

# OFFICIAL STATEMENT

New Issue  
Book-Entry Only

Rating: Moody's "A1"  
(See "RATING" herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Issuer, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax except for certain corporations, as more fully described herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).*

**\$5,495,000**  
**CITY OF WATERTOWN, TENNESSEE**  
**GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2024**  
**(ULT) (BQ)**

Dated: Date of Delivery

Due: May 1, as shown below

The City of Watertown, Tennessee (the "Issuer") will issue its \$5,495,000 General Obligation Public Improvement Bonds, Series 2024 (the "Bonds") in fully registered form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2024, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through the Participants (as such term is herein defined). Purchasers will not receive physical delivery of Bonds purchased by them. See "The Bonds-Book-Entry-Only System." Principal of and interest on the Bonds are payable by the Issuer to the corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee, as registration and paying agent (the "Registration Agent").

The Bonds are subject to redemption prior to maturity at the option of the Issuer at any time on or after May 1, 2030 at a price of par. The Bonds are payable on May 1 of each year as follows:

Maturity (May 1)	Principal	Interest Rate	Price or Yield	CUSIP	Maturity (May 1)	Principal	Interest Rate	Price or Yield	CUSIP
2025	\$150,000	4.000%	3.600%	942180BJ8	2031	\$165,000	4.000%	3.100% <sup>C</sup>	942180BQ2
2026	135,000	4.000	3.500	942180BK5	2032	175,000	4.000	3.100 <sup>C</sup>	942180BR0
2027	140,000	4.000	3.350	942180BL3	2033	180,000	4.000	3.150 <sup>C</sup>	942180BS8
2028	150,000	4.000	3.200	942180BM1	2034	185,000	4.000	3.200 <sup>C</sup>	942180BT6
2029	155,000	4.000	3.150	942180BN9	2035	195,000	4.000	3.250 <sup>C</sup>	942180BU3
2030	160,000	4.000	3.100	942180BP4					

\$415,000 4.000% Term Bonds due May 1, 2037, Yield 3.450%<sup>C</sup>, CUSIP 942180BW9  
\$450,000 4.000% Term Bonds due May 1, 2039, Yield 3.650%<sup>C</sup>, CUSIP 942180BY5  
\$480,000 4.000% Term Bonds due May 1, 2041, Yield 3.800%<sup>C</sup>, CUSIP 942180CA6  
\$520,000 4.000% Term Bonds due May 1, 2043, Yield 4.000%, CUSIP 942180CC2  
\$565,000 4.000% Term Bonds due May 1, 2045, Yield 4.050%, CUSIP 942180CE8  
\$610,000 4.125% Term Bonds due May 1, 2047, Yield 4.150%, CUSIP 942180CG3  
\$665,000 4.125% Term Bonds due May 1, 2049, Yield 4.200%, CUSIP 942180CJ7

<sup>C</sup> Yield to May 1, 2030 Call Date

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds.

The Bonds have been designated as "qualified tax-exempt obligations," as defined by Section 265(b) of the Internal Revenue Code.

*The Bonds are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Issuer by Tim Davis, Esq., Watertown, Tennessee, Counsel to the Issuer. Stephens Inc. is serving as Municipal Advisor to the City. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about May 30, 2024.*

May 15, 2024

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the “Official Statement”) by the Issuer from time to time, is an Official Statement with respect to the Bonds described herein that is deemed final by the Issuer as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Issuer or by Stephens Inc., as financial advisor, to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Issuer or the Bonds must not be relied upon as having been authorized by the Issuer or Stephens Inc. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date as of which information is given in this Official Statement.

**In making an investment decision investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.**

Any CUSIP numbers included herein have been assigned by Standard & Poor’s CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Noteholders. The Issuer is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the City of Watertown, Tennessee General Obligation Public Improvement Bonds, Series 2024.*

## Table of Contents

Summary Statement .....	v
The Bonds .....	1
Description .....	1
Mandatory Redemption .....	3
Notice of Redemption .....	4
Security and Sources of Payment .....	4
Discharge and Satisfaction of Bonds .....	4
Book-Entry-Only System .....	5
Sources and Uses of Funds .....	7
Application of Bond Proceeds .....	7
Rating .....	7
Continuing Disclosure .....	7
Future Issues .....	10
Litigation .....	10
Approval of Legal Proceedings .....	10
Tax Matters .....	11
Municipal Advisor .....	13
Underwriting .....	13
Miscellaneous .....	14
Certificate of Issuer .....	14
Proposed Form of Legal Opinion .....	Appendix A
Demographic and General Financial Information for the Issuer .....	Appendix B
Audited Financial Statements of the Issuer for the Fiscal Year Ended June 30, 2023 .....	Appendix C

[This page is intentionally left blank]

**CITY OF WATERTOWN, TENNESSEE**

**MAYOR**

Michael R. Jennings

**BOARD OF MAYOR AND ALDERMEN**

Laura Cromer  
Caleb Barrett  
April Pearson  
Steve Casey  
Howell Roberts  
Kyle Stacey

**ADMINISTRATION**

April Lamberson, City Recorder/Director of Finance  
Lisa Baines, City Clerk

**CITY ATTORNEY**

Tim Davis, Esq.  
Watertown, Tennessee

**BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

**REGISTRATION AND PAYING AGENT**

U.S. Bank Trust Company, National Association  
Nashville, Tennessee

**MUNICIPAL ADVISOR**

Stephens Inc.  
Nashville, Tennessee

**UNDERWRITER**

Stifel, Nicolaus & Company, Incorporated  
Birmingham, Alabama

[This page is intentionally left blank]

**Summary Statement**

*This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.*

<b>ISSUER</b> .....	City of Watertown, Tennessee (the “Issuer”).
<b>ISSUE</b> .....	\$5,495,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”).
<b>PURPOSE</b> .....	The Bonds are being issued to provide funds to finance the (i) improvement and extension of the sewer system of the Municipality; (ii) acquisition of all property real and personal, appurtenant thereto, or connected with such public works projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto; (iv) reimbursement to the Issuer for funds previously expended for the foregoing projects; and (v) payment of costs incident to the issuance of the Bonds.
<b>SECURITY</b> .....	The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds.
<b>DATED DATE</b> .....	May 30, 2024.
<b>INTEREST DUE</b> .....	Each May 1 and November 1, commencing November 1, 2024.
<b>PRINCIPAL DUE</b> .....	May 1, commencing May 1, 2025 through May 1, 2049.
<b>SETTLEMENT DATE</b> .....	May 30, 2024.
<b>OPTIONAL REDEMPTION</b>	The Bonds maturing May 1, 2031 and thereafter, shall be subject to redemption prior to maturity at the option of the Municipality on May 1, 2030 and thereafter, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date.
<b>RATING</b> .....	“A1” by Moody’s Investors Service, Inc. (the “Rating Agency”), based on documents and other information provided by the Issuer. The rating reflects only the view of the Rating Agency and neither the Issuer, the Financial Advisor nor the Underwriter makes any representations as to the appropriateness of such rating.  There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the rating may be obtained from the Rating Agency.

<b>TAX MATTERS .....</b>	Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under “TAX MATTERS” herein.
<b>BANK QUALIFICATION.....</b>	The Bonds will be "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.
<b>REGISTRATION AND PAYING AGENT.....</b>	U.S. Bank Trust Company, National Association, Nashville, Tennessee.
<b>MUNICIPAL ADVISOR.....</b>	Stephens Inc., Nashville, Tennessee.
<b>UNDERWRITER.....</b>	Stifel, Nicolaus & Company, Incorporated, Birmingham, Alabama



## **Official Statement**

**City of Watertown, Tennessee**

**\$5,495,000**

**General Obligation Public Improvement Bonds, Series 2024  
(ULT) (BQ)**

### **Introduction**

The Official Statement, including the cover page and appendices hereto, is furnished in connection with the issuance by The City of Watertown, Tennessee (the “Issuer”) of \$5,495,000 General Obligation Public Improvement Bonds, Series 2024 (the “Bonds”).

The Bonds are issuable under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101, et seq., Tennessee Code Annotated, and pursuant to a resolution adopted by the Board of Mayor and Aldermen of the Issuer on April 16, 2024 (the “Resolution”) authorizing the issuance, sale and payment of the Bonds.

This Official Statement includes descriptions of, among other matters, the Bonds, the Resolution, and the Issuer. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Resolution are qualified in their entirety by reference to the definitive document, including the form of the Bonds included in the Resolution. During the period of the offering of the Bonds, copies of the Resolution and any other documents described herein or in the Resolution may be obtained from the Issuer. After delivery of the Bonds, copies of such documents will be available for inspection at the Mayor’s office. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolution.

### **The Bonds**

#### **Description**

The Bonds are being issued to finance the (i) improvement and extension of the sewer system of the Municipality; (ii) acquisition of all property real and personal, appurtenant thereto, or connected with such public works projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto (collectively, the “Projects”); (iv) reimbursement to the Issuer for funds previously expended for the foregoing projects; and (v) payment of costs incident to the issuance of the Bonds.

The Bonds will be issued as fully registered book-entry Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated the date of delivery. Interest on the Bonds, at the rates per annum set forth on the cover page and calculated on the basis of a 360-day year, consisting of twelve 30-day months, will be payable semiannually on May 1 and November 1 of each year (herein an “Interest Payment Date”), commencing November 1, 2024.

The Bonds will mature on the dates and in the amounts set forth on the cover page.

Except as otherwise provided in the Detailed Notice of Sale and in the Resolution, the Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds.

U.S. Bank Trust Company, National Association, Nashville, Tennessee (the “Registration Agent”) will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Note registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the Interest Payment Date (the “Regular Record Date”) by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Note which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Issuer to the persons in whose names the Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: The Issuer shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Issuer shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Note registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Issuer to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

### **Optional Redemption**

The Bonds maturing May 1, 2031 and thereafter, shall be subject to redemption prior to maturity at the option of the Municipality on May 1, 2030 and thereafter, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Municipality in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

### **Mandatory Redemption**

Subject to the credit hereinafter provided, the Issuer shall redeem Bonds maturing May 1, 2037, May 1, 2039, May 1, 2041, May 1, 2043, May 1, 2045, May 1, 2047 and May 1, 2049 on the redemption dates set forth below opposite, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Note is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
May 1, 2037	May 1, 2036	\$205,000
	May 1, 2037*	210,000
May 1, 2039	May 1, 2038	\$220,000
	May 1, 2039*	230,000
May 1, 2041	May 1, 2040	\$235,000
	May 1, 2041*	245,000
May 1, 2043	May 1, 2042	\$255,000
	May 1, 2043*	265,000
May 1, 2045	May 1, 2044	\$275,000
	May 1, 2045*	290,000
May 1, 2047	May 1, 2046	\$300,000
	May 1, 2047*	310,000
May 1, 2049	May 1, 2048	\$325,000
	May 1, 2049*	340,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Issuer may (i) deliver to the Registration Agent for cancellation Bonds maturing May 1, 2037, May 1, 2039, May 1, 2041, May 1, 2043, May 1, 2045, May 1, 2047 or May 1, 2049 to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to

said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Note maturing May 1, 2037, May 1, 2039, May 1, 2041, May 1, 2043, May 1, 2045, May 1, 2047 or May 1, 2049 so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Issuer on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

### **Notice of Redemption**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Issuer not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Note registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Issuer nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants, or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Issuer pursuant to written instructions from an authorized representative of the Issuer (other than for a mandatory sinking fund redemption, if applicable, notices of which shall be given at least forty-five (45) days prior to the redemption date unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided. In the case of a Conditional Redemption, the failure of the Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

### **Security and Sources of Payment**

The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds.

### **Discharge and Satisfaction of Bonds**

The Bonds may be discharged and defeased in any one or more of the following ways:

(a) By depositing sufficient funds as and when required with the Registration Agent, to pay the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and

which has trust powers (an “Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Issuer shall also pay or cause to be paid all other sums payable under the Resolution, or make adequate provision therefor, and by resolution of the Board of Mayor and Aldermen instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Issuer to the holders of such Bonds shall be fully discharged and satisfied.

If the Issuer pays and discharges the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners of such Bonds shall thereafter be entitled only to payment out of the money or Defeasance Obligations.

Defeasance Obligations are direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

### **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). Only one fully-registered Note certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with Direct Participants, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner

entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

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

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

**THE ISSUER AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE**

**GIVEN TO NOTEHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS NOTEHOLDER.**

**Sources and Uses of Funds**

The following table sets forth the sources and uses of funds in connection with the issuance of the Bonds.

**Sources of Funds**

Par Amount	\$5,495,000.00
Net Reoffering Premium	74,231.30
Issuer Contribution	<u>59,615.63</u>
Total Sources	<u>\$5,628,846.93</u>

**Uses of Funds**

Deposit to Project Fund	\$5,500,144.17
Costs of Issuance (includes Underwriter's Discount, Municipal Advisory Fees, and Expenses)	<u>128,702.76</u>
Total Uses	<u>\$5,628,846.93</u>

**Application of Bond Proceeds**

The proceeds of the Bonds will be deposited to a Project Fund held by the Issuer, and used to pay costs of the Projects and costs of issuance of the Bonds.

**Rating**

The Bonds have been assigned a rating of "A1" by Moody's Investors Service, Inc. (the "Rating Agency") based on documents and other information provided by the Issuer. The rating reflects only the view of the Rating Agency, and neither the Issuer, the Financial Advisor, nor the Underwriter make any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the Rating Agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the rating may be obtained from the Rating Agency.

**Continuing Disclosure**

**General**

The Issuer will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide audited financial statements relating to the Issuer by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2024 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the Issuer. The Annual Report and notices described above will be filed by the Issuer with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.com](http://www.emma.msrb.com) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to

be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the “Rule”).

In the past five years, the Issuer has not been subject to any undertakings with regard to the Rule.

### **Annual Report**

The Issuer’s Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Issuer for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the Issuer or related public entities, which have been submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, it will be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

### **Reporting of Significant Events**

The Issuer will file notice of the following events (the “Listed Events”) with the MSRB and SID, if any:

- a. Principal and interest payment delinquencies.
- b. Non-payment related defaults, if material.
- c. Unscheduled draws on debt service reserves reflecting financial difficulties.
- d. Unscheduled draws on credit enhancements reflecting financial difficulties.
- e. Substitution of credit or liquidity providers, or their failure to perform.
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- g. Modifications to rights of the security holders, if material.
- h. Bond calls, if material, and tender offers.
- i. Defeasances.
- j. Release, substitution or sale of property securing repayment of the security, if material.
- k. Rating changes.
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person.



- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material
- o. Incurrence of a financial obligation (as defined by the Rule) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Upon the occurrence of a Listed Event, the Issuer shall file a notice of such occurrence with the MSRB and SID, if any, no more than ten (10) business days after the occurrence of such event.

For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Issuer shall determine the materiality of such event as soon as possible after learning of its occurrence.

#### **Termination of Reporting Obligation**

The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

#### **Amendment/Waiver**

Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the respective Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

### **Default**

In the event of a failure of the Issuer to comply with any provision of the Disclosure Certificate, any Noteholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

### **Future Issues**

The City has not authorized and does not contemplate the issuance of additional indebtedness in next 24 months.

### **Litigation**

The Issuer, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. As of the date of this Official Statement and after reviewing the current status of all pending and threatened litigation with its counsel, the Issuer believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the Issuer or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have a material adverse effect upon the Issuer's financial condition.

As of the date of this Official Statement, the Issuer has no knowledge or information concerning any pending or threatened litigation contesting the authority of the Issuer to issue, sell or deliver the proposed Bonds. The Issuer has no knowledge or information of any actions pending or expected which would materially affect the Issuer's ability to pay the debt service requirements of the proposed Bonds.

### **Approval of Legal Proceedings**

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with the Bonds. (See Appendix A). Certain legal matters will be passed upon for the Issuer by Tim Davis, Esq., Watertown, Tennessee, Counsel to the Issuer.

## Tax Matters

### Federal Taxes

**General.** Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2023.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that the Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder or who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit,
- a borrower of money to purchase or carry the Bonds, or
- an "applicable corporation" as defined in Section 59(k) of the Code.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

**Bond Premium.** If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though

the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

**Original Issue Discount.** A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

**Information Reporting and Backup Withholding.** Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Qualified Tax-Exempt Obligations**

Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

### **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **Municipal Advisor**

Stephens Inc. is serving as Municipal Advisor to the Issuer in connection with the issuance of the Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein has been obtained from the Issuer and other sources believed to be reliable, but has not been independently verified by Municipal Advisor.

The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

## **Underwriting**

Stifel, Nicolaus & Company, Incorporated, Birmingham, Alabama (the "Underwriter"), acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Bonds for an aggregate purchase price of \$5,500,144.17, which is par, plus net original issue premium/discount of \$74,231.30, less Underwriter's Discount of \$69,087.13.

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

[This page is intentionally left blank]

**Miscellaneous**

The foregoing summaries do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. For details of all terms and conditions, purchasers are referred to the Resolution, copies of which may be obtained from the Issuer.

Any statement made in this Official Statement involving matters of opinion and estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement was duly authorized by the Issuer.

**Certificate of Issuer**

I, Michael R. Jennings, do hereby certify that I am the duly qualified and acting Mayor of the City of Watertown, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated May 15, 2024 issued in connection with the sale of the Issuer’s \$5,495,000 General Obligation Public Improvement Bonds, Series 2024, and to the best of my knowledge, information, and belief (a) the descriptions and statements contained in said Official Statement were at the time of the acceptance of the winning bid and are on the date hereof true and correct in all material respects; and (b) that said Official Statement did not at the time of the acceptance of the winning bid and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature this 30<sup>th</sup> day of May, 2024.

/s/ Michael R. Jennings  
Mayor

I, April Lamberson, do hereby certify that I am the duly qualified and acting City Recorder of the City of Watertown, Tennessee, and as such official, I do hereby certify that Michael R. Jennings is the duly qualified and acting Mayor of said Issuer and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

WITNESS my official signature and the seal of the City of Watertown, Tennessee as of the date subscribed to the foregoing certificate.

/s/ April Lamberson  
City Recorder

(SEAL)

[This page is intentionally left blank]



**APPENDIX A**

Form of Legal Opinion of Bass, Berry & Sims PLC, Attorneys,  
Nashville, Tennessee relating to the Bonds



(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC  
150 Third Avenue South, Suite 2800  
Nashville, Tennessee 37201

(Dated Closing Date)

We have acted as bond counsel to the City of Watertown, Tennessee (the “Issuer”) in connection with the issuance of \$5,495,000 General Obligation Public Improvement Bonds, Series 2024, dated the date hereof (the “Bonds”). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.

2. The resolution of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds have been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer, enforceable in accordance with its terms.

3. The Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The full faith and credit of the Issuer are irrevocably pledged for the prompt payment of principal of and interest on the Bonds.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2023. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee

franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are “qualified tax-exempt obligations” for purposes of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

**APPENDIX B**

Demographic and General Financial Information  
for the Issuer



## ECONOMIC AND DEMOGRAPHIC INFORMATION GENERAL INFORMATION

The City of Watertown is located in middle Tennessee in Wilson County. The Municipality is approximately 40 miles east of Metropolitan Nashville- Davidson County. The City serves a population of 1,588.

Watertown is incorporated along with two other incorporated cities in the County – Lebanon and Mt. Juliet. According to U.S. Census Bureau data, estimated 2022 populations for Lebanon and Mt. Juliet, were 44,166 and 42,548, respectively.

### DEMOGRAPHIC DATA

#### Population

The City of Watertown’s population for 2022 was reported as 1,588 reflecting a 17% increase from the 2000 Census report of 1,358.

	<u>Watertown</u>	<u>Wilson County</u>	<u>Tennessee</u>
1990 U.S. Census	1,250	68,019	4,890,626
2000 U.S. Census	1,358	89,236	5,703,719
2010 U.S. Census	1,477	114,681	6,355,518
2020 U.S. Census	1,551	148,659	6,926,091
2021 U.S. Census Estimate	1,555	152,036	6,963,709
2022 U.S. Census Estimate	1,588	158,593	7,048,976
2023 U.S. Census Estimate	N/A	163,674	7,126,489

Source: U.S. Bureau of the Census

#### Income and Housing

The City of Watertown is located in Wilson County. Since 2013, Per Capita Personal Income and Median Housing Values for Wilson County have exceeded the State average.

	<u>Wilson County</u>	<u>Tennessee</u>	<u>% of State</u>
2013 Per Capita Personal Income	\$40,713	\$39,102	104.1%
2014 Per Capita Personal Income	\$41,784	\$40,230	103.9%
2015 Per Capita Personal Income	\$44,088	\$41,942	105.1%
2016 Per Capita Personal Income	\$45,662	\$42,943	106.3%
2017 Per Capita Personal Income	\$47,280	\$44,411	106.5%
2018 Per Capita Personal Income	\$49,477	\$46,452	106.5%
2019 Per Capita Personal Income	\$52,331	\$48,889	107.0%
2020 Per Capita Personal Income	\$55,070	\$51,924	106.1%
2021 Per Capita Personal Income	\$62,361	\$57,008	109.4%
2022 Per Capita Personal Income	\$65,138	\$58,311	111.7%

Source: Bureau of Economic Analysis, CA1-3 Personal Income Summary

	<b>Wilson County</b>	<b>Tennessee</b>	<b>% of State</b>
2013 Median Housing Value	\$227,000	\$165,000	137.6%
2014 Median Housing Value	\$234,000	\$166,000	141.0%
2015 Median Housing Value	\$241,000	\$175,000	137.7%
2016 Median Housing Value	\$254,950	\$185,000	137.8%
2017 Median Housing Value	\$289,900	\$196,800	147.3%
2018 Median Housing Value	\$309,999	\$210,000	147.6%
2019 Median Housing Value	\$324,063	\$226,000	143.4%
2020 Median Housing Value	\$348,000	\$244,900	142.1%
2021 Median Housing Value	\$400,000	\$283,410	141.1%
2022 Median Housing Value	\$438,000	\$325,000	134.8%

Source: Tennessee Housing Development Agency – This data reflects only the sales prices of new and existing homes that were sold in the respective years. This data may not be representative of the median value of all homes in the County or State.

## ECONOMIC DATA

### Labor Force, Employment and Unemployment Data

The City of Watertown has benefited from the strong economic growth in Wilson County and the overall Nashville metro area. The labor force within the County has increased from 41,640 to 45,323 reflecting a 9% increase since 2014. As shown below, the County's unemployment rate has remained below the State and the United States unemployment rate over the last 10 year.

<b>Year</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Total Labor Force</b>	<b>Unemployment Percent</b>		
				<b>County</b>	<b>State</b>	<b>U.S.</b>
2014	39,433	2,207	41,640	5.3%	6.6%	6.2%
2015	40,115	1,890	42,005	4.5%	5.6%	5.3%
2016	40,718	1,652	42,370	3.9%	4.8%	4.9%
2017	41,454	1,282	42,736	3.0%	3.8%	4.4%
2018	41,894	1,207	43,101	2.8%	3.5%	3.9%
2019	42,292	1,174	43,466	2.7%	3.3%	3.7%
2020	41,026	2,805	43,831	6.4%	7.5%	8.1%
2021	42,694	1,503	44,197	3.4%	4.5%	5.4%
2022	43,403	1,159	44,562	2.6%	3.4%	3.6%
2023	43,669	1,258	44,927	2.8%	3.3%	3.6%
Feb-24	44,281	1,042	45,323	2.3%	3.3%	3.9%

Source: Bureau of Labor Statistics



## Major Employers

The following table includes numerous major employers in Wilson County

<b>Employer</b>	<b>Employees</b>	<b>Product/Service</b>
Under Armour	1,500*	Clothing Distribution Center
Amazon	1,000	Fulfillment Services
Cracker Barrel Old Country Store	820	Corporate Headquarters for Restaurants
Performance Food Group	646	Food Distribution Center
CEVA Logistics	625	VMI & Logistics Provider for DELL & Nissan
University Medical Center	600	Hospital
Genco	500	Electronics Refurbishment
TRW Automotive	500	Hydraulic Steering Gears
Manheim Nashville	425	Auto Auction Facility
Lochinvar, LLC	425	Water Heaters, Boilers and Pool Heaters
Jones Bros., Inc.	400	Road Building and Earth Moving
Genesco	400	Footwear Distribution
FedEx	400	Distribution Center
Ozburn Hessey Logistics	380	Distribution & Logistics
L&W Engineering Co.	367	Metal Stamping
Environmental Science Corporation	350	Laboratory Testing
Amersports	300	Sports Equipment Distribution
LoJac Enterprises	275	Heavy Construction / Asphalt Plants
Permobil	215	Electric Wheelchairs

\* - Over 5 years

Source: City of Mt. Juliet.

## Retail Development/Trade

Wilson County's has experienced strong growth in commercial and retail activity over the past decade. The Tennessee Department of Revenue reports that total retail sales in the County was \$3.47 billion for 2022 which represents an 98% increase since 2013.

2013	\$1,755,930,244	2018	\$2,581,139,825
2014	\$1,867,771,657	2019	\$2,543,680,123
2015	\$2,054,296,592	2020	\$2,506,271,943
2016	\$2,466,926,295	2021	\$3,103,691,623
2017	\$2,740,635,003	2022	\$3,470,578,858

Source: Tennessee Department of Revenue

Like Wilson County, Watertown has similarly experienced growth in retail sales and sales tax collections.

## **Location and Transportation**

Watertown is accessed by U.S. Highway 70 and State Highway 267. I-40 is located in the County just 6 miles north of the City. Lebanon (the county seat) is located 12 miles northwest of the City and Downtown Nashville is 40 miles west of the City.

### ***Air Transport***

The Lebanon Municipal Airport is Wilson County's municipal airport with a 5,000 foot asphalt runway.

Located just 35 miles from Watertown is the Nashville International Airport. The airport provides commercial air service to the metropolitan area and all of Middle Tennessee through all major commercial carriers. With approximately 600 daily flights, the Nashville International Airport serves 90+ nonstop markets by 20 airlines.

### ***Rail Transport***

Freight rail service is provided in the City by the Nashville & Eastern Railroad Line. The Music City Star is a regional rail service running between Nashville and Lebanon, Tennessee. The service uses the existing trackage of the Nashville & Eastern Railroad Line. The line currently has seven stops along the line from downtown Nashville to Lebanon. The Lebanon station is approximately 14 miles from the City of Watertown. The operation covers 32 miles of rail line. Service began in September of 2006.

## Public Education

The Tennessee General Assembly has authorized two different school systems to provide public education in the County - the Wilson County School System (the “County System”) and the Lebanon Special School District (the “District”). The County System operates grades kindergarten through twelve in 23 schools with a 2022-2023 average daily membership of 20,025 students.

The District operates grades kindergarten through eight in 7 schools with a 2022-2023 average daily membership of 4,052 students.

<b>AVERAGE DAILY MEMBERSHIP</b>			
<b>School Year</b>	<b>Wilson County Schools</b>	<b>Lebanon Special School District</b>	<b>Total</b>
2013-2014	16,446	3,581	20,027
2014-2015	16,766	3,628	20,394
2015-2016	17,206	3,552	20,758
2016-2017	17,693	3,537	21,230
2017-2018	18,051	3,627	21,678
2018-2019	18,314	3,727	22,041
2019-2020	18,640	3,823	22,463
2020-2021	18,234	3,683	21,917
2021-2022	19,251	3,879	23,130
2022-2023	20,025	4,052	24,077

Source: Tennessee Department of Education.

## Higher Education

Watertown is less than a one hour drive from seventeen colleges and universities. Cumberland University is located in Lebanon, the County seat. Cumberland is a private school. Located 35 miles northwest is Volunteer State Community College in Gallatin. Located 30 miles southwest of Watertown is Middle Tennessee State University in Murfreesboro. Within a short drive are Tennessee State University, the University of Tennessee Space Institute, David Lipscomb University, Fisk University, Vanderbilt University, Belmont University and Trevecca Nazarene College.

## Government

The City of Watertown operates under a Mayor-council form of government. The Municipality provides the following services as authorized by its charter: public safety (police), fire protection, highways and streets, public improvements, planning and zoning, general administrative services and sanitary sewers. The City is governed by an elected Mayor, Vice-Mayor and five elected District Commissioners. The Mayor and Commissioners serve staggered 4-year terms. The most recent election was November 3, 2020.

**SUMMARY OF OUTSTANDING DEBT**

<b>Original Issue Amount</b>	<b>Issue</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Amount Outstanding 6/30/2023<sup>(1)</sup></b>
<b>Bonds and Other Obligations:</b>				
<b>General Obligation Debt</b>				
\$5,495,000	GO Public Improvement Bonds, Series 2024	4.00% - 4.125%	5/1/2049	\$5,495,000
<b>Total General Obligation Debt</b>				\$5,495,000
<b>Other Obligations</b>				
\$983,345	Capital Outlay Notes - Various	0.00% - 5.25%	6/30/2043	\$677,163
<b>Total Other Obligations</b>				\$677,163
<b>Total Current Outstanding Debt and Other Obligations</b>				<b>\$6,172,163</b>

**DEBT STATEMENT**

(as of June 30, 2023)

<b>Outstanding Debt</b>	
Total Current Outstanding Debt <sup>(1)</sup>	\$6,172,163
<b>Gross Direct Debt</b>	\$6,172,163
<b>Net Direct Debt</b>	\$6,172,163
Net Overlapping Debt (as of June 30, 2023)	
Wilson County Debt (Pro rata estimate based on Watertown tax base )	\$2,520,101
<b>Total Net Overlapping Debt</b>	<u>\$2,520,101</u>
<b>Overall Net Debt</b>	<u><u>\$8,692,264</u></u>

**DEBT RECORD OF WATERTOWN**

**There is no record of a default on bond principal and interest from information available.**

(1) - As of 6/30/2023 and adjusted for GO Public Improvement Bonds, Series 2024.

Source: Annual Financial Reports prepared and audited by John R. Poole, CPA for the year ending June 30, 2023.

## POPULATION

	<u>Watertown</u>	<u>Wilson County</u>	<u>Tennessee</u>
1990 U.S. Census	1,250	68,019	4,890,626
2000 U.S. Census	1,358	89,236	5,703,719
2010 U.S. Census	1,477	114,681	6,355,518
2020 U.S. Census	1,551	148,659	6,926,091
2021 U.S. Census Estimate	1,555	152,036	6,963,709
2022 U.S. Census Estimate	1,588	158,593	7,048,976
2023 U.S. Census Estimate	N/A	163,674	7,126,489

Source: U.S. Bureau of the Census

## PER CAPITA DEBT RATIOS

Outstanding Debt	\$3,887
Gross Direct Debt	\$3,887
Net Direct Debt	\$3,887
Total Net Overlapping Debt	\$1,587
Overall Net Debt	\$5,474

## DEBT RATIOS

	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
Outstanding Debt to	17.31%	3.71%
Gross Direct Debt to	17.31%	3.71%
Net Direct Debt to	17.31%	3.71%
Total Net Overlapping Debt to	7.07%	1.51%
Overall Net Debt to	24.38%	5.23%

## DEBT TREND

### Fiscal Years Ending June 30

	<u>06/30/23</u>	<u>06/30/22</u>	<u>06/30/21</u>	<u>06/30/20</u>	<u>06/30/19</u>
Capital Outlay Notes	\$677,163	\$589,962	\$561,894	\$592,238	\$624,433
<b>Total Debt</b>	<b>\$677,163</b>	<b>\$589,962</b>	<b>\$561,894</b>	<b>\$592,238</b>	<b>\$624,433</b>

Sources: Annual Financial Reports prepared and audited by John R. Poole, CPA for the years ending June 30, 2019 through 2023.

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**  
as of June 30, 2023<sup>(1)</sup>

Year No.	Year Ended June 30	Plus: GO Public			Percent Principal Retired	Total Outstanding Interest	Plus: GO Public			Total Debt Service Requirements
		Total Outstanding Principal	Improvement Bonds, Series 2024	Total Principal Requirements			Improvement Bonds, Series 2024	Total Interest Requirements		
1	2024	65,713		65,713		23,321		23,321	89,033	
2	2025	66,096	150,000	216,096		21,136	203,559	224,695	440,792	
3	2026	68,338	135,000	203,338		18,894	215,394	234,288	437,626	
4	2027	63,050	140,000	203,050		16,538	209,994	226,532	429,582	
5	2028	47,537	150,000	197,537	14.35%	13,839	204,394	218,233	415,769	
6	2029	19,415	155,000	174,415		11,726	198,394	210,120	384,534	
7	2030	20,036	160,000	180,036		11,104	192,194	203,298	383,334	
8	2031	20,677	165,000	185,677		10,463	185,794	196,257	381,934	
9	2032	21,339	175,000	196,339		9,802	179,194	188,995	385,334	
10	2033	22,021	180,000	202,021	29.56%	9,119	172,194	181,313	383,334	
11	2034	22,726	185,000	207,726		8,414	164,994	173,408	381,134	
12	2035	23,453	195,000	218,453		7,687	157,594	165,281	383,734	
13	2036	24,204	205,000	229,204		6,936	149,794	156,730	385,934	
14	2037	24,978	210,000	234,978		6,162	141,594	147,756	382,734	
15	2038	25,778	220,000	245,778	47.96%	5,363	133,194	138,556	384,334	
16	2039	26,603	230,000	256,603		4,538	124,394	128,931	385,534	
17	2040	27,454	235,000	262,454		3,686	115,194	118,880	381,334	
18	2041	28,332	245,000	273,332		2,808	105,794	108,602	381,934	
19	2042	29,239	255,000	284,239		1,901	95,994	97,895	382,134	
20	2043	30,175	265,000	295,175	70.19%	966	85,794	86,759	381,934	
21	2044		275,000	275,000			75,194	75,194	350,194	
22	2045		290,000	290,000			64,194	64,194	354,194	
23	2046		300,000	300,000			52,594	52,594	352,594	
24	2047		310,000	310,000			40,219	40,219	350,219	
25	2048		325,000	325,000	94.49%		27,431	27,431	352,431	
26	2049		340,000	340,000	100.00%		14,025	14,025	354,025	
		\$677,163	\$5,495,000	\$6,172,163		\$194,403	\$3,309,103	\$3,503,506	\$9,675,669	

(1) As of 6/30/2023 and adjusted for GO Public Improvement Bonds, Series 2024.

Source: Annual Financial Reports prepared and audited by John R. Poole, CPA for the year ending June 30, 2023.

**PROPERTY VALUATION AND PROPERTY TAX**

The City is authorized to levy a tax on all property within the City without limitation as to rate or amount. All real and personal property within the City is assessed in accordance with the state constitutional and statutory provisions by the County Property Tax Assessor except most utility property, which is assessed by the Office of State Assessed Properties. All property taxes are due on October 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes are delinquent on March 1 of the subsequent calendar year.

**PROPERTY VALUATION**

<b>Fiscal Year</b>	<b>2023-2024</b>	<b>2022-2023</b>	<b>2021-2022</b>	<b>2020-2021</b>	<b>2019-2020</b>
<b>Tax Year</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ESTIMATED ACTUAL VALUES</b>					
Residential & Farm	\$119,334,286	\$82,083,600	\$79,516,300	\$64,973,705	\$58,586,248
Commercial & Industrial	41,333,289	28,385,300	29,316,500	24,757,579	21,211,709
Personal Tangible Property	2,480,363	7,896,834	5,252,710	6,457,045	5,849,189
Public Utilities	3,200,060	4,709,945	4,555,700	3,171,984	3,052,942
<b>Total Estimated Actual Values</b>	<b>\$166,347,998</b>	<b>\$123,075,679</b>	<b>\$118,641,210</b>	<b>\$99,360,313</b>	<b>\$88,700,088</b>
Annual Percentage Change	35.16%	3.74%	19.41%	12.02%	1.94%
Estimated Per Capita Amount	\$104,753	\$77,504	\$76,297	\$64,062	\$57,189
<b>ASSESSED VALUES</b>					
Residential & Farm (at 25%)	\$20,811,900	\$20,520,900	\$19,879,075	\$12,851,800	\$12,584,325
Commercial & Industrial (at 40%)	11,533,640	11,354,120	11,726,600	7,835,280	7,290,040
Personal Tangible Property (at 30%)	1,906,711	2,369,054	1,575,817	1,757,047	1,659,431
Public Utilities (at 30%-55%)	1,396,826	2,055,891	1,988,563	1,384,571	1,332,609
<b>Total Assessed Values</b>	<b>\$35,649,077</b>	<b>\$36,299,965</b>	<b>\$35,170,055</b>	<b>\$23,828,698</b>	<b>\$22,866,405</b>
Annual Percentage Change	-1.79%	3.21%	47.60%	4.21%	1.90%
Estimated Per Capita Amount	\$22,449	\$22,859	\$22,617	\$15,363	\$14,743
<b>Appraisal Ratio</b>	<b>69.76%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>79.12%</b>	<b>85.92%</b>
<b>Assessed Values to Actual Values</b>	<b>21.43%</b>	<b>29.49%</b>	<b>29.64%</b>	<b>23.98%</b>	<b>25.78%</b>

Source: Tennessee Division of Property Assessments.

**Property Tax Collections  
For Fiscal Years Ending June 30**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>GOVERNMENTAL FUNDS</b>					
Tax Rate	\$0.9578	\$0.9578	\$0.9578	\$0.9578	\$0.9578
Property Taxes Levied	\$218,801	\$211,911	\$210,215	\$201,731	\$197,977
Current Fiscal Year Collections	\$209,880	\$204,048	\$192,229	\$185,140	\$188,533
Percentage Collected in Current Year	95.9%	96.3%	91.4%	91.8%	95.2%

Sources: Annual Financial Reports prepared and audited by John R. Poole, CPA for the years ending June 30, 2019 through 2023.

**TOP TAX PAYERS  
(Property Tax)**

<u>Name</u>	<u>Assessment</u>
JMD Real Estate Holding Co.	\$1,942,900
Donald Shipper	1,514,000
Cherokee Steel Inc.	1,461,564
Roger Sensing	1,412,400
Specialty Converting Svcs	1,298,300
Robert & Winfred Vick	1,286,700
R & D Commercial Properties LLC	1,073,300
The Shults Living Trust	1,061,300
Beckwith Associates Ltd.	1,039,200
Shepherd Specialty Papers	950,628
<b>Total Top 10</b>	<b>\$13,040,292</b>
<b>Total 2023 Assessed Value</b>	<b>\$35,649,077</b>
<b>Top 10 % of Total Property Tax Assessment</b>	<b>37%</b>

Source: City Officials.

**FUND BALANCES  
For Fiscal Years Ending June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>GOVERNMENTAL FUNDS</b>					
General Government Fund	\$875,364	\$913,794	\$741,071	\$463,690	\$356,414
Parks & Recreation	62,624	49,606	(9,444)	(58,176)	(116,007)
Industrial Park	94,037	216,335	216,323	216,311	216,252
Drug Fund	4,552	3,958	2,916	2,797	2,726
<b>Total Governmental Funds</b>	<u>\$1,036,577</u>	<u>\$1,183,693</u>	<u>\$950,867</u>	<u>\$624,622</u>	<u>\$459,385</u>
<b>PROPRIETARY FUNDS</b>					
Water & Sewer Fund - Net Position	<u>\$2,804,226</u>	<u>\$2,599,122</u>	<u>\$2,626,017</u>	<u>\$2,633,445</u>	<u>\$2,638,638</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u><u>\$3,840,803</u></u>	<u><u>\$3,782,815</u></u>	<u><u>\$3,576,885</u></u>	<u><u>\$3,258,067</u></u>	<u><u>\$3,098,023</u></u>

Sources: Annual Financial Reports prepared and audited by John R. Poole, CPA for the years ending June 30, 2019 through 2023.



**LOCAL SALES TAX**  
**For Fiscal Years Ending June 30**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020*</u>	<u>2019</u>
<b>Rate (Percent of retail sales)</b>	2.75%	2.75%	2.75%	2.25%	2.25%
<b>Distribution to Following Funds</b>					
General Fund	\$399,683	\$384,211	\$334,291	\$234,171	\$195,445
<b>Total Amount Collected</b>	<u>\$399,683</u>	<u>\$384,211</u>	<u>\$334,291</u>	<u>\$234,171</u>	<u>\$195,445</u>
% of Increase	4.03%	14.93%	42.76%	19.81%	1.93%

\* - Rate was increased to 2.75% effective May 2020.

Sources: Annual Financial Reports prepared and audited by John R. Poole, CPA for the years ending June 30, 2019 through 2023.

**STATEMENT OF OPERATING REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND - FOR YEARS ENDING JUNE 30**

<b>REVENUES</b>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Local Taxes:					
Property Tax	\$214,648	\$210,672	\$215,353	\$197,214	\$196,006
Interest and Penalties on Property Tax	2,038	1,274	1,451	1,630	1,102
Local Sales Taxes	399,683	384,211	334,291	234,171	195,445
Wholesale Beer Tax	40,396	43,422	40,946	35,473	33,749
Wholesale Liquor Tax	18,102	13,186	17,458	21,194	4,915
Business Tax	37,765	36,691	34,592	24,277	22,617
Cable TV Franchise tax	7,999	8,016	8,466	9,542	9,584
Intergovernmental Revenue	311,621	331,817	458,871	230,891	230,725
Licenses & Permits	3,286	8,141	9,317	13,608	8,931
Services	5,400	5,400	5,875	11,270	10,715
Fines and Penalties	42,302	40,406	40,740	32,711	24,572
Interest	9,455	245	382	320	280
Donations	4,000	0	0	0	0
Asset Sales	19,269	0	0	5,000	0
Insurance Proceeds	37,031	0	0	0	0
Grants	0	21,968	0	0	0
Miscellaneous	3,066	7,161	9,953	1,844	1,541
<b>Total Revenues &amp; Other Sources</b>	<u>\$1,156,061</u>	<u>\$1,112,610</u>	<u>\$1,177,696</u>	<u>\$819,142</u>	<u>\$740,183</u>
<b>EXPENDITURES</b>					
General Government	\$297,469	\$253,792	\$216,226	\$216,240	\$241,268
Public Safety	846,354	546,207	560,054	365,422	328,725
Highway and Streets	42,914	32,172	27,100	30,167	42,525
Debt Service	60,216	60,216	49,435	52,537	56,606
<b>Total Expenditures &amp; Other Uses</b>	<u>\$1,246,952</u>	<u>\$892,387</u>	<u>\$852,815</u>	<u>\$664,366</u>	<u>\$669,124</u>
Excess of Revenues Over (Under) Expenditures	(\$90,891)	\$220,222	\$324,881	\$154,776	\$71,059
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from notes	\$130,000	\$0	\$0	\$0	\$0
Proceeds from sale of property	0	0	0	0	0
Operating Transfers In (Out)	(77,538)	(47,500)	(47,500)	(47,500)	(47,500)
<b>Total Other Financing Sources (Uses):</b>	\$52,462	(\$47,500)	(\$47,500)	(\$47,500)	(\$47,500)
<b>Excess of Revenues &amp; Other Sources over (under) Expenditures &amp; Other Uses</b>	<u>(\$38,429)</u>	<u>\$172,722</u>	<u>\$277,381</u>	<u>\$107,276</u>	<u>\$23,559</u>
<b>Fund Balance, July 1</b>	<u>913,794</u>	<u>741,071</u>	<u>463,690</u>	<u>356,414</u>	<u>332,855</u>
<b>Fund Balance, June 30</b>	<u>\$875,364</u>	<u>\$913,794</u>	<u>\$741,071</u>	<u>\$463,690</u>	<u>\$356,414</u>

Sources: Annual Financial Reports prepared and audited by John R. Poole, CPA for the years ending June 30, 2019 through 2023.

## **BONDHOLDER RISKS**

The purchase of the Series 2024 Bonds involves various risks and investment considerations. Certain of these risks and investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible risk factors nor a substitute for an independent evaluation of the information presented in this Official Statement, including the appendices attached hereto.

Each potential purchaser of any of the Series 2024 Bonds should read this Official Statement, including the appendices attached hereto, in its entirety and consult such prospective purchaser's own investment, financial and legal advisor for a more complete explanation of the matters that should be evaluated and considered when purchasing the Series 2024 Bonds.

### **Epidemics, Pandemics and Public Health Emergencies**

The outbreak of epidemics, pandemics and other public health emergencies have the potential to materially disrupt the operations and financial condition of the City and the local economy. The spread of Covid-19, a respiratory disease caused by a novel strain of coronavirus, is an example of a recent public health emergency. The Covid-19 outbreak led to quarantines and social-distancing efforts that impacted government agencies, schools, businesses and other entities throughout the State. Multiple vaccines and additional boosters for the virus were approved for distribution in the United States. The vaccines have had varying efficacy rates and studies suggest the efficacy rates may decline over time. While some studies suggest that the existing vaccines are effective against known variants of the virus, there is no assurance that future variants will not be resistant to current vaccines.

Given the evolving nature of the spread of the disease, and future diseases, and the behavior of governments, businesses, and individuals in response thereto, the Issuer is unable to predict the (1) extent or duration of the Covid-19 outbreak or other epidemics, pandemics or public health emergencies, (2) the extent or duration of any existing or future quarantines, business closures, travel restrictions or other measures relating to Covid-19 or other epidemics, pandemics or public health emergencies, and (3) whether and to what extent the Covid-19 outbreak or other epidemics, pandemics or public health emergencies will adversely affect the operations or financial condition of the Issuer.

### **Climate Change**

Numerous scientific studies have suggested that changing global weather patterns and extreme weather events may potentially disrupt government operations and economic conditions in impacted areas. Changing weather patterns can potentially increase the risk of higher temperatures, changes in precipitation, increased flooding, droughts and fires. The City cannot accurately predict the timing, extent or severity of any climate change and its impact on the City's operations and finances.

### **Cyber-Security**

The City utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information, and as a result, the City may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject the City to legal action. Attempted cyber-security attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or agencies of similar characteristics. To mitigate against such risks, the City has instituted various policies and procedures to protect its network infrastructure, including a cyber-security training requirement for certain departments, as well as general cyber-security training and awareness for all employees. The City also maintains insurance against cyber-security incidents. Despite the City's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

## **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing, where applicable, the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

[This page is intentionally left blank]

**APPENDIX C**

Audited Financial Statements of the Issuer for the  
Fiscal Year Ended June 30, 2023



**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**CITY OF WATERTOWN, TENNESSEE**

**For the Year Ended  
June 30, 2023**

--ooOoo--

## CONTENTS

<b>Introductory Section:</b>	
Directory of Principal Officials.....	Page 4
<b>Financial Section:</b>	
Independent Auditor's Report.....	6
Management's Discussion and Analysis.....	9
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Net Position – Proprietary Funds.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds .....	24
Budgetary Comparison Statement – General Fund.....	25
Budgetary Comparison Statement – Parks & Recreation Fund .....	26
Budgetary Comparison Statement - Industrial Park Fund .....	27
<b>Notes to the Financial Statements</b> .....	28
<b>Supplementary Information:</b>	
Budgetary Comparison Schedule – Drug Fund.....	44
Long-Term Debt Principal and Interest Requirements .....	45
Schedule of Changes in Long-term Debt by Individual Issue .	46



## CONTENTS (CONTINUED)

Property Taxes.....	47
Statistical Data.....	48
Schedule of Expenditures of Federal Awards and State .....	
Financial Assistance .....	49
Schedule of General and Special Revenue Fund Revenues .....	50
Schedule of General and Special Revenue Fund Expenditures .....	52
Insurance in Force .....	56
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> .....	57
Schedule of Findings and Recommendations .....	59
Schedule of Disposition of Prior Year Findings .....	61
Management's Corrective Action Plan .....	62

--ooOoo--

# INTRODUCTORY SECTION

**CITY OF WATERTOWN, TENNESSEE  
PRINCIPAL OFFICIALS  
June 30, 2023**

Mayor

Mike Jennings

Board of Aldermen

Laura Lee Cromer

Steve Casey

Kyle Stacey

Caleb Barrett

Howell Roberts

City Recorder and CMFO

April Lamberson

City Attorney

Tim Davis

# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Board of Aldermen of the  
City of Watertown, Tennessee  
Watertown, Tennessee

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

***Opinions***

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund, and the remaining fund information of the City of Watertown, Tennessee (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, Park and Recreation Fund and the Industrial Development Fund for the year then ended and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information – Introductory Section***

Management is responsible for the other information included in the annual report. The other information section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 2022, on my consideration of the City's internal control over financial reporting and on my 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 my 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'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's internal control over financial reporting and compliance.

*John R. Poole, CPA*

December 21, 2023

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS



# City of Watertown

8630 Sparta Pike  
Watertown, Tennessee 37184  
Phone 615/ 237-3326  
Fax 615/ 237-3320

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Watertown, Tennessee we offer readers of the City of Watertown, Tennessee's financial statements this narrative overview and analysis of the financial activities of the City of Watertown for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars.

### FINANCIAL HIGHLIGHTS

Management believes the City of Watertown's financial condition is adequate. The City follows the financial policies and guidelines set by the Board and management. The following are key financial highlights.

The assets of the City of Watertown exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$4,616,788. Of this amount, \$1,953,497 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2023, the City's governmental funds reported combined ending fund balance of \$1,036,577, a decrease of \$147,115 in comparison with the prior year balance. \$764,720 is available for spending at the government's discretion (unassigned fund balance).

At June 30, 2023 unassigned fund balance for the General Fund was \$764,720 or 61.32% of total general fund expenditures.

The City's total debt increased by a net of \$87,201 during the year ended June 30, 2023. The City issued \$130,000 in Capital Outlay Notes and paid \$42,799 in principal on all long-term debt. The water and sewer fund had no long-term debt for the year.

The City's total net position increased by \$99,390 during the year ended June 30, 2023.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial 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.

The *Statement of Net Position* presents the financial position of the City on a full accrual, historical cost basis. The statement of net position provides information on all the City's assets and liabilities, with the difference between the two reported as 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.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. 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 earned but unused vacation leave.)

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 of the City include general government, public safety, highways and streets, drug enforcement, parks and recreation, economic development and sanitation services. The business-type activities of the City include the operations of the water and sewer facilities.

The government-wide financial statements can be found on pages 16-17 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. All of these governmental funds are classified as major. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for major funds.

The City adopts an annual appropriations budget for all funds. Budgetary comparison statements have been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds:** The City maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an proprietary fund to account for its Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer activities of the City, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**Notes to the financial statements:** The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 28-42 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Watertown, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,646,788 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (53.85%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Watertown, Tennessee  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,710,820	\$ 1,609,284	\$ 1,150,668	\$ 883,052	\$ 2,861,489	\$ 2,492,336
Capital assets - net	1,446,129	1,330,868	1,717,355	1,780,255	3,163,484	3,111,123
<b>Total assets</b>	<b>\$ 3,156,949</b>	<b>\$ 2,940,153</b>	<b>\$ 2,868,024</b>	<b>\$ 2,663,306</b>	<b>\$ 6,024,973</b>	<b>\$ 5,603,459</b>
Deferred outflows of resources	\$ -	\$ 306	\$ -	\$ 328	\$ -	\$ 634
Long-term liabilities	677,163	548,153	-	1,895	677,163	550,048
Other liabilities	448,372	246,691	63,798	56,057	512,170	302,747
<b>Total liabilities</b>	<b>\$ 1,125,535</b>	<b>\$ 794,844</b>	<b>\$ 63,798</b>	<b>\$ 57,951</b>	<b>\$ 1,189,333</b>	<b>\$ 852,795</b>
Deferred inflows from resources	\$ 218,851	\$ 227,339	\$ 6,561	\$ 6,561	\$ 225,412	\$ 233,900
Net position:						
Net investment in capital assets	\$ 768,966	\$ 740,906	\$ 1,717,355	\$ 1,780,255	\$ 2,486,321	\$ 2,521,161
Restricted	176,970	58,090	-	-	176,970	58,090
Unrestricted	866,627	1,119,281	1,086,871	818,867	1,953,497	1,938,147
<b>Total net position</b>	<b>\$ 1,812,562</b>	<b>\$ 1,918,277</b>	<b>\$ 2,804,226</b>	<b>\$ 2,599,122</b>	<b>\$ 4,616,788</b>	<b>\$ 4,517,398</b>

At year end 3.83% of the City's net position represented resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,953,497) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2023, the City is able to report positive balances in all three categories of net position, for the government as a whole.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position for the year ended June 30, 2023.

**City of Watertown, Tennessee's Changes in Net Position**

	Governmental activities		Business-type activities		Totals		Total Change
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 135,244	\$ 160,856	\$ 605,884	\$ 574,018	\$ 741,127	\$ 734,874	\$ 6,253
Operating grants & contributions	109,952	137,149	-	7,266	109,952	144,415	(34,464)
Transfers	(199,997)	-	199,997	-	-	-	-
Capital grants & contributions	-	21,968	-	-	-	21,968	(21,968)
<b>General Revenues:</b>							
Local taxes	749,561	653,844	-	-	749,561	653,844	95,717
Intergovernmental	204,094	238,018	-	-	204,094	238,018	(33,924)
Interest on investments	9,656	259	10,779	511	20,435	769	19,665
Recovery of bad debts	-	-	-	-	-	-	-
Gain/loss on disposal of assets	19,269	-	(640)	-	18,630	-	18,630
Other	54,301	7,161	-	-	54,301	7,161	47,140
<b>Total revenues</b>	<b>\$ 1,082,079</b>	<b>\$ 1,219,254</b>	<b>\$ 816,020</b>	<b>\$ 581,795</b>	<b>\$ 1,888,099</b>	<b>\$ 1,801,049</b>	<b>\$ 97,050</b>
<b>Expenses:</b>							
General government	\$ 305,141	\$ 264,633	\$ -	\$ -	\$ 305,141	\$ 264,633	\$ 40,508
Public Safety	704,420	582,444	-	-	704,420	582,444	121,976
Highway and Streets	42,914	32,172	-	-	42,914	32,172	10,741
Parks and recreation	115,808	122,722	-	-	115,808	122,722	(6,914)
Interest on long-term debt	19,511	18,058	-	-	19,511	18,058	1,452
Community Center	-	-	-	-	-	-	-
Water and sewer	-	-	610,916	608,691	610,916	608,691	2,225
<b>Total expenses</b>	<b>\$ 1,187,794</b>	<b>\$ 1,020,030</b>	<b>\$ 610,916</b>	<b>\$ 608,691</b>	<b>\$ 1,798,709</b>	<b>\$ 1,628,721</b>	<b>\$ 169,988</b>
<b>Increase in net position</b>	<b>\$ (105,714)</b>	<b>\$ 199,224</b>	<b>\$ 205,104</b>	<b>\$ (26,896)</b>	<b>\$ 99,390</b>	<b>\$ 172,328</b>	<b>\$ (72,938)</b>

**Governmental activities:** Governmental activities decreased the City of Watertown's net position by \$105,714.

**Business-type activities:** Business-type activities increased the City's net position by \$205,104.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Water and sewer utilities are intended to be self-supporting with user charges and other revenues designed to recover costs.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,036,577 a decrease of \$147,115 in comparison with the prior year balance. \$764,720 of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$764,720. 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 fund expenditures. Unassigned fund balance represents 61.32% of total general fund expenditures, while total fund balance represents the same percentage.

The fund balance of the City's general fund decreased by \$38,429, as a result of the current fiscal year operations.

**Proprietary funds:** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$1,086,871. The total increase in net position for the Water and Sewer fund was \$205,104. Other factors concerning the finances have been addressed in the discussion of the City's business-type activities.

#### Capital Asset and Debt Administration

At the end of fiscal year 2023, the City had \$3,163,484 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, buildings, utility system, equipment and infrastructure.

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

Purchase of a backhoe for the water and sewer department, six car cameras for the police department and radios for the police, fire and street departments.

Additional information on the City's capital assets can be found in Note D on page 39 of this report.

The following tables summarize the City's capital assets for the year ended June 30, 2023. These changes are presented in detail in Note D to the financial statements.

	Governmental		Business-type		Total		Total Change
	Activities		Activities				
	2023	2022	2023	2022	2023	2022	
Land and construction in progress	\$ 144,991	\$ 144,991	\$ 162,754	\$ 134,969	\$ 307,745	\$ 279,960	\$ 27,785
Buildings	1,537,415	1,528,436	-	-	1,537,415	1,528,436	8,979
Improvements, other than buildings	240,568	240,568	-	-	240,568	240,568	-
Main lines			4,525,269	4,525,269	4,525,269	4,525,269	-
Equipment	668,795	515,057	312,381	351,915	981,176	866,972	114,204
Less: Accumulated Depreciation	(1,145,640)	(1,098,183)	(3,283,048)	(3,231,898)	(4,428,688)	(4,330,081)	\$ (98,606.79)
Total	\$ 1,446,129	\$ 1,330,868	\$ 1,717,135	\$ 1,780,255	\$ 3,163,484	\$ 3,111,123	\$ 52,360.82

**Long-term debt:** At the end of the current fiscal year, the City had total debt outstanding of \$677,163. All debt is backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total		Total Change
	2023	2022	2023	2022	2023	2022	
Revenue notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay notes	677,163	589,962	-	-	677,163	589,962	87,201
Total	<u>\$ 677,163</u>	<u>\$ 589,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,163</u>	<u>\$ 589,962</u>	<u>\$ 87,201</u>

The City's total debt increased by a net of \$87,201. During the current fiscal year, the City issued \$130,000 in capital outlay notes and paid \$42,799 in principal payments. The water and sewer fund had no debt.

Additional information on the City's long-term debt can be found in Note E, beginning on page 40.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This 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 information provided in this report or requests for any additional information should be directed to the City of Watertown, 8630 Sparta Pike, Watertown, Tennessee 37184.

# BASIC FINANCIAL STATEMENTS

**CITY OF WATERTOWN, TENNESSEE**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2023**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - Note C	\$ 846,195.12	\$ 448,663.60	\$ 1,294,858.72
Certificate of deposit - Note C	508,538.59	662,649.73	1,171,188.32
Property taxes receivable - net	227,436.77	-	227,436.77
Interest receivable	2,184.09	2,433.08	4,617.17
Prepaid insurance	849.47	-	849.47
Accounts receivable	6,364.67	32,074.71	38,439.38
Due from other governments	116,541.65	-	116,541.65
Internal balances (due from other funds)	(4,847.36)	4,847.36	-
Industrial Park land	7,557.12	-	7,557.12
Capital assets - Note D:			
Land and construction in progress	144,990.93	162,753.59	307,744.52
Buildings and equipment, net of depreciation	1,301,137.59	1,554,601.54	2,855,739.13
<b>TOTAL ASSETS</b>	<b>\$ 3,156,948.64</b>	<b>\$ 2,868,023.61</b>	<b>\$ 6,024,972.25</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 41,937.70	\$ 11,811.68	\$ 53,749.38
Customer deposits and other liabilities	2,094.25	51,986.00	54,080.25
ARPA unused funds	404,340.47	-	404,340.47
Long-term liabilities - Note E			
Due within one year	65,712.03	-	65,712.03
Due in more than one year	611,450.88	-	611,450.88
<b>TOTAL LIABILITIES</b>	<b>\$ 1,125,535.33</b>	<b>\$ 63,797.68</b>	<b>\$ 1,189,333.01</b>
<b>DEFERRED INFLOWS FROM RESOURCES -</b>			
Deferred revenue - current property taxes	218,851.00	-	218,851.00
<b>NET POSITION</b>			
Net investment in capital assets	\$ 768,965.61	\$ 1,717,355.13	\$ 2,486,320.74
Restricted for:			
Drug fund	4,551.61	-	4,551.61
Highways and streets	109,794.60	-	109,794.60
Parks and recreation	62,623.94	-	62,623.94
Unrestricted	866,626.55	1,086,870.80	1,953,497.35
<b>TOTAL NET POSITION</b>	<b>\$ 1,812,562.31</b>	<b>\$ 2,804,225.93</b>	<b>\$ 4,616,788.24</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>3,156,948.64</b>	<b>2,868,023.61</b>	<b>5,806,121.25</b>

See the notes to financial statements.



**CITY OF WATERTOWN, TENNESSEE**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 305,141.47	\$ 8,685.85	\$ -	\$ -	\$ (296,455.62)	\$ -	\$ (296,455.62)
Public safety	704,420.19	42,896.19	27,812.28	-	(633,711.72)	-	(633,711.72)
Highways and streets	42,913.58	-	53,950.34	-	11,036.76	-	11,036.76
Parks and recreation	115,807.91	83,661.49	28,188.92	-	(3,957.50)	-	(3,957.50)
Interest on long-term debt	19,510.51	-	-	-	(19,510.51)	-	(19,510.51)
<b>Total governmental activities</b>	<b>\$ 1,187,793.66</b>	<b>\$ 135,243.53</b>	<b>\$ 109,951.54</b>	<b>\$ -</b>	<b>\$ (942,598.59)</b>	<b>\$ -</b>	<b>\$ (942,598.59)</b>
Business-type activities							
Water and sewer	610,915.57	605,883.93	-	-	\$ (5,031.64)	\$ -	\$ (5,031.64)
<b>Total primary government</b>	<b>\$ 1,798,709.23</b>	<b>\$ 741,127.46</b>	<b>\$ 109,951.54</b>	<b>\$ -</b>			
General revenues:							
Taxes:							
Property taxes, penalty & Payments in lieu of taxes					\$ 219,852.81	\$ -	\$ 219,852.81
Local option sales tax					25,763.80	-	25,763.80
Wholesale beer tax					399,682.55	-	399,682.55
Liquor tax					40,395.87	-	40,395.87
Business tax					18,101.68	-	18,101.68
Cable TV franchise tax					37,765.26	-	37,765.26
State sales tax					7,999.02	-	7,999.02
State beer and mixed drink tax					184,764.32	-	184,764.32
State telecom tax					3,109.47	-	3,109.47
State corporate excise tax					819.18	-	819.18
State gasoline tax					9,787.48	-	9,787.48
State sports betting revenue					2,845.08	-	2,845.08
Miscellaneous					2,768.77	-	2,768.77
Unrestricted interest earnings					54,300.75	-	54,300.75
Gain (loss) on disposal of assets					9,655.89	10,778.66	20,434.55
Transfers					19,269.43	(639.83)	18,629.60
<b>Total general revenues</b>					<b>(199,997.19)</b>	<b>199,997.19</b>	<b>-</b>
Change in net position					\$ 836,884.17	\$ 210,136.02	\$ 1,047,020.19
Net position - beginning					\$ (105,714.42)	\$ 205,104.38	\$ 99,389.96
Net position - ending					\$ 1,918,276.73	\$ 2,599,121.55	\$ 4,517,398.28
					\$ 1,812,562.31	\$ 2,804,225.93	\$ 4,616,788.24

See the notes to financial statements.

# FUND FINANCIAL STATEMENTS

**CITY OF WATERTOWN, TENNESSEE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<u>General</u>	<u>Parks &amp; Recreation</u>	<u>Industrial Park</u>	<u>Drug Fund</u>	<u>Total Government Funds</u>
<b><u>ASSETS</u></b>					
Cash - Note C	\$ 675,363.41	\$ 91,569.92	\$ 74,710.18	\$ 4,551.61	\$ 846,195.12
Certificates of deposit - Note C	496,768.68	-	11,769.91	-	508,538.59
Property taxes receivable, less allowance for doubtful accounts (\$1,032.00) - Note B	227,436.77	-	-	-	227,436.77
Accounts receivable	6,364.67	-	-	-	6,364.67
Interest receivable	2,184.09	-	-	-	2,184.09
Prepaid insurance	849.47	-	-	-	849.47
Due from other governments	116,541.65	-	-	-	116,541.65
Due from other funds	38,448.75	18,655.00	-	-	57,103.75
Industrial park land	-	-	7,557.12	-	7,557.12
	<u>\$ 1,563,957.49</u>	<u>\$ 110,224.92</u>	<u>\$ 94,037.21</u>	<u>\$ 4,551.61</u>	<u>\$ 1,772,771.23</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 37,632.83	\$ 4,304.87	\$ -	\$ -	\$ 41,937.70
ARPA unused funds	404,340.47	-	-	-	404,340.47
Due to other funds	18,655.00	43,296.11	-	-	61,951.11
<b>TOTAL LIABILITIES</b>	<b>\$ 460,628.30</b>	<b>\$ 47,600.98</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 508,229.28</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred inflows - property taxes	\$ 227,964.77	\$ -	\$ -	\$ -	\$ 227,964.77
<b><u>FUND BALANCE</u></b>					
<b>Nonspendable fund balance</b>	<b>\$ 849.47</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 849.47</b>
<b>Restricted fund balance:</b>					
Drug fund	-	-	-	4,551.61	4,551.61
State street aid	109,794.60	-	-	-	109,794.60
<b>Committed fund balance:</b>					
Industrial Park	-	-	94,037.21	-	94,037.21
Parks and recreation	-	62,623.94	-	-	62,623.94
<b>Unassigned fund balance (deficit)</b>	<b>764,720.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>764,720.35</b>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>\$ 875,364.42</b>	<b>\$ 62,623.94</b>	<b>\$ 94,037.21</b>	<b>\$ 4,551.61</b>	<b>1,036,577.18</b>
	<u>\$ 1,563,957.49</u>	<u>\$ 110,224.92</u>	<u>\$ 94,037.21</u>	<u>\$ 4,551.61</u>	<u>\$ 1,772,771.23</u>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2023**

Total fund balances for governmental funds		\$ 1,036,577.18
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,446,128.52
Deferred outflows of resources related to other post employment benefits increase the amount of net position reported on the statement of net position but are not reported as assets in the funds		-
Deferred inflows from resources related to other post employment benefits decrease the amount of net position reported on the statement of net position but are not reported as liabilities in the funds		-
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue		9,113.77
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances at June 30, 2023 are as follows:		
Bonds and notes payable	\$ (677,162.91)	
Accrued interest on bonds	(2,094.25)	(679,257.16)
		<u>                    </u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 1,812,562.31</b>

See notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2023**

	General	Parks & Recreation	Industrial Park	Drug Fund	Total Governmental Funds	
<b>Revenues:</b>						
Taxes	\$ 720,630.42	\$ -	\$ -	\$ -	\$ 720,630.42	
Intergovernmental revenues	311,620.72	-	-	-	311,620.72	
Licenses and permits	3,285.85	-	-	-	3,285.85	
Services	5,400.00	-	-	-	5,400.00	
Fines and penalties	42,302.45	-	-	593.74	42,896.19	
Interest	9,455.49	38.96	161.44	-	9,655.89	
Sponsor fees and concessions	-	83,661.49	-	-	83,661.49	
Donations	4,000.00	24,188.92	-	-	28,188.92	
Asset sales	19,269.43	-	-	-	19,269.43	
Insurance proceeds	37,030.75	-	-	-	37,030.75	
Miscellaneous	3,066.18	14,203.82	-	-	17,270.00	
	<b>TOTAL REVENUES</b>	<b>\$ 1,156,061.29</b>	<b>\$ 122,093.19</b>	<b>\$ 161.44</b>	<b>\$ 593.74</b>	<b>\$ 1,278,909.66</b>
<b>Expenditures:</b>						
General government	\$ 297,468.82	\$ -	\$ -	\$ -	\$ 297,468.82	
Public safety	846,354.39	-	-	-	846,354.39	
Highways and streets	42,913.58	-	-	-	42,913.58	
Parks and recreation	-	109,075.49	-	-	109,075.49	
Debt service:						
Principal payments	42,799.39	-	-	-	42,799.39	
Interest payments	17,416.26	-	-	-	17,416.26	
	<b>TOTAL EXPENDITURES</b>	<b>\$ 1,246,952.44</b>	<b>\$ 109,075.49</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,356,027.93</b>
	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (90,891.15)</b>	<b>\$ 13,017.70</b>	<b>\$ 161.44</b>	<b>\$ 593.74</b>	<b>\$ (77,118.27)</b>
<b>Other financing sources (uses):</b>						
Operating transfers in	45,468.46	-	-	-	45,468.46	
Proceed from notes	130,000.00	-	-	-	130,000.00	
Operating transfers (out)	(123,006.59)	-	(122,459.06)	-	(245,465.65)	
	<b>CHANGE IN FUND BALANCE</b>	<b>\$ (38,429.28)</b>	<b>\$ 13,017.70</b>	<b>\$ (122,297.62)</b>	<b>\$ 593.74</b>	<b>\$ (147,115.46)</b>
Fund balance at July 1, 2022	913,793.70	49,606.24	216,334.83	3,957.87	1,183,692.64	
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b>\$ 875,364.42</b>	<b>\$ 62,623.94</b>	<b>\$ 94,037.21</b>	<b>\$ 4,551.61</b>	<b>\$ 1,036,577.18</b>	

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2023**

Net change in fund balance - total governmental funds	\$ (147,115.46)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$197,816.43) exceeded depreciation (\$82,556.09) for the current period.	115,260.34
OPEB expense measure for June 30, 2022 but applicable for year ending June 30, 2023	12,268.79
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(87,200.61)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,166.77
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is the increase in accrued interest payable.	(2,094.25)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (105,714.42)</b>

See notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2023**

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents - Note C	\$	448,663.60
Certificate of deposit - Note C		662,649.73
Accounts receivable		32,074.71
Interest receivable		2,433.08
Due from other funds		<u>43,296.11</u>
	<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,189,117.23</b>
<u>NONCURRENT ASSETS</u>		
Capital assets in service - at cost, Note D	\$ 4,850,156.26	
Less accumulated depreciation	<u>(3,283,047.72)</u>	
	1,567,108.54	
Construction in progress	<u>150,246.59</u>	<u>1,717,355.13</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 2,906,472.36</u></b>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable - trade	\$	11,811.68
Due to other funds		38,448.75
Sales tax payable		2,226.00
Customer deposits		<u>49,760.00</u>
	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 102,246.43</b>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 1,717,355.13	
Unrestricted	<u>1,086,870.80</u>	<u>\$ 2,804,225.93</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b><u>\$ 2,906,472.36</u></b>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**Year ended June 30, 2023**

<b>Operating revenues:</b>		
Water and sewer sales (less bad debts, \$2,708.54)	\$	553,774.59
Forfeited discounts		22,699.59
Reconnection Fees		8,450.00
Miscellaneous		<u>20,959.75</u>
<b>TOTAL OPERATING REVENUES</b>		<b>\$ 605,883.93</b>
<b>Operating expenses:</b>		
Salaries	\$ 137,261.21	
Payroll taxes	10,500.68	
Employee insurance	28,279.09	
Negative OPEB expense	(8,128.21)	
Utilities	55,271.22	
Materials and supplies	58,747.15	
Repairs and maintenance	46,238.70	
Insurance	40,000.00	
Contracted services	122,297.55	
Provision for depreciation - straight-line	86,434.02	
Office supplies and postage	4,539.47	
Gas and oil	6,916.11	
Landfill services	3,588.60	
Professional fees	7,700.00	
Miscellaneous	<u>11,269.98</u>	<u>610,915.57</u>
<b>OPERATING LOSS</b>		<b>\$ (5,031.64)</b>
<b>Non-operating revenues (expenses):</b>		
Interest income	\$ 10,778.66	
Loss on disposal of assets	<u>(639.83)</u>	<u>10,138.83</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>		<b>\$ 5,107.19</b>
<b>Transfers:</b>		
Transfers from other funds		<u>199,997.19</u>
<b>CHANGE IN NET POSITION</b>		<b>\$ 205,104.38</b>
Net position at July 1, 2022		<u>2,599,121.55</u>
<b>NET POSITION AT JUNE 30, 2023</b>		<b><u>\$ 2,804,225.93</u></b>

See the notes to financial statements.



**CITY OF WATERTOWN, TENNESSEE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year ended June 30, 2023**

<b>Cash flows from operating activities:</b>		
Receipts from customers and users		\$ 606,348.39
Payments to suppliers		(351,134.61)
Payments to employees		<u>(176,040.98)</u>
	<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 79,172.80</b>
<b>Cash flows from noncapital financing activities:</b>		
Increase in net payable to other funds		38,448.75
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	\$ (27,784.50)	
Proceeds from sale of assets	<u>3,610.17</u>	
	<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(24,174.33)</b>
<b>Cash flows from investing activities :</b>		
Interest from investments	\$ 8,345.58	
Increase in certificate of deposit	<u>(257,820.02)</u>	
	<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(249,474.44)</b>
	<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (156,027.22)</b>
Cash and cash equivalents at July 1, 2022		<u>604,690.82</u>
	<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2023</b>	<b>\$ <u>448,663.60</u></b>
<b>Schedule of non-cash capital and related financing activities:</b>		
Interfund loans were forgiven during the year		<u>\$ 199,997.19</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss		\$ (5,031.64)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Provision for depreciation		86,434.02
Bad debts		2,708.54
Decrease in deferred outflows - OPEB		327.96
Decrease in deferred inflows - OPEB		(6,561.36)
Decrease in OPEB liability		(1,894.81)
Increase in accounts receivable		(4,550.92)
Increase in accounts payable		5,442.17
Increase in customer deposits		2,306.84
Decrease in other current liabilities		<u>(8.00)</u>
	<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>79,172.80</u></b>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND**  
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis) (See Note A)	Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes and tax equivalents	\$ 637,500	\$ 637,500	\$ 720,630	\$ 83,130
Licenses and permits	8,200	8,200	3,286	(4,914)
Intergovernmental	265,937	265,937	311,621	45,684
Fines and penalties	32,550	32,550	42,302	9,752
Interest, miscellaneous, and service	89,050	89,050	78,222	(10,828)
<b>TOTAL REVENUES</b>	<b>\$ 1,033,237</b>	<b>\$ 1,033,237</b>	<b>\$ 1,156,061</b>	<b>\$ 122,824</b>
<b>Expenditures:</b>				
Administrative salaries & related costs	\$ 80,618	\$ 93,797	\$ 81,978	\$ 11,819
Utilities	52,000	59,650	57,054	2,596
Supplies	16,000	15,500	12,067	3,433
Insurance	60,000	60,000	63,409	(3,409)
Legal fees	8,600	6,525	6,525	-
Accounting services and audit fee	10,000	8,025	8,150	(125)
Repairs and maintenance	5,300	14,000	13,682	318
Publishing expense	6,000	2,580	1,094	1,486
Other general government expense	39,072	43,342	43,811	(469)
Police Department	524,302	838,838	794,267	44,571
Fire Department	41,325	41,325	50,580	(9,255)
Codes Enforcement	2,273	2,273	1,507	766
Highways and streets	43,916	43,916	42,914	1,002
Community center	3,500	3,500	-	3,500
Joint economic & community development	13,473	9,723	9,698	25
Debt Service	46,666	60,285	60,216	69
<b>TOTAL EXPENDITURES</b>	<b>\$ 953,045</b>	<b>\$ 1,303,279</b>	<b>\$ 1,246,952</b>	<b>\$ 56,327</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>80,192</b>	<b>(270,042)</b>	<b>(90,891)</b>	<b>179,151</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	45,468	45,468
Note proceeds	-	-	130,000	130,000
Operating transfers out	(64,400)	(64,400)	(123,007)	(58,607)
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 15,792</b>	<b>\$ (334,442)</b>	<b>\$ (38,429)</b>	<b>\$ 296,013</b>
Fund balance at July 1, 2022	913,794	913,794	913,794	-
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b>\$ 929,586</b>	<b>\$ 579,352</b>	<b>\$ 875,364</b>	<b>\$ 296,013</b>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - PARKS AND RECREATION FUND**  
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenues	\$ 74,800	\$ 73,300	\$ 122,054	\$ 48,754
Interest	-	-	39	39
<b>TOTAL REVENUES</b>	<b>\$74,800</b>	<b>\$ 73,300</b>	<b>\$ 122,093</b>	<b>\$ 48,793</b>
<b>Expenditures:</b>				
Maintenance and repairs	\$ 6,200	\$ 3,950	\$ 3,164	\$ 786
Utilities	4,000	4,500	4,237	263
Umpires and referees	8,000	9,550	8,620	930
Concessions and supplies	32,000	53,525	57,187	(3,662)
Miscellaneous	16,000	36,100	35,868	232
<b>TOTAL EXPENDITURES</b>	<b>\$66,200</b>	<b>\$107,625</b>	<b>\$ 109,075</b>	<b>\$ (1,450)</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>8,600</b>	<b>(34,325)</b>	<b>13,018</b>	<b>50,244</b>
Other financing sources (uses):				
Operating transfers out	(45,551)	(45,551)	-	(45,551)
Operating transfers in	47,500	47,500	-	47,500
Fund balance at July 1, 2022	49,606	49,606	49,606	-
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b>\$60,155</b>	<b>\$ 17,230</b>	<b>\$ 62,624</b>	<b>\$ 45,394</b>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**BUDGETARY COMPARISON STATEMENT - INDUSTRIAL PARK FUND**  
**Year ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Donations	\$ -	\$ -	\$ -	\$ -
Interest	-	-	161.44	161.44
<b>Expenditures:</b>				
Expenses	-	-	-	-
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	161	161
Transfers to other funds	-	-	(122,459)	(122,459)
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER</b>				
<b>FINANCING SOURCES (USES)</b>	\$ -	\$ -	\$ (122,298)	\$ (122,298)
Fund balance at July 1, 2022	216,335	216,335	216,335	-
<b>FUND BALANCE AT JUNE 30, 2023</b>	<u>\$216,335</u>	<u>\$216,335</u>	<u>\$ 94,037</u>	<u>\$ (122,298)</u>

See the notes to financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Watertown, Tennessee (City), are disclosed in subsequent sections of this note. The notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2023.

**2. REPORTING ENTITY**

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the reporting entity is the City of Watertown, including the water and sewer system. Any other potential units are excluded.

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statement with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONT'D.)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND  
FINANCIAL STATEMENT PRESENTATION**

The financial statements of the City of Watertown, Tennessee are prepared in accordance with generally accepted accounting principles (GAAP).

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONT'D.)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services which are billed monthly. Revenues are not accrued for usage from the last meter reading date to June 30. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.



**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONT'D.)**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**5. FUND TYPES AND MAJOR FUNDS**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

**GOVERNMENTAL FUNDS**

The City reports the following major governmental funds:

**General Fund** - The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. During the year ended June 30, 2010, the City combined its street fund into its General Fund.

**Parks and Recreation Fund** – The Parks and Recreation fund is used to account for the specific revenues sources that are restricted to expenditures for the City's parks and recreation activities.

**Industrial Park Fund** – The Industrial Park fund is used to account for the land in the industrial park that is available for sale, and the proceeds from the sale of the land.

**Drug Fund** - The Drug fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**5. FUND TYPES AND MAJOR FUNDS (Cont'd.)**

**PROPRIETARY FUND**

The City reports only one major enterprise fund:

**Water and Sewer System** – accounts for the operating activities of the City's water supply system and of its sewage treatment plant, pumping stations, and collection system.

**6. FUND BALANCES**

**Non-spendable Fund Balance** – Fund balances reported as non-spendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.

**Restricted Fund Balance** – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Committed Fund Balance** – Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the Board of Mayor and Aldermen. Formal action, a resolution, must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

**Assigned Fund Balance** – Fund balances reported as assigned are intended for certain purposes as approved by Board of Mayor and Aldermen or management.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**6. FUND BALANCES (cont'd)**

**Unassigned Fund Balance** – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as they are needed.

**7. CAPITAL ASSETS AND DEPRECIATION**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are carried at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to the construction or acquisition of the assets. In addition, the City capitalizes interest costs related to qualified expenditures for projects under development. Donated capital assets are valued at their estimated fair value on the date donated.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the City is items purchased or betterment, not repairs, in excess of \$500.00 and having a useful life of one year or more will be capitalized.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**7. CAPITAL ASSETS AND DEPRECIATION (Cont'd.)**

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements.

Capital assets are depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Buildings	39
Improvements, other than buildings	10-20
Equipment	5-10

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	15-40 years
Improvements other than buildings	10-40 years
Equipment	3-10 years

**8. BUDGETS AND BUDGETARY ACCOUNTING**

Prior to July 1, the budget is legally enacted through passage of a resolution. The General and Special Revenue Fund budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the resolution.

Appropriations lapse at the end of each year.

The City's budgetary basis of accounting is consistent with generally accepted accounting principles.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**9. CASH EQUIVALENTS**

For purposes of the statement of cash flows, all highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

**10. ENCUMBRANCES**

Encumbrance accounting is not used since it is not legally required.

**11. CREDIT RISK**

The City of Watertown provides water, and sewer and governmental type services for residential, commercial and industrial customers and citizens in the City of Watertown, Tennessee.

**12. USES OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

**13. CONTRIBUTIONS**

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions include developer contributed utility systems, capacity and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note A (Cont'd):**

**14. NET POSITION**

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets; restricted for capital activity and debt service; and unrestricted position. Net investment in capital asset is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination.

Restricted for capital activity and debt service includes net position restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted is the net position that do not meet the definition of net investment in capital assets or restricted for capital activity and debt service.

**15. NET POSITION FLOW ASSUMPTION**

Sometimes the system will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

Note A (Cont'd):

**16. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

For the year ended June 30, 2023, the City's governmental funds report unavailable revenue from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**NOTE B - PROPERTY TAXES**

Property taxes attach as an enforceable lien as of January 1. Taxes are levied on October 1, and are payable before March 1. The City bills and collects its own property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are reported on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30; that is, amounts not received within 60 days of the year end.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**NOTE C – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

Bank balances at June 30, 2023, were \$2,466,047.04.



**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**NOTE D - CHANGES IN CAPITAL ASSETS**

	Balance at July 1	Additions	Reductions	Balance at June 30
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 144,990.93		\$ -	\$ 144,990.93
Capital Assets Being Depreciated:				
Buildings	\$ 1,528,435.82	\$ 8,979.00	\$ -	\$ 1,537,414.82
Improvements, other than buildings	240,567.85	-		240,567.85
Equipment	515,057.06	188,837.43	35,099.32	668,795.17
<b>Total capital assets being depreciated</b>	<b>\$ 2,284,060.73</b>	<b>\$ 197,816.43</b>	<b>\$ 35,099.32</b>	<b>\$ 2,446,777.84</b>
Less Accumulated Depreciation for:				
Buildings	\$ (609,004.90)	\$ (36,398.53)	\$ -	\$ (645,403.43)
Improvements, other than buildings	(143,703.10)	(10,953.40)	-	(154,656.50)
Equipment	(345,475.48)	(35,204.16)	(35,099.32)	(345,580.32)
<b>Total accumulated depreciation</b>	<b>\$ (1,098,183.48)</b>	<b>\$ (82,556.09)</b>	<b>\$ (35,099.32)</b>	<b>\$ (1,145,640.25)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,185,877.25</b>	<b>115,260.34</b>	<b>-</b>	<b>1,301,137.59</b>
<b>Governmental activities : capital assets, net</b>	<b>\$ 1,330,868.18</b>	<b>\$ 115,260.34</b>	<b>\$ -</b>	<b>\$ 1,446,128.52</b>
<b>Business-type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 12,507.00	\$ -	\$ -	\$ 12,507.00
Construction in progress	122,462.09	27,784.50	-	150,246.59
<b>Total capital assets not being depreciated</b>	<b>\$ 134,969.09</b>	<b>\$ 27,784.50</b>	<b>\$ -</b>	<b>\$ 162,753.59</b>
Capital Assets Being Depreciated:				
Main lines	\$ 4,525,268.50		\$ -	\$ 4,525,268.50
Equipment	351,914.76	-	39,534.00	312,380.76
<b>Total capital assets being depreciated</b>	<b>\$ 4,877,183.26</b>	<b>\$ -</b>	<b>\$ 39,534.00</b>	<b>\$ 4,837,649.26</b>
Less Accumulated Depreciation for:				
Main lines	\$ (2,995,766.65)	\$ (68,626.42)	\$ -	\$ (3,064,393.07)
Equipment	(236,131.05)	(17,807.60)	(35,284.00)	(218,654.65)
<b>Total accumulated depreciation</b>	<b>\$ (3,231,897.70)</b>	<b>\$ (86,434.02)</b>	<b>\$ (35,284.00)</b>	<b>\$ (3,283,047.72)</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 1,645,285.56</b>	<b>\$ (86,434.02)</b>	<b>\$ 4,250.00</b>	<b>\$ 1,554,601.54</b>
<b>Business-type activities : capital assets, net</b>	<b>\$ 1,780,254.65</b>	<b>\$ (58,649.52)</b>	<b>\$ 4,250.00</b>	<b>\$ 1,717,355.13</b>
<b>CAPITAL ASSETS, NET</b>	<b>\$ 3,111,122.83</b>	<b>\$ 56,610.82</b>	<b>\$ 4,250.00</b>	<b>\$ 3,163,483.65</b>

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**Note D (Cont'd):**

**Depreciation Expense**

Depreciation expense was charged to functions of the City as follows:

<i>Governmental activities</i>		<i>Business-type activities</i>	
General government	\$ 7,673	Main lines	\$ 15,214
Public safety	61,651	Sewer plant	53,412
Parks and recreation	13,232	Equipment	17,808

**NOTE E - LONG-TERM DEBT**

Long-term debt is issued to provide funds for the acquisition and construction of capital assets. All notes are direct borrowings.

Changes in long-term indebtedness of the City of Watertown consists of:

	<u>Amount at</u> <u>July 1</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Retired</u>	<u>Amount at</u> <u>June 30</u>	<u>Current</u> <u>Portion</u>
Wilson County, Series 2008	\$ 470,908.53	\$ -	\$ 16,071.24	\$ 454,837.29	\$ 16,585.52
Capital Outlay Notes, 2014	58,034.77	-	9,509.15	48,525.62	9,930.80
Capital Outlay Notes, 2019	5,019.00	-	3,219.00	1,800.00	1,800.00
Capital Outlay Notes, 2021	56,000.00	-	14,000.00	42,000.00	14,000.00
Capital Outlay Notes, 2023	-	130,000.00	-	130,000.00	23,395.71
<b>TOTAL</b>	<u>\$ 589,962.30</u>	<u>\$ 130,000.00</u>	<u>\$ 42,799.39</u>	<u>\$ 677,162.91</u>	<u>\$ 65,712.03</u>

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**NOTE E (Cont'd):**

At June 30, 2023, long-term indebtedness of the governmental activities of the City of Watertown consists of:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
Capital Outlay Note, 2019 (matures in 2023)	\$ 18,345.00	\$ 1,800.00	0.00%
Capital Outlay Note, 2014 (matures in 2026)	115,000.00	48,525.62	4.00%
Wilson County, 2008 (matures 2043)	650,000.00	454,837.29	3.20%
Capital Outlay Note, 2021 (matures in 2026)	70,000.00	42,000.00	0.00%
Capital Outlay Note, 2023 (matures in 2028)	130,000.00	130,000.00	0.00%
	<b>TOTAL</b>	<u>\$ 677,162.91</u>	

A summary of the City of Watertown debt service requirements for principal and interest at June 30, 2023, is as follows:

<u>Year ending</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 65,712.03	\$ 23,320.50	\$ 89,032.53
2025	66,095.88	21,136.65	87,232.53
2026	68,338.49	18,894.04	87,232.53
2027	63,049.72	16,537.64	79,587.36
2028	47,537.01	13,839.14	61,376.15
2029-2033	103,487.45	52,214.10	155,701.55
2034-2038	121,139.59	34,561.94	155,701.53
2039-2043	141,802.74	13,898.82	155,701.56
<b>TOTAL</b>	<u>\$ 677,162.91</u>	<u>\$ 194,402.83</u>	<u>\$ 871,565.74</u>

In the event of default on the above loans, all sums unpaid become immediately due and payable.

**CITY OF WATERTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**June 30, 2023**

**NOTE F - LITIGATION**

There were no lawsuits pending in which the City is involved, which could result in any liability to the City.

**NOTE G – RISK FINANCING ACTIVITIES**

The City’s risks of loss relating to general liability, property and casualty and workers’ compensation are covered by participation in a public entity risk pool.

The City joined the Tennessee Municipal League Risk Management Pool, which is a public entity risk pool established by the Tennessee Municipal League, an association of member municipalities. The City pays an annual premium to the Public Entity Partners Pool for its insurance coverage. The creation of the Public Entity Partners Pool provides for it to be self-sustaining through member premiums.

The City continues to carry commercial insurance for surety bond coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE H - SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES**

**Due from:**

	<b>General Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Parks &amp; Recreation Fund</b>	<b>Total</b>
<b><u>Due to:</u></b>				
Water and Sewer	\$ -	\$ -	\$ 43,296.11	\$ 43,296.11
General	-	38,448.75	-	38,448.75
Parks and recreation	18,655.00	-	-	18,655.00
<b>TOTAL</b>	<b>\$ 18,655.00</b>	<b>\$ 38,448.75</b>	<b>\$ 43,296.11</b>	<b>\$ 100,399.86</b>

Interfund receivables and payables are the result of transactions, including the receipt of grant money, purchase or construction of capital assets, collection of customer payments, and payment of trade accounts payable, which are paid for or received in one fund on behalf of a different fund. The City worked with the Tennessee Comptroller of the Treasury to enter into an action plan to repay the interfund loans. In November 2022, the Tennessee Comptroller of the Treasury’s office granted approval for the forgiveness of interfund loan balances at June 30, 2022, totaling \$199,997.19 between the water and sewer fund, the general fund, and the industrial park fund.

SUPPLEMENTAL  
INFORMATION

**CITY OF WATERTOWN, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE - DRUG FUND**  
**Year ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Fines and penalties	\$ -	\$ -	\$ 594	\$ 594
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 594</b>	<b>\$ 594</b>
<b>Expenditures:</b>				
Equipment	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	594	594
Other financing sources (uses):				
Operating transfers out:	-	-	-	-
<b>INCREASE (DECREASE)</b>				
<b>IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 594</b>	<b>\$ 594</b>
Fund balance at July 1, 2022	3,958	3,958	3,958	-
<b>FUND BALANCE AT JUNE 30, 2023</b>	<b>\$ 3,958</b>	<b>\$ 3,958</b>	<b>\$ 4,552</b>	<b>\$ 594</b>

See the notes to financial statements.

**CITY OF WATERTOWN, TENNESSEE**  
**LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS**  
 June 30, 2023

Maturities During Year Ending June 30,	\$18,345		\$56,000		\$130,000		\$650,000		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 1,800.00	\$ -	\$ 14,000.00	\$ -	\$ 23,395.71	\$ 6,840.17	\$ 16,585.52	\$ 14,554.79	\$ 89,032.53
2025			14,000.00	-	24,651.60	5,584.28	17,116.25	14,024.06	87,232.53
2026			14,000.00	-	25,933.36	4,302.52	17,663.97	13,476.34	87,232.53
2027				685.54	27,294.87	2,941.01	18,229.22	12,911.09	79,587.36
2028					28,724.46	1,511.39	18,812.55	12,327.75	61,376.15
2029							19,414.56	11,725.75	31,140.31
2030							20,035.82	11,104.49	31,140.31
2031							20,676.97	10,463.34	31,140.31
2032							21,338.63	9,801.68	31,140.31
2033							22,021.47	9,118.84	31,140.31
2034							22,726.15	8,414.15	31,140.30
2035							23,453.39	7,686.92	31,140.31
2036							24,203.90	6,936.41	31,140.31
2037							24,978.42	6,161.88	31,140.30
2038							25,777.73	5,362.58	31,140.31
2039							26,602.62	4,537.69	31,140.31
2040							27,453.90	3,686.40	31,140.30
2041							28,332.43	2,807.88	31,140.31
2042							29,239.07	1,901.24	31,140.31
2043							30,174.72	965.61	31,140.33
	<u>\$ 1,800.00</u>	<u>\$ -</u>	<u>\$ 42,000.00</u>	<u>\$ -</u>	<u>\$ 130,000.00</u>	<u>\$ 21,179.37</u>	<u>\$ 454,837.29</u>	<u>\$ 167,968.89</u>	<u>\$ 871,565.74</u>

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**June 30, 2023**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or		Outstanding 6/30/2023
							Matured During Period	Refunded During Period	
<b>Governmental activities</b>									
<u>NOTES PAYABLE</u>									
Payable through General Fund									
Capital Outlay Note	70,000.00	0.000%	08/15/21	08/15/26	\$ 56,000.00	\$ -	\$ 14,000.00	\$ -	\$ 42,000.00
Capital Outlay Note	115,000.00	4.000%	07/30/14	07/30/20	58,034.77	-	9,509.15	-	48,525.62
Capital Outlay Note	650,000.00	3.200%	06/30/08	06/30/43	470,908.53	-	16,071.24	-	454,837.29
Capital Outlay Note	18,345.00	0.000%	04/11/19	04/11/23	5,019.00	-	3,219.00	-	1,800.00
Capital Outlay Note	130,000.00	5.250%	03/10/23	03/10/28	-	130,000.00	-	-	130,000.00
Total notes payable					<u>\$ 589,962.30</u>	<u>\$ 130,000.00</u>	<u>\$ 42,799.39</u>	<u>\$ -</u>	<u>\$ 677,162.91</u>



**CITY OF WATERTOWN, TENNESSEE**  
**PROPERTY TAXES**  
**Year ended June 30, 2023**

Tax rates and taxes assessed for the ten most current years were:

<u>Year 2023</u>	<u>Tax Rate</u>	<u>Tax Assessed</u>
2022	\$0.9578	\$ 218,801
2021	\$0.9578	211,911
2020	\$0.9578	210,215
2019	\$0.9578	201,731
2018	\$0.9578	197,977
2017	\$0.9578	193,137
2016	\$0.9578	195,337
2015	\$0.9578	192,832
2014	\$0.9578	188,298
2013	\$0.9578	187,368

A summary of changes in property taxes receivable during the year follows:

	<u>Balance at July 1</u>	<u>Assessment</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance at June 30</u>
2022	-	218,801.00	209,880.23	4.00	8,916.77
2021	6,022.00	-	5,426.00	-	596.00
2020	982.00	-	877.00	-	105.00
2019	-	-	-	-	-
2018	-	-	-	-	-
2017	-	-	-	-	-
2016	-	-	-	-	-
2015	-	-	-	-	-
2014	-	-	-	-	-
	<u>\$ 7,004.00</u>	<u>\$ 218,801.00</u>	<u>\$ 216,183.23</u>	<u>\$ 4.00</u>	<u>\$ 9,617.77</u>
			Add 2023 assessed taxes		<u>218,851.00</u>
					<u>\$ 228,468.77</u>

The uncollected 2021 taxes have been filed with the Clerk & Master for collection.

2023 Taxes assessed	<u>\$ 218,851.00</u>
---------------------	----------------------

**WATERTOWN WATER & SEWER DEPARTMENT  
STATISTICAL DATA  
June 30, 2023**

**WATER & SEWER RATES**

**Inside the City**

Water Base Rate	\$15.64
Sewer Base Rate	15.64

**Per 1000 Gallons**

First 2,000 @	\$4.37
Next 8,000 @	5.89
Over 10,000 @	6.82

**Outside the City**

Water Base Rate	\$23.46
Sewer Base Rate	23.46

**Per 1000 Gallons**

First 2,000 @	\$6.56
Next 8,000 @	8.84
Over 10,000 @	9.23

There were approximately 682 customers billed for June 2023.

**CITY OF WATERTOWN TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
Year ended June 30, 2023**

<b>Federal Grantor/ Program Title <u>Federal Awards</u></b>	<b>Federal ALN</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>Department of Transportation</b>			
High Visibility Law Enforcement Campaigns	20.607		\$ 787.70
<b>Department of Safety</b>			
High Visibility Law Enforcement Campaigns	20.607		3,219.00
<b>Department of Homeland Security</b>			
Federal Emergency Management Agency	97.044		<u>19,805.88</u>
		<b>TOTAL FEDERAL AWARDS</b>	<b><u>\$ 23,812.58</u></b>

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Watertown, Tennessee under programs of the federal government for the year ended June 30, 2023. The schedule is presented using the accrual basis of accounting.

**NOTE B - INDIRECT COST RATE**

The City of Watertown, Tennessee has elected to use the 10-percent de minimus.

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
Taxes:		
Property taxes	\$ 214,648.23	\$ -
Interest and penalties on property taxes	2,037.81	-
Local option sales tax	399,682.55	-
Wholesale beer tax	40,395.87	-
Liquor tax	18,101.68	-
Business tax	37,765.26	-
Cable TV franchise tax	7,999.02	-
<b>TOTAL TAXES</b>	<b>\$ 720,630.42</b>	<b>\$ -</b>
Licenses and permits:		
Beer and liquor licenses	\$ 450.00	\$ -
Building and related permits	2,835.85	-
<b>TOTAL LICENSES OR PERMITS</b>	<b>\$ 3,285.85</b>	<b>\$ -</b>
Intergovernmental revenue:		
TVA in lieu of taxes	\$ 18,672.12	\$ -
Lebanon Housing Authority in lieu of taxes	7,091.68	-
State sales tax	184,764.32	-
State beer tax	709.13	-
State mixed drink tax	2,400.34	-
State gasoline inspection fee	2,845.08	-
State gas 1989	4,330.78	-
State gas 3 cent	7,996.75	-
State gas 2017	13,949.84	-
State gasoline and motor fuel tax	27,672.97	-
State income tax	9,787.48	-
State sports betting revenue	2,768.77	-
Governor's Highway Safety grant	4,006.70	-
FEMA grant	19,805.58	-
Salary supplement	4,000.00	-
State telecom taxes	819.18	-
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<b>\$ 311,620.72</b>	<b>\$ -</b>

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND REVENUES (CONTINUED)**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
Charges for services:		
Sanitation	\$ 5,400.00	-
<b>TOTAL CHARGES FOR SERVICES</b>	<b>\$ 5,400.00</b>	<b>\$ -</b>
Fines and penalties	\$ 42,302.45	\$ 593.74
Interest	9,455.49	200.40
Concessions and sponsorships	-	83,661.49
Donations	4,000.00	24,188.92
Asset sales	19,269.43	-
Insurance proceeds	37,030.75	-
Miscellaneous	3,066.18	14,203.82
<b>TOTAL REVENUE</b>	<b>\$ 1,156,061.29</b>	<b>\$ 122,848.37</b>

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
<b>CITY RECORDER</b>		
Salaries	\$ 69,032.45	\$ -
Payroll taxes	5,280.79	-
Health insurance	7,664.52	-
	<u>\$ 81,977.76</u>	<u>\$ -</u>
 <b>CITY HALL BUILDINGS</b>		
Utilities	\$ 28,736.46	\$ -
Repairs and maintenance	13,682.35	-
	<u>\$ 42,418.81</u>	<u>\$ -</u>
 <b>ANIMAL CONTROL</b>		
Wilson County Animal Control	\$ 500.00	\$ -
	<u>\$ 500.00</u>	<u>\$ -</u>
 <b>DIRECT ASSISTANCE</b>		
Library	\$ 30,072.00	\$ -
	<u>\$ 30,072.00</u>	<u>\$ -</u>
 <b>ECONOMIC DEVELOPMENT</b>		
Joint planning services	\$ 9,697.99	\$ -
	<u>\$ 9,697.99</u>	<u>\$ -</u>

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
<b>GENERAL GOVERNMENT</b>		
Insurance	\$ 63,408.87	\$ -
Telephone	28,317.61	-
Postage	507.45	-
Office supplies	12,067.16	-
Publication of documents	1,094.38	-
City judge	3,600.00	-
City attorney	2,925.00	-
Accounting services and audit fee	8,150.00	-
Other	12,731.79	-
	<u>\$ 132,802.26</u>	<u>\$ -</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 297,468.82</u>	<u>\$ -</u>
<b>POLICE</b>		
Salaries	\$ 401,567.61	\$ -
Payroll taxes	30,720.01	-
Health insurance	51,765.45	-
Education and training	2,449.32	-
Gas, oil and diesel fuel	15,633.43	-
Repairs and maintenance	28,657.19	-
Office supplies	19,194.58	-
Other machinery and equipment	235,641.29	-
Radio services, publicity, subscriptions	1,690.00	-
Other	6,948.01	-
	<u>\$ 794,266.89</u>	<u>\$ -</u>

**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
<b>FIRE PROTECTION</b>		
Repairs and maintenance	\$ 16,443.94	\$ -
Radio services	1,690.00	-
Gasoline, oil and diesel fuel	6,085.44	-
Machinery and equipment	22,062.31	-
Other	4,298.71	-
	<u>\$ 50,580.40</u>	<u>\$ -</u>
<b>CODES COMPLIANCE</b>		
Salaries	\$ 1,400.00	\$ -
Payroll taxes	107.10	-
	<u>\$ 1,507.10</u>	<u>\$ -</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>\$ 846,354.39</u>	<u>\$ -</u>
<b>HIGHWAYS AND STREETS</b>		
Utilities	\$ 20,855.30	\$ -
Repairs and maintenance	3,049.78	-
Gas, oil and diesel fuel	3,296.56	-
Supplies	15,711.94	-
	<u>\$ 42,913.58</u>	<u>\$ -</u>



**CITY OF WATERTOWN, TENNESSEE**  
**SCHEDULE OF GENERAL AND SPECIAL REVENUE FUND**  
**EXPENDITURES (CONTINUED)**  
**Year ended June 30, 2023**

	General Fund	Special Revenue Funds
<b>PARKS</b>		
Referees/umpires	\$ -	\$ 8,620.00
Utilities	-	4,236.76
Concessions and supplies	-	50,687.01
Repairs and maintenance	-	3,164.03
Equipment	-	6,500.00
Other	-	35,867.69
	\$ -	\$ 109,075.49
	\$ -	\$ 109,075.49

**CITY OF WATERTOWN, TENNESSEE  
INSURANCE IN FORCE  
June 30, 2023**

	<u>Amounts of Insurance</u>	<u>Expiration Date</u>
Workmen's' Compensation	Statutory	April 11, 2024
Automobile Liability	\$ 1,000,000	March 5, 2024
General Liability	\$ 700,000	March 5, 2024
<b>Surety Bond:</b>		
City Recorder	\$ 2,000	March 5, 2024
<b>Property:</b>		
Building and Contents	\$ 10,453,793	July 1, 2024
Machinery	346,240	
<b>Errors and Omissions</b>	\$ 1,000,000	March 5, 2024
<b>Employee Dishonesty</b>	\$ 150,000	July 1, 2024

# COMPLIANCE AND INTERNAL CONTROL

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**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**

Mayor and Board of Aldermen  
City of Watertown, Tennessee  
Watertown, Tennessee

I have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Watertown's basic financial statements, and have issued a report thereon dated December 21, 2023.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Watertown's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Watertown's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Watertown'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002, that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Watertown’s financial statements are free from material misstatement, I 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 determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described (2023-002) in the Schedule of Findings and Recommendations.

**Response to Findings**

The City of Watertown’s response to the findings identified in the audit is described in the Schedule of Findings and Recommendations. The City of Watertown’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

*Jah R Poole, CPA*

December 21, 2023

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### CITY OF WATERTOWN, TENNESSEE

JUNE 30, 2023

#### 2023-001 - Separation of Duties

Condition: The City cannot fully segregate the record-keeping and custodial functions of its internal controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The City has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: We realize that the staff size will not allow the City to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### CITY OF WATERTOWN, TENNESSEE

JUNE 30, 2023

#### 2023-002 - Expenditures in Excess of Appropriations in Government Funds

Condition: Actual expenditures exceeded budgeted expenditures in the Parks and Recreation fund.

Criteria: TCA 6-56-203 states in part: The governing body of each municipality shall adopt and operate under an annual budget ordinance. ...all moneys received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other law, no municipality may expend any moneys regardless of their source...except in accordance with a budget ordinance adopted under this section.

Cause: The City did not properly monitor expenditures.

Effect: Expenditures could exceed approved budgeted amounts, compromising the City's financial position.

Recommendation: If it appears during the fiscal year that actual expenditures will exceed budgeted amounts, the Mayor and Board of Aldermen should amend the budget or provide supplemental appropriations.

Response: We concur. In the future, expenditures will be closely monitored to ensure that actual expenditures do not exceed budgeted amounts without a corresponding budget amendment or supplemental appropriation.

**SCHEDULE OF DISPOSITION OF PRIOR YEAR COMMENTS**

**CITY OF WATERTOWN, TENNESSEE**

**June 30, 2023**

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Segregation of Duties	Repeated

The original finding number was 2010-002. The current finding number is 2023-001.

2022-002	Expenses Exceeded Budgeted Amounts	Repeated
----------	------------------------------------	----------

The original finding number was 2020-003. The current finding number is 2023-002.



**MAYOR**  
Michael R. Jennings

**CITY RECORDER**  
April Lamberson

**CITY CLERK**  
Lisa Baines



**ALDERMEN**  
Laura Cromer - Vice Mayor  
Kristie Cantrell  
Howell Roberts  
Stephen Casey  
Caleb Barrett  
Larry Byrd

## Management's Corrective Action Plan

Audit period: June 30, 2022

The findings from the June 30, 2022, *Schedule of Findings and Responses* are discussed below.

### 2022-001 Segregation of Duties (Internal Control)

Contact person: Mayor Mike Jennings

Planned Corrective Action: The City employs a full-time City Recorder and a part-time City Clerk. A few years ago, we contracted with an outside firm to perform certain duties such as reconciling bank statements, providing weekly revenue and expenditure reports, and other related items. This relationship will continue. We are always looking for affordable ways to improve and strengthen our internal controls

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

### 2022-002 - Expenditures in Excess of Appropriations in Government Funds (Compliance)

Contact person: Mayor Mike Jennings

Planned Corrective Action: The City will more closely monitor financial performance to prevent overspending of budgets in future periods.

Anticipated Completion Date: June 30, 2024

Signature:

Michael R. Jennings, Mayor

