

**PRELIMINARY OFFICIAL STATEMENT**

**\$7,250,000\***

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Water and Sewer Revenue Refunding and Improvement Bonds,  
Series 2016**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, March 2, 2016 at 10:15 A.M. E.S.T  
Through the Facilities of **PARITY**®  
and at the offices of  
Cumberland Securities Company, Inc.  
Knoxville, Tennessee

**Cumberland Securities Company, Inc.**  
Financial Advisor

February 22, 2016

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\* Preliminary, subject to change.



**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 22, 2016**

**NEW ISSUE**

**Book-Entry-Only**

Rating: Standard & Poor's: "AA"  
(See "MISCELLANEOUS-Rating")

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, 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 imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. 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 "Legal Matters - 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 inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Legal Matters - Tax Matters" herein).*

**\$7,250,000\***

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016**

Dated: Date of Issuance (assume April 1, 2016).

Due: February 1 (as shown below)

The \$7,250,000\* Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds") of Hendersonville Utility District of Sumner County, Tennessee (the "District") will be issued as fully registered Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and 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. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on August 1, 2016 and thereafter on each February 1 and August 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from and secured by a pledge of revenues to be derived from the operation of the District's Water and Sewer System (the "System"), on a parity and equality of lien with the Outstanding Parity Bonds (as defined herein), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and subject to a prior pledge of such revenues in favor of the Prior Lien Bond (as defined herein).

Bonds maturing February 1, 2023 and thereafter are subject to redemption prior to maturity on or after February 1, 2022.

<u>Due</u> <u>(Feb 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>	<u>Due</u> <u>(Feb 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>
2017	\$ 40,000				2032	\$ 135,000			
2018	40,000				2033	140,000			
2019	140,000				2034	140,000			
2020	140,000				2035	145,000			
2021	145,000				2036	150,000			
2022	145,000				2037	155,000			
2023	565,000				2038	165,000			
2024	820,000				2039	170,000			
2025	855,000				2040	175,000			
2026	865,000				2041	185,000			
2027	395,000				2042	190,000			
2028	120,000				2043	200,000			
2029	125,000				2044	210,000			
2030	125,000				2045	215,000			
2031	130,000				2046	225,000			

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the District, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters in connection with the Bonds are subject to the approval of Branstetter, Stranch & Jennings, PLLC, Nashville, Tennessee, as counsel to the District. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about April \_\_, 2016.

**Cumberland Securities Company, Inc.**

*Financial Advisor*

March \_\_\_\_, 2016

\* Preliminary, subject to change.

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

\*\* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The District 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.

HENDERSONVILLE UTILITY DISTRICT OF  
SUMNER COUNTY, TENNESSEE

**OFFICIALS**

W.C. Boyers  
*President*

Ronald E. Flowers  
*Treasurer*

J.W. McMurray  
*Secretary*

**GENERAL MANAGER**

Thomas S. Atchley

**COUNSEL TO THE DISTRICT**

Branstetter, Stranch & Jennings, PLLC  
Nashville, Tennessee

**REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

**BOND COUNSEL**

Glankler Brown, PLLC  
Memphis, Tennessee

**FINANCIAL ADVISOR**

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



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## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer .....	Hendersonville Utility District of Sumner County, Tennessee (the "District" or "Issuer"). See APPENDIX B contained herein.
Securities Offered.....	\$7,250,000* Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds") of the District will be dated the date of issuance (assume April 1, 2016) and maturing February 1, 2017 through February 1, 2046, inclusive. See the section entitled "SECURITIES OFFERED" for additional information.
Security .....	The Bonds shall be payable solely from and secured by a pledge of the Net Revenues on a parity and equality of lien with the Outstanding Parity Bonds and any Parity Bonds hereafter issued, subject to the prior pledges of such Net Revenues in favor of the Prior Lien Bond. The punctual payment of principal of and premium, if any, and interest on the Bonds, the Outstanding Parity Bonds and any Parity Bonds hereafter issued shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Bonds do not constitute a debt of Sumner County, Tennessee, the State of Tennessee, or any political subdivision, agency or instrumentality thereof, or municipal corporation therein, other than the District, and no holder of the Bonds shall have recourse to the taxing power of any such entities. The District has no taxing power.
Purpose .....	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, the Refunded Bonds (as described herein); (ii) financing certain extensions and improvements to the System (as hereinafter defined); (iii) funding the Debt Service Reserve Fund; (iv) paying interest on the Bonds during construction and for up to six months thereafter; (v) paying costs incurred in connection with the issuance and sale of the Bonds.
Optional Redemption .....	The Bonds are subject to redemption, in whole or in part, at a price of par plus accrued interest on February 1, 2022, in whole or in part, and at anytime thereafter at the price of par plus accrued interest to the redemption date. See the section entitled "SECURITIES OFFERED-Optional Redemption."
Tax Matters.....	In the opinion of bond counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the alternative minimum tax on individuals and corporations and will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS - Tax Matters" and APPENDIX A (form of legal opinion) included herein.
Bank Qualification .....	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating.....	Standard & Poor's: "AA". See the section entitled "MISCELLANEOUS-Ratings" for more information.
Registration and Paying Agent .....	Regions Bank, Nashville, Tennessee (the "Registration Agent").

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\* Preliminary, subject to change.

Bond Counsel .....Glankler Brown, PLLC, Memphis, Tennessee.

Financial Advisor .....Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties; Others” herein.

Underwriter.....

Book-Entry-Only System.....The Bonds will be issued under the Book-Entry System. For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System.”

General.....The Bonds are being issued in full compliance with applicable provisions of Title 7, Chapter 82 and Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the District will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.

Other Information.....The information in the *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the District or the *Preliminary Official Statement*, contact W.C. Boyers, President, 125 Indian Lake Road, Hendersonville, Tennessee 37077, Telephone: 615-824-3717 or the District's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Additional information regarding [BiDCOMP™/PARITY®](#) may be obtained from [PARITY®](#), 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850.7422.

**NET ASSETS**  
**Summary of Changes In Net Assets**  
(In Thousands)

For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Net Assets	\$79,421,521	\$80,563,183	\$83,165,742	\$82,791,204	\$86,175,798
Revenues	12,894,967	15,564,495	15,621,201	17,401,584	18,800,335
Expenditures	11,448,794	13,102,211	14,673,027	14,538,183	15,197,877
Non-Operating Revenue (Expense)	(1,150,964)	(1,492,085)	(1,306,836)	(1,112,111)	(2,106,474)
Contributions	846,433	1,632,360	542,010	1,633,304	(257,625)
Prior Period Adjustments	-	-	(557,886)	-	(1,463,791)
Change in Net Assets	1,141,642	2,602,559	183,348	3,384,594	1,238,359
<b>Ending Net Assets</b>	<b><u>\$80,563,183</u></b>	<b><u>\$83,165,742</u></b>	<b><u>\$82,791,204</u></b>	<b><u>\$86,175,798</u></b>	<b><u>\$95,950,366</u></b>

Source: Financial Statements with Report of Certified Public Accountants.

**SUMMARY NOTICE OF SALE**  
**\$7,250,000\***  
**HENDERSONVILLE UTILITY DISTRICT**  
**OF SUMNER COUNTY, TENNESSEE**  
**Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016**

NOTICE IS HEREBY GIVEN that the President of the Hendersonville Utility District of Sumner County, Tennessee (the "District") will receive electronic or written sealed bids until **10:15 a.m. E.S.T.** on **Wednesday, March 2, 2016** for the purchase of all, but not less than all, of the District's \$7,250,000\* Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds"). Electronic bids must be submitted through **PARITY®** as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the District's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the District reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:00 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume April 1, 2016). The Bonds will mature on February 1 in the years 2017 through 2046, inclusive, with term bonds optional, with interest payable on February 1 and August 1 of each year, commencing August 1, 2016, and will be subject to redemption prior to maturity on or after February 1, 2022. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the District by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the President of the District on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or from the District's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE  
By: W.C. Boyers, President

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\* Preliminary, subject to change.

## DETAILED NOTICE OF SALE

**\$7,250,000\***

### **HENDERSONVILLE UTILITY DISTRICT OF SUMNER COUNTY, TENNESSEE**

#### **Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016**

NOTICE IS HEREBY GIVEN that the President of the Hendersonville Utility District of Sumner County, Tennessee (the "District") will receive electronic or written sealed bids until **10:15 a.m. E.S.T.** on **Wednesday, March 2, 2016** for the purchase of all, but not less than all, of the District's \$7,250,000\* Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds"). Electronic bids must be submitted through **PARITY®** as described in the "Detailed Notice of Sale." In case of written bids, bids will be received by the District's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the District reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:00 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance, bear interest payable each February 1 and August 1, commencing August 1, 2016, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as follows:

<b>YEAR (FEB 1)</b>	<b><u>Amount*</u></b>	<b>YEAR (FEB 1)</b>	<b><u>Amount*</u></b>
2017	\$ 40,000	2032	\$135,000
2018	40,000	2033	140,000
2019	140,000	2034	140,000
2020	140,000	2035	145,000
2021	145,000	2036	150,000
2022	145,000	2037	155,000
2023	565,000	2038	165,000
2024	820,000	2039	170,000
2025	855,000	2040	175,000
2026	865,000	2041	185,000
2027	395,000	2042	190,000
2028	120,000	2043	200,000
2029	125,000	2044	210,000
2030	125,000	2045	215,000
2031	130,000	2046	225,000

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\* Preliminary, subject to change.

**Bank Qualification.** The Bonds will be designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

**Registration and Depository Participation.** The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The book-entry system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The District will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-entry system is not required.

In the event that the book-entry only system for the Bonds is discontinued and a successor securities depository is not appointed by the District, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the District and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

**Security Pledged.** The Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the District’s water and sewer system (the “System”) on a parity and complete equality of lien with respect to such revenues with the District’s Water and Sewer System Revenue Refunding and Improvement Bonds, Series 2008, dated February 28, 2008 (to the extent not refunded with the Bonds); its Water and Sewer Revenue Bonds, Series 2011, dated December 15, 2011; its Water and Sewer Revenue Bonds, Series 2012, dated April 5, 2012; its Water and Sewer Revenue Bonds, Series 2013, dated March 1, 2013; its Water and Sewer Revenue Refunding Bonds, Series 2014, dated January 31, 2014; and its Water and Sewer Revenue Refunding Bonds, Series 2015, dated June 30, 2015 (collectively, the “Outstanding Parity Bonds”), and any bonds issued hereafter on parity with the Outstanding Parity Bonds and/or the Bonds, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and subject to the prior pledges of such revenues in favor of its outstanding Waterworks and Sewer Revenue Bond, Series 1995 dated December 19, 1996 (the “Prior Lien Bond”). As provided in the Resolution, the punctual payment of principal of and interest on the Bonds, the Outstanding Parity Bonds and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The revenues of the District are required by law and by the proceedings pursuant to which the Bonds are issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, to pay principal of and interest on the Prior Lien Bond, and to pay principal of and interest on the Outstanding Parity Bonds and the Bonds promptly as they become due and payable. The District has covenanted and does hereby covenant that it

will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on the Outstanding Parity Bonds and the Bonds as they become due. The Bonds and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and the Bonds do not constitute a debt of the District within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which the Bonds are payable, a statement of the conditions on which obligations may hereafter be issued on a parity with the Bonds, the general covenants and provisions pursuant to which Bonds are issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

A statutory mortgage lien, which is hereby recognized as valid and binding, is created and granted by the Act on the System, subject to the Prior Lien Bond, in favor of the owner or owners of the Bonds, the Outstanding Parity Bonds and any bonds hereafter issued on a parity therewith, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on said Bonds.

Purpose. The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, the Refunded Bonds (as described herein); (ii) financing certain extensions and improvements to the System (as hereinafter defined); (iii) funding the Debt Service Reserve Fund; (iv) paying interest on the Bonds during construction and for up to six months thereafter; (v) paying costs incurred in connection with the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on February 1, 2023, and thereafter, will be subject to redemption prior to maturity at the option of the District on and after February 1, 2022, in whole or in part, at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the District at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The District will receive electronic or sealed written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**<sup>®</sup> via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect



to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**<sup>®</sup> shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**<sup>®</sup>. The use of **PARITY**<sup>®</sup> facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**<sup>®</sup>, potential bidders may contact i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the District's Financial Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The District and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the District's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The District reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the District to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the President of the District to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the President shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the District reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the District's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the President reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to \$1,000,000. The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the President may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the District. The maximum adjustment will only occur if a bidder bids the maximum price of 125% of par. Additionally, the President reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the District's Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the District's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc. & Company, Account No. 0010000117382, for further credit to Suspense Account No. 255000-04.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the District as liquidated damages.

In the event of the failure of the District to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the District to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriter expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the District.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the District a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the District confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The approving opinion of Glankler Brown PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the District. As

set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that 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 law alternative minimum tax imposed on individuals and corporations. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds, reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the District will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than twelve months after each of the District's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board ("MSRB") and any State Information Depository established in the State of Tennessee (the "SID"). If the District is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the District's *Official Statement* to be prepared and distributed in connection with the sale of each series of Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder. Delivery will be made in book-entry form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the District. The District will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The District has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The District will furnish the successful bidder at the expense of the District a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the District and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the District's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**® may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE

By: W.C. Boyers  
President

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# BID FORM

W.C. Boyers, President  
125 Indian Lake Road  
Hendersonville, Tennessee 37077

March 2, 2016

Dear Mr. Boyers:

For your legally issued, properly executed \$7,250,000\* Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds") of Hendersonville Utility District of Sumner County, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume April 1, 2016) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on February 1 and bear interest at the following rates:

<u>Maturity</u> <u>(Feb 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(Feb 1)</u>	<u>Amount*</u>	<u>Rate</u>
2017	\$ 40,000	—	2032	\$135,000	—
2018	40,000	—	2033	140,000	—
2019	140,000	—	2034	140,000	—
2020	140,000	—	2035	145,000	—
2021	145,000	—	2036	150,000	—
2022	145,000	—	2037	155,000	—
2023	565,000	—	2038	165,000	—
2024	820,000	—	2039	170,000	—
2025	855,000	—	2040	175,000	—
2026	865,000	—	2041	185,000	—
2027	395,000	—	2042	190,000	—
2028	120,000	—	2043	200,000	—
2029	125,000	—	2044	210,000	—
2030	125,000	—	2045	215,000	—
2031	130,000	—	2046	225,000	—

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 2: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 3: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 4: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 5: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 6: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 7: Maturities from February 1, 20\_\_\_\_\_ through February 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

It is our understanding that the Bonds are offered for sale as "qualified tax-exempt obligations" subject to the final approving opinion of Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee, whose opinion together with the executed Bonds, will be furnished by the District without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the  
Hendersonville Utility District of Sumner County, Tennessee  
this 2<sup>nd</sup> day of March, 2016.

Respectfully submitted,

\_\_\_\_\_

W.C. Boyers, President

Total interest cost from

April 1, 2016 to final maturity \$ \_\_\_\_\_

Less: Premium /plus discount, if any \$ \_\_\_\_\_

Net Interest Cost ..... \$ \_\_\_\_\_

True Interest Rate ..... %

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\* Preliminary, subject to change.



**\$7,250,000\***  
**HENDERSONVILLE UTILITY DISTRICT**  
**OF SUMNER COUNTY, TENNESSEE**  
**Water and Sewer Revenue Refunding and Improvement**  
**Bonds, Series 2016**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement* which includes the “Summary Statement” and appendices is furnished in connection with the offering by Hendersonville Utility District of Sumner County, Tennessee (the “District” or “Issuer”) of its \$7,250,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 82, and Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of law and pursuant to a resolution authorizing Water and Sewer Revenue Refunding and Improvement Bonds duly adopted by the Board of Commissioners (the “Governing Body”) of the District on February 15, 2016 (the “Resolution”).

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, the Refunded Bonds (as described herein); (ii) financing certain extensions and improvements to the System (as hereinafter defined); (iii) funding the Debt Service Reserve Fund; (iv) paying interest on the Bonds during construction and for up to six months thereafter; and (v) paying costs incurred in connection with the issuance and sale of the Bonds.

**REFUNDING PLAN**

The District is proposing to refinance a portion of its outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2008, dated February 28, 2008 (the “Refunded Bonds”). An amount which together with investment earnings they will be sufficient to pay debt service on and to redeem a portion of the Refunded Bonds maturing February 1, 2023 through February 1, 2027 will be escrowed to the redemption date of February 1, 2018.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Refunded Bonds was submitted to the Director of the Office of State and Local Finance for review and the report of such office was received and published as required by law.

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\* Preliminary, subject to change.

## THE PROJECT

A portion of the net proceeds from the sale of the Bonds are being used to construct certain improvements and additions to the System, the acquisition of all property real and personal appurtenant thereto, and the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith and payment of interest on a portion of the Bonds during the construction of the Project and for up to six months thereafter. This portion of the Bond proceeds will be deposited in a Construction Fund and invested by the District pending use for such purposes. The Project includes various water and sewer line rehabilitations and replacements to older portions of the System, water and sewer line extensions to new areas, the installation of certain pumping stations, and other capital improvements to the System.

## SOURCES AND USES

The sources and uses of funds in connection with the issuance of the Bonds are estimated below:

### *Sources of Funds:*

Par Amount of Bonds	\$7,250,000.00
Original Issue Premium (Discount)	
Total Sources of Funds	

### *Uses of Funds:*

Deposit to Construction Fund
Deposit to Debt Service Reserve Fund
Deposit to Escrow Fund
Costs of Issuance including the Underwriter Discount
Total Uses of Funds

## DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume April 1, 2016). Interest on the Bonds will be payable semi-annually on February 1 and August 1, commencing August 1, 2016. The Bonds are issuable in registered form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the signature of the District's President and shall be attested by the signature of the District's Secretary. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of authentication noted thereon.

## SECURITY

The Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the District's water and sewer system (the "System") on a parity and complete equality of lien with respect to such revenues with the District's Water and Sewer



System Revenue Refunding and Improvement Bonds, Series 2008, dated February 28, 2008 (to the extent not refunded with the Bonds); its Water and Sewer Revenue Bonds, Series 2011, dated December 15, 2011; its Water and Sewer Revenue Bonds, Series 2012, dated April 5, 2012; its Water and Sewer Revenue Bonds, Series 2013, dated March 1, 2013; its Water and Sewer Revenue Refunding Bonds, Series 2014, dated January 31, 2014; and its Water and Sewer Revenue Refunding Bonds, Series 2015, dated June 30, 2015 (collectively, the "Outstanding Parity Bonds"), and any bonds issued hereafter on parity with the Outstanding Parity Bonds and/or the Bonds, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and subject to the prior pledges of such revenues in favor of its outstanding Waterworks and Sewer Revenue Bond, Series 1995 dated December 19, 1996 (the "Prior Lien Bond"). As provided in the Resolution, the punctual payment of principal of and interest on the Bonds, the Outstanding Parity Bonds and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The revenues of the District are required by law and by the proceedings pursuant to which the Bonds are issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, to pay principal of and interest on the Prior Lien Bond, and to pay principal of and interest on the Outstanding Parity Bonds and the Bonds promptly as each becomes due and payable. The District has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on the Outstanding Parity Bonds and the Bonds as each becomes due. The Bonds and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and the Bonds do not constitute a debt of the District within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which the Bonds are payable, a statement of the conditions on which obligations may hereafter be issued on a parity with the Bonds, the general covenants and provisions pursuant to which the Bonds are issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

A statutory mortgage lien, which is hereby recognized as valid and binding, is created and granted by the Act on the System, subject to the Prior Lien Bond, in favor of the owner or owners of this Bond and the issue of which it is a part, the Outstanding Parity Bonds and any bonds hereafter issued on a parity therewith, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on said Bonds.

Said revenues are required by law and by the proceedings pursuant to which the Bonds are issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on the Prior Lien Bond, the Outstanding Revenue Bonds and the Bonds promptly as each becomes due and payable. The District has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on the Prior Lien Bond, the Bonds the Outstanding Parity Bonds and any Parity Bonds hereafter issued as each becomes due. The Bonds and the interest on the Bonds are payable solely from the revenues so pledged to the payment of the Bonds, and the Bonds do not constitute a debt of the District within the meaning of any statutory limitation. For a

more complete statement of the revenues from which and conditions under which the Bonds are payable, a statement of the conditions on which obligations may hereafter be issued on a parity with the Bonds, the general covenants and provisions pursuant to which the Bonds are issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Pursuant to the Resolution: "System" shall mean the complete water procurement, treatment, storage and distribution system of the District, and the complete sewage collection transmission and disposal system of the District (which systems may be operated separately or as a consolidated system for accounting, financial record keeping, billing and legal purposes), together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

The Bonds will not be obligations of the State of Tennessee or Sumner County, Tennessee.

#### **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing February 1, 2016 through February 1, 2022 are not subject to redemption prior to maturity. The Bonds maturing February 1, 2023 and thereafter shall be subject to redemption, in whole or in part, at a price of par plus accrued interest to the redemption date, on or after February 1, 2022. If less than all of the Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected as follows:

(a) 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

(b) 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.

#### **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality 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 Bond 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 Municipality 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 Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) 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 as set forth herein. In the case of a Conditional Redemption, the failure of the Municipality 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.

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the District will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. However, if the winning bidder certifies to the District that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry-Only System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond 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 owner at its address shown on said Bond 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, except as described above. 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.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* 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 Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal 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 Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable 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).

**NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.**

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the District determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the District will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

**No Assurance Regarding DTC Practices.** The foregoing information in this section concerning DTC and DTC's book entry-only system has been obtained from sources that the District believes to be reliable, but the District, the Bond Counsel, the Registration Agent and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners

of the Bonds. None of the District, the Bond Counsel, the Registration Agent or the Financial Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds (net of any underwriter's discount and/or bond insurance premiums withheld from such proceeds) shall be used and applied as follows:

- (a) pre-issuance accrued interest and the rounding amount, if any, shall be deposited to the Bond Fund to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) there shall then be deposited to the Reserve Fund bond proceeds or other funds of the District, in an amount sufficient to cause the amount being held therein to be equal to the Reserve Requirement for the Bonds;
- (c) the portion of the proceeds of the Bonds, which, together with other legally available funds of the Issuer and earnings on said proceeds and funds, will be sufficient to pay principal, accrued interest and redemption premium, as appropriate, on the Refunded Bonds shall be immediately applied for such purpose;
- (d) the remainder of the Bond proceeds shall be deposited with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency, in a special fund known as the “Series 2016 Water and Sewer System Construction Fund” to be kept separate and apart from all other funds of the District. Moneys in the Construction Fund shall be disbursed solely to pay the costs of the Project and the balance of any costs related to the issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds and construction of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund. Moneys in the Construction Fund shall be invested as directed by an authorized representative of the District in such investments as shall be

permitted by Tennessee law. All income derived from such investments shall be retained in the Construction Fund or deposited in the Bond Fund.

## **DISCHARGE AND SATISFACTION OF BONDS**

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, 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); or
- (c) By delivering such Bonds to the Registration Agent for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow 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 and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the District shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when



due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, 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.

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## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the District to sell or issue the Bonds.

### TAX MATTERS

#### **Federal**

*General.* Glankler Brown, PLLC, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District 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"),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the District must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the District 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 District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder 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 or
- a borrower of money to purchase or carry the Bonds.

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 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.

*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 County 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.

*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.

### **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) 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 (c) 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 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. 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.

### **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the District will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the District's President and Secretary acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b)

since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the District since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the District's President and Secretary acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the District's President and Secretary acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the District concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled "MISCELLANEOUS – Competitive Public Sale", "- Additional Information" and "- Continuing Disclosure."

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## MISCELLANEOUS

### RATING

Standard & Poor's Rating Services ("Standard & Poor's") has given the Bonds the rating of ("AA").

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on March 2, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated February 22, 2016.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Underwriters") who contracted with the District, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter's discount of \$\_\_\_\_\_ and less an original issue discount of \$\_\_\_\_\_) or \_\_\_\_% of par.

### FINANCIAL ADVISOR; RELATED PARTIES; OTHER

*Financial Advisor.* Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the District for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the District to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the District, including without limitation any of the District's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the District, any of its affiliated or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent, filing agent or escrow agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the District in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statements.* Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the District and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Glankler Brown, PLLC has represented the Bank on legal matters unrelated to the District and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s roll as serving as the District’s Dissemination Agent. If the District chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **DEBT RECORD**

There is no record of default or nonpayment of any legal obligations of the District.

## **ADDITIONAL DEBT**

The District has not authorized any additional debt. However, the District has ongoing projects that may or may not require additional debt in the future.

## CONTINUING DISCLOSURE

The District 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 certain financial information and operating data relating to the District by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the District. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) 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 Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The District is in compliance with the undertakings required under the Rule.

*Five-Year History of Filing.* While it is believed that all appropriate filings were made with respect to the ratings of District's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the District has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

*Content of Annual Report.* The District's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the District for the fiscal year, prepared in accordance with generally accepted accounting standards, provided, however, if the District'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. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Number of Water System Customers by Class as shown on page B-5;
2. Number of Sewer System Customers by Class as shown on page B-8;
3. Top Ten System Customers as shown on page B-11;
4. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-14;
5. Information about the Bonded Debt Service Requirements as of the end of such fiscal year as shown on page B-15;



6. Summary of Revenues, Expenditures and Changes in Fund Balances for the fiscal year as shown on page B-16; and
7. The Historical Debt Service Coverages as shown on page B-17.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the District, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The District will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the District shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the District shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - 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 Bondholders, if material;
  - h. Bond calls, if material, and tender offers;

- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, 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; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

*Termination of Reporting Obligation.* The District'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 District 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, 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 District 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 District. 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 District to comply with any provision of the Disclosure Certificate, any Bondholder 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 District 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 District to comply with the Disclosure Certificate shall be an action to compel performance.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, 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 or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the District and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The District has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

*{The remainder of this page left blank intentionally.}*

## CERTIFICATION

On behalf of the District, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE

/s/

\_\_\_\_\_  
President  
Board of Commissioners

ATTEST:

/s/

\_\_\_\_\_  
Secretary  
Board of Commissioners



## **APPENDIX A**

### **LEGAL OPINION**





[PROPOSED OPINION OF GLANKLER BROWN, PLLC, BOND COUNSEL]

(Date of Closing)

Hendersonville Utility District  
Of Sumner County, Tennessee  
125 Indian Lake Road  
Hendersonville, TN 37077

**Re: Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016  
of the Hendersonville Utility District of Sumner County, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Hendersonville Utility District of Sumner County, Tennessee (the "District"), of \$\_\_\_\_\_ aggregate principal amount of its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016, dated of even date herewith (the "Series 2016 Bonds"). We have examined the law and such certified proceedings and other papers as we deem 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 the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Series 2016 Bonds or any other information concerning the financial condition of the District which may have been provided to the purchasers of the Series 2016 Bonds, and we express no opinion relating thereto.

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

1. The Series 2016 Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding limited obligations of the District, payable as to both principal and interest exclusively from the net available revenues of the District's water procurement, treatment, storage and distribution and sewage collection, transmission and disposal systems (collectively, the "System"), after payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, on a parity with the District's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2008, dated February 28, 2008, its Water and Sewer Revenue Bonds, Series 2011, dated December 15, 2011, its Water and Sewer Revenue Bonds, Series 2012, dated April 5, 2012, its Water and Sewer Revenue Bonds, Series 2013, dated March 1, 2013, its Water and Sewer Revenue Refunding Bonds, Series 2014, dated January 31, 2014, and its Water and Sewer Revenue Refunding Bonds, Series 2015, dated June 30, 2015, subject to prior pledges of such revenues in favor of the District's Waterworks and Sewer Revenue Bond,

(Date of Closing)

Series 1995, dated December 19, 1996. We express no opinion as to the sufficiency of such net available revenues for the payment of principal of, premium, if any, and interest on the Series 2015 Bonds.

2. Interest on the Series 2016 Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2016 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 the interest on the Series 2016 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2016 Bonds. The District has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Series 2016 Bonds.

3. The Series 2016 Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any Series 2016 Bonds during the period such Series 2016 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 (c) Tennessee franchise taxes by reason of inclusion of the book value of the Series 2016 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.

4. The Series 2016 Bonds have been designated by the District as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Series 2016 Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

## **APPENDIX B**

### **SUPPLEMENTAL INFORMATION STATEMENT**



# HENDERSONVILLE UTILITY DISTRICT

## LOCATION

The Hendersonville Utility District of Sumner County, Tennessee (the "District") current coverage area lies entirely within the city limits of the City of Hendersonville (the "City"). However, the District is in no way connected with, governed or controlled by the City. The City is located in southwestern corner of Sumner County, Tennessee (the "County") and is part of the Nashville standard metropolitan area. The boundaries of the District encompass an area of 12,000 acres lying in the southeast portion of the County, generally bounded on the west by Mansker Creek, on the south and southwest by Old Hickory Lake on the Davidson County line, on the southeast by the Wilson County line, and on the north and east by the White House Utility District.

The District obtains its water from Old Hickory Lake. The District provides water and sewer services within its boundaries and is the only entity providing such service or authorized to provide such service within its boundaries. The White House Utility District has authorized the District to provide sewer service outside of its boundaries to several residential subdivisions. The District provides no other service outside of its boundaries.

## HISTORY

The District was created pursuant to an Order of the County Court of Sumner County, Tennessee entered on April 15, 1948 (the "Order of Incorporation"), and pursuant to the provisions of the District Act, which provides that any utility district incorporated thereunder shall be a municipality or public corporation in perpetuity and be a body politic and corporate with power of perpetual succession, but without any power to levy or collect taxes.

## ORGANIZATION

The District Act provides that, as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services in the District, unless and until it shall have been established that the public convenience and necessity require other or additional services.

## POWERS

The District Act provides that the District is empowered, among other things, to conduct, operate and maintain a system or systems for the furnishing of water and sewer and related services. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate such system or systems within or without the District, and to purchase from, furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of constructing, acquiring, reconstructing, improving, bettering or extending any of its facilities or system or systems and to pledge to the payment of such negotiable bonds all or any

part of the revenues derived from the operation of such facilities, system or systems or combination thereof. The District has no power to levy or collect property taxes.

## **GOVERNING BODY**

All corporate powers of the District are vested in and exercised by the Board of Commissioners. The Board consists of three members, each of which must either reside within the boundaries of the District or be a customer of the District, serving staggered four-year terms. The Commissioners are appointed by the County Mayor of the County. Each member of the Board of Commissioners, upon expiration of his or her term, shall continue to hold office until the successor shall have been appointed. A Board member may succeed himself or herself in office.

Pursuant to the District Act, the Board acts by a majority of its members and must meet at least once each quarter. The Board is authorized by the District Act, among other things, to exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and bylaws for the management and conduct the affairs of the District, and to issue bonds of the District by resolution of the Board. The individual commissioners receive compensation for their services on a per diem basis in the maximum amount allowable by the District Act for each day's attendance of the meetings of the Board in the performance of their official duties. Pursuant to the District Act, no member of the Board shall draw compensation in excess of \$3,600 for such service during anyone calendar year. In addition, Board members are eligible for group medical insurance coverage as may be provided other employees, or payment of premiums for any equivalent or similar group coverage under the terms of Section 7-82-308, Tennessee Code Annotated.

## **THE BOARD OF COMMISSIONERS**

The following is a list of the current members of the Board of Commissioners:

<b><u>Name and Occupation</u></b>	<b><u>Current Term Expires</u></b>
Mr. W.C. Boyers, President Retired	May 1, 2017
Mr. J.W. McMurray, Sr., Secretary Retired	May 1, 2018
Mr. Ronald E. Flowers, Treasurer Retired	May 1, 2016

## **MANAGEMENT**

The day-to-day operations of the District are managed by the General Manager, who reports to the Board of Commissioners. Thomas S. Atchley has served as the General Manager since 1999. Mr. Atchley was previously employed by the City of Lebanon, TN. Mr. Atchley has a total of seventeen years' experience with the District.

## EMPLOYEES

The District has 48 full-time employees. The breakdown of employment by job description is as follows:

	<u>Number</u>
General Manager .....	1
Staff Accountant .....	1
Supervisor .....	11
Customer Services .....	13
Foreman in Plant .....	1
Operators .....	17
Laborers .....	<u>4</u>
TOTAL .....	48

The turnover in the District's work force has averaged approximately three employees per year over the last five years. The tenure of District employees presently averages approximately twelve years.

At the present time, no employees of the District are represented by unions. Officials of the District are unaware of any attempts by any union to organize employees of the District, and the District characterizes its relationship with its employees as satisfactory.

## REGULATION

*State and Local Regulation.* The District is required by law to establish and maintain a set of rules and regulations regarding an adjustment of all complaints which may be made to the District concerning the availability of utility services to persons in need thereof, the quality of service performed, the adjustment of bills and all other complaints of any nature, with provisions relating to the manner of resolution of individual complaints, the types of complaints which may be resolved by salaried employees of the District, and those which may be resolved only by the Board. Such rules must be posted or otherwise available in the offices of the District for inspection by customers and members of the public. The District Act provides that the District may not contractually bind itself to issue bonds that would require a rate increase until the users of the system are given notice thereof. The District has complied with this requirement with respect to all current water and sewer user rates by publishing notice of same on all customers' bills. Pursuant to the District Act, rates charged and services provided by the District may be reviewed by the Utility Management Review Board.

Upon the filing with the Review Board of a petition signed by a least ten percent of the users within the authorized area of the District, the Review Board has authority to review the rates and services of the District (see the discussion under "THE DISTRICT" - Regulation - Review Board). In addition, the District is required to have its books and records audited annually by a certified public accountant, a public accountant, or by the Division of Local Government Audit of the Comptroller of the Treasury of the State. The Comptroller of the Treasury of the State, through the Division of Local Government Audit, makes a determination as to whether the annual audit of the District has been prepared in accordance with generally accepted governmental auditing standards and whether the audits meet the minimum standards

prescribed by the Comptroller. The Comptroller has promulgated rules and regulations to assure that the books and records of utility district are kept in accordance with generally accepted accounting procedures and that audit standards prescribed by the Comptroller are met. The District must file a copy of the audit with the State Comptroller and with the County Mayor of Sumner County.

*Rate Regulation.* The District is required by the District Act to charge such rates as shall be sufficient to pay operation and maintenance expenses and to pay principal of and interest on all bond or notes secured by revenues of the System. The Board determines the rates paid by the District's customers. The District is required to publish within ninety days after the close of its fiscal year a statement showing the financial condition of the District and the earnings of the District. Any water and/or sewer user customer of the District may file with the Board a protest concerning the rates within thirty (30) days of the publication of the statement. The Board must then give notice of a hearing to determine the validity of the protest and whether the published rates are reasonable. After the Board makes its determination, the customer may seek review of the Board's action and the Review Board, as discussed below, with the right of judicial review by common law writ of certiorari to a court within the county of the District's principal office.

*Review Board.* In 1987, the State legislature established a utility management review board (the "Review Board") for the purpose of advising utility district boards of commissioners throughout the State in the area of utility management. The Review Board consists of nine (9) members consisting of the State Commissioner of Environment, the State Comptroller of the Treasury, and seven (7) members appointed by the Governor, three (3) of whom shall be experienced utility district managers, three (3) of whom shall be experienced utility district commissioners. The Review Board is given the power, among other things, to review any decision of any utility district relating to rate changes upon petition of any customer of the district, to compel the adoption of and adherence to rules and regulations for the adjustment of customer complaints, hear customer protests of rates or appeal from a hearing before the Board of Commissioners of the District, to oversee operations of "financially distressed utility districts", including the power to compel rate increases sufficient to be in compliance with State law and all covenants with bondholders and compel consolidation with another utility. A "financially distressed utility district" is a district (i) which has failed to charge rates sufficient to pay the costs of operation and maintenance of the system, including depreciation and reserves therefore, as well as to pay all bonds and interest thereon secured by the revenues of the system, including reserves therefore, for a period of two (2) consecutive years, or (ii) which is in default on any outstanding indebtedness, or (iii) which has a retained earnings deficit. The Review Board may not take any action which would adversely impair the obligations of contract or the payment of outstanding bonds of the District. Any party to a proceeding before the Review Board may appeal to a local court seeking review of any action taken.

*Licenses, Permits and Approval.* In the opinions of the General Manager and Counsel to the District, the District has received all licenses, permits and approvals necessary for the operation of the System.

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# THE SYSTEMS

## INTRODUCTION

The System consists primarily of office facilities; water procurement, treatment, storage, distribution facilities; and sewage collection and transmission facilities.

The District provides services consisting of (i) the treatment and distribution of water to its customers through its Waterworks System; and (ii) the collection, processing and disposal of sewage through its Wastewater System. The District provides no other services to its customers.

The District obtains its water through a raw water intake system in Old Hickory Lake. The District owns and operates a water treatment plant which is located within the boundaries of the District.

## SERVICE AREA

The District lies in the southwestern portion of Sumner County and covers an area of approximately 12,000 acres.

## WATERWORKS SYSTEM

*Physical Plant.* The Water System consists of an 10 MGD membrane filtration plant and intake on Old Hickory Lake and 6 high level reservoirs holding 8.1 million gallons of water. The intake at the Water Plant is powered by 3 alternating raw water pumps, which have capacities of 3,472 gallons each per minute. All of the pumps are electrically driven. The plant produces an average of 4.2 million gallons per day (M.G.D.) and can treat 10 MGD. At present, the total treatment capacity of the system is 10 million gallons per day with the ability to expand to 12 M.G.D. It must be noted that the peak day demand is considerably higher than the average daily demand.

The District's distribution system consists of approximately 251 miles of supply lines sized 4 inch to 24 inch.

*Billing Units of the Water System.* The following table sets forth the average number of billing units served by the Water System during each of the five fiscal years indicated and categorized by type of unit for the same periods.

### NUMBER OF WATER SYSTEM CUSTOMERS BY CLASS

(Fiscal Year Ended June 30)

<u>Customer Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	14,336	14,336	14,522	14,590	14,721
Commercial	1,202	1,225	1,255	1,285	1,301
Industrial	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>TOTAL</b>	<b>15,541</b>	<b>15,564</b>	<b>15,780</b>	<b>15,878</b>	<b>16,025</b>

Source: Audited Financial Statements and the District.

*Water Consumption.* For each of the fiscal years indicated, the following table sets forth the number of gallons of water pumped by the District, the total number of gallons of water consumed by the District's customers, and the number of gallons consumed by each billing unit type.

### **WATER CONSUMPTION**

(in gallons)

(Fiscal Year Ended June 30)

<u>Year</u>	<u>Total Water Billed Residential &amp; Commercial</u>	<u>Water to Operate Plant, Blowoffs &amp; Fire Department</u>	<u>Total Water Pumped</u>	<u>Water Lost</u>
2011	1,274,316,576	11,614,670	1,571,102,000	285,170,754
2012	1,272,272,515	10,918,547	1,547,082,300	263,891,238
2013	1,236,877,231	12,195,680	1,474,696,600	225,623,689
2014	1,176,075,887	65,875,275	1,653,834,300	411,883,138
2015	1,226,931,869	84,663,640	1,566,493,000	254,897,491

*Source:* Audited Financial Statements and the District.

*Water Revenues.* For each of the fiscal years indicated, the following table sets forth the total amount of revenues collected by each billing unit type.

### **TOTAL WATER REVENUES BY CUSTOMERS CLASS**

(Fiscal Year Ended June 30)

<u>Customer Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	\$2,920,672	\$3,411,879	\$3,342,303	\$3,400,758	\$3,576,746
Commercial	1,362,132	1,910,889	1,911,336	1,871,979	2,144,893
Industrial	<u>10,400</u>	<u>10,763</u>	<u>12,450</u>	<u>12,093</u>	<u>14,247</u>
<b>TOTAL</b>	<b><u>\$4,293,204</u></b>	<b><u>\$5,333,531</u></b>	<b><u>\$5,266,089</u></b>	<b><u>\$5,284,830</u></b>	<b><u>\$5,735,886</u></b>

*Source:* Audited Financial Statements and the District.

*Water System Demand.* For each of the fiscal years indicated, the following table sets forth the total amount of revenues collected by each billing unit type.

### **WATER SYSTEM DEMAND**

(Fiscal Year Ended June 30)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak Demand (gallons)	6.3 mgd	7.2 mgd	7.5 mgd	6.6 mgd	6.3 mgd
Average Demand (gallons)	4.3 mgd	4.2 mgd	4.8 mgd	4.6 mgd	4.3 mgd

*Source:* Audited Financial Statements and the District.

## WASTEWATER SYSTEM

*Physical Plant.* The District currently has approximately 286 miles of sewer mains which act as the collection system for the District. The District's wastewater is then pumped to the Dry Creek Wastewater Treatment Plant through a 36-inch force main running directly from the District to the plant. There are 109 pump stations in the System. The District also provides sewer services to three areas located outside of the District, including the Twin Valley Subdivision, the Riverchase area, and the Saundersville Road area.

All of the District's sewage is treated at the Metro Dry Creek Wastewater Treatment Plant owned and operated by The Metropolitan Government of Nashville and Davidson County ("Metro"), pursuant to an agreement dated October 3, 2011, between Metro and the District with a term of twenty (20) years (the "Agreement"). Under the Agreement, the District is obligated to collect and convey any sanitary wastewater to be treated to the point of connection with the Metro system. The District provides metering of the wastewater piped to the Metro facilities. The District is also required to maintain adequate provisions to prevent excessive peak flow rates and extended periods of no-flow from the System. Metro agrees to provide wastewater transmission and treatment services sufficient to treat all the wastewater of the District.

The Agreement provides for an annual adjustment in the rate paid for sewer treatment services. Except in the sixth, eleventh and sixteenth year of the Agreement, the rate for service shall increase or decrease by a percentage equal to the smaller of: (1) the percentage increase or decrease from the previous calendar year in the Service Charge Index compiled and published by the National Association of Clean Water Agencies; or (2) the percentage increase or decrease from the previous calendar year in the Consumer Price Index – All Urban Consumers, published by the United States Department of Labor, Bureau of Labor Statistics. In the sixth, eleventh and sixteenth year of the Agreement, the rate for service will be established by using the same method as the initial rate in the Agreement taking into account certain costs of Metro to provide sewer treatment service to the District at these times.

The rate paid by the District at the inception of the Agreement was \$1.3 per one hundred cubic feet. . The current rate is \$1.43 per one hundred cubic feet. . The Dry Creek Wastewater Treatment Plant has a capacity of 54 MGD, of which the District is assured a reserve capacity of 16.7 MGD. If the District exceeds such capacity, the District may be subject to certain capital expenditure costs or a rate increase from Metro.

*Billing Units of the Sewer System.* The following table sets forth the average number of billing units served by the Sewer System during each of the five fiscal years indicated and categorized by type of unit for the same periods.

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**NUMBER OF SEWER SYSTEM CUSTOMERS BY CLASS**

(Fiscal Year Ended June 30)

<b><u>Customer Class</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Residential	14,293	14,393	14,553	14,596	14,749
Commercial	982	1,004	1,026	1,126	1,187
Industrial	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>TOTAL</b>	<b><u>15,278</u></b>	<b><u>15,400</u></b>	<b><u>15,582</u></b>	<b><u>15,725</u></b>	<b><u>15,939</u></b>

Source: Audited Financial Statements and the District.

*Sewer Revenues.* For each of the fiscal years indicated, the following table sets forth the total amount of revenues collected by each billing unit type.

**TOTAL SEWER REVENUES BY CUSTOMERS CLASS**

(Fiscal Year Ended June 30)

<b><u>Customer Class</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Residential	\$5,890,009	\$6,413,710	\$6,680,688	\$ 7,401,754	\$ 7,798,844
Commercial	1,604,254	2,392,990	2,595,923	2,911,589	3,169,183
Industrial	<u>21,262</u>	<u>10,551</u>	<u>8,829</u>	<u>7,820</u>	<u>8,454</u>
<b>TOTAL</b>	<b><u>\$7,515,525</u></b>	<b><u>\$8,817,251</u></b>	<b><u>\$9,285,440</u></b>	<b><u>\$10,321,163</u></b>	<b><u>\$10,976,481</u></b>

Source: Audited Financial Statements and the District.

**RATES**

The District's current rate schedule (in effect as of March 1, 2016) is as follows:

**Water Rates**

0 to 2,000 gallons	\$11.14 (minimum bill)
All over 2,000 gallons	\$4.36 per 1,000 gallons

**Notes:**

- 1) Tennessee State Sales Tax required on water sales.
- 2) Minimum bill will be \$15.00 per month for 1" and larger irrigation and sprinkler meters with no usage.
- 3) Meters over 2" dedicated solely for fire protection shall be assessed a minimum bill of \$150.00 per month.
- 4) All meters over 2" will be charged a monthly testing and calibration fee of \$20.00.

### **Sewer Rates**

0 to 2,000 gallons (water used)	\$13.66 (minimum bill)
All over 2,000 gallons	\$5.88 per 1,000 gallons

White House Utility District water customers that are served by the Hendersonville Utility District for sewer service rates will be as follows:

<u>Water Billed</u>	<u>Sewer Rate</u>
0 to 1,000 gallons	\$8.77 (minimum bill)
All over 1,000 gallons	\$7.25 per 1,000 gallons

There will be a Metro Water Services treatment charge (user fee) of \$3.20 per 1,000 gallons of sewer used. The treatment charge may be adjusted on an annual basis.

Note: Dedicated fire and irrigation meters are not subject to sewer charges.

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## OPERATING AND FINANCIAL HISTORY OF THE SYSTEMS

### MANAGEMENT DISCUSSION OF OPERATING RESULTS

The District has experienced sustained customer and revenue growth in the last few years. During the fiscal year ending June 30, 2015, the District increased revenues by 10.2% (\$1,780,383).

### BILLINGS AND COLLECTIONS

The District handles its own billings with the use of its own computer system. During the three fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013, uncollected accounts charged against the allowance for doubtful accounts amounted to \$30,000, \$30,000 and \$30,000 respectively.

### SYSTEMS OPERATING REVENUES

The following table sets forth for each of the fiscal years indicated gross operating revenues for the Waterworks and Wastewater Systems.

#### OPERATING REVENUES BY SYSTEMS (Fiscal Year Ended June 30)

<u>System</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Waterworks	\$ 4,293,204	\$ 5,333,531	\$ 5,266,089	\$ 5,284,830	\$ 5,735,886
Wastewater	<u>7,515,525</u>	<u>8,817,251</u>	<u>9,285,440</u>	<u>10,321,163</u>	<u>10,976,481</u>
<b>TOTAL REVENUES</b>	<b><u>\$12,894,967</u></b>	<b><u>\$15,564,594</u></b>	<b><u>\$15,621,201</u></b>	<b><u>\$15,605,993</u></b>	<b><u>\$16,712,367</u></b>

Source: Audited Financial Statements and the District.

### HISTORICAL GROWTH OF SYSTEMS

The following table sets forth for each of the fiscal years indicated the number of customers for the Waterworks and Wastewater Systems.

#### HISTORICAL SYSTEM GROWTH (Fiscal Year Ended June 30)

<u>Year</u>	<u>Number of Water Customers</u>	<u>Number of Sewer Customers</u>	<u>Total*</u>
2011	15,541	15,278	30,819
2012	15,564	15,400	30,964
2013	15,780	15,582	31,362
2014	15,878	15,725	31,603
2015	16,025	15,939	31,964

Source: Audited Financial Statements and the District.

\*Most customers have both Water and Sewer service. Totals may be counting one customer as two.

## MAJOR CUSTOMERS OF SYSTEMS

The following is a list of the major water and sewer customers of the District for the fiscal year ended June 30, 2015.

### TOP TEN SYSTEM CUSTOMERS (Fiscal Year Ended June 30, 2015)

<u>Customer</u>	<u>Type of Business</u>	<u>Sales (1)</u>	<u>% of Total Sales</u>
1. Board of Education	Schools	\$ 208,070	1.245%
2. Nottingham Apartments	Apartments	159,842	0.956%
3. Hendersonville Hospital	Medical	155,389	0.930%
4. Williamsburg Apartments	Apartments	152,006	0.910%
5. Walden Residential	Apartments	144,033	0.862%
6. Wessington House Apts.	Apartments	143,298	0.857%
7. Lake D'Ville Apts.	Apartments	140,491	0.841%
8. Aventura @ Indian Lake	Retail	140,035	0.838%
9. The Grove at Waterford	Apartments	135,720	0.812%
10. The Reserve at Drakes Creek	Apartments	<u>116,012</u>	<u>0.694%</u>
<b>TOTAL</b>		<b><u>\$1,494,896</u></b>	<b><u>8.945%</u></b>

(1) Sales include only water & sewer revenues.

*Source:* Audited Financial Statements and the District.

## COMPETITION AND FRANCHISE RIGHTS

The District Act provides that as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services within said boundaries. The District Act provides certain limited exceptions to the exclusive service right. The District Act provides that the exclusive right to serve may be lost if it can be established that the public convenience and necessity requires other or additional services. The District's right to serve also is subject to prior rights of a municipality to serve newly annexed territories pursuant to Section 6-51-101 et. seq., Tennessee Code Annotated. The District Act further grants to municipalities the prior right to serve areas outside their boundaries if the areas are not within the boundaries of a utility district authorized to provide the service or are not already being served by a utility district. Further, any acquisition of service area must be done in such a way as to fully preserve and protect the contract rights vested in owners of bonds or other obligations of the utility district.

## **METHOD OF ACCOUNTING**

This District utilizes the accrual method of accounting. Provision for depreciation of the utility plant in service has been made on the straight-line method over the estimated useful lives of the assets. Depreciation is not considered on any capital item until the same is actually placed in operation. Plant contributed by developers is included at the developer's cost. Material and supply inventories are stated at the lower of cost (first in, first out method) or market. Sales revenue is recorded monthly based on meter readings subsequent to the delivery and consumption of the product by the customer. Revenues are not accrued for usage in the annual reports of the District from the last meter reading date to June 30. Amounts received from developers and customers for capital improvements are recorded as contributions in-aid-of construction. Bond discounts and issuance expenses are amortized during the period bonds are outstanding using the straight-line method of amortization. The District capitalizes bond interest expenses during the construction phase of expansion of the distribution system.

## **PENSION PLANS**

Employees of the Hendersonville Utility District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 were vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Hendersonville Utility District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief government body.

For additional information on the funding status, trend information and actuarial status of the District's retirement programs, please refer to the General Purpose Financial Statements of the District located in herein.

## **SUMMARY OF OPERATIONS**

The financial statements of the District for the year ended June 30, 2015 has been examined by Yeary, Howell & Associates, Nashville, Tennessee, independent accountants, whose report thereon appears herein.

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## CAPITALIZATION

The following table sets forth the capitalization of the District as of June 30, 2015.

	<b><u>Outstanding</u></b>
Total Long Term Indebtedness	\$ 60,385,627
Total Current Liabilities	3,838,193
Retained Earnings & Contributed Capital	<u>85,950,366</u>
Total Long Term Indebtedness and Total Customers' Equity	<b><u>\$150,174,186</u></b>

## UTILITY PLANTS

The cost of the District's utility plants as of June 30, 2015 is as follows:

Utility Plants in Service	\$180,187,074
Accumulated Depreciation	(54,150,152)
Construction in Progress	<u>685,324</u>
<b>TOTAL</b>	<b><u>\$126,722,246</u></b>

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**Hendersonville Utility District of Sumner County, Tennessee**  
SUMMARY OF BONDED INDEBTEDNESS

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>As of June 30, 2015 OUTSTANDING (1)</b>
\$ 485,000	Waterworks and Sewer Revenue Bonds, Series 1995	2035	Fixed	\$ 355,515
17,000,000	(2) Water and Sewer Revenue Refunding and Improvement Bonds, Series 2008	Feb. 2038	Fixed	6,670,000
10,000,000	(2) Water and Sewer Revenue Bonds, Series 2011	Aug. 2039	Fixed	10,000,000
21,000,000	(2) Water and Sewer Revenue Bonds, Series 2012	Aug. 2039	Fixed	19,340,000
8,585,000	(2) Water and Sewer Revenue Bonds, Series 2013	Feb. 2040	Fixed	8,285,000
5,205,000	(2) Water and Sewer Revenue Refunding Bonds, Series 2014	Feb. 2023	Fixed	4,500,000
9,525,000	(2) Water and Sewer Revenue Refunding Bonds, Series 2015	Feb. 2038	Fixed	9,525,000
<b>\$ 71,800,000</b>	<b>TOTAL OUTSTANDING BONDED DEBT</b>			<b>\$ 58,675,515</b>
\$ 7,250,000	(2) Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	Feb. 2046	Fixed	\$ 7,250,000
(2,870,000)	Less: Bonds Refunded (2008 Bonds)			(2,870,000)
<b>\$ 76,180,000</b>	<b>TOTAL PROPOSED BONDED DEBT</b>			<b>\$ 63,055,515</b>

**NOTES:**

(1) The above figures do not include leases or other short-term debt, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) Subordinated Debt

**Hendersonville Utility District of Sumner County, Tennessee**  
**BONDED DEBT SERVICE REQUIREMENTS**

F.Y.	As of June 30, 2015				As of June 30, 2015				Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016				Series 2016				Total Subordinated Bonded Debt Service Requirements				Percent Subordinated Principal Repaid				Total Bonded Debt Service Requirements				Percent Total Principal Repaid			
	Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL		Principal	Interest	TOTAL	
2016	\$ 11,692	\$ 17,790	\$ 29,052		\$ 1,975,000	\$ 1,967,317	\$ 3,942,317	-	\$ -	\$ -	\$ -		\$ 1,975,000	\$ 1,967,317	\$ 3,942,317		\$ 1,986,092	\$ 1,985,277	\$ 3,971,368		\$ 1,986,092	\$ 1,985,277	\$ 3,971,368		\$ 1,986,092	\$ 1,985,277	\$ 3,971,368		\$ 1,986,092	\$ 1,985,277	\$ 3,971,368	
2017	11,674	17,778	29,052		2,035,000	2,021,119	4,056,119	-	40,000	-	(136,325)	-	2,075,000	2,061,418	4,136,418	-	2,086,674	2,085,796	4,186,469	3.15%	2,086,674	2,085,796	4,186,469	3.15%	2,086,674	2,085,796	4,186,469		2,086,674	2,085,796	4,186,469	
2018	12,286	16,766	29,052		2,100,000	1,943,394	4,043,394	-	40,000	-	(136,325)	-	2,140,000	2,125,899	4,265,899	-	2,151,676	2,150,798	4,302,474		2,151,676	2,150,798	4,302,474		2,151,676	2,150,798	4,302,474		2,151,676	2,150,798	4,302,474	
2019	12,931	16,121	29,052		2,185,000	1,860,944	4,045,944	-	40,000	-	(136,325)	-	2,225,000	1,928,399	4,233,399	-	2,237,831	1,945,520	4,283,351		2,237,831	1,945,520	4,283,351		2,237,831	1,945,520	4,283,351		2,237,831	1,945,520	4,283,351	
2020	13,609	15,443	29,052		2,270,000	1,783,019	4,053,019	-	40,000	-	(136,325)	-	2,310,000	1,988,384	4,298,384	-	2,423,609	1,860,027	4,283,636	17.42%	2,423,609	1,860,027	4,283,636	17.42%	2,423,609	1,860,027	4,283,636		2,423,609	1,860,027	4,283,636	
2021	14,323	14,729	29,052		2,365,000	1,693,319	3,888,319	-	40,000	-	(136,325)	-	2,405,000	1,756,784	4,161,784	-	2,518,409	1,677,571	4,195,980		2,518,409	1,677,571	4,195,980		2,518,409	1,677,571	4,195,980		2,518,409	1,677,571	4,195,980	
2022	15,075	13,977	29,052		2,295,000	1,602,594	3,897,594	-	40,000	-	(136,325)	-	2,340,000	1,663,394	4,103,394	-	2,455,075	1,677,571	4,132,646		2,455,075	1,677,571	4,132,646		2,455,075	1,677,571	4,132,646		2,455,075	1,677,571	4,132,646	
2023	15,866	13,186	29,052		2,390,000	1,514,944	3,904,944	-	40,000	-	(136,325)	-	2,440,000	1,573,189	4,113,189	-	2,555,866	1,586,375	4,142,241		2,555,866	1,586,375	4,142,241		2,555,866	1,586,375	4,142,241		2,555,866	1,586,375	4,142,241	
2024	16,695	12,295	29,052		2,485,000	1,428,419	3,913,419	-	40,000	-	(136,325)	-	2,530,000	1,431,419	4,061,419	-	2,670,691	1,444,419	4,115,110		2,670,691	1,444,419	4,115,110		2,670,691	1,444,419	4,115,110		2,670,691	1,444,419	4,115,110	
2025	17,575	11,477	29,052		2,440,000	1,347,419	3,787,419	-	855,000	-	(88,750)	-	2,570,000	1,424,719	3,994,719	-	2,587,575	1,436,786	4,024,361	37.11%	2,587,575	1,436,786	4,024,361	37.11%	2,587,575	1,436,786	4,024,361		2,587,575	1,436,786	4,024,361	
2026	18,497	10,555	29,052		2,545,000	1,251,569	3,796,569	-	865,000	-	(88,750)	-	2,660,000	1,346,786	4,006,786	-	2,678,497	1,356,864	4,035,361		2,678,497	1,356,864	4,035,361		2,678,497	1,356,864	4,035,361		2,678,497	1,356,864	4,035,361	
2027	19,467	8,810	28,277		2,340,000	1,159,656	3,499,656	-	395,000	-	(15,000)	-	2,435,000	1,272,001	3,707,001	-	2,454,467	1,280,811	3,735,278		2,454,467	1,280,811	3,735,278		2,454,467	1,280,811	3,735,278		2,454,467	1,280,811	3,735,278	
2028	20,489	7,860	28,349		2,375,000	1,080,731	3,455,731	-	120,000	-	(136,325)	-	2,495,000	1,198,596	3,693,596	-	2,515,489	1,206,456	3,721,945		2,515,489	1,206,456	3,721,945		2,515,489	1,206,456	3,721,945		2,515,489	1,206,456	3,721,945	
2029	21,564	6,835	28,399		2,405,000	1,005,811	3,410,811	-	125,000	-	(136,325)	-	2,525,000	1,117,445	3,642,445	-	2,546,467	1,214,445	3,760,912		2,546,467	1,214,445	3,760,912		2,546,467	1,214,445	3,760,912		2,546,467	1,214,445	3,760,912	
2030	22,694	5,833	31,472		2,090,000	841,969	3,031,969	-	125,000	-	(136,325)	-	2,215,000	1,053,384	3,268,384	-	2,239,640	1,061,417	3,300,057	56.16%	2,239,640	1,061,417	3,300,057	56.16%	2,239,640	1,061,417	3,300,057		2,239,640	1,061,417	3,300,057	
2031	21,942	4,899	26,631		2,110,000	875,831	3,085,831	-	130,000	-	(136,325)	-	2,240,000	984,009	3,224,009	-	2,261,942	988,698	3,250,640		2,261,942	988,698	3,250,640		2,261,942	988,698	3,250,640		2,261,942	988,698	3,250,640	
2032	25,140	3,912	29,052		2,205,000	805,969	3,010,969	-	135,000	-	(136,325)	-	2,340,000	910,376	3,250,376	-	2,365,140	914,288	3,279,428		2,365,140	914,288	3,279,428		2,365,140	914,288	3,279,428		2,365,140	914,288	3,279,428	
2033	26,459	2,993	29,052		2,300,000	733,881	3,033,881	-	140,000	-	(136,325)	-	2,440,000	834,239	3,274,239	-	2,466,459	836,832	3,303,291		2,466,459	836,832	3,303,291		2,466,459	836,832	3,303,291		2,466,459	836,832	3,303,291	
2034	27,847	1,205	29,052		2,420,000	655,506	3,075,506	-	140,000	-	(136,325)	-	2,560,000	751,454	3,311,454	-	2,587,847	752,659	3,340,506		2,587,847	752,659	3,340,506		2,587,847	752,659	3,340,506		2,587,847	752,659	3,340,506	
2035	29,285	8,341	8,422		2,520,000	577,506	3,097,506	-	140,000	-	(136,325)	-	2,660,000	668,163	3,328,163	-	2,687,847	669,368	3,357,215	75.72%	2,687,847	669,368	3,357,215	75.72%	2,687,847	669,368	3,357,215		2,687,847	669,368	3,357,215	
2036	-	-	-		2,690,000	469,163	3,159,163	-	150,000	-	(136,325)	-	2,840,000	555,485	3,395,485	-	2,860,000	555,485	3,395,485		2,860,000	555,485	3,395,485		2,860,000	555,485	3,395,485		2,860,000	555,485	3,395,485	
2037	-	-	-		2,760,000	366,825	3,126,825	-	155,000	-	(136,325)	-	2,915,000	447,523	3,362,523	-	2,915,000	447,523	3,362,523		2,915,000	447,523	3,362,523		2,915,000	447,523	3,362,523		2,915,000	447,523	3,362,523	
2038	-	-	-		3,000,000	256,981	3,256,981	-	165,000	-	(136,325)	-	3,165,000	331,711	3,496,711	-	3,165,000	331,711	3,496,711		3,165,000	331,711	3,496,711		3,165,000	331,711	3,496,711		3,165,000	331,711	3,496,711	
2039	-	-	-		2,275,000	140,106	2,415,106	-	170,000	-	(136,325)	-	2,445,000	208,401	2,653,401	-	2,445,000	208,401	2,653,401		2,445,000	208,401	2,653,401		2,445,000	208,401	2,653,401		2,445,000	208,401	2,653,401	
2040	-	-	-		2,460,000	49,481	2,509,481	-	175,000	-	(136,325)	-	2,635,000	111,061	2,746,061	-	2,635,000	111,061	2,746,061	98.05%	2,635,000	111,061	2,746,061	98.05%	2,635,000	111,061	2,746,061		2,635,000	111,061	2,746,061	
2041	-	-	-		-	-	-	-	185,000	-	(136,325)	-	-	-	-	-	185,000	-	-		185,000	-	-		185,000	-	-		185,000	-	-	
2042	-	-	-		-	-	-	-	190,000	-	(136,325)	-	-	-	-	-	190,000	-	-		190,000	-	-		190,000	-	-		190,000	-	-	
2043	-	-	-		-	-	-	-	200,000	-	(136,325)	-	-	-	-	-	200,000	-	-		200,000	-	-		200,000	-	-		200,000	-	-	
2044	-	-	-		-	-	-	-	210,000	-	(136,325)	-	-	-	-	-	210,000	-	-		210,000	-	-		210,000	-	-		210,000	-	-	
2045	-	-	-		-	-	-	-	215,000	-	(136,325)	-	-	-	-	-	215,000	-	-		215,000	-	-		215,000	-	-		215,000	-	-	
2046	-	-	-		-	-	-	-	-	-	(136,325)	-	-	-	-	-	-	-	-		-	-	-		-	-	-		-	-	-	
	\$ 355,515	\$ 203,416	\$ 558,931		\$ 58,320,000	\$ 27,531,342	\$ 85,851,342		\$ 7,250,000	\$ 34,939,884	\$ 10,689,884		\$ 62,730,000	\$ 29,433,151	\$ 92,433,151		\$ 63,055,515	\$ 29,945,567	\$ 93,000,082		\$ 63,055,515	\$ 29,945,567	\$ 93,000,082		\$ 63,055,515	\$ 29,945,567	\$ 93,000,082		\$ 63,055,515	\$ 29,945,567	\$ 93,000,082	

**NOTES:**

(1) The above figures do not include loans or other short-term debt, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) Estimated Interest Rates. Estimated Average Coupon of 3.37%.

**Hendersonville Utility District of Sumner County, Tennessee**  
Five Year Summary of Revenues, Expenses and  
Changes in Net Assets

	For the Fiscal Year Ended June 30				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Operating Revenues:</b>					
Water Service Charges	\$ 4,293,204	\$ 5,333,531	\$ 5,190,328	\$ 5,284,830	\$ 5,735,886
Sewer Service Charges	7,557,657	8,817,251	9,285,440	10,321,163	10,976,481
Tap Fees and Connection Fees	387,284	788,475	497,293	1,063,284	1,270,458
Other income	656,822	625,238	648,140	732,307	817,510
<b>Total Operating Revenues</b>	<b>\$ 12,894,967</b>	<b>\$ 15,564,495</b>	<b>\$ 15,621,201</b>	<b>\$ 17,401,584</b>	<b>\$ 18,800,335</b>
<b>Operating Expenses:</b>					
Water Distribution	\$ 1,581,550	\$ 1,441,650	\$ 1,891,293	\$ 1,667,745	\$ 1,040,164
Sewer Collection	3,787,348	4,661,692	5,959,148	5,079,462	4,922,111
Water Plant	1,560,677	1,639,077	1,669,226	1,694,133	1,527,474
Administration	856,064	1,638,457	1,206,132	1,383,674	2,731,280
Maintenance	-	-	40,904	843,111	529,315
Depreciation & Amortization	3,663,155	3,721,335	3,906,324	3,870,058	4,447,533
<b>Total Operating Expenses</b>	<b>\$ 11,448,794</b>	<b>\$ 13,102,211</b>	<b>\$ 14,673,027</b>	<b>\$ 14,538,183</b>	<b>\$ 15,197,877</b>
<b>Operating Income</b>	<b>\$ 1,446,173</b>	<b>\$ 2,462,284</b>	<b>\$ 948,174</b>	<b>\$ 2,863,401</b>	<b>\$ 3,602,458</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment Income	\$ 131,410	\$ 188,621	\$ 222,876	\$ 147,905	\$ 136,554
Other Income (Expense)	258,959	9,438	33,884	30,626	16,062
Interest Expense	(1,541,333)	(1,690,144)	(1,563,596)	(1,290,642)	(2,259,090)
<b>Total Non-Operating Rev. (Exp.)</b>	<b>\$ (1,150,964)</b>	<b>\$ (1,492,085)</b>	<b>\$ (1,306,836)</b>	<b>\$ (1,112,111)</b>	<b>\$ (2,106,474)</b>
<b>Income (Loss) before contributions</b>	<b>\$ 295,209</b>	<b>\$ 970,199</b>	<b>\$ (358,662)</b>	<b>\$ 1,751,290</b>	<b>\$ 1,495,984</b>
<b>Contributions:</b>					
Capital Grants	\$ 77,932	\$ 408,968	\$ 343,047	\$ 52,000	\$ 1,165,502
Capacity Fees	233,100	313,300	198,963	1,061,700	1,314,950
Capital Contributions-Utility Plant	535,401	910,092	-	519,604	(2,738,077)
<b>Total Contributions</b>	<b>\$ 846,433</b>	<b>\$ 1,632,360</b>	<b>\$ 542,010</b>	<b>\$ 1,633,304</b>	<b>\$ (257,625)</b>
<b>Special Item - Sale of Capital Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets</b>	<b>\$ 1,141,642</b>	<b>\$ 2,602,559</b>	<b>\$ 183,348</b>	<b>\$ 3,384,594</b>	<b>\$ 1,238,359</b>
<b>Net Assets - PY</b>	<b>\$ 79,421,541</b>	<b>\$ 80,563,183</b>	<b>\$ 83,165,742</b>	<b>\$ 82,791,204</b>	<b>\$ 86,175,798</b>
<b>Prior Year Corrections/Other</b>	<b>-</b>	<b>-</b>	<b>(557,886)</b>	<b>-</b>	<b>(1,463,791)</b>
<b>Net Assets - PY (Restated)</b>	<b>79,421,541</b>	<b>80,563,183</b>	<b>82,607,856</b>	<b>82,791,204</b>	<b>84,712,007</b>
<b>Net Assets</b>	<b>\$ 80,563,183</b>	<b>\$ 83,165,742</b>	<b>\$ 82,791,204</b>	<b>\$ 86,175,798</b>	<b>\$ 85,950,366</b>

Source: Audited Financial Statements of the Hendersonville Utility District of Sumner County, TN.  
For additional information, please see the individual Audited Financial Statements for each year.

**Hendersonville Utility District of Sumner County, Tennessee**  
HISTORICAL DEBT SERVICE COVERAGES

**Existing Senior and Subordinated Bonds**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues	\$ 12,894,967	\$ 15,564,495	\$ 15,621,201	\$ 17,401,584	\$ 18,800,335
Operating Expenses Before Depreciation	<u>7,785,639</u>	<u>9,380,876</u>	<u>10,766,703</u>	<u>10,668,125</u>	<u>10,750,344</u>
Net Income Before Depreciation	\$ 5,109,328	\$ 6,183,619	\$ 4,854,498	\$ 6,733,459	\$ 8,049,991
Other Income (Expenses)	390,369	198,059	256,760	178,531	152,616
Other Fees and Grants	<u>311,032</u>	<u>722,268</u>	<u>542,010</u>	<u>1,113,700</u>	<u>2,480,452</u>
Income Available for Debt Service	<u>\$5,810,729</u>	<u>\$7,103,946</u>	<u>\$5,653,268</u>	<u>\$8,025,690</u>	<u>\$10,683,059</u>

Annual Debt Service - Excludes Capitalized Interest (1)	\$3,032,865	\$3,054,341	\$2,997,844	\$4,131,062	\$4,166,978
Historical Coverage Ratio - Exclusive of Capitalized Interest	1.92 x	2.33 x	1.89 x	1.94 x	2.56 x

Annual Debt Service - Includes Capitalized Interest (2)	\$3,032,865	\$3,054,341	\$2,205,531	\$3,146,843	\$4,166,978
Historical Coverage Ratio - Inclusive of Capitalized Interest	1.92 x	2.33 x	2.56 x	2.55 x	2.56 x

Maximum Debt Service on all outstanding and proposed Bonds (2020)	\$4,287,636	\$4,287,636	\$4,287,636	\$4,287,636	\$4,287,636
Historical Coverage Ratio	1.36 x	1.66 x	1.32 x	1.87 x	2.49 x

(1) Annual Debt Service is derived for the notes to the Audited Financial Statements in the FINANCIAL STATEMENTS of the District. Principal and Interest paid are derived from the cash flow statements of the Audited Financial Statements and **exclude** the annual amount of capitalized interest.

(2) Annual Debt Service is derived for the notes to the Audited Financial Statements in the FINANCIAL STATEMENTS of the District. Principal and Interest paid are derived from the cash flow statements of the Audited Financial Statements and **include** the annual amount of capitalized interest.

## **GENERAL INFORMATION**

### **LOCATION**

Sumner County (the “County”) is located in the northern region of Middle Tennessee. To the north, the County is bordered by the Kentucky State line and to the east, by Robertson County. Davison and Wilson Counties make up the County’s southern border, and to the west, the County is bordered by Macon and Trousdale Counties. The City of Gallatin serves as the county seat and is located approximately 25 miles east of Nashville, the State Capital. Other incorporated cities in the County include Goodlettsville, Hendersonville, Millersville, Mitchellville, Portland, Westmoreland and White House.

### **GENERAL**

Davidson and Sumner Counties are part of the Nashville-Murfreesboro Metropolitan Statistical Area (the “MSA”), which includes Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson Counties. According to the 2010 US Census the MSA had a population of 1,571,860.

The Counties are also part of the Nashville-Murfreesboro-Columbia Combined Statistical Area (the “CSA”) which includes Bedford, Cannon, Cheatham, Davidson, Dickson, Hickman, Lawrence, Macon, Marshall, Maury, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson and Wilson Counties. According to the 2010 Census, the CSA had a population of 1,674,191. The City of Nashville, the State Capital, is the largest city in the CSA with a population of 626,681 according to the 2010 Census. The 2010 Census puts Sumner County’s population at 160,645. The largest city in Sumner County is Hendersonville is 51,372. Gallatin, Sumner County seat, has a 2010 Census population of 30,278.

### **TRANSPORTATION**

Interstate Highway I-65 runs along the eastern border of the County into Kentucky. Interstate Highway I-40 is located 12 miles south of the County. U.S. Highways 31E and State Highways 25, 52, 76, 109, 231, 258 and 386 traverse the County. The Sumner County Regional Airport is the County’s municipal airport with a 5,000 foot asphalt runway. The nearest commercial airport is Nashville International Airport, which is located 25 miles away. The International Airport has concrete and asphalt runways up to 11,029 feet that is served by about 13 airlines with 375 average daily flights.

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Barge service on the Cumberland River, together with good rail and air services, give Nashville and the County an excellent four-way transportation network. The Cumberland River flows south of Gallatin, which has a channel depth of nine feet, and the nearest port is about 18 miles away in Nashville. The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve the Nashville area. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in

Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Custom Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves the Nashville area. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

## **EDUCATION**

### Public Schools

The County has one school system, the *Sumner County School System*. The Sumner County School System has forty-seven schools: twenty-seven elementary schools, twelve middle/junior high schools, and ten high schools. In the fall of 2014 the system enrolled about 28,906 students with 1,729 teachers.

*Source:* Tennessee Department of Education.

### Public Colleges and Universities

*Tennessee State University*, located in Nashville, is a major, comprehensive urban land-grant institution offering 45 bachelor's degrees and 24 master's degrees. Doctoral degrees are also offered in several areas. The 500-acre main campus, with more than 65 buildings, is located in a residential setting; the Avon Williams Campus is located a few miles away downtown, near the center of the Nashville business and government district. Founded in 1912, the university has been listed for the multiple times in the U.S. News & World Report "Guide to America's Best Colleges." The fall 2014 enrollment was 9,097 students.

*Source:* Tennessee State University.

*Volunteer State Community College* is a public two-year community college in Gallatin, Tennessee, serving a twelve-county region including the counties of Clay, Davidson, Jackson, Macon, Overton, Pickett, Putnam, Robertson, Smith, Sumner, Trousdale and Wilson. Off-Campus operations include two Degree-Granting Centers, five major teaching sites, high-school dual enrollment sites and various allied health and business sites in Davidson, Macon, Robertson, Overton and Wilson Counties. Fall 2014 enrollment was 7,677.

*Source:* Volunteer State Community College and TN Higher Education Commission.

### Private Colleges and Universities

*Aquinas College* was founded in 1961 by the Dominican Sisters of Saint Cecilia Congregation and is located on an 83-acre campus in Nashville. It offers a four-year academic in liberal arts, business, nursing, and teacher education. There are about 384 students for the fall of 2015 admissions. Aquinas College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award the associate and baccalaureate degrees.

*Source:* Aquinas College.

*Belmont University* is a private Christian university located in Nashville. Belmont is among the fastest growing Christian universities in the nation with more than 7,400 students hailing from every state and 25 countries. Since 2000, enrollment has risen from just

under 3,000 to 7,244 students for 2014-15, marking an increase of over 100 percent. In the annual *U.S. News & World Report* ranking of America's best colleges and universities, Belmont was cited for the third year in a row as a Top School to Watch and was ranked fifth in the Regional Universities South category, the highest ranking for the university to date. Once again, Belmont was also the highest ranked university in Tennessee in this category and was praised for its commitment to undergraduate teaching and the strength of its learning communities.

*Source:* Belmont University.

*Fisk University* is a private, black college that was established in Nashville in 1866 with 853 students enrolled for Fall of 2015 (an 11% increase in enrollment from the previous year). From 2008 to 2010 academic years, Fisk has been recognized for its success in graduating students by the Chronicle of Higher Education, Princeton Review's Best 368 Colleges, US News & World Report, and Washington Monthly. Fisk also ranks among the top-fifty baccalaureate institutions in producing African-American science and engineering doctoral degree recipients, in a study by the National Science Foundation.

Six months after the end of the Civil War, and just two years after the Emancipation Proclamation, three men established the Fisk School in Nashville. The first students ranged in age from seven to seventy, but shared common experiences of slavery and poverty. In 1871 Fisk's world-famous Jubilee Singers introduced much of the world to the spiritual as a musical genre. The Singers performed before several prominent figures at the time, including Queen Victoria. Jubilee Hall, the South's first permanent structure built for the education of black students, is designated National Historical Landmark. In 1930, Fisk became the first African-American institution to gain accreditation by the Southern Association of Colleges and Schools. In 1954, Fisk became the first, private, black college accredited for its music programs by the National Association of Schools of Music. Fisk is a member of the Council of Graduate Schools in the United States and a sponsoring institution of the Oak Ridge Associated Universities, Inc.

*Source:* Fisk University.

*Free Will Baptist Bible College* (the "FWBBC") is a four-year Bible college founded in 1942 by the National Association of Free Will Baptists. FWBBC serves approximately 350 students and is the national college of the 300,000-strong Free Will Baptist denomination. It is located on a 9-acre campus in Nashville. There are six broad subject-matter areas that provide the basis for the departments of study: the Department of Biblical and Ministry Studies, the Department of Business, the Department of English and Speech, the Department of General education, the Department of Music, the Department of Teacher Education. In addition, the college maintains a Lifetime learning department and an Adult Studies Program. Free Will Baptist Bible College is both regionally and nationally accredited and is a member of the Council for Higher Education Accreditation (CHEA).

*Source:* Free Will Baptist Bible College.

*John A. Gupton College* was founded in 1946 as a non-segregated proprietary school in Nashville. Gupton offers a program of study leading to a diploma in the field of Mortuary Science. The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award the Associate of Arts Degree in Funeral Service. Gupton College was the first independent institution of funeral service education to earn regional accreditation and thus to be able to offer a course of study leading to the Associate of Arts Degree.

*Source:* John A Gupton College.



*Lipscomb University* is a private, coeducational, liberal arts institution associated with the Churches of Christ established in 1891 located in Nashville. Lipscomb offers more than 130 programs of study in 66 majors leading to bachelor of arts, bachelor of business administration, bachelor of music in music education, bachelor of science and bachelor of science in nursing degrees. Graduate degrees are offered in Bible, business, conflict management, counseling, education and pharmacy. The 2015 official enrollment was 4,680 students. Lipscomb University was named the 19th best master's university in the South, according to the *U.S. News and World Report's* "2016 America's Best Colleges" guidebook.

*Source:* Lipscomb University.

*Meharry Medical College*, located on 26 acres in Nashville, is the largest private, comprehensive historically black institution for education health professional and scientists in the United States. Meharry was founded in 1876 and is affiliated with the United Methodist Church. The student body is comprised of more than 802 students (fall 2013 enrollment) from 43 states, the District of Columbia and 22 foreign nations. Meharry is fully accredited by the Southern Association of Colleges and Schools.

*Source:* Meharry Medical College.

*Nossi College of Art* is located in Goodlettsville and the campus is located on 10 acres. Nossi offers a range of art degrees in Commercial Illustration, Graphic Art & Design, Digital Photography and Video. The school's construction was completed in the fall of 2010 and was conceived with the artist in mind. Complete with state-of-the art technology upgrades including ceiling projectors and retractable ceiling screens, 50" flat screen TVs for all instructional classrooms, two large photography studios (Studio A is 2,200 sq. ft.) and an Aruba fiber optics wireless network with over 36 hubs. Nossi College of Art is accredited by the Accrediting Commission of Career Schools and Colleges.

*Source:* Nossi College of Art.

*Trevecca Nazarene University*, a national research university founded in 1901 in Nashville, is one of eight U.S. colleges and universities affiliated with the Church of the Nazarene, a denomination in the Wesleyan theological tradition. Fall 2015 enrollment was 2,640 students. Trevecca offers 53 undergraduate majors and 4 associate's degrees. Master's degrees are available in religion, education, management, physician assistant, library and information science, counseling psychology, and interdisciplinary (online). Doctorates are offered in education and in clinical counseling.

*Source:* Trevecca Nazarene University.

*Vanderbilt University* is a private research university and medical center founded in 1873 on 330 acres in Nashville. Fall 2014 Enrollment was about 6,767 undergraduates and 5,104 graduate and professional students. An independent, privately supported university employing more than 3,742 full-time faculty and a staff of more than 20,000, Vanderbilt is the largest private employer in Middle Tennessee and the second largest private employer in the state. The university comprises 10 schools, a distinguished medical center, a public policy center and The Freedom Forum First Amendment Center. Vanderbilt offers undergraduate programs in the liberal arts and sciences, engineering, music, education and human development as well as a full range of graduate and professional degrees. Vanderbilt University's Jean and Alexander Heard Library System is among the top research libraries in the nation, and one of the most important research libraries in the Southeast. The university is consistently ranked as one of the nation's top 20 universities by publications such as *U.S. News & World Report*, with several programs and disciplines ranking in the top 10.

Vanderbilt University Medical Center is a comprehensive healthcare facility dedicated to patient care, research, and biomedical education. It has 916 licensed beds and consists of 910 million square feet. It was founded in 1875. The Medical Center consists of four hospitals with several clinics located all over Middle Tennessee. In addition to Vanderbilt University Hospital, there is the Monroe Carell Jr. Children's Hospital at Vanderbilt with 222 licensed beds, the Vanderbilt Psychiatric Hospital with 88 licensed beds and the Vanderbilt Stallworth Rehabilitation Hospital with 80 beds. The Medical Center also houses the School of Medicine with a fall 2014 enrollment of 630 students. The School of Medicine placed 14th among 125 medical schools in *U.S. News & World Report's* 2012 survey, "America's Best Graduate Schools."

*Source:* Vanderbilt University.

*Welch College.* Formerly known as the Free Will Baptist Bible College, Welch College is a four-year Bible college founded in 1942 by the National Association of Free Will Baptists. Welch College serves approximately 315 students and is the national college of the 300,000-strong Free Will Baptist denomination. It is located on a 9-acre campus in Nashville. There are six broad subject-matter areas that provide the basis for the departments of study: the Department of Biblical and Ministry Studies, the Department of Business, the Department of English and Speech, the Department of General education, the Department of Music, the Department of Teacher Education. In addition, the college maintains a Lifetime learning department and an Adult Studies Program. Welch College is both regionally and nationally accredited and is a member of the Council for Higher Education Accreditation.

*Source:* Welch College.

### Technical Colleges

*Miller-Motte Technical College* was founded by Judge Leon Motte founded 1916 in Wilmington, North Carolina. Over the years the college established other campuses in Tennessee, North Carolina, South Carolina, and Georgia. There are three campuses in Tennessee: Chattanooga, Clarksville and Madison. The Madison Campus offers programs in Electrical Systems, Welding Technology, and Heating and Air Conditioning/Refrigeration Technology, Solar Technology, Wind Technology, Sustainable Construction, Security Systems, Cosmetology and Esthetics.

*Source:* Miller-Motte College.

*Nashville State Technical Community College* is located in Nashville, Tennessee and was founded in 1970. Fall 2014 enrollment was 10,048. Nashville State shares a 109 acre campus with the Tennessee Technology Center at Nashville. The Nashville State facilities include 239,000 square feet of space for classrooms, labs, offices, student services, and a library. Nashville State offers 49 degree programs and 12 certificate programs. In addition, Nashville State offers continuing education courses ranging from technical skills to management training and programs providing training in such areas as computer-aided drafting and office technology. The College serves an area comprised of Davidson, Cheatham, Dickson, Houston, Humphreys and Stewart Counties, and the Upper Cumberland region. There are four satellite campuses: Cookeville, Humphreys County, Dickson and Southeast Nashville.

*Source:* Nashville State Community College and TN Higher Education Commission.

*The Tennessee Technology Center at Hartsville.* The Tennessee Technology Center at Hartsville is part of a statewide system of 26 vocational-technical schools. The Tennessee

Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Hartsville serves the north central region of the state including Trousdale, Macon, Smith and Sumner Counties. The Technology Center at Hartsville began operations in 1965, and the 20 acre main campus is located in Trousdale County. Fall 2013 enrollment was 856 students. There are also Instructional Service Centers located at the Trousdale County High School and Gallatin Housing Authority (SumHar Rose Learning Center).

*Source:* Tennessee Technology Center at Hartsville and TN Higher Education Commission.

*The Tennessee Technology Center at Nashville.* The Tennessee Technology Center at Nashville is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Nashville serves the central region of the state including Davidson, Cheatham, and Robertson Counties. The Technology Center at Nashville began operations in 1963. Fall 2013 enrollment was 1,640 students. Tennessee Technology Center at Nashville shares a 109 acre campus with Nashville State Technical Community College in Davidson County.

*Source:* Tennessee Technology Center at Nashville and TN Higher Education Commission.

## HEALTHCARE

*Sumner Regional Medical Center (the "SRMC").* SRMC is a 155-bed healthcare facility and provides care in numerous areas, including cancer treatment, cardiac care, same-day surgery, orthopaedics, diagnostics, and women's health and rehabilitation services. Since opening in 1959 as Sumner County Memorial Hospital, SRMC has grown from a facility with just 50 employees and seven physicians to a comprehensive health care leader in the community with over 1,000 employees and more than 300 physicians.

The HighPoint Health System is comprised of four hospitals, including Sumner Regional Medical Center, the 155-bed flagship hospital located in Gallatin; Riverview Regional Medical Center - North, a 63-bed acute care hospital in Carthage; Riverview Regional Medical Center - South, a 25-bed critical access hospital in Carthage; and Trousdale Medical Center, a 25-bed critical access hospital in Hartsville. The system is part of LifePoint Hospital, Inc. based in Brentwood, Tennessee. LifePoint's network of 50 hospital facilities nationwide, which includes six other hospitals in Tennessee: Athens Regional Medical Center in Athens, Crockett Hospital in Lawrenceburg, Livingston Regional Hospital in Livingston, Hillside Hospital in Pulaski, Southern Tennessee Medical Center in Winchester and Emerald-Hodgson Hospital (a campus of Southern Tennessee Medical Center) in Sewanee.

*Source:* Sumner Regional Medical Center.

*TriStar Hendersonville.* TriStar Hendersonville is a 148-bed community-based medical center with comprehensive medical and surgical programs. The facility was first opened in 1979 under the name of Hendersonville Community Hospital. In 2012 the hospital completed a \$3 million expansion of its Critical Care Unit, doubling bed capacity from 10 to 20. Also in 2012

the TriStar Women's Imaging Hendersonville opened as an off-site facility. In 2013 the facility opened the TriStar ER Portland, a satellite emergency room in Portland.

TriStar Hendersonville is the first Accredited Chest Pain Center in Sumner County, increasing the likelihood of survival in a cardiac emergency by 37 percent. The facility is also accredited as a Certified Primary Stroke Center. TriStar Hendersonville is one of only two community hospitals in middle Tennessee accredited by The Joint Commission as a Total Joint Center.

The TriStar Health System is composed of 18 hospitals, medical centers and other healthcare services across Tennessee, Kentucky and Georgia. TriStar provides affordable healthcare by consolidating business and financial services and allowing medical centers and hospitals to focus on delivering quality healthcare. The Nashville-based Hospital Corporation of America (the "HCA") was one of the nation's first hospital companies in 1968. Today, HCA is one of the nation's leading providers of healthcare services. The company is comprised of locally managed facilities that include about 162 hospitals and 113 freestanding surgery centers in 20 states and England and employing approximately 199,000 people. Approximately four to five percent of all inpatient care delivered in the country today is provided by HCA facilities. HCA owns the TriStar Health System.

*Source:* Tri-Star Health System and Hospital Corporation of America.

Nashville is one of the nation's leaders in the healthcare field. There are several health systems headquartered in Nashville, for example Hospital Corporation of America, TriStar Health System and Hospital Alliance of Tennessee Inc. The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. Skyline Medical Center, Baptist Hospital, Vanderbilt University Medical Center and St. Thomas Hospital are the city's other primary hospitals.

## **POWER PRODUCTION**

*Gallatin Fossil Plant.* Tennessee Valley Authority's ("TVA") Gallatin Fossil Plant is located in Sumner County on the north bank of the Cumberland River. Construction at Gallatin began in 1953 and was completed in 1959. Gallatin has four coal-fired generating units. The winter net dependable generating capacity is 988 megawatts. The plant consumes about 12,350 tons of coal a day.

Electricity is produced at Gallatin's four coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Gallatin generates some 4.7 billion kilowatt-hours of electricity a year, enough to supply 300,000 homes. TVA added four combustion-turbine units at Gallatin in the early 1970s, and another four in 2000. These units, which can burn either fuel oil or natural gas, are designed to start quickly. Although they cost more to operate than TVA's other power sources, they are needed to meet the demand for electricity during peak operating periods. In 2004, two units at Gallatin set all-time continuous-run records, operating without any interruptions for repairs or maintenance for a longer period than ever before.

To reduce sulfur dioxide (SO<sub>2</sub>) emissions, all four Gallatin units use a blend of low-sulfur coal. To reduce nitrogen oxides (NO<sub>x</sub>), the units use low-NO<sub>x</sub> burners. By 2010, TVA spent about \$6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is

generated as cleanly as possible, consistent with efficiency.

*Source:* Tennessee Valley Authority.

## **MANUFACTURING AND COMMERCE**

As of 2014, an average of 80,909 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Nashville MSA's largest manufacturing employers include Nissan North America, Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries. Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over \$32.0 billion. Major regional shopping centers register more than \$3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. In the Nashville region, there are 245 shopping centers with 37.3 million square feet of gross leasable area. Nine of these centers are super-regional and 15 are regional centers. Two of the super-regional centers are located in or near the City. Opry Mills Mall located nearby, but outside the City recently reopened following repairs resulting from the May 2010 flood and now includes several new stores. Rivergate Mall, one of the MSA's largest shopping centers with nearly 200 stores is located in Goodlettsville and is a major economic engine for the MSA.

*Source:* Official Statements of The Metropolitan Government, the City and various reference sites.

*[balance of page left blank]*

A diversified economy is credited for the stability of local employment and wages. Employment by industry (excluding self-employed) for the Nashville MSA in 2014:

<b><u>Industry</u></b>	<b><u>Employment Number</u></b>
Government	127,781
Health Care/Social Assistance	123,854
Retail Trade	113,650
Accommodation /Food Services	90,468
Administrative Services	87,259
Manufacturing	80,909
Professional/Scientific/Technical Services	76,270
Other Services	68,239
Finance/Insurance	63,128
Real Estate/Rental/Leasing	51,624
Construction	58,235
Wholesale Trade	42,102
Transportation/Warehousing	41,948
Arts/Entertainment/Recreation	37,089
Educational Services	33,264
Information	25,212
Management of Companies/Enterprises	15,990
Agriculture/Forestry/Fishing/Hunting	15,484
Natural Resources/Mining	1,417
Utilities	<u>1,168</u>
<b>TOTAL</b>	<b><u>1,155,091</u></b>

*Source:* Nashville Area Chamber of Commerce – Nashville Region’s Vital Signs 2014.

*[balance of page left blank]*

The following chart is a list of the major industrial employers in Sumner County:

<b><u>Company</u></b>	<b><u>Product</u></b>	<b><u>Location</u></b>	<b><u>Employment</u></b>
Sumner County Schools*	Education	Gallatin	1,876
Tyson Foods, INC.	Case-Ready Meats	Goodlettsville	1,700
UNIPRES	Pressed Metal Parts	Portland	1,280
Dollar General Corp. HQ	General Mercantile	Goodlettsville	1,200
Macy's Logistics & Operations	Distribution for Macy's	Portland	1,100
Sumner Regional Medical Center	Healthcare	Gallatin	1,012
31-W Insulation	Commercial Building	Goodlettsville	800
Gap, Inc	Clothing Distribution	Gallatin	613
Volunteer State Community College	Education	Gallatin	564
Sumner County Government	Government	Gallatin	500
Hendersonville Medical Center	Healthcare	Hendersonville	500
Peyton Mid-South	Distribution for Kroger	Portland	475
Associate Wholesale Grocers	Grocery Distribution	Goodlettsville	450
Thomas & Betts Corp.	Electrical Boxes	Portland	440
USF Holland Motor Freight	Distribution	Goodlettsville	400
SERVPRO Industries, Inc.	Fire & Water Cleanup	Gallatin	391
City of Gallatin	Government	Gallatin	381
City of Hendersonville	Government	Hendersonville	360
Xtend Healthcare	Healthcare	Hendersonville	500
Dorman Products	After Market Automotive	Portland	326
ABC Fuel Systems, Inc.	Automotive Fuel Systems	Gallatin	301
Salga Plastics	Plastic Automotive Parts	Gallatin	286
Shoals Technologies	Solar Panel Cables	Portland	272
MGM Windows Co.	Manufacturer	Hendersonville	270
Kerby Bldg. Systems	Steel Fabrication	Portland	270
NASG Tennessee, North LLC	Auto Metal Stamping	Portland	246
Hoeganaes Corporation	Powdered Metal	Gallatin	243
RR Donnelley & Sons	Commercial Printing	Gallatin	236
Werthan Packaging	Pet Food Bags	White House	220
Alladin Temp Rite	Food Service Equipment	Hendersonville	207
ABC Technologies, Inc.	Plastic Automotive Parts	Gallatin	177
TVA Gallatin Fossil Plant	Energy	Gallatin	175
NIC Global Manufacturing Solutions	Precision Sheet Metal	Gallatin	171
Jamison Bedding, Inc.	Mattresses	Gallatin	150
Lowe's Co's. Inc.	Wooden Doors and Trim	White House	150
Kyowa, America	Automotive Molding	Portland	145
ITW/CIP Tennessee	Automotive Fasteners	Gallatin	144
Betty Machine	Precision Machining	Hendersonville	140
Comm. Warehouse Cartage	Distribution	Portland	140
First Fleet Trucking, Inc.	Trucking	Portland	130
Charles Parks Inc.	Food Distribution	Gallatin	124

\* Employment only includes the Teachers and Administrators.

Source: The Middle Tennessee Industrial Development Association, the City of White House CAFR, the City of Gallatin CAFR and the City of Hendersonville CAFR – 2014.

## EMPLOYMENT INFORMATION

For the month of November 2015, the unemployment rate for Gallatin stood at 4.9% with 15,620 persons employed out of a labor force of 16,430. For the month of November 2015, the unemployment rate for Hendersonville stood at 4.1% with 28,310 persons employed out of a labor force of 29,510. For the month of November 2015, the unemployment rate for Sumner County was 4.4% with 84,110 persons employed out of a work force of 87,980.

The Nashville-Murfreesboro MSA's unemployment for November 2015 was at 4.3% with 893,580 persons employed out of a labor force of 933,970. As of November 2015, the unemployment rate in the Nashville-Murfreesboro CSA stood at 4.4%, representing 941,740 persons employed out of a workforce of 985,35. The following charts show unemployment trends in the Counties the last 5 years:

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
<b>Gallatin</b>	<b>9.7%</b>	<b>9.7%</b>	<b>7.9%</b>	<b>7.4%</b>	<b>5.4%</b>
Index vs. National	101	109	98	100	87
Index vs. State	100	105	99	90	81
<b>Hendersonville</b>	<b>8.1%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>6.2%</b>	<b>5.0%</b>
Index vs. National	84	83	77	84	81
Index vs. State	83	80	78	76	75
<b>Sumner County</b>	<b>8.7%</b>	<b>8.0%</b>	<b>6.7%</b>	<b>6.5%</b>	<b>5.3%</b>
Index vs. National	91	90	83	88	85
Index vs. State	90	87	84	79	79
<b>Nashville-Murfreesboro MSA</b>	<b>8.6%</b>	<b>8.0%</b>	<b>6.6%</b>	<b>6.5%</b>	<b>5.2%</b>
Index vs. National	90	90	81	88	84
Index vs. State	89	87	82	79	78
<b>Nashville-Murfreesboro-CSA</b>	<b>8.9%</b>	<b>8.2%</b>	<b>6.7%</b>	<b>6.6%</b>	<b>5.4%</b>
Index vs. National	93	92	83	89	87
Index vs. State	92	89	84	80	81

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.



## ECONOMIC DATA

### Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
<b>Sumner County</b>	<b>\$34,120</b>	<b>\$35,536</b>	<b>\$37,832</b>	<b>\$37,729</b>	<b>\$38,813</b>
Index vs. National	85	84	85	85	84
Index vs. State	96	95	97	96	96
<b>Nashville-Murfreesboro MSA</b>	<b>\$41,205</b>	<b>\$43,037</b>	<b>\$45,792</b>	<b>\$45,825</b>	<b>\$47,392</b>
Index vs. National	102	101	103	103	103
Index vs. State	116	115	117	117	117
<b>Nashville-Murfreesboro-CSA</b>	<b>\$40,302</b>	<b>\$42,090</b>	<b>\$44,777</b>	<b>\$44,880</b>	<b>\$46,409</b>
Index vs. National	100	99	101	101	101
Index vs. State	113	113	114	114	115

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Sumner County</u>	<u>Gallatin</u>	<u>Hendersonville</u>
Median Value Owner Occupied Housing	\$175,700	\$139,900	\$174,700	\$161,700	\$197,300
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	88.2%	83.6%	93.3%
% Persons with Income Below Poverty Level	14.80%	18.30%	11.3%	14.9%	7.9%
Median Household Income	\$53,482	\$44,621	\$56,193	\$46,279	\$61,514

Source: U.S. Census Bureau State & County QuickFacts - 2014.

## RECREATION

*Bledsoe Creek State Park.* Off Highway 25, this 164-acre park is situated on the Bledsoe Creek embayment of the U.S. Corps of Engineers Old Hickory Reservoir near the old 1780's settlement of Cairo in Sumner County. There are many campsites, hiking trails and picnic facilities on site. Boating and fishing is also a popular activity.

Source: Tennessee State Parks.

*Old Hickory Lake.* The Old Hickory Lake is located on the Cumberland River in Sumner and Davidson Counties, Tennessee, is approximately 25 miles upstream from Nashville,

Tennessee. The City of Hendersonville is situated on the northern shoreline of the lake and the City of Old Hickory is located on the southern side of the lake, just upstream of the lock and dam. The reservoir contains 22,500 surface acres and extends 97.3 river miles. Water level fluctuations are minimal with minimum pool elevation at 442 feet. Public facilities include nine marinas, three Corps operated campgrounds, and 41 boat access sites. Due to the fairly constant level maintained under normal operating conditions, the reservoir is well suited for conservation and recreational purposes.

*Source:* US Army Corps of Engineers

## **RECENT DEVELOPMENTS**

*Apartments.* Over the next 12 to 18 months, 3 apartment complexes currently in the planning stages will be completed adding about 264 units on the Robertson County side of the City near the Interstate 65 corridor. During the summer of 2013, current apartment occupancy level was estimated to be about 98 percent.

*Gallatin Fossil Plant.* In 2013 the Tennessee Valley Authority (the “TVA”) began a \$1.1 billion project to cut certain emissions from the plant by as much as 96 percent. Construction of a 370 foot tall chimney began in late 2013. The project is expected to take 5 years and will construct machines that would cut mercury, nitrogen oxide and sulfur dioxide emissions from the coal plant.

*Sumner County Emergency Services Building.* In 2013 the new Emergency Services Building for the County opened in the 60,000-square-foot property site was the corporate office of the Sumner Regional Health Systems before its bankruptcy.

*Sumner Regional Health Systems / HighPoint Health System.* As of September 2010, LifePoint Hospitals purchased Sumner Regional Health Systems (HighPoint Health System). The comprehensive three-market hospital system serves 11 counties in the northern middle Tennessee region. Under the terms of the final sales agreement, LifePoint purchased HighPoint Health System for \$145 million plus working capital and committed to make \$60 million in capital investments in the system’s four hospitals over the next decade. The company also provides charity care to residents across the HighPoint Health System region and to inmates of Sumner County. LifePoint Hospitals is based in Brentwood, Tennessee and has 50 hospitals nation-wide with seven located in Tennessee.

*Source:* Sumner Regional Medical Center.

*Utility Improvements.* Through existing State Revolving Loans, the City invested nearly \$2 million on gravity sewer improvements in the town center area that will relieve an outdated and overloaded vacuum system. This built out allows expansion opportunities in the town center. An additional \$1 million in sewer improvements was completed in the Sage Road area that allows for further growth. Also, an upgrade to the treatment plant was completed with an additional \$2 million in funding.

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## **APPENDIX C**

### **SUMMARY OF BOND RESOLUTION**



## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following briefly summarizes certain terms and provisions of the resolution adopted by the Board of Commissioners of the District on February 15, 2016, which authorized the issuance and sale of the Series 2016 Bonds (the "Resolution"). The Resolution is supplementary to, and incorporates certain provisions of, the resolution adopted August 7, 1998 authorizing certain Water and Sewer Revenue Bonds, Series 1998 dated August 1, 1998 which are no longer outstanding, as supplemented by resolutions adopted November 19, 2007 as amended January 28, 2008, March 8, 2011, February 15, 2012, and October 21, 2013, as amended December 16, 2013, and May 18, 2015, to the extent such resolutions continue to be effective. This summary is not considered a complete explanation of the terms and conditions of the Resolution. Reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof. A copy of the Resolution may be obtained from Hendersonville Utility District, 125 Indian Lake Road, Hendersonville, Tennessee 37077, Attn: General Manager.

### **Definitions of Certain Terms**

"Acquired System" shall mean any water procurement, treatment, storage or distribution system or sewage collection, transmission or treatment system, or any combination thereof, acquired by the District pursuant to State of Tennessee law.

"Bonds" means the Series 2008 Bonds, the Series 2011 Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, and any Parity Bonds.

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Current Expenses" means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, the cost of producing potable water, the cost of obtaining treatment of sewage collected and transported by the sewer system, salaries and wages, cost of material and supplies, and insurance premiums, but shall exclude depreciation, amortization and interest on any bonds, notes or other obligations of the District.

"Federal Obligations" means obligations and securities described in Section 9-21-1012, Tennessee Code Annotated.

"Financial Guaranty Agreement" means any financial guaranty agreement or reimbursement agreement authorized to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the twelve-month period commencing July 1 of each year and ending June 30 of the following year.

"Governing Body" means the Board of Commissioners of the District.

"Gross Earnings" means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution or the resolutions authorizing any Prior Lien Bond or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System.

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Principal and Interest Requirement" means the maximum amount of principal and Compound Accreted Value of and interest on the Bonds, including principal payable by reason of mandatory redemption provisions of the Resolution, required to be paid during a Fiscal Year during the term of the Bonds; provided, with respect to Short-Term Indebtedness, the annual principal and interest requirement for purposes of this definition shall be calculated as that amount necessary to amortize the Short-Term Indebtedness in twenty approximately equal annual payments of principal and interest; provided (i) if interest on the Short-Term Indebtedness is intended to be excludable from gross income for purposes of federal income taxation, the interest rate for Short-Term Indebtedness shall be assumed to be an interest rate equal to the most recently published Twenty-Five Revenue Bond Index as published in The Bond Buyer (or comparable index if no longer published), or (ii) if interest on the Short-Term Indebtedness is not intended to be excludable from gross income for purposes of federal income taxation, the interest rate shall be assumed to be an interest rate equal to the most recently published rates on U.S. Treasury Obligations with comparable maturities as the Twenty-Five Revenue Bond Index. Any reimbursement or guaranty payment made to a Credit Facility Issuer pursuant to a Financial Guaranty Agreement shall not be included in the calculation of principal or interest for purposes of determining the Maximum Annual Principal and Interest Requirement.

"Net Revenues" means Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

"Parity Bonds" means bonds, notes, loan agreements, and other debt obligations, including Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Bonds in accordance with the restrictive provisions of the Resolution.

"Prior Lien Bond" means the District's outstanding Waterworks and Sewer Revenue Bond, Series 1995, dated December 19, 1996.

"Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successor thereto and any other nationally recognized credit rating agency.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve

Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means, with respect to the Series 2008 Bonds, the issuer of a Reserve Fund Credit Facility rated in the highest rating category by Standard & Poor's Rating Group, if rated by Standard & Poor's, and Moody's Investors Service, Inc., if rated by Moody's and, A.M. Best & Company, if rated by A.M. Best & Company and with respect to the Series 2011 Bonds, the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, and future Parity Bonds, the issuer of a Reserve Fund Credit Facility rated in one of the three highest rating categories (without regard to gradations within such categories) by a Rating Agency that rates the Reserve Fund Credit Facility Issuer.

"Reserve Fund Requirement" means the least of (a) the Maximum Annual Principal and Interest Requirement on the Bonds (excluding Short-Term Indebtedness) during the term thereof; (b) 125% of the average annual principal and interest requirement, when due, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of any Bonds, on the Bonds (excluding Short-Term Indebtedness) during the term thereof, or (c) 10% of the stated principal amount of the Bonds (excluding Short-Term Indebtedness), as from time to time interpreted under the Code.

"Series 1998 Bonds" mean the Water and Sewer Revenue Bonds, Series 1998 dated August 1, 1998, which are no longer outstanding.

"Series 2008 Bonds" mean the Water and Sewer Revenue Refunding and Improvement Bonds, Series 2008, dated February 28, 2008.

"Series 2011 Bonds" mean the Water and Sewer Revenue Bonds, Series 2011, dated December 15, 2011.

"Series 2012 Bonds" mean the Water and Sewer Revenue Bonds, Series 2012, dated April 5, 2012.

"Series 2013 Bonds" mean the Water and Sewer Revenue Bonds, Series 2013, dated March 1, 2013.

"Series 2014 Bonds" mean the Water and Sewer Revenue Refunding Bonds, Series 2014, dated January 31, 2014.

"Series 2015 Bonds" mean the Water and Sewer Revenue Refunding Bonds, Series 2015, dated June 30, 2015.



“Series 2016 Bonds” mean the Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016, dated as of the date of their issuance.

"Short-Term Indebtedness" means bonds, notes, loan agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the District as Parity Bonds in accordance with the restrictive provisions of the Resolution.

"System" means the complete water procurement, treatment, storage and distribution system of the District and the complete sewage collection, transmission and disposal system of the District (which systems may be operated separately or as a consolidated system for accounting, financial, record keeping, billing and legal purposes), together with, and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

"Variable Rate Indebtedness" means any Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Bonds. For purposes of calculating the Reserve Fund Requirement, determining compliance with the covenant as to rates, and determining compliance with the requirements of the Resolution hereof relating to the issuance of Parity Bonds, (i) if interest on the Variable Rate Indebtedness is intended to be excludable from gross income for purposes of federal income taxation, the interest rate shall be assumed to be an interest rate equal to the most recently published Twenty-Five Revenue Bond Index as published in The Bond Buyer (or comparable index if no longer published) plus fifty (50) basis points, or (ii), if interest on the Variable Rate Indebtedness is not intended to be excludable from gross income for purposes of federal income taxation, the interest rate shall be assumed to be an interest rate equal to the most recently published rates on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points. For purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

## **Application of Revenues and Creation of Funds**

As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District in the District's Revenue Fund (the "Revenue Fund"), administered and controlled by the District. The funds so deposited shall be used only as follows:

(a) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

(b) The money remaining in the Revenue Fund after payment of Current Expenses shall be applied and deposited to the various funds established under the resolution authorizing the Prior Lien Bond, in full satisfaction of the requirements thereof for the benefit of the Prior Lien Bond, for so long as the Prior Lien Bond shall be outstanding and unpaid or until the discharge, satisfaction and defeasance of the Prior Lien Bond pursuant to the resolution authorizing the Prior Lien Bond.

(c) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Bond and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of the District and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the terms of the Resolution. Each monthly deposit shall consist of an interest component and a principal component. The interest component shall be an amount equal to not less than one-sixth ( $1/6$ th) of the interest coming due on the Bonds then outstanding on the next succeeding interest payment date. The principal component shall be an amount equal to not less than one-twelfth ( $1/12$ ) of the total of the Maturity Amounts or principal amounts, as the case may be, coming due, whether by maturity or mandatory redemption, on the Bonds then outstanding during any twelve-month period. No further deposit shall be required when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the Maturity Amounts or principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness. Money in the Bond Fund shall be used solely and is expressly and exclusively pledged for the purpose of paying principal of and interest on the Bonds.

(d) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the

Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(e) To the extent the Reserve Fund Requirement for the Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of the District. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/12th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than twelve (12) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, satisfy the contractual obligations for the benefit of the Prior Lien Bond, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund.

At the option of the District, the District may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Bonds and release an equal amount of funds on deposit in the Reserve Fund to be used by the District for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the District receives notice of either of said events, the District shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the

Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term of the Resolution, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of the Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations with respect to the Prior Lien Bond and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution regarding discharge and satisfaction, the terms, covenants, liability and liens provided or created in the Resolution or in any resolution supplemental thereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Resolution other than remedies which would adversely affect owners of the Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be

drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

(f) If the District enters into an interest rate swap or other interest rate hedging transaction with respect to the payment of interest with respect to the Bonds, the amounts that the District pays or receives under such interest rate swap or other hedging transaction shall be taken into account in calculating the interest requirements on such Bonds. Such payments shall be made or such funds received at such times and in such amounts as shall be established by a supplemental resolution authorizing the interest rate swap or other hedging transaction; provided however, termination payments received in connection with an interest rate swap or other interest rate hedging transaction shall be deposited to the Revenue Fund and termination payments required of the District shall be paid as a subordinate lien obligation, as described in (g) below.

(g) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the District for any legally permissible purpose, as the Board of Commissioners shall determine.

(h) Money on deposit in the Funds described above may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund, Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two (2) years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described above.

(i) The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar

federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

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### **Covenants Regarding the Operation of the System**

In the Resolution, the District covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding as follows:

*Operation of the System.* The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto. The District will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

The System will be operated on a fully metered basis and that the District will bill customers of the System on a monthly basis and, to the extent permitted by applicable law or regulation, will discontinue service to any customer whose bill remains unpaid sixty (60) days following the mailing of such bill, until such bill, service charges and penalties shall have been paid in full.

*Insurance.* The District shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the District shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

*Records and Accounts.* The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant

or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

- (i) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;
- (ii) A statement showing beginning and ending balances of each Fund described in the Resolution;
- (iii) A balance sheet as of the end of the Fiscal Year;
- (iv) The accountant's comments regarding the manner in which the District has carried out the requirements of the Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;
- (v) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;
- (vi) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;
- (vii) The disposition of any Bond proceeds during the Fiscal Year; and
- (vii) A statement as to all breaches or defaults hereunder by the District of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 120 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

*Performance of Duties.* The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making

and collecting of reasonable and sufficient rates for services rendered by the System and will apply the revenues of the System to the purposes and Funds specified in the Resolution.

*Rate Covenant.* Prior to the commencement of each Fiscal Year, the Governing Body will cause to be made an estimate of the revenues and expenditures for the Fiscal Year next succeeding, based on rates then in effect, and, based on such estimate, the Governing Body shall adjust such rates to the extent necessary to produce Net Revenues for the next succeeding Fiscal Year (i) equal to not less than 1.20 times the amount of principal and interest (including any Compound Accreted Value) payable during the next succeeding Fiscal Year on the outstanding Prior Lien Bond, the Bonds and subordinate lien bonds, if any, whether by maturity or mandatory redemption; (ii) sufficient, in addition, to provide for any required deposits during the succeeding Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Resolution and any resolution authorizing Prior Lien Bond or subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Governing Body; and (iii) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility, under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Prior Lien Bond or any subordinate lien bonds, or any reserve fund credit facility provided under the resolutions authorizing the Prior Lien Bond or any subordinate lien bonds.

*Disposal of System.* The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

(i) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(ii) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth in the Resolution or in any resolution authorizing Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;



(iii) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or useful to the operation of the System, and the operation of the System and its revenue producing capacity are not materially impaired by such abandonment, sale or disposition, or any facilities acquired in replacement thereof are of equivalent or greater value; and

(iv) The District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing in the Resolution is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

*Budget.* Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of any Bond upon written request. The District covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

*Franchise.* The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service.

### **Remedies of Bond Owners**

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel

performance of all duties imposed upon the District by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said obligations, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the District with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

### **Statutory Mortgage Lien**

For the further protection of the registered owners of the Bonds, a statutory lien in the nature of a mortgage lien upon the System is granted and created by Sections 7-82-101 et seq., Tennessee Code Annotated, which said statutory mortgage lien is recognized as valid and binding upon the District and to be a lien upon the System, subject only to the statutory mortgage lien securing the Prior Lien Bond, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on the Bonds.

### **Prohibition of Prior Lien; Parity Bonds**

The District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

Additional bonds, notes or obligations may be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Additional bonds, notes or obligations may be issued on a parity with the Bonds without regard to the requirements of subsection (c) below, if such bonds, notes or obligations shall be issued for the purpose of refunding any of the Bonds which shall have matured or become subject to mandatory redemption, or which shall mature or shall become subject to mandatory redemption not later than three months after the date of delivery of such refunding bonds, notes or obligations and for the payment of which insufficient money is available in the Bond Fund.

(b) Additional bonds, notes or obligations may be issued on a parity with the Bonds without regard to the requirements of subsection (c) below, if such bonds, notes or obligations shall be issued for the purpose of refunding any Bonds under circumstances not resulting in the

defeasance of all of the Bonds pursuant to the Resolution, provided the Maximum Annual Principal and Interest Requirement computed with respect to all Bonds to be outstanding as of the date of issuance of such additional bonds, notes or obligations (and after giving effect to the application of the proceeds thereof) shall not be greater than 1.05 times the Maximum Annual Principal and Interest Requirement computed with respect to all Bonds outstanding as of the date immediately preceding the issuance of such additional bonds, notes or obligations.

(c) For the purpose of refunding any Bonds under circumstances not resulting in the defeasance of all of the Bonds pursuant to the Resolution and/or extending, improving or replacing the System and/or acquiring an Acquired System or any additional System improvements, if all of the following conditions shall have been met:

(i) Either:

(A) the Net Revenues of the System for the most recent Fiscal Year for which an annual audit has been delivered must have been equal to at least 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the bonds, notes, loan agreements or obligations proposed to be issued and all Bonds other than any Bonds intended to be refunded by the proposed additional bonds, notes, loan agreements or obligations, plus the amounts payable to the Reserve Fund pursuant to the requirements hereof and amounts payable under any Financial Guaranty Agreement and in connection with any Reserve Fund Credit Facility; or, provided, however, if the annual audit for the most recent Fiscal Year has not been delivered within nine (9) months after the end of such Fiscal Year, Parity Bonds may not be issued pursuant to this paragraph; or

(B) (i) the Net Revenues of the System for the most recent Fiscal Year for which an annual audit has been delivered must be equal at least to 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the bonds, notes, loan agreements or obligations proposed to be issued and all Bonds other than any Bonds intended to be refunded by the proposed bonds, notes, loan agreements or obligations, plus the amounts payable to the Reserve Fund pursuant to the requirements hereof and amounts payable under any Financial Guaranty Agreement and in connection with any Reserve Fund Credit Facility; provided, however, if the annual audit for the most recent Fiscal Year has not been delivered within nine (9) months after the end of such Fiscal Year, Parity Bonds may not be issued pursuant to this paragraph; provided, further, that if prior to the issuance of such additional bonds, notes, loan agreements or obligations the District shall have adopted a revised schedule of rates for the System and resolved to put such rate schedule in effect at or prior to the issuance of the additional bonds, notes, loan agreements or obligations, then the Net Revenues for the immediately

preceding Fiscal Year, as certified by an independent engineer or engineering firm or a nationally recognized firm of financial feasibility consultants having a favorable reputation for skill and experience in the financial feasibility of water and sewer systems, that would have resulted from such rates had they been in effect for such period, may be used in lieu of the actual Net Revenues for such Fiscal Year; and (ii) the Net Revenues for each of the next three (3) Fiscal Years ending after the issuance of the additional bonds, notes, Loan Agreements or obligations, as estimated by an independent engineer or engineering firm, or a nationally recognized firm of financial feasibility consultants, having a favorable reputation for skill and experience in the financial feasibility of water and sewer systems, must be equal to at least 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the additional bonds, notes, loan agreements or obligations proposed to be issued and all Bonds other than any Bonds intended to be refunded by the proposed additional bonds, notes, loan agreements or obligations; provided, however, that if the proposed additional bonds, notes, loan agreements or obligations are to be issued for the acquisition or construction of any extension, improvement or replacement to the System or the acquisition of an Acquired System, then the estimate of Net Revenues may be for the next three (3) Fiscal Years ending after the time that such improvement, extension or replacement is expected to be placed in service and the period of construction thereof, subject to reduction in debt service during the period of construction in an amount equal to any capitalized interest funded from proceeds of the additional bonds;

(ii) The payments required to be made into the Bond Fund and the Reserve Fund must be current and all payments under any Financial Guaranty Agreement or with respect to a Reserve Fund Credit Facility must be current; and

(iii) The proceeds of the additional bonds, notes loan agreements or obligations may be used only to (1) make improvements, extensions, renewals or replacements to the System or to refund Bonds, (2) fund necessary reserves related thereto, (3) fund capitalized interest related to the additional bonds, notes or other obligations, and (4) pay the costs and expenses of issuance and sale of the additional bonds.

### **Modification of Resolution**

The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission in the Resolution.

In addition to the amendments to the Resolution without the consent of registered owners as referred to above, the registered owners of a majority in aggregate principal amount of the

Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the Bonds, as to:

- (i) Make any change in the maturities or redemption dates of the Bonds;
- (ii) Make any change in the rates of interest borne by the Bonds;
- (iii) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- (iv) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- (v) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
- (vi) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the District shall propose to amend or modify the Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

Whenever at any time within one (1) year from the date of mailing of said notice there shall be filed with the Secretary of the Governing Body an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding, at the time of the adoption of such amendatory resolution, or the predecessors in

title of such owners, shall have consented to and approved the adoption thereof as, in the Resolution provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond shall be irrevocable for a period of six (6) months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond or Parity Bond during such period. Such consent may be revoked at any time after six (6) months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the District office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

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

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, 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 Federal Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and 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 District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of

the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Federal Obligations deposited as aforesaid.

Except as otherwise provided in the Resolution, neither Federal Obligations nor moneys deposited with the Registration Agent pursuant to the Resolution nor principal or interest payments on any such Federal Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent.

**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**OF**  
**HENDERSONVILLE UTILITY DISTRICT**  
**OF SUMNER COUNTY, TENNESSEE**  
**FOR THE FISCAL YEAR ENDED**  
**June 30, 2015**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the District for the fiscal year ended June 30, 2015, which is available upon request from the District.





**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

For the Year Ended June 30, 2015

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

For the Year Ended June 30, 2015

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# **HENDERSONVILLE UTILITY DISTRICT OF SUMNER COUNTY, TENNESSEE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Hendersonville Utility District (HUD) is a municipal corporation operated under the general supervision and control of a three (3) member board as prescribed by Chapter 248, Public Act of 1937, and as amended by Chapter 76, Public Act of 1947. HUD is comprised of a water treatment plant, a water distribution system and a wastewater collection system. All wastewater is pumped to and treated at Metro Nashville's Dry Creek WWTP.

The intent of this discussion and analysis is to provide narratives for the financial activities of HUD. The readers of this narrative should also review the transmittal letter, financial statements, and note disclosures to enhance the understanding of HUD's financial performance.

The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. The Statement of Net Position presents the overall financial position of the District on June 30, 2015. The Statement of Revenues, Expenses and Changes in Net Position summarizes the results of the operation activities over the course of the 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 the related cash flows. This statement also provides certain information about the District's recovery of its costs.

The statement of cash flows provides relevant information about cash receipts and cash disbursements and changes in cash and cash equivalents resulting from operational, financial and investing activities.

The notes to the financial statement provide disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes provide information regarding the District's accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. The accrual basis of accounting is similar to accounting used by similar business activities in the private sector. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or expended.

### **FINANCIAL STATEMENT OVERVIEW**

The financial statements presented herein are comprised of statement of net position, statement of revenues, expenses, and changes in net position, the statement of cash flows, and the accompanying notes to the financial statements. The water and sewer systems do maintain separate accounting records but not cash funds.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE I**

**HENDERSONVILLE UTILITY DISTRICT  
CONDENSED STATEMENT OF NET POSITION  
JUNE 30**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Assets</u></b>		
Current assets	\$ 21,867,577	19,198,643
Capital assets (net)	126,722,246	130,361,474
Deferred Outflows of Resources	<u>2,123,391</u>	<u>916,964</u>
Total Assets and Deferred Outflows	<u>\$150,713,214</u>	<u>150,477,081</u>
<b><u>Liabilities</u></b>		
Current liabilities	\$ 3,838,193	4,064,116
Long-term liabilities	60,385,627	60,237,167
Deferred Inflows of Resources	<u>539,028</u>	<u>-</u>
Total Liabilities and Deferred Inflows	<u>\$ 64,762,848</u>	<u>64,301,283</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 67,246,764	71,791,333
Restricted for debt service	3,250,621	3,179,980
Unrestricted	<u>15,452,981</u>	<u>11,204,485</u>
Total Net Position	<u>85,950,366</u>	<u>86,175,798</u>
Total Liabilities and Net Position	<u>\$150,713,214</u>	<u>150,477,081</u>

The District's assets exceeded its liabilities by \$85,950,366 for the year ended June 30, 2015 as compared to \$86,175,798 in the previous fiscal year.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to repay the debt. The unrestricted net position may be used to meet the obligations to employees and creditors and provide current operating resources.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE II  
CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30,**

	<u>2015</u>	<u>2014</u>
Operating Revenue	\$ 18,800,335	17,401,584
Operating Expenses	<u>15,197,877</u>	<u>14,538,183</u>
Operating Income (loss)	3,602,458	2,863,401
Non-operating Income (Expenses)	<u>(2,106,474)</u>	<u>(1,112,111)</u>
Income (Loss) Before Contributions	1,495,984	1,751,290
Capital Contributions and capacity fees	2,480,452	1,633,304
Special item-abandonment of old water plant	<u>(2,738,077)</u>	<u>-</u>
Change in Net Position	<u>1,238,359</u>	<u>3,384,594</u>
Net position - beginning of year, as previously reported	86,175,798	82,791,204
Restatement	<u>(1,463,791)</u>	<u>-</u>
Net position, beginning of year as restated	<u>84,712,007</u>	<u>82,791,204</u>
Net position - end of year	\$ <u>85,950,366</u>	<u>86,175,798</u>

The District's total net position increased by \$1,238,359 as compared to \$3,384,594 in the prior year. This increase is the result of a \$739,057 increase in operating income which occurred primarily as a result of rate and usage increases and \$847,148 more in capital contributions. These increases in revenue were offset in part by an increase in interest expense of \$968,448. The restatement is the result of a new GASB pronouncement that requires the Net Pension Liability related to the District's participation in the Tennessee Consolidated Retirement System (TCRS) to actually be recorded in the District's financial statements effective July 1, 2014.

**TABLE III  
CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,**

	<u>2015</u>	<u>2014</u>
Cash Flow and Operating Activities	\$ 8,280,854	6,289,778
Cash Flows from Capital and Related Financing Activities	(5,723,070)	(20,343,680)
Cash Flows from Non capital Financing Activities	11,600	(148,234)
Cash Flows from Investing Activities	<u>(1,357,417)</u>	<u>778,609</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,211,967	(13,423,527)
Cash and Cash Equivalents - Beginning of Year	<u>13,350,234</u>	<u>26,773,761</u>
Cash and Cash Equivalents-End of Year	\$ <u>14,562,201</u>	<u>13,350,234</u>

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE IV  
DEBT**

As of June 30, 2015 debt consists of the following long-term liabilities:

Series 1995, Water and Sewer Bonds	355,515
Series 2008, Water and Sewer Refunding and Improvement Bonds-Non Refunded Portion	6,670,000
Series 2011, Water and Sewer Revenue Bonds	10,000,000
Series 2012, Water and Sewer Revenue Bonds	19,340,000
Series 2013, Water and Sewer Revenue Bonds	8,285,000
Series 2014, Water and Sewer Revenue Refunding Bonds	4,500,000
Series 2015, Water and Sewer Revenue Refunding Bonds	<u>9,525,000</u>
	<u>58,675,515</u>

**TABLE V  
CAPITAL ASSETS/PLANT**

	<u>2015</u>	<u>2014</u>
Capital Assets Not Being Depreciated	\$ 685,324	25,263,044
Capital Assets Being Depreciated	180,187,074	158,416,847
Less Accumulated Depreciation	<u>(54,150,152)</u>	<u>(53,318,417)</u>
Net Capital Assets	<u>\$126,722,246</u>	<u>130,361,474</u>

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FACTORS AFFECTING FUTURE STATEMENTS AND RATES**

The Hendersonville Utility District has several ongoing water and sewer projects scheduled for fiscal year 2015-2016. HUD's rates are projected to generate sufficient revenues to satisfy operating requirements and our current bond and loan obligations for these projects.

**CONTACTING THE DISTRICT**

This financial report is designed to provide the District's Commissioners, customers, creditors and regulatory agencies with a general overview of the District's finances.

For questions about this report, or additional information, the District can be contacted at:

Hendersonville Utility District of Sumner County, Tennessee  
125 Indian Lake Road, P.O. Box 180  
Hendersonville, Tennessee 37077-0180



# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

## INDEPENDENT AUDITOR'S REPORT

(615) 385-1008  
FAX (615) 385-1208

The Board of Commissioners  
The Hendersonville Utility District of Sumner County, Tennessee  
Hendersonville, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the Hendersonville Utility District of Sumner County, Tennessee (the District), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the District, as of June 30, 2015 and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States America.

### Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2015, the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The Statement is effective for fiscal years beginning after June 15, 2014. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v and schedules of net pension liability (asset), employer contributions, ratios and related actuarial methods and assumptions based on participation in the Public Employee Pension Plan of TCRS on pages 19 - 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information on the accompanying schedules on pages 22 - 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

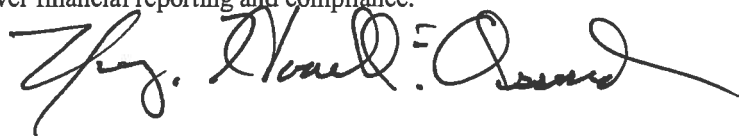
The accompanying supplemental schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for those financial schedules marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as "Unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

August 7, 2015



**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Statement of Net Position**

**June 30, 2015**

**Current Assets**

Cash and cash equivalents:	
Unrestricted cash and cash equivalents	\$ 7,480,382
Restricted cash and cash equivalents:	
Debt service	4,185,580
Construction	2,896,237
Total cash and cash equivalents	<u>14,562,199</u>
Investments, certificates of deposit	
Unrestricted	<u>4,000,000</u>
Accounts receivable:	
Customer, net of allowance for doubtful accounts of \$30,000 in 2015 and 2014	1,899,940
Other	<u>138,614</u>
Total accounts receivable	<u>2,038,554</u>
Inventory	<u>835,674</u>
Prepaid Expenses	<u>431,150</u>
Total Current Assets	<u>21,867,577</u>

**Capital Assets**

Capital assets:	
Capital assets not being depreciated	685,324
Capital assets being depreciated	180,187,074
Less accumulated depreciation	<u>(54,150,152)</u>
Capital assets, net	<u>126,722,246</u>

**Deferred Outflows of Resources**

Deferred amount on refunding	1,777,010
Deferred outflows relating to pensions	<u>346,381</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 150,713,214</u>

**Current Liabilities**

Accounts payable	\$ 687,202
Accrued liabilities	201,640
Customers deposits	<u>28,300</u>
	<u>917,142</u>
Current liabilities payable from restricted assets:	
Accrued interest payable	934,959
Revenue bonds payable - current portion	<u>1,986,092</u>
	<u>2,921,051</u>
Total Current Liabilities	<u>3,838,193</u>

**Non-Current Liabilities**

Long-term debt, net of current portion	<u>60,385,627</u>
Total Liabilities	<u>64,223,820</u>

**Deferred Inflows of Resources Relating to Pensions**

	<u>539,028</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	67,246,764
Restricted for:	
Debt service	3,250,621
Unrestricted	<u>15,452,981</u>
Total Net Position	<u>\$ 85,950,366</u>

See accompanying notes to financial statements.

**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Statement of Revenues, Expenses and  
Changes in Net Position**

**For the Year Ended June 30, 2015**

<b>Operating revenue:</b>	
Water service charges	\$ 5,735,886
Sewer service charges	10,976,481
Tap fees and connection fees	1,270,458
Other	817,510
Total revenue	<u>18,800,335</u>
<b>Operating expenses:</b>	
Water distribution	1,040,164
Sewer collection	4,922,111
Water plant	1,527,474
Administration	2,731,280
Maintenance	529,315
Depreciation	4,447,533
Total operating expenses	<u>15,197,877</u>
<b>Operating income</b>	<u>3,602,458</u>
<b>Non-operating revenue (expense):</b>	
Investment income	136,554
Other income (expense)	16,062
Interest expense	(2,259,090)
Total non-operating revenue (expense)	<u>(2,106,474)</u>
Income (Loss) before contributions	<u>1,495,984</u>
<b>Contributions and Special Item:</b>	
Developer contribution	1,165,502
Capacity fees	1,314,950
Special item-Abandonment loss on old water plant	(2,738,077)
Total contributions and special item	<u>(257,625)</u>
Change in net position	<u>1,238,359</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	86,175,798
Restatement	<u>(1,463,791)</u>
<b>Net position, Beginning of Year, as Restated</b>	<u>84,712,007</u>
<b>Net Position, End of Year</b>	<u><u>\$ 85,950,366</u></u>

See accompanying notes to financial statements.

**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Statement of Cash Flows**

**For the Year Ended June 30, 2015**

<b>Cash flows provided (used) by operating activities</b>	
Receipts from customers	\$ 18,612,393
Payments to employees	(2,281,096)
Payments to suppliers for goods and services	(8,054,977)
Other	4,534
Net cash provided (used) by operating activities	<u>8,280,854</u>
<b>Cash flows provided (used) by capital and related financing activities</b>	
Additions to capital assets	(2,986,002)
Proceeds from the sale of capital assets	11,528
Proceeds from issuance of debt	9,525,000
Bond premium	144,349
Principal paid on long term-debt	(1,855,539)
Interest paid on long-term debt	(2,311,439)
Transfer to refunding escrow agent	(9,565,917)
Capacity fees	1,314,950
Net cash provided (used) by capital and related financing activities	<u>(5,723,070)</u>
<b>Cash flows provided (used) by non capital financing activities</b>	
Customer deposits	11,600
Net cash provided (used) by non capital financing activities	<u>11,600</u>
<b>Cash flows from investing activities</b>	
Sale (Purchase) of investments (certificates of deposits)	(1,500,000)
Investment income from cash and cash equivalents	142,583
Net cash provided (used) by investing activities	<u>(1,357,417)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,211,967
<b>Cash and Cash Equivalents at beginning of year</b>	<u>13,350,232</u>
<b>Cash and Cash Equivalents at end of year</b>	<u><u>\$ 14,562,199</u></u>

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities**

Operating income (loss)	\$ 3,602,458
Adjustments to reconcile operating income to net cash provided (used) by operations:	
Depreciation and amortization	4,447,533
TCRS pension expense	(187,117)
Increase in OPEB obligation	117,273
Other	4,534
Change in net assets and liabilities:	
(Increase) decrease in:	
Receivables	(187,942)
Inventory	116,212
Prepaid expenses	108,732
Increase (decrease) in:	
Accounts payable	159,256
Accrued expenses	99,916
Net cash provided (used) by operating activities	<u><u>\$ 8,280,854</u></u>

**Supplemental Schedule of Non-cash Capital Financing Activities**

Utility plant contributed by developers	\$ 1,165,502
Contracts payable from preceding year	\$ (605,122)
Refunded debt	\$ (8,475,000)
Net refunding loss and premium related to refunded debt	\$ (166,131)

See accompanying notes to financial statements.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information**

The Hendersonville Utility District of Sumner County, Tennessee (District) was incorporated on April 15, 1948 under the statutes of the State of Tennessee. The District was organized for the purpose of acquiring, maintaining and securing the benefits of publicly owned and operated systems for the furnishing of water and sewer systems in the City of Hendersonville, Tennessee and certain surrounding areas.

**Reporting Entity**

The Hendersonville Utility District of Sumner County, Tennessee, is the basic level of government which has financial accountability and control over all activities related to the operations of the water and sewer systems in a designated portion of Sumner County, Tennessee. The District is not included in other governmental "reporting entities", because it was created as a body corporate and therefore, has the capacity to have a name; the right to sue and be sued without recourse to another governmental unit; the right to buy, sell, lease and mortgage property in its name. It determines its own budget and sets its own revenue generating rates; it has authority to issue bonded debt, subject to existing bond covenant provisions, without approval by another government and primary accountability for all fiscal matters.

Based upon the above criteria set forth in GASB pronouncements, there are no component units to be included in the District's financial statements.

**Basis of Presentation**

The Hendersonville Utility District of Sumner County, Tennessee maintains all its financial records and prepares its financial statements on the accrual basis of accounting. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred. The principal operating revenues of the District are charges to customers for sales and services. The District recognizes as operating revenue the portion of tap fees intended to recover the costs of connecting new customers to the system. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Restricted Assets**

When both restricted and unrestricted resources are available for use the policy of the District is to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Cash Equivalents**

Cash and cash equivalents are stated at cost and consist principally of demand deposits, short term certificates of deposits (original maturities of three months or less).

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Cash and Cash Equivalents (Continued)

Statutes authorize the District to invest in (a) US Government securities and obligations guaranteed by the US Government, (b) deposit accounts at state and federal chartered banks and savings and loan associations, (c) the Local Government Investment Pool of the State of Tennessee. During the year, the District invested funds that were not needed immediately in savings accounts and certificates of deposits. Deposits in financial institutions are required by State statute to be secured and collateralized by the financial institutions. The collateral must meet certain requirements and must have a minimum market value of 105% of the value of the deposits balance less the amount insured by federal institutions who participate in the State of Tennessee's collateral pool.

Inventories

Inventories are recorded at cost on a first-in, first-out basis using the consumption method.

Capital Assets

Capital assets of the District, primarily property, plant and equipment are stated at historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are stated at their fair value on the date donated. Depreciation is provided for using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20-50
Equipment, furniture, and fixtures	5-10

Capitalized Interest

Interest costs are capitalized when incurred on debt where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest expense was capitalized during 2015.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources are presented after total assets, a deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. Deferred inflows of resources are presented after total liabilities, a deferred inflow of resources is an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

Deferred outflow of resources include the deferred amount on bond refunding. The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding bonds. Deferred outflows of resources and deferred inflows of resources also include amounts related to pensions, and pension expense.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Tennessee Consolidated Retirement System

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of Hendersonville Utility District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Hendersonville Utility District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employees Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees Retirement Plan of TCRS. Investments are reported at fair value.

Compensated Absences

Employees of the District are entitled to paid vacation depending on the length of service and other factors. The District recognizes vacation leave when earned. Any unused sick leave at the time employment with the District ends is credited to the employee's longevity per TCRS regulations. Accordingly there is no accrual for accumulated sick leave.

Equity Classification

Equity is classified as net assets and displayed in three components:

- a. *Net Investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets net of related issue costs.
- b. *Restricted net position* - Consists of net assets with constraints, primarily for debt service.
- c. *Unrestricted net position* - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

**(2) DEPOSITS AND INVESTMENTS**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. State statutes require deposits to be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. At June 30, 2015, all deposits were adequately collateralized.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. District policy provides that to the extent practicable, investments are matched with anticipated cash flows.



**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

(2) **DEPOSITS AND INVESTMENTS, Continued**

**Credit Risk** the District does not have a formal investment policy, however management's current investment practice is formulated around the prudent-person rule: investments are made as a prudent person should be expected to make, with discretion and intelligence, to produce reasonable income, preserve capital and, in general, avoid speculative investments.

**Investments:**

As of June 30, 2015, the District had investments in certificates of deposit in the amount of \$4,000,000 with interest from .7%-1.2%, with maturities from 24 to 36 months.

(3) **CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 564,163	-	-	564,163
Construction in progress	<u>24,698,880</u>	<u>1,732,293</u>	<u>(26,310,012)</u>	<u>121,161</u>
	<u>25,263,043</u>	<u>1,732,293</u>	<u>(26,310,012)</u>	<u>685,324</u>
<u>Capital assets being depreciated</u>				
Utility Plant	147,544,089	1,290,790	20,260,115	169,094,994
Building and improvements	3,958,666	3,827	(2,299)	3,960,194
Machinery and equipment	<u>6,914,093</u>	<u>519,670</u>	<u>(301,877)</u>	<u>7,131,886</u>
	<u>158,416,848</u>	<u>1,814,287</u>	<u>19,955,939</u>	<u>180,187,074</u>
<u>Less accumulated depreciation</u>				
Utility plant in service	47,557,833	3,965,795	(3,086,252)	48,437,376
Buildings and improvements	737,364	105,789		843,153
Machinery and equipment	<u>5,023,220</u>	<u>375,949</u>	<u>(529,546)</u>	<u>4,869,623</u>
	<u>53,318,417</u>	<u>4,447,533</u>	<u>(3,615,798)</u>	<u>54,150,152</u>
 <u>Capital assets, net</u>	 <u>\$ 130,361,474</u>			 <u>126,722,246</u>

Depreciation expense amounted to \$4,447,533 in 2015.

(4) **DEBT**

The changes in long-term liabilities, during the year ended June 30, 2015, were as follows:

	<u>Beginning Balance **</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue Bonds and Loans	\$ 59,481,054	9,525,000	(10,330,539)	58,675,515
Bond Premium	2,094,797	172,453	(290,513)	1,976,737
Bond Discount	(32,815)	-	1,313	(31,502)
Net pension obligation	1,787,327	-	(703,301)	1,084,026
OPEB Obligation	<u>549,670</u>	<u>117,273</u>	<u>-</u>	<u>666,943</u>
Total debt, net of deferred charge	<u>\$63,880,033</u>	<u>9,814,726</u>	<u>(11,323,040)</u>	<u>62,371,719</u>

\*\* Restated for TCRS net pension obligation.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(4) DEBT**

Description of Revenue Bonds and Notes

\$485,000 Waterworks and Sewer Revenue Bonds, Series 1995, payable in monthly installments of \$2,421 through April 1, 2035 with interest at 5.125%.	\$ 355,515
\$9,455,000 Waterworks and Sewer Revenue and Refunding Bonds, Series 2004, due in varying annual installments through February 1, 2023, at varying rates of interest from 2.50% to 4.50%.	4,500,000
\$17,000,000 Water and Sewer Revenue and Refunding Bonds, Series 2008, due in varying annual installments through February 1, 2028, at varying rates of interest from 5.00% to 5.25%.	6,670,000
\$10,000,000 Water and Sewer Revenue and Refunding Bonds, Series 2011, due in varying annual installments through August 1, 2039, at varying rates of interest from 3.20% to 4.15%.	10,000,000
\$21,000,000 Water and Sewer Revenue and Refunding Bonds, Series 2012, due in varying annual installments through August 1, 2039, at varying rates of interest from 2.50% to 5.00%.	19,340,000
\$8,585,000 Waterworks and Sewer Revenue bonds, Series 2013, due in varying annual installments through August 1, 2040, At varying rates of interest from 1.0% to 3.25%.	8,285,000
\$9,525,000 Water and Sewer Revenue and Refunding Bonds, Series 2015, due in varying annual installments through June 30, 2038, at varying rates of interest from 3.00% to 3.75%.	<u>9,525,000</u>
Total long-term debt	<u>\$58,675,515</u>

Debt Service Requirements

The annual debt service requirement to maturity for long-term debt obligations, as of June 30, 2015, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,986,092	1,985,277
2017	2,046,674	2,038,497
2018	1,112,286	1,960,159
2019	2,197,931	1,877,066
2020	2,283,609	1,798,461
2021-2025	11,709,538	7,656,368
2026-2030	11,474,657	5,480,602
2031-2035	11,679,729	3,655,772
2036-2040	<u>13,185,000</u>	<u>1,282,540</u>
	<u>\$ 58,675,515</u>	<u>27,734,742</u>

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(4) DEBT, Continued**

**Refunding of Debt**

In June, 2015, the District issued \$9,525,000 Water and Sewer Revenue Refunding Bonds, Series 2015 with interest rates ranging from 3.00% to 3.75% to advance refund \$8,475,000 in outstanding Water and Sewer Revenue Refunding Bonds, Series 2008 with rates of interest ranging from 5.00% to 5.25%. The Bonds were issued at a premium of \$144,349 and bond costs of \$249,165 were incurred. As a result of the refunding, the 2008 Bonds were defeased and the liability for the refunded portion of those Bonds has been removed from the long-term debt in the fiscal year 2015 financial statements. Further, as a result of the refunding, the District had a net present value savings of approximately \$1,081,087. The refunding was undertaken primarily to obtain lower overall interest rates..

Amortization of the refunding debt valuation account, which is included in interest expense, amounted to \$58,419 in 2015 and 2014.

**(5) ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and reported revenue and expenses. Accordingly, actual results could differ from these reported amounts.

**(6) EMPLOYERS RETIREMENT SYSTEM**

**Plan Description**

*Plan description.* Employees of Hendersonville Utility District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(6) EMPLOYERS RETIREMENT SYSTEM**

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>45</u>
	<u>86</u>

**General Information about the Pension Plan**

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Hendersonville Utility District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hendersonville Utility District were \$346,380 based on a rate of 15.35% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hendersonville Utility District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Hendersonville Utility District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(6) EMPLOYERS RETIREMENT SYSTEM (Continued)**

**General Information about the Pension Plan (Continued)**

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Long-Term Expected Real Rate of</b>		
<b><u>Asset Class</u></b>	<b><u>Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hendersonville Utility District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(6) EMPLOYERS RETIREMENT SYSTEM (Continued)**

**General Information about the Pension Plan (Continued)**

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 6/30/13	\$8,408,902	6,621,575	1,787,327
Changes for the year:			
Service cost	155,329		155,329
Interest	629,093		629,093
Differences between expected and actual experience	(71,144)		(71,144)
Contributions – employer		323,536	(323,536)
Contributions- Employees		-	-
Net investment income		1,095,124	(1,095,124)
Benefit payments, including refunds of employee contributions	(352,661)	(352,661)	-
Administrative expense	-	(2,081)	2,081
<b>Net changes</b>	<u>360,617</u>	<u>1,063,918</u>	<u>(703,301)</u>
Balance at 6/30/14	<u>\$8,769,519</u>	<u>7,685,493</u>	<u>1,084,026</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Hendersonville Utility District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Hendersonville Utility District's net Pension liability (asset)	\$ 2,264,826	1,084,026	102,384

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions**

*Pension expense.* For the year ended June 30, 2015, Hendersonville Utility District recognized pension expense of \$159,263.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(6) EMPLOYERS RETIREMENT SYSTEM (Continued)**

**General Information about the Pension Plan (Continued)**

**Changes in the Net Pension Liability (Asset)**

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, Hendersonville Utility District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	59,287
Net difference between projected and actual earning on pension plan investments	-	479,741
Contributions subsequent to the measurement date of June 30, 2014	<u>346,380</u>	<u>-</u>
Total	<u>\$ 346,380</u>	<u>539,028</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year ended June 30:	
2016	\$ (131,792)
2017	(131,792)
2018	(131,792)
2019	(131,792)
2020	(131,792)
Thereafter	(11,857)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**(7) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The district maintains insurance coverage through the Tennessee Municipal League Risk Management, covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The District pays a premium receives coverage, and can make claims against the coverage. The District meets the guidelines of TML and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expense as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three years.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(8) COMMITMENTS AND CONTINGENCIES**

**Contractual Agreement for Sewer Treatment Services:**

The District is under contract with the Metropolitan Government of Nashville and Davidson County, Tennessee (Metro) to provide sewer treatment services for its customers. In August 2011, the District negotiated a twenty year Agreement with Metro regarding the treatment of its sewage which the District believes to be favorable. Under the Agreement the District will pay only for treatment and not transportation of sewage. As of the effective date of the Agreement, October 3, 2011, for each gallon of flow through a Point of Connection (POC) that does not exceed the Maximum Rate applicable to that POC, as defined in the Agreement, the price shall be \$1.34 per hundred cubic feet.

**Construction payable:**

The District had no uncompleted construction contracts in process at June 30, 2015

**(9) OTHER POST EMPLOYMENT**

**Description of Plan**

The District sponsors a single employer post-employment plan. The plan provides a portion of medical benefits to eligible employees who attain the age of 62 with 15 years service or at any age with 30 years service.

**Funding Policy**

The District does not intend to fund the post employment medical plan. No assets have been segregated and restricted to provide for post employment medical benefits. Benefits for retirees under age 65 are deemed to be similar to those benefits provided for active employees. Upon attainment of age 65, the District purchases an individual Medicare Supplement policy for each retiree.

**Annual Other Post Employment Benefit (OPEB) Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the annual required contribution of the employer. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net OPEB Obligation:				
Total Annual Required Contribution	\$ 193,729	213,286	221,248	218,092
Contribution made	(92,891)	(93,729)	(96,126)	(100,819)
Increase in Net OPEB Obligation	100,838	119,557	125,122	117,273
Net OPEB Obligation, Beginning of Year	<u>204,153</u>	<u>304,991</u>	<u>424,548</u>	<u>549,670</u>
Net OPEB Obligation, End of Year	\$ <u>304,991</u>	<u>424,548</u>	<u>549,670</u>	<u>666,943</u>



**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(9) OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)**

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of the valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial valuation for the year ended June 30, 2014 was prepared using the Projected Unit Cost Method. Assumptions used include the following:

**Actuarial Valuation Date**, July 1, 2014

**Service Cost-Determined** for each employee as the Actuarial Present Value of Benefits allocated to the valuation year the benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination.

**Accumulated Post-Retirement Benefit Obligation**-The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

**Investment Rate of Return**-4% (1%real rate of return plus 3%inflation).

**Average Per Capital Claim Cost**-Determined as of July 1, 2013.

**Health Care Cost Trend**-5%; level for pre-65, 3% for Medicare benefits.

**Mortality Table**-RP-2000 Projection AA 2015.

**Retirement Rates**-Rates vary by age, with an average retirement age of 62.

**Retiree Contributions**-The retiree pays 100% of the additional cost for dependent coverage elected. The District pays 100% of all other costs.

**Amortization**-Level Dollar amount over 30 years.

**Schedule of Funding Progress**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for available prior years follows:

Valuation Date	Actuarial Value Of Assets (a)	Actuarial Liability (ALL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	\$ -	\$ 2,771,851	\$ 2,771,851	- %	\$1735,262	119.7%
2013	\$ -	\$ 2,666,682	\$ 2,666,682	- %	\$1735,262	119.7%
2011	\$ -	\$ 2,292,910	\$ 2,292,910	- %	\$1,979,272	115.9%
2009	\$ -	\$ 2,077,401	\$ 2,077,401	- %	\$1,735,262	119.7%

**(10) CHANGE IN ACCOUNTING PRINCIPLE**

The District participates in the Tennessee Consolidated Retirement System, refer to Note 6 for further details. Effective July 1, 2014, the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. As a result of the adoption of GASB 68, a cumulative adjustment was made to net position at July 1, 2014 in the amount of \$1,463,791. The cumulative adjustment represents the net pension liability of \$1,787,327 as of July 1, 2013, net of the Districts actual contribution of \$323,536 to the Plan for the year ended June 30, 2014 which was considered a deferred outflow of resources under GASB 68. The effect of the change on operations in 2014-15 was an increase of \$187,117; information was not available to determine the effect on operations of the previous year.

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements

**(11) SPECIAL ITEM - ABANDONMENT LOSS OLD WATER PLANT**

In July, 2015, the District commences operation of its newly constructed water plant with the old water plant, ceasing operation. The District does not anticipate resuming operations at the old plant with probable removal of the plant in the future. The old water plant was originally constructed in 1984, the plant's original cost, plus improvements, was \$5,824,045 the plant had accumulated depreciation at the date it ceased operation of approximately \$3,085,968 resulting in an abandonment loss of \$2,738,077 which is presented as a special item in the Statement of Revenues, Expenses and Changes in Net Position.

**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios  
Based on Participation in the Public Employee Pension Plan of TCRS**

**Fiscal Year Ending June 30,**

<b>Total pension liability</b>	<b>2014</b>
Service cost	\$ 155,329
Interest	629,093
Differences between actual and expected experience	(71,144)
Benefit payments, including refunds of employee contributions	(352,661)
<b>Net change in total pension liability</b>	<b>360,617</b>
<b>Total pension liability, beginning of year</b>	<b>8,408,902</b>
<b>Total pension liability, ending of year (a)</b>	<b>\$ 8,769,519</b>
 <b>Plan fiduciary net position</b>	
Contributions, employer	\$ 323,536
Contributions, employee	-
Net investment income	1,095,124
Benefit payments, including refunds of employee contributions	(352,661)
Administrative expenses	(2,081)
<b>Net change in plan fiduciary net position</b>	<b>1,063,918</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>6,621,575</b>
<b>Plan fiduciary net position, ending of year (b)</b>	<b>\$ 7,685,493</b>
 <b>Net Pension Liability (asset) ending of year (a)-(b)</b>	<b>\$ 1,084,026</b>
 <b>Plan fiduciary net position, as a percentage of total pension liability</b>	 <b>87.64%</b>
 <b>Covered-employee payroll</b>	 <b>\$ 2,246,826</b>
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	 <b>48.25%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Schedule of Contributions Based on Participation in the  
Public Employees Pension Plan of TCRS**

**Fiscal Year Ending June 30,**

	<u><b>2014</b></u>
Actuarially determined contribution	\$ 323,536
Contributions in relation th the actuarially determined contribution	<u>(323,536)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 Covered-employee payroll	 \$ 2,246,826
Contributions as a percentage of covered employee payroll	 14.40%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

**THE HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Notes to Required Supplemental Information**

**For the Year Ended June 30, 2015**

*Valuation date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine the contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation.
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living	2.5 percent

# HENDERSONVILLE UTILITY DISTRICT

## Schedule of Debt Service Requirements

Year	Waterworks and Sewer Revenue Bonds Series - 2008				Waterworks and Sewer Revenue Bonds Series - 2011				Waterworks and Sewer Revenue Bonds Series - 2012				Waterworks and Sewer Revenue Bonds Series - 2013				Water and Sewer Revenue Refunding Bonds Series - 2014				Water and Sewer Revenue Refunding Bonds Series - 2015				Combined Totals	
	Non Refunded Portion		Interest		Principal		Interest		Principal		Interest		Principal		Interest		Principal		Interest		Principal		Interest		Principal	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	11,092	17,960	300,000	301,400	-	364,125	740,000	738,763	150,000	228,044	150,000	153,650	710,000	181,335	1,986,092	1,985,277										
2017	11,674	17,378	290,000	290,900	-	364,125	765,000	708,662	150,000	225,044	150,000	125,250	765,000	307,138	2,046,674	2,038,497										
2018	12,286	16,766	300,000	280,025	-	364,125	800,000	677,362	150,000	222,044	150,000	94,650	785,000	305,188	2,112,286	1,960,159										
2019	12,931	16,121	325,000	268,025	-	364,125	830,000	644,763	150,000	217,544	150,000	63,250	810,000	303,238	2,197,931	1,877,066										
2020	13,609	15,443	350,000	253,400	-	364,125	865,000	610,862	150,000	214,544	150,000	38,950	835,000	301,138	2,283,609	1,798,461										
2021	14,323	14,729	530,000	237,650	100,000	362,625	1,000,000	568,563	300,000	211,544	300,000	13,900	195,000	299,038	2,209,323	1,708,048										
2022	15,075	13,977	555,000	213,800	100,000	359,625	1,075,000	516,687	300,000	205,544	300,000	10,000	195,000	296,938	2,310,075	1,616,571										
2023	15,866	13,186	575,000	191,600	100,000	356,625	1,130,000	467,213	300,000	199,544	300,000	5,125	205,000	294,838	2,405,866	1,528,131										
2024	16,699	12,353	870,000	165,725	500,000	347,625	560,000	433,413	300,000	193,169	300,000	-	-	292,438	2,326,699	1,444,723										
2025	17,575	11,477	910,000	128,750	500,000	332,625	650,000	409,212	300,000	186,794	300,000	-	-	290,038	2,457,575	1,358,896										
2026	18,497	10,555	955,000	83,250	500,000	317,625	660,000	383,012	350,000	180,044	300,000	-	-	287,638	2,563,497	1,262,124										
2027	19,467	8,810	505,000	35,500	500,000	302,625	350,000	364,563	400,000	171,731	400,000	-	-	285,238	2,359,467	1,168,467										
2028	20,489	7,860	205,000	10,250	500,000	287,000	350,000	354,062	400,000	161,731	400,000	-	-	267,688	2,395,489	1,088,591										
2029	21,564	7,488	-	-	500,000	270,750	350,000	343,563	550,000	150,731	550,000	-	-	240,088	2,041,564	1,012,620										
2030	24,640	6,833	-	-	500,000	254,188	400,000	332,062	550,000	134,231	550,000	-	-	221,488	2,114,640	948,802										
2031	21,942	4,689	-	-	500,000	237,000	400,000	318,813	550,000	117,731	550,000	-	-	202,288	2,131,942	880,520										
2032	25,140	3,912	-	-	500,000	219,187	500,000	303,062	525,000	101,231	525,000	-	-	182,488	2,230,140	809,880										
2033	26,459	2,593	-	-	500,000	200,750	500,000	285,563	600,000	85,481	600,000	-	-	162,088	2,326,459	736,475										
2034	27,847	1,205	-	-	500,000	181,375	500,000	268,062	700,000	66,731	700,000	-	-	139,338	2,447,847	656,710										
2035	8,341	81	-	-	500,000	161,375	500,000	249,937	775,000	44,856	775,000	-	-	115,938	2,543,341	572,186										
2036	-	-	-	-	700,000	137,375	1,000,000	221,813	200,000	20,638	200,000	-	-	89,338	2,690,000	469,164										
2037	-	-	-	-	750,000	108,375	1,090,000	182,625	100,000	14,138	100,000	-	-	61,688	2,760,000	366,826										
2038	-	-	-	-	750,000	77,813	1,325,000	137,343	100,000	10,888	100,000	-	-	30,938	3,000,000	256,982										
2039	-	-	-	-	750,000	46,687	1,425,000	85,781	100,000	7,638	100,000	-	-	-	2,275,000	140,106										
2040	-	-	-	-	750,000	15,564	1,575,000	29,533	135,000	4,368	135,000	-	-	-	2,460,000	49,465										
\$	355,515	203,416	6,670,000	2,460,275	10,000,000	6,397,439	19,340,000	9,635,294	8,285,000	3,375,983	4,500,000	504,775	9,525,000	5,157,560	58,675,515	27,734,742										

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

Schedule of Utility Rate Structure, Fees and Other Information (Unaudited)

June 30, 2015

**Water Rates - Effective 7-1-14**

Gallons

0-2,000	\$ 10.46 (minimum bill)
All over 2,000 gallons	\$ 4.09 per 1,000 gallons

**Notes**

Minimum bill will be \$15.00 per month for 1" and larger irrigation and sprinkler meters with no usage.  
Meters over 2" dedicated solely for fire protection shall be assessed a minimum bill of \$150.00 per month.  
All meters over 2" will be charged a monthly testing and calibration fee of \$20.00.

**Sewer Rates - Effective 7-1-14**

Gallons

0-2,000	\$ 13.66 (minimum bill)
All over 2,000 gallons	\$ 5.88 per 1,000 gallons

White House Utility District water customers that are served by the Hendersonville Utility District for sewer service rates will be as follows

Gallons

0-1,000	\$ 8.77 (minimum bill)
All over 1,000 gallons	\$ 7.25 per 1,000 gallons

There will be a Metro Water Services treatment charge (user fee) of \$3.20 per 1,000 gallons of sewer used. The treatment charge may be adjusted on an annual basis.

**Tap Fees**

<b>Water System Tap Fees</b>		<b>Irrigation Water System Tap Fees</b>	
<u>Meter Size:</u>	<u>Connection Charge</u>	<u>Meter Size:</u>	<u>Connection/Service Charge</u>
5/8" x 3/4"	\$ 1,200.00	5/8" x 3/4"	\$ 1,350.00
1"	\$ 1,400.00	1"	\$ 1,500.00
2"	\$ 1,600.00	2"	\$ 1,850.00

<b>Fire Protection Tap Fees</b>		<b>Sewer System Tap Fees</b>	
<u>Meter Size:</u>	<u>Connection Charge</u>	<u>Meter Size:</u>	<u>Gravity Connection</u>
6"	\$ 2,000.00	Single Family	\$ 2,400.00
8"	\$ 2,500.00	Duplex	\$ 2,800.00
10"	\$ 3,500.00	Triplex	\$ 3,000.00
12"	\$ 5,000.00	Quad	\$ 3,200.00
		Apartment	\$ 1,600.00
		Mobile home	\$ 2,400.00

	<u>Grinder Pump Connection</u>
	\$ 10,000.00
	\$ 12,000.00
	\$ 12,000.00
	\$ 12,000.00
	N/A
	\$ 10,000.00

Special tap fees apply for Public Buildings, Commercial Buildings, and Industrial Buildings, contact the District for applicable rates.

**Other Fees**

The District charges various other fees including capacity fees for new developments, inspection fees, plat review fees and various other fees, contact the District for applicable rates.

**Other Information**

Customers:

At June 30, 2015 the District provided service to approximately 16,025 water and sewer customers.

Reporting Worksheet 1





# AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0  
American Water Works Association  
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Water Audit Report for: Hendersonville Utility District (0000294)  
Reporting Year: 2015 7/2014 - 6/2015

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 94 out of 100 \*\*\*

## System Attributes:

Apparent Losses:	8.222	MGYr
+ Real Losses:	301.171	MGYr
= <b>Water Losses:</b>	<b>309.393</b>	<b>MGYr</b>
Unavoidable Annual Real Losses (UARL):	89.12	MGYr
Annual cost of Apparent Losses:	\$29,518	
Annual cost of Real Losses:	\$325,626	
		Value

Valued at **Variable Production Cost**  
Return to Reporting Worksheet to change this assumption

## Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	21.7%
	Non-revenue water as percent by cost of operating system:	6.9%

Real Losses valued at Variable Production Cost

Operational Efficiency:	Apparent Losses per service connection per day:	1.41	gallons/connection/day
	Real Losses per service connection per day:	51.49	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.79	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 301.17 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.38

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**HENDERSONVILLE UTILITY DISTRICT  
OF SUMNER COUNTY, TENNESSEE**

**Schedule of Principle Officials of the District**

June 30, 2015

**Governing Body:**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
W.C Boyers	President	May 1, 2017
J.W. McMurray	Secretary	May 1, 2018
Ronald E. Flowers	Treasurer	May 1, 2016

**District Management:**

<u>Name</u>	<u>Position</u>
Thomas S. Atchley	General Manager

## **OTHER REPORTS**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

## **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 AUDIT STANDARDS***

The Board of Commissioners  
The Hendersonville Utility District of Sumner County, Tennessee  
Hendersonville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hendersonville Utility District of Sumner County, Tennessee (the District), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2015.

### **Internal Control Over Financial Reporting**

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

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

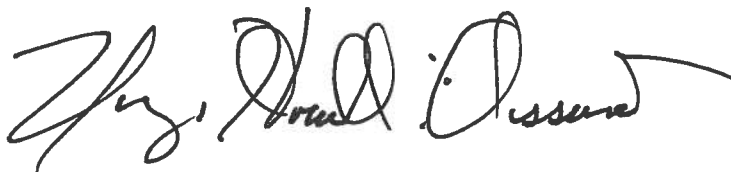
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "J. H. O'Connell", with a long horizontal flourish extending to the right.

August 7, 2015

**HENDERSONVILLE UTILITY DISTRICT**

**Schedule of Findings  
and Recommendations**

**June 30, 2015**

**PRIOR YEAR FINDINGS**

There were no prior year findings reported.