u>\$ 6,025,532</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 15,878,810	\$ 19,646,878	\$ 35,525,688
Unrestricted	(4,091,893)	(2,724,560)	(6,816,453)
<b>TOTAL NET POSITION</b>	<u>\$ 11,786,917</u>	<u>\$ 16,922,318</u>	<u>\$ 28,709,235</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, 2021

	<b>Business - Type Activities Enterprise Funds</b>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 3,984,830	\$ 4,265,276	\$ 8,250,106
Intergovernmental Charges	1,227,561	1,929,088	3,156,649
Other Operating Revenue	178,672	488,508	667,180
Total Operating Revenues	<u>5,391,063</u>	<u>6,682,872</u>	<u>12,073,935</u>
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	2,095,528	2,113,884	4,209,412
Contractual Services	1,769,962	2,551,358	4,321,320
Depreciation	644,185	886,553	1,530,738
Total Operating Expenses	<u>4,509,675</u>	<u>5,551,795</u>	<u>10,061,470</u>
Income from Operations	<u>881,388</u>	<u>1,131,077</u>	<u>2,012,465</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Revenue	33,975	32,647	66,622
Interest Expense	(127,638)	(179,014)	(306,652)
Loss on Disposal of Fixed Assets	-	(15,513)	(15,513)
Total Non-Operating Revenue (Expenses)	<u>(93,663)</u>	<u>(161,880)</u>	<u>(255,543)</u>
Income Before Contributions and Transfers	787,725	969,197	1,756,922
Capital Contributions	211,597	-	211,597
Transfers Out	(15,000)	(15,000)	(30,000)
Change in Net Position	984,322	954,197	1,938,519
Net Position, Beginning of Year	<u>10,802,595</u>	<u>15,968,121</u>	<u>26,770,716</u>
Net Position, End of Year	<u>\$ 11,786,917</u>	<u>\$ 16,922,318</u>	<u>\$ 28,709,235</u>

See notes to audited basic financial statements.

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2021

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Cash Received from Providing Services	\$ 4,833,816	\$ 6,014,557	\$ 10,848,373
Cash Payments for Contractual Expense	(1,803,908)	(2,547,648)	(4,351,556)
Cash Payments for Personal Services and Benefits	(2,209,904)	(2,028,114)	(4,238,018)
Other Operating Revenue	192,306	488,508	680,814
Net Cash Provided by Operating Activities	<u>1,012,310</u>	<u>1,927,303</u>	<u>2,939,613</u>
Cash Flows from Non-Capital Financing Activities			
Transfers to Other Funds	(15,000)	(15,000)	(30,000)
Cash Flows from Capital and Related Financing Activities			
Proceeds of (Reduction on) Capital Debt	(8,000)	2,045,122	2,037,122
Premium Received on Bond Refunding	30,433	24,005	54,438
Principal Paid on Capital Debt	(732,558)	(775,401)	(1,507,959)
Interest Paid on Capital Debt	(140,410)	(182,979)	(323,389)
Purchase of Capital Assets	(445,658)	(2,592,290)	(3,037,948)
Capital Grants	211,597	-	211,597
Net Cash Used In Capital and Related Financing Activities	<u>(1,084,596)</u>	<u>(1,481,543)</u>	<u>(2,566,139)</u>
Cash Flows from Investing Activities			
Interest Income	3,541	4,841	8,382
Net Cash Provided By Investing Activities	<u>3,541</u>	<u>4,841</u>	<u>8,382</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(83,745)	435,601	351,856
Cash and Cash Equivalents, Beginning of Year	3,848,667	5,740,247	9,588,914
Cash and Cash Equivalents, End of Year	<u>\$ 3,764,922</u>	<u>\$ 6,175,848</u>	<u>\$ 9,940,770</u>
Reconciliation of Income from Operations to Net			
Cash Provided By Operating Activities			
Income from Operations	\$ 881,388	\$ 1,131,077	\$ 2,012,465
Depreciation	644,185	886,553	1,530,738
Change in Operating Assets			
Accounts Receivable	(83,050)	(48,264)	(131,314)
Due from Governmental Funds	(242,950)	(4,151)	(247,101)
Due from Other Governments	(52,363)	(127,142)	(179,505)
State and Federal Aid Receivables	13,634	-	13,634
Prepaid Expenses	-	-	-
Deferred Outflow of Resources, Pensions	(292,713)	(233,761)	(526,474)
Deferred Outflow of Resources, OPEB	167,857	229,006	396,863
Change in Operating Liabilities			
Accounts Payable	(24,819)	(7,985)	(32,804)
Accrued Liabilities	24,403	11,930	36,333
Due to Retirement System	4,574	5,054	9,628
Due to Governmental Funds	(9,177)	11,445	2,268
Due to Other Governments	52	-	52
Other Liabilities	(213)	-	(213)
Workers Compensation Liability	(24,306)	322,386	298,080
Compensated Absences	(7,284)	722	(6,562)
Net Pension Liability	(1,323,615)	(1,222,836)	(2,546,451)
Other Postemployment Benefits Liability	(352,132)	(2,168,632)	(2,520,764)
Deferred Inflows of Resources, Pensions	1,580,050	1,403,005	2,983,055
Deferred Inflows of Resources, OPEB	108,789	1,738,896	1,847,685
Net Cash Provided By Operating Activities	<u>\$ 1,012,310</u>	<u>\$ 1,927,303</u>	<u>\$ 2,939,613</u>
Reconciliation of Total Cash and Cash Equivalents			
Current Assets - Unrestricted Cash and Cash Equivalents	\$ 3,743,630	\$ 6,175,848	\$ 9,919,478
Non-Current Assets - Restricted Cash and Cash Equivalents	21,292	-	21,292
Total Cash and Cash Equivalents	<u>\$ 3,764,922</u>	<u>\$ 6,175,848</u>	<u>\$ 9,940,770</u>

See notes to audited basic financial statements.

**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2021

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 30,415
<b>TOTAL ASSETS</b>	<u>\$ 30,415</u>
<b>NET POSITION</b>	
Held in Trust for Scholarships	\$ 30,415
<b>TOTAL NET POSITION</b>	<u>\$ 30,415</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2021

	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Interest Revenue	\$ 94
Total Additions	<u>94</u>
<b>DEDUCTIONS</b>	
Other	<u>879</u>
Total Deductions	<u>879</u>
Change in Net Position	(785)
Net Position, Beginning of Year	<u>31,200</u>
Net Position, End of Year	<u>\$ 30,415</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**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, 2021

**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, 2021

**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, 2021, the City implemented the following new statement issued by GASB:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests – and amendment of GASB Statements No. 14 and No. 61*
- Statement No. 93, *Replacement of Interbank Offered Rates*, except for GASB No. 93 paragraphs 13-14 effective for the year ending June 30, 2022

**Future New Accounting Standards**

GASB has issued the following new statements for which the City is reviewing and plans on adopting as required.

- Statement No. 87, *Leases* effective for the year ending June 30, 2022
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* effective for the year ending June 30, 2022
- Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023
- Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022
- Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 13-14 effective for the year ending June 30, 2022
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023
- 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
- Statement No. 98, *The Annual Comprehensive Financial Report*, effective for the year ending June 30, 2022

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

---



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

**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, 2021

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, 2021

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, 2021

**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 5<sup>th</sup> based on the assessed value of real property within the City. The City also levies and collects property taxes on behalf of Jefferson County, which become due as of January 15<sup>th</sup>, and enforces collection of unpaid City school taxes transmitted by the school district to the City in December of each year.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**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 \$179,038 and is included in "Due to other Governments". A portion of the total property taxes receivable, \$309,741, is considered unavailable and is presented as a deferred inflow of resources.

An allowance for uncollectible taxes of \$1,007,999 has been included in the General Fund accounts receivable balance at June 30, 2021. 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, 2021, the City had exhausted 18.56% of its tax limit and had a constitutional margin of \$19,028,280.

**Budget Policies**

The budget policies are as follows:

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**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.

**Impact of COVID-19 Pandemic on Financial Statements**

The COVID-19 pandemic remains a rapidly revolving situation. The extent of the impact of COVID-19 on the City and financial results will depend on the future developments, which are highly uncertain and cannot be predicted, including but not limited to the duration, spread, severity, and impact of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the City's net position is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**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 \$348,798 at June 30, 2021.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

---

**Capital 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

**Compensated Absences**

Employees are granted the following compensated absences each year:

Sick Leave	12 days
Vacation	10 - 30 days

Sick leave may be accumulated from year-to-year, up to 180 days. Upon retirement or other termination, no payment is made for accumulated sick time except for police, firemen, and electrical workers who may receive a portion of their sick leave at retirement. The liability for sick leave is recorded in the Statement of Net Position, since it is anticipated that none of the liability will be liquidated with expendable available financial resources. Vacation time vests and may be accumulated from year-to-year up to 10 days for management, civil service employee's association members, police, and electrical workers, and 5 days for all other employees. The liability will be liquidated with expendable available financial resources; therefore, it is accounted for in the respective governmental fund type. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

---

**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 \$2,452,295 as of June 30, 2021 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, 2021 were \$29,011.
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 \$1,101,399 has been recorded in the self-insurance fund for claims incurred as of June 30, 2021, but not reported based upon historical experience.

**Operating Revenue and Expenses**

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



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

---

**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 qualifies for reporting in this category. The first item is related to property taxes and is reported as unavailable revenue. The second 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 third 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 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 state aid/grant revenue.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

**Equity Classifications**

Government-Wide Statements

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

**Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) 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.
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.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

**Fund Statements - Continued**

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 – CASH AND CASH EQUIVALENTS**

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, 2021, the City limited its investments to demand and savings accounts and certificates of deposit.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

The City does not typically purchase 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
- 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, 2021 per the banks were \$46,781,131 These deposits are categorized as follows:

(a)	(b)	(c)
\$ 687,782	\$ 46,093,349	\$ -

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

As of June 30, 2021, the City had the following cash equivalents:

Certificates of Deposit - Custodial Funds	\$	26,016
---	----	--------

**NOTE 3 – CAPITAL ASSETS**

A summary of the changes in capital assets for the year ended June 30, 2021 were as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 2,621,285	\$ 227,915	\$ -	\$ 2,849,200
Construction in Progress	5,813,731	2,919,401	(7,474,955)	1,258,177
Total	8,435,016	3,147,316	(7,474,955)	4,107,377
<b>Depreciable Capital Assets:</b>				
Land Improvements	10,639,551	57,000	-	10,696,551
Buildings and Improvements	47,148,647	3,695,625	(11,421)	50,832,851
Infrastructure	87,840,024	2,732,873	-	90,572,897
Machinery and Equipment	14,581,988	96,576	(50,495)	14,628,069
Vehicles	11,471,196	743,584	(1,131,793)	11,082,987
Total	171,681,406	7,325,658	(1,193,709)	177,813,355
<b>Less: Accumulated Depreciation:</b>				
Land Improvements	7,716,559	272,505	-	7,989,064
Buildings and Improvements	18,773,926	1,208,462	(4,569)	19,977,819
Infrastructure	43,915,603	2,722,972	-	46,638,575
Machinery and Equipment	11,294,893	328,419	(40,738)	11,582,574
Vehicles	8,686,181	674,019	(1,109,205)	8,250,995
Total	90,387,162	5,206,377	(1,154,512)	94,439,027
Depreciable Capital Assets, Net	81,294,244	2,119,281	(39,197)	83,374,328
Total	\$ 89,729,260	\$ 5,266,597	\$ (7,514,152)	\$ 87,481,705

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 3 – CAPITAL ASSETS - Continued**

Depreciation expense was charged to governmental activities as follows:

General Government Support	\$	86,314
Hydroelectric Production		280,094
Police		145,354
Fire		224,500
Other Public Safety		3,230
Public Works		3,230,293
Bus		208,346
Library		205,617
Other Culture and Recreation		715,028
Refuse and Recycling		107,601
		107,601
Total Depreciation Expense	\$	5,206,377

A summary of the changes in capital assets for the year ended June 30, 2021 were as follows:

<u>Business-Type Activities</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
<b>Non-Depreciable Capital Assets:</b>				
Construction in Progress	\$ 7,164,650	\$ 2,235,480	\$ (543,444)	\$ 8,856,686
Total	7,164,650	2,235,480	(543,444)	8,856,686
<b>Depreciable Capital Assets:</b>				
Land Improvements	250,568	-	-	250,568
Buildings and Improvements	34,882,178	236,181	-	35,118,359
Infrastructure	31,591,389	-	-	31,591,389
Machinery and Equipment	19,490,827	91,246	(24,503)	19,557,570
Vehicles	1,184,795	312,694	(80,257)	1,417,232
Total	87,399,757	640,121	(104,760)	87,935,118
<b>Less: Accumulated Depreciation:</b>				
Land Improvements	250,568	-	-	250,568
Buildings and Improvements	19,572,551	712,255	-	20,284,806
Infrastructure	9,029,354	470,888	-	9,500,242
Machinery and Equipment	14,633,706	263,289	(8,989)	14,888,006
Vehicles	870,147	84,306	(80,258)	874,195
Total	44,356,326	1,530,738	(89,247)	45,797,817
Depreciable Capital Assets, Net	43,043,431	(890,617)	(15,513)	42,137,301
Total	\$ 50,208,081	\$ 1,344,863	\$ (558,957)	\$ 50,993,987

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 3 – CAPITAL ASSETS - Continued**

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

Water	\$	644,185
Sewer		886,553
		886,553
 Total Depreciation Expense	 \$	 1,530,738
		 1,530,738

**NOTE 4 – RESTRICTED CASH AND CASH EQUIVALENTS**

Restricted cash and cash equivalents are as follows as of June 30, 2021:

<b>Fund</b>	<b>Restriction</b>	<b>Amount</b>
General	Reserve for Capital Projects	\$ 281,014
General	Reserve for Special Assessment Sidewalk Program Debt	17,916
General	Reserve for Workers' Compensation Claims	238,617
General	Reserve for General Liability Claims	760,628
General	Reserve for Debt Service	88,143
General	Reserve for Black River Trust	164,150
General	Tax Sale Surplus Bid Deposits	449,350
General	American Rescue Plan Act (ARPA) Grant Funds	10,921,209
General	Other Restricted Deposits	76,128
Capital Projects	Reserve for Capital Project Acquisitions and Construction	1,400,360
Non Major	Federal and State Community Development Grants	17,797
Non Major	Reserve for Empire Zone	5,033
Non Major	Reserve for Debt Service	3,844
Water	Reserve for Capital Project Acquisitions and Construction	21,292
		21,292
 Total Restricted Cash and Cash Equivalents		 \$ 14,445,481
		 14,445,481

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 5 – 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, 2021 was \$1,493,611. The balance of the Small Cities and Program Income loans subject to repayment at June 30, 2021 was \$467,868.



**CITY OF WATERTOWN, NEW YORK**

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 5 – NOTES RECEIVABLE - Continued**

The following table summarizes notes receivable at June 30, 2021:

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
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	\$ 127,403
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	\$ 843	Up to 20 years at 0% interest for downtown apartments and up to 10 years at 0% for rental rehabilitations	\$ 10,000
CDBG Small Cities -2011	Rental rehabilitations and downtown apartments	\$ 62,580	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 37,000
CDBG Small Cities - 2012	Rental rehabilitations and downtown apartments	\$ 67,996	Up to 20 years at 0% interest for newly developed rental apartments and up to 10 years at 0% for rental rehabilitations	\$ 23,000
CDBG Small Cities - 2013	City-wide housing rehabilitations	\$ 161,433	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	\$1,179,015	5 years - 10 years at 0% interest for owner-occupied or rental rehabilitations	\$ 192,446
Program Income - CDBG Small Cities	Repair and rehabilitate the local housing stock	\$ 21,744	Loan repayments received from recipients of previous CDBG Small Cities grant awards	\$ -
	<b>Total</b>	<b>\$1,493,611</b>	<b>Total</b>	<b>\$ 467,868</b>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 6 – SHORT-TERM DEBT**

The City issued a bond anticipation note to finance various projects reflected in the Capital Projects Fund and Enterprise Funds in the amount of \$1,972,500 on May 19, 2020, which matured on May 19, 2021. The bond anticipation note was issued at with a 1.75% interest rate and a premium of \$8,335 lowering the net interest cost to 1.3274%. The bond anticipation note is backed by the full faith and credit of the City of Watertown.

The City also 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 repayments were made in the amounts of \$3,000 and \$20,500 on the notes during the fiscal year.

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

<b>Governmental Activities</b>	<b>Balance</b>			<b>Balance</b>
	<b><u>June 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>June 30, 2021</u></b>
Bond Anticipation Note	\$ 1,972,500	\$ -	\$ (1,972,500)	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Business-Type Activities</b>	<b>Balance</b>			<b>Balance</b>
	<b><u>June 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>June 30, 2021</u></b>
Bond Anticipation Note	\$ 4,985,601	\$ 2,064,122	\$ (23,500)	\$ 7,026,223
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 – 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.

During the year ended June 30, 2021, the following changes occurred in long-term obligations for governmental activities:

<b>Governmental Activities</b>	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>	<b>Due Within One Year</b>
<b>General Obligation Debt</b>					
Serial Bonds	\$ 19,606,104	\$ 4,025,000	\$ (3,538,542)	\$ 20,092,562	\$ 2,211,041
Premium on Debt Issuance	514,957	757,534	(40,873)	1,231,618	128,467
Total	<u>\$ 20,121,061</u>	<u>\$ 4,782,534</u>	<u>\$ (3,579,415)</u>	<u>\$ 21,324,180</u>	<u>\$ 2,339,508</u>
<b>Compensated Absences</b>					
Compensated Absences	\$ 1,018,640	\$ 94,583	\$ -	\$ 1,113,223	\$ -
Workers' Compensation	1,041,748	442,546	-	1,484,294	-
Landfill Monitoring	72,000	-	(18,000)	54,000	18,000
Total	<u>\$ 2,132,388</u>	<u>\$ 537,129</u>	<u>\$ (18,000)</u>	<u>\$ 2,651,517</u>	<u>\$ 18,000</u>

The Statement of Net Position at June 30, 2021 includes a deferred amount of \$42,084 on the advance refunding of bonds.

Changes in the net pension liability – proportionate share and the changes in the total OPEB liability are reported in Notes 9 and 10, respectively.

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

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 – LONG-TERM DEBT - Continued**

During the year ended June 30, 2021, the following changes occurred in long-term obligations for business-type activities:

<b>Business-Type Activities</b>	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>	<b>Due Within One Year</b>
<b>General Obligation Bonds</b>					
Serial Bonds - Water	\$ 4,208,531	\$ 232,000	\$ (972,558)	\$ 3,467,973	\$ 569,211
Serial Bonds - Sewer	6,215,365	183,000	(953,900)	5,444,465	659,747
Premium on Debt Issuance - Water	99,950	-	(9,897)	90,053	9,897
Premium on Debt Issuance - Sewer	53,430	-	(4,111)	49,319	4,110
<b>Total</b>	<b>\$ 10,577,276</b>	<b>\$ 415,000</b>	<b>\$ (1,940,466)</b>	<b>\$ 9,051,810</b>	<b>\$ 1,242,965</b>
<b>Workers Compensation</b>					
Water	\$ 206,252	\$ -	\$ (24,306)	\$ 181,946	\$ -
Sewer	463,669	322,386	-	786,055	66,000
<b>Total</b>	<b>\$ 669,921</b>	<b>\$ 322,386</b>	<b>\$ (24,306)</b>	<b>\$ 968,001</b>	<b>\$ 66,000</b>
<b>Compensated Absences</b>					
Water	\$ 69,275	\$ -	\$ (7,284)	\$ 61,991	\$ -
Sewer	52,111	722	-	52,833	-
<b>Total</b>	<b>\$ 121,386</b>	<b>\$ 722</b>	<b>\$ (7,284)</b>	<b>\$ 114,824</b>	<b>\$ -</b>

Changes in the net pension liability – proportionate share and the changes in the total OPEB liability are reported in Note 9 and 10 respectively.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 – 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, 2021 are as follows:

	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Paid June 30, 2021</b>	<b>Outstanding June 30, 2021</b>	<b>Maturity Date</b>
Public Improvements	3.25-4.00%	\$ 7,345,000	\$ 975,000	\$ -	2/15/2023
Public Improvements	3.125-4.00%	2,225,000	375,000	-	12/15/2024
Public Imp. Refunding, Ser.A	2.00-4.00%	2,175,000	1,005,000	-	11/15/2025
Public Imp. Refunding, Ser.C	2.00-6.00%	3,695,000	355,000	775,000	11/15/2022
Public Improvements	2.00-3.00%	2,035,000	175,000	-	6/15/2021
Public Improvements	3.00-3.50%	1,645,000	125,000	625,000	10/15/2027
Public Imp. Refunding	1.00- 2.625%	4,485,000	345,000	105,000	11/15/2022
Public Improvements, Ser.A	1.50-2.75%	1,195,000	100,000	250,000	4/1/2024
Public Improvements, Ser.B	2.00-3.25%	5,110,000	330,000	3,000,000	4/1/2029
Public Improvements, Ser.A	3.00-3.50%	10,000,000	300,000	8,335,000	6/15/2040
Public Improvements, Ser.B	2.00-3.125%	5,810,000	375,000	3,300,000	6/15/2030
Public Improvements	2.00-3.00%	5,130,000	460,000	3,295,000	6/15/2032
Public Improvements	3.00-5.00%	5,965,749	535,000	4,890,000	9/1/2033
Public Improvements	5.00%	2,800,000	-	2,800,000	5/15/2031
Public Imp. Refunding	3.00-5.00%	1,640,000	10,000	1,630,000	2/15/2026
		<u>\$ 61,255,749</u>	<u>\$ 5,465,000</u>	<u>\$ 29,005,000</u>	
Total General Obligation Bonds		<u>\$ 61,255,749</u>	<u>\$ 5,465,000</u>	<u>\$ 29,005,000</u>	

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 – LONG-TERM DEBT - Continued**

General Obligation Bonds - Continued

Annual debt service requirements to maturity for general obligation bonds for fiscal year ending June 30, 2021 are as follows:

**Governmental Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,211,041	\$ 755,837	\$ 2,966,878
2023	2,264,042	663,136	2,927,178
2024	1,772,056	578,571	2,350,627
2025	1,688,056	210,787	1,898,843
2026	1,608,057	444,143	2,052,200
2027-2031	5,547,922	1,420,176	6,968,098
2032-2036	2,741,388	665,592	3,406,980
2037-2040	2,260,000	201,250	2,461,250
Totals	<u>\$ 20,092,562</u>	<u>\$ 4,939,492</u>	<u>\$ 25,032,054</u>

**Business-type Activities**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,228,958	\$ 283,421	\$ 1,512,379
2023	1,190,958	242,393	1,433,351
2024	1,002,944	203,182	1,206,126
2025	976,944	172,134	1,149,078
2026	966,943	141,626	1,108,569
2027-2031	3,307,078	281,586	3,588,664
2032-2033	238,613	7,159	245,772
Totals	<u>\$ 8,912,438</u>	<u>\$ 1,331,501</u>	<u>\$ 10,243,939</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 7 – LONG-TERM DEBT - Continued**

**Defeased Debt**

On September 30, 2020, the City issued \$1,640,000 in general obligation refunding bonds to advance refund a portion of serial bonds from 2008, 2010, and 2011 issuances. The purpose of the refunding was to lower interest rates and provide taxpayer savings. The net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent and used to redeem all of the outstanding 2008 and 2010 series bonds on October 30, 2020 and the 2011 series bonds on November 16, 2020. The reacquisition price exceeded the net carrying amount of the old debt by \$18,744. This amount is reported as deferred outflows of resources and amortized over the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next five years by \$69,863 and resulted in an economic gain of \$95,572.

**NOTE 8 – UNEARNED REVENUE**

Unearned revenue consisted of the following as of June 30, 2021:

General Fund:

Unearned Revenue from American Rescue Plan Act Grant	\$ 10,921,209
Unearned Refuse Tote Revenue and Prepaid Interest Installments on Special Assessments	156,100
	\$ 11,077,309

Community Development Fund:

Notes Receivable Funded from Grant Proceeds	\$ 1,961,479
	\$ 1,961,479

Library Fund:

Unearned Grant Revenue	\$ 5,486
	\$ 5,486

Water Fund:

Unearned Water Rents	\$ 11,193
	\$ 11,193

Sewer Fund:

Unearned Sewer Rents	\$ 4,786
	\$ 4,786

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – 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, 2021

**NOTE 9 – 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, 2021

**NOTE 9 – 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, 2021

**NOTE 9 – 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, 2021</u>		<u>June 30, 2020</u>		<u>June 30, 2019</u>
<b>Employer Contributions</b>					
ERS	\$ 1,234,673	\$	1,265,209	\$	1,255,658
PFRS	\$ 2,720,015	\$	2,370,618	\$	2,305,182
 <b>Employee Contributions</b>					
ERS	\$ 151,569	\$	148,308	\$	135,172
PFRS	\$ 109,784	\$	90,119	\$	69,566

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the City of Watertown reported a liability of \$35,024 for its proportionate share of the Employees' Retirement System net pension liability and a liability of \$5,238,441 for its proportionate share of the Police and Fire Employees' Retirement System net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. The City's proportion of the net pension 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, 2021, the City's proportionate share was 0.0351740% for the Employees' Retirement System and 0.3017055% for the Police and Fire Employees' Retirement System. The change in proportion since the last measurement date was 0.0003678% for ERS and 0.0064657% for PFRS.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – RETIREMENT BENEFITS - Continued**

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

For the year ended June 30, 2021, the City recognized a pension benefit of \$522,803 for the Employees’ Retirement System and \$234,374 for the Police and Fire Employees’ Retirement System. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Employees' Retirement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 427,740	\$ -
Changes of Assumption	6,439,812	121,457
Net Difference Between Projected and Actual Earnings on Plan Investments	-	10,060,999
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	58,383	268,740
City Contributions Subsequent to Measurement Date	322,747	-
<b>Total</b>	<b>\$ 7,248,682</b>	<b>\$ 10,451,196</b>

<b>Police and Fire Retirement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,162,382	\$ -
Changes of Assumption	12,870,283	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	15,403,329
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	202,682	501,061
City Contributions Subsequent to Measurement Date	842,194	-
<b>Total</b>	<b>\$ 15,077,541</b>	<b>\$ 15,904,390</b>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – RETIREMENT BENEFITS - Continued**

**Pension 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, 2022.

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

	<b>Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>
2022	\$ (679,759)	\$ (764,102)
2023	(278,264)	(148,516)
2024	(594,993)	(568,175)
2025	(1,972,245)	(2,748,847)
2026	-	2,560,597

**Changes in Net Pension Liability – Proportionate Share**

	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>
<b>Governmental Activities</b>				
Net Pension Liability –				
Proportionate Share	\$ 22,440,504	\$ -	\$ (17,177,353)	\$ 5,263,151
Total	\$ 22,440,504	\$ -	\$ (17,177,353)	\$ 5,263,151

	<b>Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2021</b>
<b>Business-Type Activities</b>				
Net Pension Liability –				
Proportionate Share				
Water	\$ 1,329,075	\$ -	\$ (1,323,615)	\$ 5,460
Sewer	1,227,690	-	(1,222,836)	4,854
Total	\$ 2,556,765	\$ -	\$ (2,546,451)	\$ 10,314

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – RETIREMENT BENEFITS - Continued**

**Payables to the Pension Plan**

For ERS and PFRS pension plans, employer contributions are paid annually based on the System’s fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2021 represent the projected employer contributions for the period April 1, 2021 through June 30, 2021 based on ERS and PFRS wages multiplied by the employer’s rate, by tier. The accrued ERS retirement contributions as of June 30, 2021 were \$641,244 for governmental activities and \$90,795 for business-type activities. The accrued PFRS retirement contribution as of June 30, 2021 was \$894,914 for governmental activities.

**Actuarial Assumptions**

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2020 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, 2020 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, 2021

**NOTE 9 – 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, 2021 are summarized in the following table:

	<b>Long-Term Expected Real Rates of Return</b>
Asset Type:	
Domestic Equity	4.05%
International Equity	6.30%
Private Equity	6.75%
Real Estate	4.95%
Opportunistic / Absolute Return Strategies Portfolio	4.50%
Credit	3.63%
Real Assets	5.95%
Cash	0.50%

**Discount Rate**

The discount rate used to calculate the total pension 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 liability.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – RETIREMENT BENEFITS - Continued**

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

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

	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.90%)</b>	<b>1% Increase (6.90%)</b>
<b>ERS</b>			
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,721,350	\$ 35,024	\$ (8,898,035)
	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.90%)</b>	<b>1% Increase (6.90%)</b>
<b>PFRS</b>			
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 22,276,802	\$ 5,238,441	\$ (8,864,919)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2021, were as follows:

	<b>(In Thousands)</b>		
	<b>Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>	<b>Total</b>
Employers' Total Pension Liability	\$ 220,680,157	\$ 41,236,775	\$ 261,916,932
Fiduciary Net Position	220,580,583	39,500,500	260,081,083
Employers' Net Pension Liability	\$ 99,574	\$ 1,736,275	\$ 1,835,849
Ratio of Fiduciary Net Position to the Employers' Total Plan Pension Liability	99.95%	95.79%	

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 9 – 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 <sup>st</sup> Year	\$ 5,000
2 <sup>nd</sup> Year	\$ 4,000
3 <sup>rd</sup> Year	\$ 3,000

The City has reported \$31,000 relating to this bonus retirement plan as part of the accrued compensated absences balance in the General Fund.

**NOTE 10 – 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, 2021

**NOTE 10 – 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, 2021 which indicates that the total liability for other postemployment benefits is \$124,014,974 which is reflected in the Statement of Net Position. The OPEB liability was measured as of September 1, 2020 and was determined by an actuarial valuation as of September 1, 2020.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 10 - POSTEMPLOYMENT (HEALTH INSURANCE)**

**BENEFITS - Continued**

**Total OPEB Liability – Continued**

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2021 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	09/01/20
Rate of Compensation Increase	2.00%
Inflation Rate	2.50%
Discount Rate	2.20%

**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, 2020 (the measurement date).

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 10 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued**

**Changes in the Total OPEB Liability**

Balance at June 30, 2020	\$	151,896,033
Changes for the Year:		
Service Cost		2,000,656
Interest		4,488,960
Changes in Benefit Terms		(571,209)
Difference Between Expected and Actual Experience		(29,357,000)
Changes of Assumptions or Other Inputs		1,064,006
Benefit Payments		(5,506,472)
Net Changes		(27,881,059)
Balance at June 30, 2021	\$	124,014,974

Changes of assumptions and other inputs reflect a change in the discount rate from 2.97 percent as of September 1, 2019 to 2.20 percent as of September 1, 2020.

*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 (1.20 percent) or 1 percentage point higher (3.20 percent) than the current discount rate:

	<b>1% Decrease 1.20%</b>	<b>Discount Rate 2.20%</b>	<b>1% Increase 3.20%</b>
Total OPEB Liability	\$ 141,709,292	\$ 124,014,974	\$ 109,446,399

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 10 - 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:*

	<b>1% Decrease (6.50% decreasing to 5.50%)</b>	<b>Healthcare Cost Trend Rates (6.50%)</b>	<b>1% Increase (6.50% increasing to 7.50%)</b>
Total OPEB Liability	\$ 109,089,201	\$ 124,014,974	\$ 142,042,566

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

For the year ended June 30, 2021, the City recognized total OPEB expense of \$2,297,425. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 2,764,642	\$ 24,251,435
Changes of Assumptions or Other Inputs	12,566,338	6,475,316
Employer Contributions Subsequent to the Measurement Date (Expected Employer Contribution including Implicit Subsidy)	4,019,298	-
Total	<b>\$ 19,350,278</b>	<b>\$ 30,726,751</b>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 10 - 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>For the Fiscal Year Ending June 30</b>	
2022	\$ (3,620,982)
2023	(3,620,982)
2024	(1,517,767)
2025	(2,945,646)
2026	(3,690,394)
Total	<u><u>\$ (15,395,771)</u></u>

**NOTE 11 – 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, 2021

**NOTE 11 – 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.

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, 2021 had deficit fund balances.

**Excess of Expenditures over Appropriations**

No funds as of June 30, 2021 had excess expenditures over appropriations.

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 12 – 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, 2021 were as follows:

	<b>Interfund</b>		<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Revenue</b>	<b>Expenditures</b>
General Fund	\$ 567,724	\$ 897,188	\$ 195,924	\$1,737,595
Capital Project Funds	446,357	491,671	1,209,517	149,858
Water Fund	268,276	38,763	-	15,000
Sewer Fund	59,369	22,190	-	15,000
Non Major Funds	225,755	117,669	1,252,723	740,711
<b>Total</b>	<b>\$ 1,567,481</b>	<b>\$ 1,567,481</b>	<b>\$2,658,164</b>	<b>\$2,658,164</b>

**Interfund Eliminations**

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

	<b>General Fund</b>	<b>Self-funded Health Insurance Fund</b>
Revenues	\$ -	\$ 6,117,775
Expenditures	6,117,775	-
<b>Total</b>	<b>\$ 6,117,775</b>	<b>\$ 6,117,775</b>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 13 – OPERATING LEASES**

---

**State Street Parking Lot**

The City leases a parking lot located at 250-270 State Street from Washington Street Properties. The term of the original lease is for a five-year period from October 22, 2016 through October 21, 2021. The annual rent for the current fiscal year is \$3,400. The lease payment is payable in advance by September 15th of the previous year. A subsequent lease agreement was not reached.

**Stone Street Parking Lot**

The City leases a parking lot located on Stone Street from Jefferson County Historical Society. The lease dated September 18, 2007 is for a term of twenty years. The lease payment is payable by October 1<sup>st</sup> of each year. The annual payment made during the year end June 30, 2021 amounts to \$22,050.

Minimum future rentals to be paid over the term of the lease for fiscal year ended June 30<sup>th</sup> are as follows:

2022	\$	22,050
2023		22,950
2024		22,950
2025		22,950
2026		22,950
Thereafter		22,950
Total	\$	<u>136,800</u>

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 13 – OPERATING LEASES - Continued**

**Fairgrounds Property Lease**

The City is the lessor of a portion of the Fairgrounds property to the Watertown Family YMCA. The lease dated July 9, 2009 is for a term of twenty-five years 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.

Minimum future rentals on the lease as of June 30<sup>th</sup> are as follows:

	2022	\$	27,735
	2023		27,735
	2024		28,775
	2025		29,815
	2026		29,815
	Thereafter		234,794
	Total	\$	378,669

**Public Safety Building Lease**

The City has entered into an amended Inter-Municipal Agreement with the County of Jefferson, New York, for the joint operation and maintenance of a County/City Public Safety Building. Minimum annual lease payments are calculated on a pro rata basis of square footage utilized by the City and consist of the costs incurred for debt service, operation and maintenance expenses. These lease payments are offset by a percentage of the costs incurred by the City for the construction of the facility. Furthermore, the City is liable for a portion of the debt regardless of the City continuing the lease or not. Total rental expenditures for the year ended June 30, 2021 were \$151,669. The final debt service payment on the initial construction was made in the fiscal year ended June 30, 2014.

**Equipment Leases**

The City is the lessor of certain office equipment. The lease dated August 16, 2018 is for a term of five years. Minimum future rentals on the lease as of June 30<sup>th</sup> are as follows:

	2022	\$	1,387
	2023		1,387
	2024		116
	Total	\$	2,890

**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 14 – TAX ABATEMENTS**

The City receives revenue through numerous Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Agency or by the City itself. During the year ended June 30, 2021, the City collected approximately \$124,000 of PILOT payments.

<b>Owner Name</b>	<b>Start Date</b>	<b>End Date</b>	<b>% Abated</b>	<b>Assessed Value</b>	<b>(A) Abated Total</b>	<b>(B) Tax Rate</b>	<b>(A) * (B) Appr. Taxes Foregone</b>
JCIDA - WICLDC	2017	2025	100.00%	\$ 1,374,000	\$ 1,374,000	8.9450	\$ 12,290
JCIDA - Roth Industries	2006	2032	100.00%	2,722,400	2,722,400	8.9450	24,352
JCIDA - Woolworth							
Watertown LLC	2015	2029	100.00%	2,708,800	2,708,800	8.9450	24,230
JCIDA - New York Airbrake	2017	2032	100.00%	960,000	960,000	8.9450	8,587
JCIDA - Current Applications	2016	2030	100.00%	435,700	435,700	8.9450	3,897
JCIDA - Rail Spur	2006	None	100.00%	60,000	60,000	8.9450	537
JCIDA - Stream	2004	2019	100.00%	4,488,600	4,488,600	8.9450	40,151
Watertown Housing Authority	Various	None	99.66%	19,901,300	19,833,636	8.9450	177,412
HKBBE Apartments	2017	2058	100.00%	11,258,300	11,258,300	8.9450	100,705
Creekwood Housing Development Fund Company Inc	2013	2022	93.83%	3,024,200	2,837,607	8.9450	25,382
Creekwood II Housing Development Fund Company Inc	2014	2023	96.11%	5,809,800	5,583,799	8.9450	49,947
Creekwood Housing Development Fund Company Inc	2013	2022	91.61%	2,188,300	2,004,702	8.9450	17,932
Curtis Apartments Assoc	1979	2019	100.00%	2,121,300	2,121,300	8.9450	18,975
BFS Housing Development	2018	2020	99.13%	4,930,050	4,887,159	8.9450	43,716
							<u>\$ 548,113</u>

The Jefferson County Industrial Agency (JCIDA) also has the authority to exempt sales tax and mortgage recording taxes which could lower City tax revenues. For the fiscal year ended June 30, 2020, 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, 2021

**NOTE 15 – 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, 2021, 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 \$755,940 as of June 30, 2021 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, 2021, 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, 2021, 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, 2021

**NOTE 15 – 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, 2021, an estimated \$54,000 in post-closure care cost will be incurred over the remaining 5-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, 2021

**NOTE 15 – 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, 2021, contributed \$17,330. The balance in the fund as of June 30, 2021 was \$164,150.

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.



**NOTES TO AUDITED BASIC FINANCIAL STATEMENTS**

June 30, 2021

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

---

**Metropolitan Planning Organization – Continued**

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. 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 receive an annual allocation of community development funds.

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

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE**

---

During the year ended June 30, 2021 the City implemented GASB Statement No. 84, *Fiduciary Activities*. The adoption of the accounting principle changed the reporting of the agency funds from a fiduciary fund to governmental activity funds. Also, private purpose trust funds are now reported as custodial funds. The change in accounting principle did not require a restatement of net position or fund balance.

**NOTE 17 – SUBSEQUENT EVENTS**

---

The City has evaluated events and transactions that occurred between June 30, 2021 and January 13, 2022, which is the date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

**CITY OF WATERTOWN, NEW YORK**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST FOUR FISCAL YEARS**

Ended June 30, 2021

<b>Total OPEB Liability</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Service Cost	\$ 2,000,656	\$ 1,673,568	\$ 1,611,408	\$ 1,961,321
Interest	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	1,064,006	18,162,379	(4,216,123)	(13,496,504)
Benefit Payments	<u>(5,506,472)</u>	<u>(5,257,801)</u>	<u>(4,457,706)</u>	<u>(4,286,372)</u>
Net Change in Total OPEB Liability	(27,881,059)	18,546,091	2,321,651	(11,771,213)
Total OPEB Liability - Beginning	<u>151,896,033</u>	<u>133,349,942</u>	<u>131,028,291</u>	<u>142,799,504</u>
Total OPEB Liability - Ending	<u><u>\$ 124,014,974</u></u>	<u><u>\$ 151,896,033</u></u>	<u><u>\$ 133,349,942</u></u>	<u><u>\$ 131,028,291</u></u>
Covered Payroll	\$ 20,080,856	\$ 21,008,381	\$ 20,028,068	\$ 19,575,482
Total OPEB as a Percentage of Covered Payroll	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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With</u>	
	<u>Budget</u>	<u>Budget</u>		<u>Final Budget</u>	
				<u>Favorable</u>	
				<u>(Unfavorable)</u>	
Resources (Inflows)					
Real Property Taxes	\$ 9,776,517	\$ 9,776,517	\$ 9,481,984		\$ (294,533)
Real Property Tax Items	322,500	322,500	302,119		(20,381)
Non-Property Taxes	17,453,000	17,453,000	22,975,858		5,522,858
Departmental Income	6,253,030	6,254,530	4,570,340		(1,684,190)
Intergovernmental Charges	149,915	149,915	146,945		(2,970)
Use of Money and Property	123,300	123,300	80,222		(43,078)
Licenses and Permits	117,350	117,350	122,000		4,650
Fines and Forfeitures	100,000	100,000	63,608		(36,392)
Sale of Property and Compensation for Loss	187,000	187,000	313,727		126,727
Miscellaneous Local Sources	1,562,173	1,563,352	1,496,110		(67,242)
Interfund Revenue	1,213,853	1,151,751	1,216,110		64,359
State Source	5,765,240	5,765,240	6,692,334		927,094
Federal Sources	1,115,400	1,115,400	1,529,200		413,800
Transfers from Other Funds	38,435	38,435	195,924		157,489
	<u>44,177,713</u>	<u>44,118,290</u>	<u>49,186,481</u>		<u>5,068,191</u>
Amounts Available for Appropriation					
				<b>Year-End</b>	
				<b>Encumbrances</b>	
Charges to Appropriations (Outflows)					
General Government Support	6,354,034	5,083,114	4,804,538	\$ 32,103	246,473
Public Safety	16,722,497	18,028,411	17,321,808	443,109	263,494
Transportation	5,171,359	4,958,286	4,549,815	74,960	333,511
Economic Assistance and Development	63,000	13,300	13,282	-	18
Culture and Recreation	1,683,873	1,846,496	1,665,719	2,928	177,849
Home and Community Services	1,485,591	1,421,854	1,307,951	14,712	99,191
Employee Benefits	10,118,505	9,952,907	9,946,605	5,941	361
Debt Service	2,986,280	3,015,780	3,015,648	-	132
Transfers to Other Funds	1,479,523	1,761,140	1,737,595	-	23,545
	<u>46,064,662</u>	<u>46,081,288</u>	<u>44,362,961</u>	<u>\$ 573,753</u>	<u>1,144,574</u>
Total Charges to Appropriations					
Excess (Deficiency) of Resources Over					
Charges to Appropriations	(1,886,949)	(1,962,998)	4,823,520		6,786,518
Appropriation of Prior Year Fund Balance/ Reserves	1,886,949	1,962,998	-		(1,962,998)
Excess of Resources Over					
Charges to Appropriations	<u>\$ -</u>	<u>\$ -</u>	4,823,520		<u>\$ 4,823,520</u>
Fund Balance, Beginning of Year			17,816,864		
Fund Balance, End of Year			<u>\$ 22,640,384</u>		

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

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – NYSLRS PENSION PLAN  
LAST SEVEN FISCAL YEARS**

Ended June 30, 2021

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Employees' Retirement System (ERS)</b>							
City's Proportion of the Net Pension Liability	0.0351740%	0.0348062%	0.0341289%	0.0343930%	0.0345264%	0.0341549%	0.3534050%
City's Proportionate Share of the Net Pension Liability	\$ 35,024	\$ 9,216,889	\$ 2,418,135	\$ 1,110,015	\$ 3,244,181	\$ 5,481,964	\$ 1,193,889
City's Covered Payroll	\$ 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 As a Percentage of its Covered Payroll	<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	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
<b>Police and Fire Retirement System (PFRS)</b>							
City's Proportion of the Net Pension Liability	0.3017055%	0.2952398%	0.2846016%	0.2907128%	0.2951272%	0.3194832%	0.3048112%
City's Proportionate Share of the Net Pension Liability	\$ 5,238,441	\$ 15,780,380	\$ 4,772,949	\$ 2,938,400	\$ 6,116,959	\$ 9,459,217	\$ 839,022
City's Covered Payroll	\$ 11,029,401	\$ 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>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	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 SEVEN FISCAL YEARS**

Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>Employees' Retirement System (ERS)</b>							
Contractually Required Contribution	\$ 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>1,234,673</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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 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	13.96%	13.85%	13.72%	13.89%	14.66%	15.47%	19.38%
<b>Police and Fire Retirement System (PFRS)</b>							
Contractually Required Contribution	\$ 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>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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 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	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, 2021, 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 January 13, 2022.

**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.

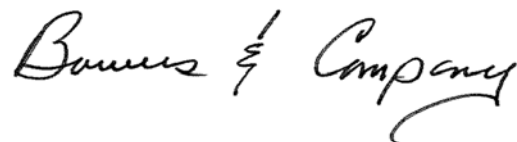
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

### **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  
January 13, 2022





**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**

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, 2021. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Watertown, New York's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Watertown, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide legal determination of City of Watertown, New York's compliance.

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

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, 2021.

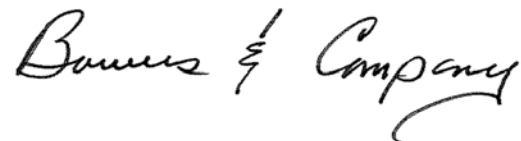
### **Report on Internal Control Over Compliance**

Management of City of Watertown, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Watertown, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Watertown, New York's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Watertown, New York  
January 13, 2022

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF WATERTOWN, NEW YORK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Housing &amp; Urban Development</b>				
Direct Award:				
Community Development Block Grant / Entitlement Grant	14.218	B-15-MC-36-0121	\$ 104,336	\$ 104,336
Community Development Block Grant / Entitlement Grant	14.218	B-17-MC-36-0121	52,658	52,658
Community Development Block Grant / Entitlement Grant	14.218	B-18-MC-36-0121	61,114	57,180
Community Development Block Grant / Entitlement Grant	14.218	B-19-MC-36-0121	433,064	228,878
COVID-19: Community Development Block Grant / Entitlement Grant	14.218	B-20-MW-36-0121	230,199	21,487
COVID-19: Community Development Block Grant / Entitlement Grant	14.218	B-20-MW-36-0121	41,228	24,275
Total Community Development Block Grant / Entitlement Grant Cluster			<u>922,599</u>	<u>488,814</u>
Passed Through New York State Homes & Community Renewal:				
Community Development Block Grant / Program Income	14.228		14,875	9,541
Total Passed Through New York State Homes & Community Renewal			<u>14,875</u>	<u>9,541</u>
Total U.S. Department of Housing & Urban Development			<u>937,474</u>	<u>498,355</u>
<b>U.S. Department of Transportation</b>				
Direct Award:				
COVID-19: 5307 CARES Act Operating and Preventative Maintenance	20.507		998,204	
Urbanized Area Formula Grant	20.507		156,325	
Total Federal Transit Cluster			<u>1,154,529</u>	
Passed Through the Office of the New York State Comptroller:				
Highway Safety Cluster				
Police Traffic Services Program	20.600	PD-00223-(040)	523	
Total Highway Safety Cluster / Total Passed Through the Office of the New York State Comptroller			<u>523</u>	
Passed Through New York State Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PIN 7753.70.121; PIN 7753.70.122; PIN 7753.70.321; PIN 7753.70.NPS	63,319	
Highway Planning and Construction	20.205	PIN 7753.62.121	238,582	
Highway Planning and Construction	20.205	70PS02	66,405	
Highway Planning and Construction	20.205	PIN 7807.20.121	45,792	
Total Highway Planning and Construction Cluster / Total Passed Through New York State Department of Transportation			<u>414,098</u>	
Total U.S. Department of Transportation			<u>1,569,150</u>	
Subtotal to Next Page			\$ 2,506,624	\$ 498,355

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, 2021

Subtotal from Previous Page		\$ 2,506,624	\$ 498,355
<b>U.S. Department of Homeland Security</b>			
Direct Awards:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	157,816	
Assistance to Firefighters Grant Program	97.044	9,437	
Total U.S. Department of Homeland Security		167,253	
<b>U.S. Department of Justice</b>			
Direct Awards:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12,347	4,790
Total U.S. Department of Justice		12,347	4,790
<b>U.S. Department of Treasury</b>			
Direct Awards:			
COVID-19: Coronavirus State Fiscal Recovery Funds	21.027	211,655	
Total U.S. Department of Treasury		211,655	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 2,897,879</b>	<b>\$ 503,145</b>

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, 2021

**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* (CFR) 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, 2021

**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 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:
  - Highway Planning and Construction Cluster:
    - Highway Planning and Construction 20.205
  - Federal Transit Cluster:
    - COVID-19: 5307 CARES Act Operating and Preventative Maintenance 20.507
    - Urbanized Area Formula Grant 20.507
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, 2021

**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**

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, 2021. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state transportation assistance programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Watertown, New York's state transportation assistance program tested based on our audit of the types of compliance requirements referenced above. 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 Part 43 of NYCRR. Those standards and Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about City of Watertown, New York's compliance with those requirements and performing other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state transportation assistance program tested. However, our audit does not provide a legal determination of City of Watertown, New York's compliance with those requirements.

## **Opinion on State Transportation Assistance Programs**

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, 2021.

## **Report on Internal Control Over Compliance**

Management of City of Watertown, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referenced to above. In planning and performing our audit of compliance, we considered City of Watertown, New York's internal control over compliance with the types of requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine the auditing procedures that are appropriate for the purpose of expressing an opinion on compliance for each state transportation assistance program tested and to test and report on the internal control over compliance in accordance with Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Watertown, New York's internal control over compliance.

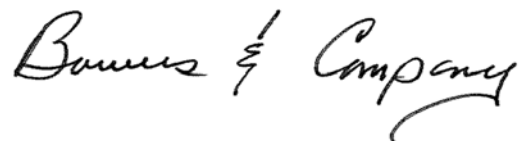
*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or, detect and correct, noncompliance with a type of compliance requirement of a state transportation 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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, 2021, 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 January 13, 2022, 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 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.

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 main body of text.

Watertown, New York  
January 13, 2022

**CITY OF WATERTOWN, NEW YORK**

---

**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**

June 30, 2021

<b>Program Title</b>	<b>Ref. Number</b>	<b>Expenditures</b>
Consolidated Local Street and Highway Improvement Program Capital - Reimbursement / CHIPS	732059	\$ 766,994
Marchiselli Match for Federal Aid Highway Projects	D035666	22,984
Bus Transit Operating Assistance		<u>259,014</u>
Total		<u>\$ 1,048,992</u>

---

See accompanying notes to schedule of state transportation assistance expended.

**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
June 30, 2021

**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, 2021

**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
--	------------

Summary of Audit Findings:	N/A
----------------------------	-----

Identification of State Transportation Assistance  
Programs tested:

Consolidated Local Street and Highway Improvement Program Capital – Reimbursement/CHIPS	732059
--	--------

**Compliance Findings and Questioned Costs**

No matters were reported.