

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**NEW ISSUE**

**Book-Entry**

**PRELIMINARY OFFICIAL STATEMENT**

**Dated: June 6, 2012**

Rating: S&P - “\_\_”

(See “Miscellaneous – Rating”)

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Bonds (as defined herein) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For a more detailed 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, all of 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 "Tax Matters" herein).



**\$5,385,000\***

**TOWN OF JONESBOROUGH, TENNESSEE  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

Dated: Date of Issuance

Due: June 1<sup>st</sup> (as shown below)

The \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the “Bonds”) of the Town of Jonesborough, Tennessee (the “Municipality”) shall 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”) except as otherwise described herein. 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 each December 1<sup>st</sup> and June 1<sup>st</sup> commencing on December 1, 2012 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, 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 principal corporate trust office of the Registration Agent.

The Bonds are payable primarily from and secured by a pledge of the income and revenues to be derived from the operation of the water and sewer system of the Municipality (the “System”) (as further defined herein), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and to prior pledges of such revenues in favor of Prior Lien Obligations as defined herein. In the event of a deficiency in such revenues, the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

The Bonds are subject to redemption prior to maturity as described herein.

<u>June 1</u>	<u>Bonds*</u>	<u>Rate</u>	<u>Yield</u>	<u>June 1</u>	<u>Bonds*</u>	<u>Rate</u>	<u>Yield</u>
2013	\$150,000			2027	\$195,000		
2014	150,000			2028	200,000		
2015	150,000			2029	205,000		
2016	150,000			2030	210,000		
2017	155,000			2031	220,000		
2018	155,000			2032	225,000		
2019	160,000			2033	235,000		
2020	160,000			2034	245,000		
2021	165,000			2035	250,000		
2022	170,000			2036	260,000		
2023	175,000			2037	270,000		
2024	180,000			2038	280,000		
2025	185,000			2039	295,000		
2026	190,000						

This cover page contains certain information for quick reference only. It is not a summary of the 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, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, solely to the Municipality, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Municipality by its counsel, Wheeler & Seeley, Jonesborough, Tennessee. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about June 29, 2012\*.

**RAYMOND JAMES | Morgan Keegan**  
Financial Advisor

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 Municipality 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 Municipality'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 Municipality, the Bonds, the Resolution (as defined herein), 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 Resolution.

The Bonds have not been registered under the Securities Act of 1933 and the Resolution have 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 Municipality, the Financial Advisor 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 Municipality or Financial Advisor. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Municipality. The information set forth herein has been obtained by the Municipality 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. 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 Municipality, 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.

<u>June 1</u>	<u>Bonds*</u>	<u>CUSIPS</u>	<u>June 1</u>	<u>Bonds*</u>	<u>CUSIPS</u>
2013	\$150,000		2027	\$195,000	
2014	150,000		2028	200,000	
2015	150,000		2029	205,000	
2016	150,000		2030	210,000	
2017	155,000		2031	220,000	
2018	155,000		2032	225,000	
2019	160,000		2033	235,000	
2020	160,000		2034	245,000	
2021	165,000		2035	250,000	
2022	170,000		2036	260,000	
2023	175,000		2037	270,000	
2024	180,000		2038	280,000	
2025	185,000		2039	295,000	
2026	190,000				

\* Subject to reduction and adjustment as set forth in the Detailed Notice of Sale.

<sup>(1)</sup> CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the Bond holders. The Municipality 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.

# TOWN OF JONESBOROUGH, TENNESSEE

## **BOARD OF MAYOR AND ALDERMEN**

Kelly Wolfe, *Mayor*

Terry Countermine, *Alderman*  
Jerome K. Fitzgerald, *Alderman*  
Mary Gearhart, *Alderman*  
Chuck Vest, *Alderman*

## **TOWN OFFICIALS**

Robert E. Browning    *Town Administrator*  
Abbey Miller, CPA    *Town Recorder*

## **COUNSEL TO THE TOWN**

Wheeler & Seeley, Attorneys  
Jonesborough, Tennessee

## **REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

## **BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

## **FINANCIAL ADVISOR**

Raymond James | Morgan Keegan  
Nashville, 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 ..... Town of Jonesborough, Tennessee (the “Municipality” or “Issuer”). See the section entitled “Supplemental Information Statement” (APPENDIX B) for more information.

Securities Offered ..... \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the “Bonds”) of the Municipality, dated the date of their delivery. The Bonds will mature on June 1, 2013 through June 1, 2039, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.

Security ..... The Bonds are payable primarily from and are secured by a pledge of the income and revenues to be derived from the operation of the System (defined herein), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to prior pledges of such revenues in favor of Prior Lien Obligations (defined herein). In the event of a deficiency in such revenues, the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

See the section entitled “SECURITIES OFFERED – Security”.

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.

Purpose..... The Bonds are being issued for the purpose of providing funds to (a) refund the Municipality's outstanding Water and Sewer Revenue and Tax Bond, Series 2001, dated July 18, 2001\*; (b) its Water and Sewer Revenue and Tax Bond, Series 2004, dated February 1, 2006\*; (c) its Water and Sewer Revenue and Tax Bond, Series 2006, dated October 12, 2006\*; and (d) pay all or a portion of the costs of issuance and sale of the Bonds.

See the section entitled “SECURITIES OFFERED – Authority and Purpose” for additional information.

Optional Redemption ..... The Bonds are subject to optional redemption prior to maturity on and after June 1, 2022 at the redemption price of par and accrued interest. See the section entitled “SECURITIES OFFERED - Optional Redemption”.

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\* Subject to reduction and adjustment as set forth in the Detailed Notice of Sale

Mandatory Redemption ..... [To Be Determined. See the Detailed Notice of Sale for Bidding Option].

Rating ..... Standard & Poor’s (“S&P”) – “\_”. See the section entitled “MISCELLANEOUS – Rating” for more information.

Financial Advisor ..... Morgan Keegan & Company, Inc. or its successor in interest, Nashville, Tennessee, (the “Financial Advisor” or “Raymond James | Morgan Keegan”). Also see the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties; Other”

Underwriter ..... \_\_\_\_\_ (the “Underwriter”)

Also see the section entitled “MISCELLANEOUS – Competitive Public Sale”.

Bond Counsel ..... Bass, Berry & Sims PLC, Nashville, Tennessee (the “Bond Counsel”)

Also see the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties; Other”.

Book Entry Only ..... The Bonds will be issued under the Book Entry System except as otherwise described herein.

For additional information, see the section entitled “BASIC DOCUMENTATION – Book Entry System”.

Registration and Paying Agent ..... Regions Bank, Nashville, Tennessee (the “Registration Agent”)

Tax Matters ..... In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For a more detailed 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, all of 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. See also “APPENDIX A: Form of Legal Opinion included herein.



General.....The Bonds are being issued in full compliance with Title 9, Chapter 21, Parts 1, 2 and 9, *Tennessee Code Annotated*, as supplemented and revised. The Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York

See the section entitled “SECURITIES OFFERED – Authority and Purpose” for more information.

Disclosure .....In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended (the “Rule”), the Municipality 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”), if any, annual financial statements and other pertinent credit or event information, including the Annual Financial Reports.

See the section entitled “MISCELLANEOUS - Continuing Disclosure”.

Other Information .....The information in the *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12(b)(5) of the SEC (the “Rule”) as of the date which appears on the cover hereof except for the omission of certain information allowed to be excluded under the Rule. For more information concerning the Municipality or the *Preliminary Official Statement*, contact the Honorable Kelly Wolfe, Mayor; Mr. Bob Browning, Town Administrator or Ms. Abbey Miller, CPA, Town Recorder; Town Hall; 123 Boone Street; Jonesborough, Tennessee 37659 Telephone: 423.753.1030 or the Town’s Financial Advisor, Raymond James | Morgan Keegan, One Burton Hills Blvd. - Suite 225, Nashville, Tennessee 37215, Telephone: 615.665.6920 or 800.764.1002.

**Summary of Changes In General Fund Balances**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Beginning Fund Balance:	\$884,722	\$595,570	\$404,548	\$255,041	\$(67,808)
Revenues:	5,610,586	5,350,956	5,127,456	5,040,354	4,789,220
Expenditures:	(5,832,962)	(6,088,277)	(4,977,158)	(5,141,571)	(4,741,371)
Other Financing Sources:					
Transfers In:	75,724	40,724	40,724	40,724	40,000
Transfers Out – Bond Escrow:	0	(882,302)	0	0	0
Refunded Bonds Issued:	0	875,000	0	0	0
Bond Premium:	0	30,178	0	0	0
Debt/ Capital Leases Proceeds:	<u>220,000</u>	<u>962,873</u>	<u>0</u>	<u>210,000</u>	<u>235,000</u>
Ending Fund Balance:	\$958,070	\$884,722	\$595,570	\$404,548	\$255,041
Unassigned Fund Balance <sup>(1)</sup> :	\$488,655	-	-	-	-
Unreserved:	-	\$207,499	\$184,929	\$167,283	\$147,002

<sup>(1)</sup> Change resulting from the application of GASB Statement 54  
Source: Audited Financial Statements of the Town

## SUMMARY NOTICE OF SALE

**\$5,385,000\***

### **TOWN OF JONESBOROUGH, TENNESSEE General Obligation Refunding Bonds, Series 2012**

NOTICE IS HEREBY GIVEN that electronic bids only will be received by the Mayor of the Town of Jonesborough, Tennessee (the "Municipality" or the "Issuer"), until 11:00 a.m., E.D.T. on June 18, 2012 (or at such later time and date announced at least forty-eight hours in advance via IPREO's BiDCOMP®/Parity® system) for the purchase of \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the "Bonds") of the Municipality, all or none. Electronic bids must be submitted through BiDCOMP®/Parity® as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted.

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. The Bonds will be issued in book entry form (except as otherwise described in the Detailed Notice of Sale) and dated the date of their issuance. The Bonds will mature annually on June 1<sup>st</sup>, beginning June 1, 2013 through June 1, 2039, inclusive, as described in the Detailed Notice of Sale and the *Preliminary Official Statement*. Interest on the Bonds is payable semiannually, commencing December 1, 2012 and thereafter every on June 1<sup>st</sup> and December 1<sup>st</sup>. No rate or rates for the Bonds shall exceed 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. Bidders must bid not less than ninety-nine percent (99.00%) of par nor more than one hundred and fifteen percent (115.00%) of par for all of the Bonds. The Bonds are subject to optional redemption by the Municipality on and after June 1, 2022 at a price of par and accrued interest. Unless bids are rejected, the Bonds will be awarded by the Mayor on the sale date to the successful bidder whose bid results in the lowest true interest rate calculated as described in the Detailed Notice of Sale.

Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and Specimen Official Bid Form, may be obtained from iProspectus at ([www.i-dealprospectus.com](http://www.i-dealprospectus.com)) or the Municipality's Financial Advisor, Morgan Keegan & Company, Inc. or its successor in interest ("Raymond James | Morgan Keegan"); One Burton Hills Blvd., Suite 225, Nashville, Tennessee 37215-6299; Telephone: 800.764.1002. Further information regarding BiDCOMP®/Parity® may be obtained from IPREO ([www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com)).

/s/ Kelly Wolfe  
Mayor

\* Subject to adjustment and revision as set forth in the Detailed Notice of Sale.

## DETAILED NOTICE OF SALE

**\$5,385,000\***

### **TOWN OF JONESBOROUGH, TENNESSEE General Obligation Refunding Bonds, Series 2012**

NOTICE IS HEREBY GIVEN that electronic bids only will be received by the Mayor of the Town of Jonesborough, Tennessee (the "Municipality" or the "Issuer"), until 11:00 a.m., E.D.T. on June 18, 2012 (or at such later time and date announced at least forty-eight hours in advance via IPREO's BiDCOMP®/Parity® system) for the purchase of \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the "Bonds") of the Municipality, all or none. Electronic bids must be submitted through BiDCOMP®/Parity® as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. See "Bidding Instructions" herein.

**Description of the Bonds.** The Bonds will be issued in fully registered, book-entry form (except as set forth herein) without coupons and will be initially 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. Interest on the Bonds will be payable on June 1<sup>st</sup> and December 1<sup>st</sup> of each year, commencing December 1, 2012.

The Bonds will be dated the date of their issuance expected to be on or about June 29, 2012\*. The Bonds will mature and be payable on each year as outlined below:

<u>June 1<sup>st</sup></u>	<u>Bonds*</u>	<u>June 1<sup>st</sup></u>	<u>Bonds*</u>
2013	\$150,000	2027	\$195,000
2014	150,000	2028	200,000
2015	150,000	2029	205,000
2016	150,000	2030	210,000
2017	155,000	2031	220,000
2018	155,000	2032	225,000
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2022	170,000	2036	260,000
2023	175,000	2037	270,000
2024	180,000	2038	280,000
2025	185,000	2039	295,000
2026	190,000		

\* Subject to adjustment and revision as set forth in the Detailed Notice of Sale.

**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.

**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 or more fully-registered bond certificates 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 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 Municipality 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 reoffer the Bonds, then use of 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 Municipality, 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 Municipality 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.

**Purpose.** The Bonds are being issued for the purpose of providing funds to (a) refund the Municipality's outstanding Water and Sewer Revenue and Tax Bond, Series 2001, dated July 18, 2001\*; (b) its Water and Sewer Revenue and Tax Bond, Series 2004, dated February 1, 2006\*; (c) its Water and Sewer Revenue and Tax Bond, Series 2006, dated October 12, 2006\*; and (d) pay all or a portion of the costs of issuance and sale of the Bonds.

\* Subject to adjustment and revision as outlined herein.

**Security Pledged.** The Bonds shall be payable primarily from and be secured by a pledge of the Net Revenues to be derived from the operation of the System (as defined in the *Preliminary Official Statement*), subject to prior pledges of such Net Revenues in favor of Prior Lien Obligations (as defined in the *Preliminary Official Statement*); and in the event of a deficiency of such Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

**Optional Redemption.** Bonds maturing on or prior to June 1, 2022 shall mature without option of prior redemption. Bonds maturing June 1, 2023 and thereafter, shall be subject to redemption prior to maturity at the option of the Municipality on June 1, 2022 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

**Term Bond Option; Mandatory Redemption.** Bidders shall have the option to designate certain consecutive serial maturities of the each series of Bonds as term bonds ("Term Bonds") bearing a single interest rate or yield. If the successful bidder for the Bonds designates certain consecutive serial maturities of the each series of the Bonds to be combined as one or more Term Bond as allowed herein, then such Term Bond shall be subject to mandatory sinking fund redemption by the Municipality 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 Bond 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 for optional redemption of the Bonds within a single maturity.

**Bidding Instructions.** Electronic bids for the Bonds must be submitted through IPREO's BiDCOMP®/Parity® system and no other provider of electronic bidding services will be accepted. Subscription to the IPREO's BiDCOMP®/Parity® competitive bidding system is required in order to submit an electronic bid. The Municipality will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP®/Parity® 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 BiDCOMP®/Parity® conflict with the terms of the Detailed Notice of Sale, such Notice shall prevail. Electronic bids made through the facilities of BiDCOMP®/Parity® 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, sealed written bid delivered to the Municipality. The Municipality, Bond Counsel and the Financial Advisor 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 IPREO. The use of the IPREO's BiDCOMP®/Parity® facilities is at the sole risk of the prospective bidders. Further information regarding BiDCOMP®/Parity® may be obtained from IPREO ([www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com)).

**Maximum Rates/Yields, Discounts and Premiums.** Interest rates for the Bonds must be in multiples of one-eighth (0.125%) of one percent (1.0%) and/or one-hundredth of one percent

(.01%). There will be no limitation on the number of rates of interest that may be specified in each 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 percent (99.00%) of par nor more than one hundred and fifteen percent (115.00%) of par for the Bonds.

**Award.** Unless bids are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid results in the lowest true interest rate for the Bonds to be calculated as that rate (or yield) 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 any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine (in his sole discretion) which bidder shall be awarded the Bonds.

*The Municipality reserves the right to reject all bids for the Bonds and to waive informalities in the bids accepted.*

**Adjustment and/or Revision.** While it is the Municipality's intention to sell and issue the approximate par amounts of the Bonds as set forth herein, there is no guarantee that adjustments and/or revisions may not be necessary in order to properly size the Bonds. Accordingly, the Municipality reserves the right, in its sole discretion, to adjust downward the original par amount of the Bonds by up to seventeen percent (17.0%). Additionally, the Municipality reserves the right in its sole discretion to adjust up or down the original par amount of any maturity by up to approximately \$150,000. Among other factors the Municipality may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds are the size of individual maturities or sinking fund installments, assuring level debt service and/or other preferences of the Municipality. In no case will the Municipality sell or issue more Bonds than the aggregate amount of \$5,475,000.

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 on 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 Bonds will be notified by not later than 5:00 p.m. (Eastern 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 Municipality's Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds (determined following final sizing) that will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the Municipality'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, Memphis, Tennessee; ABA Number: 084000026 FAO Morgan Keegan & Company, Inc., Account Number: 0010000117382; FFC to Account Number: 232000-405 (Town of Jonesborough, TN; Attention: Ms. Tracy Johnson; Raymond

James | Morgan Keegan; One Burton Hills Blvd., Suite 225; Nashville, Tennessee 37215; Phone: 800.764.1002); other contacts: Ms. Jackie Shaffer (901.579.2637) or Ms. Deborah McDonald (901.579.4852).

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 Municipality as liquidated damages.

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

**Reoffering Prices; Other Information.** The successful bidder must furnish the following information to the Municipality 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 underwriters expressed in dollars, based on the expectation that all the 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 Municipality.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the Municipality 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 all of the Bonds at such reoffering prices; and (iii) that such 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 or below those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the Municipality 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 unqualified approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel solely to the Municipality 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 Municipality. 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; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on 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 which is contained in APPENDIX A.

**Continuing Disclosure.** At the time the Bonds are delivered, the Municipality 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 relating to the Municipality by not later than twelve months after each of the Municipality'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") through the operation of the Electronic Municipal Market Access system ("EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the Municipality 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 notices of certain enumerated events will be filed by the Municipality with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the Municipality's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds. To its knowledge, the Municipality has not failed to comply in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events. See the *Preliminary Official Statement* - "APPENDIX C: Form of Continuing Disclosure Certificate" for additional information.

**Delivery of Bonds.** Delivery of each series of Bonds is expected on or about June 29, 2012\* although that date is subject to change and will be finalized when the Bonds are awarded. At least five (5) days' notice will be given 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.** Separate CUSIP numbers will be assigned to the Bonds at the expense of the Municipality. The Municipality will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on the Bonds nor any error with respect thereto shall constitute cause for failure or refusal by each successful bidder thereof to accept delivery of and make payment for the Bonds.

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

\* Subject to adjustment and revision as outlined herein



**Further Information.** Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Specimen Official Bid Form, may be obtained from iProspectus at ([www.i-dealprospectus.com](http://www.i-dealprospectus.com)) or the Municipality's Financial Advisor, Raymond James | Morgan Keegan; One Burton Hills Blvd., Suite 225, Nashville, Tennessee 37215-6299; Telephone: 615.665.6920 or 800.764.1002. Further information regarding BiDCOMP®/Parity® may be obtained from IPREO ([www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com)).

/s/ Kelly Wolfe  
Mayor

Honorable Kelly Wolfe, Mayor  
 Town of Jonesborough  
 Jonesborough, Tennessee 37659

**SPECIMEN BID FORM – INFORMATION ONLY**  
**(Only Electronic Bids Accepted Through BIDCOMP/PARITY System)**

June \_\_, 2012

Dear Mayor Wolfe:

For your legally issued, properly executed \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the “Bonds”) of the Town of Jonesborough, Tennessee (the “Municipality”) in all respects as more fully outlined in your Detailed 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 their delivery estimated to be on or about June 29, 2012\* (subject to change) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature annually on June 1<sup>st</sup> and bear interest as follows:

<u>June 1<sup>st</sup></u>	<u>Amount*</u>	<u>Rate</u>	<u>Reoffering Yield</u>	<u>June 1<sup>st</sup></u>	<u>Amount*</u>	<u>Rate</u>	<u>Reoffering Yield</u>
2013	\$150,000	_____%	_____%	2027	\$195,000	_____%	_____%
2014	150,000	_____%	_____%	2028	200,000	_____%	_____%
2015	150,000	_____%	_____%	2029	205,000	_____%	_____%
2016	150,000	_____%	_____%	2030	210,000	_____%	_____%
2017	155,000	_____%	_____%	2031	220,000	_____%	_____%
2018	155,000	_____%	_____%	2032	225,000	_____%	_____%
2019	160,000	_____%	_____%	2033	235,000	_____%	_____%
2020	160,000	_____%	_____%	2034	245,000	_____%	_____%
2021	165,000	_____%	_____%	2035	250,000	_____%	_____%
2022	170,000	_____%	_____%	2036	260,000	_____%	_____%
2023	175,000	_____%	_____%	2037	270,000	_____%	_____%
2024	180,000	_____%	_____%	2038	280,000	_____%	_____%
2025	185,000	_____%	_____%	2039	295,000	_____%	_____%
2026	190,000	_____%	_____%				

We have the option to designate two or more consecutive serial maturities of the Bonds as a Term Bond maturity as indicated:

- Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%
- Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%
- Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%

It is our understanding that the Bonds are offered for sale (1) as “qualified tax-exempt obligations”; (2) with ratings from S&P; and (3) subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel to the Municipality, whose opinion together with the Bonds in Book-Entry form, will be furnished by the Municipality without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for two percent (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 Town of Jonesborough, Tennessee this \_\_ day of June, 2012

Respectfully Submitted:

\_\_\_\_\_

\_\_\_\_\_

Total Interest Cost from the date of delivery (estimated to be June 29, 2012\*) to Final Maturity: \$\_\_\_\_\_

Less: Premium or Plus: Discount, if any: \$\_\_\_\_\_

Net Interest Cost: \$\_\_\_\_\_

True Interest Rate: \_\_\_\_\_%

\_\_\_\_\_  
 Kelly Wolfe, Mayor

*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.*

\*Subject to adjustment and revision as outlined in the Detailed Notice of Sale.

**\$5,385,000\***  
**TOWN OF JONESBOROUGH, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2012**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement* which includes the Summary Statement and appendices is furnished in connection with the offering by the Town of Jonesborough, Tennessee (the “Municipality”) of its \$5,385,000\* General Obligation Refunding Bonds, Series 2012 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Parts 1, 2 and 9 *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law. The Bonds were authorized by the Board of Mayor and Aldermen of the Municipality (the “Board” or “Governing Body”) pursuant to Resolution duly adopted on May 14, 2012 (the “Resolution”).

The Bonds are being issued for the purpose of providing funds to (a) refund the Municipality’s outstanding Water and Sewer Revenue and Tax Bond, Series 2001, dated July 18, 2001\*; (b) its Water and Sewer Revenue and Tax Bond, Series 2004, dated February 1, 2006\*; (c) its Water and Sewer Revenue and Tax Bond, Series 2006, dated October 12, 2006\*; and (d) pay all or a portion of the costs of issuance and sale of the Bonds\*.

**DESCRIPTION OF THE BONDS**

The Bonds initially will be dated the date of their issuance estimated to be June 29, 2012\*. Interest on the Bonds will be payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>, commencing December 1, 2012. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds.

See the section entitled “BASIC DOCUMENTATION - The Book-Entry System” and the “Registration Agent” for additional information.

**REFUNDING PLAN**

As required by prevailing State statutes, the Municipality submitted a *Refunding Plan* (the “Plan”) pertaining to this transaction to the Director of State and Local Finance in the Tennessee Comptroller of the Treasury’s office (the “Director”) who reported directly to the Municipality on the Plan prior to formal action by the Governing Body authorizing the sale and issuance of the Bonds.

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\* Subject to adjustment and revision

*Refunding Candidates.* Previously, the Municipality authorized, issued and delivered the following debt obligations (individually and collectively, the “Refunded Bonds”) to the U.S. Department of Agriculture – Rural Development Administration. The Refunded Bonds are callable at any time at a price of par and accrued interest to the date of redemption:

<u>Amount</u>	<u>Designation</u>	<u>Dated</u> <u>Date</u>	<u>Due</u>	<u>Rate</u>	<u>Refunding</u> <u>Type</u>
\$500,000	Water and Sewer Revenue and Tax Bond, Series 2001	07/18/2001	Monthly 07/18/2039	5.125%	Current
4,200,000	Water and Sewer Revenue and Tax Bond, Series 2006	02/01/2006	Monthly 01/01/2044	4.375%	Current
1,000,000	Water and Sewer Revenue and Tax Bond, Series 2006	09/12/2006	Monthly 10/12/2044	4.375%	Current

*Refunding Plan.* The strategy developed under the Plan is to refund the Refunded Bonds on the date of issuance of the Bonds or as soon as practical thereafter in order to achieve measurable annual net aggregate and net present value savings by taking advantage of more favorable interest rates in the current market. Also the final maturities of the Refunded Bonds will be shortened significantly. Additionally, the Bonds will be scheduled to mature annually and interest will be paid semiannually to achieve more efficient administration of the Municipality’s debt service and cash management programs.

The Refunding Plan is consistent with the Municipality’s formal Debt Management Plan.

See the section entitled “BASIC DOCUMENTATION – Disposition of Proceeds” for additional information.

**SECURITY**

The Bonds shall be payable primarily from and be secured by a pledge of the Net Revenues to be derived from the operation of the System (as defined herein), subject to prior pledges of such Net Revenues (as defined herein) in favor of Prior Lien Obligations (as defined herein); and in the event of a deficiency of such Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

For payment of the Bonds in the event of a deficiency in the Net Revenues derived from the System, the Municipality through its governing body, shall annually levy and collect a tax on all taxable property within the corporate limits of the Municipality, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the Municipality and reimbursement therefore shall be made out of taxes provided by the Resolution for the Bonds when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the general funds of the Municipality to the payment of debt service on the Bonds.

*Definitions.* The following definitions are found in the bond resolution authorizing the Bonds.

"Current Expenses" means the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, including the cost of water, salaries, wages, cost of material and supplies and insurance premiums, but shall exclude depreciation and interest expense.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, including all revenues derived from the operation of the System, including 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 this resolution, and resolutions authorizing any Prior Lien Obligations and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from funds created to refund any outstanding bonds of the System or deposited to a construction fund established by a resolution authorizing such bonds to the extent set forth in such resolution).

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

"Prior Lien Obligations" means the Municipality's outstanding, to the extent outstanding, Wastewater Facility Revolving Fund Loan Agreement, dated July 7, 1987 among the State of Tennessee, Department of Public Health, the State Funding Board and the Municipality, its outstanding Water/Sewer Equipment Capital Outlay Note, Series 2007, dated September 19, 2007, its outstanding Capital Outlay Note, dated April 23, 2009, its outstanding Water/Sewer Fund Capital Outlay Note, Series 2009, dated August 27, 2009, its Bond Anticipation Notes and Interim Certificates of Indebtedness issued to the United States of America acting through Rural Development authorized by resolution adopted on September 12, 2011 and, if and when issued to refinance such note, its Water and Sewer Revenue Bond, Series 2011.

"System" shall mean the complete water and sewer system of the Municipality and all water and sewer properties of every nature hereafter owned by the Municipality, including all improvements and extensions made by the Municipality 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 water and sewer system, and including all appurtenances, contracts, leases, franchises and other intangibles.

## **REDEMPTION**

*Optional Redemption.* Bonds maturing June 1, 2013 through June 1, 2022, inclusive shall mature without option of prior redemption. Bonds maturing June 1, 2023 and thereafter shall be subject to redemption prior to maturity at the option of the Municipality on June 1, 2022 and thereafter, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date.

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

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

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

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

[At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such mandatory redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to

what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.]\*

*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 affect 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. On or before the date fixed for redemption, moneys shall be deposited with the Registration Agent to pay the principal of, redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. 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.

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\* Applicable in the event of Term Bonds.

## BASIC DOCUMENTATION

### **REGISTRATION AGENT**

Regions Bank (the “Registration Agent”) or the Municipality 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 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 Municipality in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

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 Municipality 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 Municipality 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. For additional information, see the following section.

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 or more fully-registered bond certificates 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 is a limited-purpose trust company organized under the New York Bank 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 securities that its participants (the “**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants’ accounts, thereby eliminating 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, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the “NYSE”), the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the “**Indirect Participants**” and, together with the Direct Participants, the “**Participants**”). DTC has S&P’s highest Ratings: “**AAA.**” The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtc.com](http://www.dtc.com).

*Purchase of Ownership Interests.* Purchases of the 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 Bond (a “**beneficial owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through whom such beneficial owners 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 the Bonds, except as specifically provided in the Bonds in the event that use of the book-entry-only system 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

Municipality 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Registration Agent and request that copies of the 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 Municipality 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 MUNICIPALITY, 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.

*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 Municipality determines to discontinue the Book-Entry System, the Book-Entry System shall be discontinued. Upon the occurrence of the event described above, the Municipality 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 system has been obtained from sources that the Municipality believes to be reliable, but the Municipality, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter 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 Municipality, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter 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."

## **SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of funds relating to the proceeds from the Series 2012 Bonds and the Refunding Bonds:

### **Sources of Funds:**

Par Amount  
Plus: Original Issue Premium  
Less: Original Issue Discount  
Less: Underwriter's Discount  
TOTAL SOURCES:

### **Uses of Funds:**

Deposit to the Escrow Fund  
Costs of Issuance  
TOTAL USES:

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## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be disbursed as follows:

- (a) an amount which, together with investment earnings thereon and legally available funds of the Municipality, if any, will be sufficient to pay principal of and interest on the Refunded Bonds, shall be paid to the holder(s) of the Refunded Bonds on the issuance date of the Bonds or on the first practicable date thereafter; and
- (b) the remainder of the proceeds of the sale of the Bonds used to pay all or a portion of the costs associated with the issuance of the Bonds and, if not needed for such purpose, will be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds.

## **DISCHARGE AND SATISFACTION OF BONDS**

- (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, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);
- (c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality 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 Municipality to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality 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, neither Federal Obligations nor moneys deposited with the Registration Agent 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 interest on said Bonds, respectively; 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 Municipality 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 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 Municipality, as received by the Registration Agent. Federal 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.

#### **EQUALITY OF LIEN; PROHIBITION OF PRIOR LIEN BONDS; PARITY OBLIGATIONS**

The punctual payment of principal of and interest on the Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of number or time of sale or execution or delivery, and, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the System and the payment of Prior Lien Obligations, the Net Revenues of the System are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

Except as hereinafter provided, the Municipality will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Gross Earnings of the System on a parity with or having priority over the Bonds. Additional bonds may hereafter be issued on parity with the Bonds under the following conditions but not otherwise:

(a) Additional bonds may be issued on parity with the Bonds without regard to the requirements of subsection (b) if such bonds shall be issued for the purpose of refunding any of the Bonds which shall have matured or which shall mature not later than three months after the date of delivery of such refunding bonds.

(b) Additional bonds, notes or other obligations may be issued on parity with the Bonds if all of the following conditions are met:

(i) The Net Revenues of the System for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the issuance of the additional bonds, notes or other obligations must have been equal to 1.20 times the maximum annual interest and principal requirements for any succeeding fiscal year on all Prior Lien Obligations, the Bonds and any bonds, notes or other obligations on a parity therewith (but excluding any bonds, notes or other obligations to be refunded from the proceeds of such bonds, notes or other obligations proposed to be issued) and the bonds, notes or other obligations so proposed to be issued; provided, however, that if prior

to the authorization of such additional bonds, notes or other obligations the Municipality shall have adopted and put into effect a revised schedule of rates for the System or expanded the System (or will expand the System in connection with the issuance of the additional bonds, notes or other obligations) so that its capacity is increased, then the Net Revenues for the twelve (12) months of the eighteen (18) months immediately preceding the issuance of such additional bonds, notes or other obligations, as certified by an independent engineer or engineering firm with a favorable reputation for skill and experience in the design and operation of water and sewer systems 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, which would have resulted from such rates had they been in effect for such period or would have resulted from such additional capacity, may be used in lieu of the actual Net Revenues for such period;

(ii) No default in the payment of principal of and interest on the Bonds, any Prior Lien Obligations or any subordinate obligations shall have occurred; and

(iii) The proceeds of the additional bonds, notes or other obligations must be used solely for the making of improvements, extensions, renewals or replacements to the System, or to refund the Prior Lien Obligations, the Bonds or any obligations issued on parity therewith, or any subordinate lien obligations.

#### **CHARGES FOR SERVICES SUPPLIED BY THE SYSTEM**

While the Bonds and any Parity Obligations remain outstanding and unpaid, the Municipality covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever, and the charges for all services supplied through the medium of the System to the Municipality and its residents and to all consumers 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, and the proper and necessary allowances for the depreciation thereof, and the amounts necessary for the payment of principal of, premium, if any, and interest on all bonds and other obligations payable from such Net Revenues, and there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to meet the debt service requirements of the Bonds, any obligations on a parity therewith, the Prior Lien Obligations and subordinate lien obligations, if any.

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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 Municipality to sell or issue the Bonds or to collect its revenues from services associated with the water or sewer systems of the Municipality or its *ad valorem* taxes to pay principal of and interest on the Bonds.

At the time of delivery of and payment for the Bonds, the Municipality will deliver, or cause to be delivered, a certificate of the Municipality stating that there is no controversy or litigation of any nature then pending or threatened, restraining or enjoining the issuance, sale execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Municipality taken with respect to the authorization, issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the existence, boundaries or powers of the Municipality, or the title of its officials to their respective offices. See the subsection in this section entitled “Closing Certificates” for additional information.

The Municipality is the defendant in other matters in which financial exposure is considered to be insignificant or potential damages and costs are covered through insurance

### TAX MATTERS

*General.* Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Its opinion under existing law, relying on certain statements by the Municipality and assuming compliance by the Municipality 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 Municipality 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 Municipality 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 Municipality 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 “*Miscellaneous*” 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.

*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 Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

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



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

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

*State Taxes.* Under existing law, the Bonds and the income therefrom are exempt from all present state, 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 and notes 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 bondholders should consult their own tax advisors regarding the foregoing matters.

The form of the opinion of Bond Counsel is attached as “APPENDIX A: PROPOSED FORM OF OPINION”. Copies of the opinion will be available at the time of the initial delivery of the Bonds.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the Municipality 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 (as defined herein), signed by the Mayor, Town Recorder/ Finance Director acting in their official capacities to the effect that to the best of their 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, not 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, and (c) 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) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage bonds; (iii) certificates as to the delivery and payment, signed by the Finance Director acting in his official capacity evidencing delivery of and payment for the Bonds; (iv) a signature identification and incumbency certificate, signed by the Mayor and Town Recorder/ Finance Director acting in their official capacities certifying as to the due execution of the Bonds; and (v) a Continuing Disclosure Certificate regarding certain covenants of the Municipality concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled “MISCELLANEOUS – Underwriting”, “MISCELLANEOUS - Additional Information” and MISCELLANEOUS - Continuing Disclosure”.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel solely to the Municipality (“Bond Counsel”). Bond Counsel did not prepare 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 under the section entitled “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.

Certain legal matters will be passed upon for the Municipality by its counsel, Wheeler & Seeley, Jonesborough, Tennessee.

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## MISCELLANEOUS

### RATING

Standard & Poor's Corporation, a Division of The McGraw – Hill Companies, Inc. ("S&P") has assigned the Bonds the credit rating of "\_\_\_" which appears on the cover of this *Preliminary Official Statement*.

The Municipality furnished S&P certain information and materials and held a "due diligence" tele-conference with the rating agency concerning the Bonds and the Municipality. Generally, S&P bases their ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in their judgment, circumstances so warrant. The Municipality undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds.

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 explanation of the significance of the ratings may be obtained only from S&P.

### COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on June 18, 2012\*. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated June 6, 2012. Through IPREO's BiDCOMP®/Parity® system, \_\_\_ of the original \_\_\_ firms which indicated an interest in bidding for the Bonds submitted proposals ranging from a high bid of \_\_\_ percent on a true interest cost basis ("TIC") to \_\_\_ percent.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Underwriters") who contracted with the Municipality, subject to the conditions set forth in the Detailed Notice of Sale to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Bonds, plus a premium of \$\_\_\_\_\_, less an original issue discount of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_) or a bid price of \_\_\_\_\_ percent of par.

\*Subject to adjustment and revision as outlined in the Detailed Notice of Sale.

## **FINANCIAL ADVISOR; RELATED PARTIES; OTHER**

*Financial Advisor.* Morgan Keegan & Company, Inc. or its successor in interest, Nashville, Tennessee (“Raymond James | Morgan Keegan” or “Morgan Keegan”) has been employed by the Municipality to serve as its Financial Advisor and will receive compensation for duties performed in that role conditioned upon the sale and issuance of the Bonds.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing “Raymond James | Morgan Keegan” as their trade name. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly owned subsidiary of Regions Financial Corporation. The Bank is formerly an affiliate of Morgan Keegan & Company, Inc. Among other services the Bank provides are commercial banking, investments and corporate trust services to private parties and 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 their role in serving as registration and paying agent for the Bonds. In instances where the Bank serves the Municipality in other normal commercial banking capacities, then the Bank will be compensated separately for such services.

*Official Statements.* Certain information relative to the location, economy and finances of the Municipality is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. All such data, as in the case for other information herein contained, was prepared for and with the direct assistance of the Municipality. While not guaranteed as to completeness or accuracy, the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form, both are believed to be correct as of their respective dates. As the Financial Advisor for this transaction, Raymond James | Morgan Keegan has reviewed the information in the *Preliminary Official Statement*, in final form, and the *Official Statement* in final form in accordance with and as part of its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but Raymond James | Morgan Keegan does not guarantee the accuracy or completeness of such information.

Under the direction and with the assistance and direct input of the Municipality, Raymond James | Morgan Keegan drafted, published and distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form, and will be compensated and/or reimbursed for such services.

*Other.* Among other services, Raymond James | Morgan Keegan and the Bank also assist local jurisdictions in the investment of idle funds and may serve in various other capacities. If the Municipality chooses to use one or more of these other services provided by any of those participants, then one or more of those entities may be entitled to separate compensation for such

services. On prior occasions, the Bank and Morgan Keegan have served the Municipality in other capacities and may do so again in the future.

*Bond Counsel.* From time to time, Bass Berry & Sims PLC has represented Morgan Keegan, Raymond James, Raymond James | Morgan Keegan or the Bank on legal matters unrelated to the Municipality and may do so again in the future.

## **DEBT LIMITATIONS**

Under the legal authority under which the Bonds are sold and issued, there is no limit on the amount of debt obligations that may be issued by the Municipality. (See DEBT STRUCTURE - Indebtedness and Debt Ratios for more information.)

## **ADDITIONAL DEBT OBLIGATIONS**

The Municipality expects to issue approximately \$300,000 in various capital outlay notes prior to June 30, 2012. The Municipality has also applied for several loans from the US Department of Agriculture, Rural Development Administration for water and sewer projects and to fund in part a senior citizen center.

## **CONTINUING DISCLOSURE**

At the time the Bonds are delivered, the Municipality 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 relating to the Municipality by not later than twelve months after each of the Municipality's fiscal years, (the "Annual Report"), commencing with the fiscal year ending June 30, 2012 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") through the operation of the Electronic Municipal Market Access system ("EMMA") and with any State Information Depository established in the State of Tennessee (the "SID"). If the Municipality 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 notices of events will be filed by the Municipality with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the Municipality's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b) (the "Rule"). To its knowledge, the Municipality has not failed to comply in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events. See "APPENDIX C: Form of Continuing Disclosure Certificate" for additional information.

## ADDITIONAL INFORMATION

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for 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 the *Official Statement* in final forms, and any advertisement of the Bonds are not to be construed as a contract or agreement between the Municipality and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* and the *Official Statement*, in final forms, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The Municipality has deemed this *Preliminary Official Statement* as "final" as of its date within the meaning of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") (the "Rule") except for certain information allowed to be omitted by the Rule.

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**CERTIFICATION OF THE MUNICIPALITY**

At the time of payment for and delivery of the Bonds, the Municipality will furnish the purchaser a certificate, signed by the Mayor and Town Recorder/Finance Director, to the effect that (a) the descriptions and statements of or pertaining to the Municipality contained in its *Official Statement* and any addendum thereto, for its Bonds, on the date of such *Official Statement*, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Municipality and its affairs, including its financial affairs, are concerned, such *Official Statement* did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities other than the Municipality, and their activities contained in such *Official Statement* are concerned, such statements and data have been obtained from sources which the Municipality believes to be reliable and that the Municipality has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Municipality since June 30, 2011, the date of the last audited financial statements of the Municipality, the electronic link to which appears in “APPENDIX D: Audited Financial Statements”.

/s/ \_\_\_\_\_  
Mayor

ATTEST:

/s/ \_\_\_\_\_  
Town Recorder/ Finance Director



**APPENDIX A**

**LEGAL OPINION**

PROPOSED FORM OF BOND COUNSEL OPINION

BASS, BERRY & SIMS PLC

150 Third Avenue South, Suite 2800  
Nashville, TN 37201  
(615) 742-6200

(Closing Date)

Board of Mayor and Aldermen  
of the Town of Jonesborough, Tennessee  
Jonesborough, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Jonesborough, Tennessee (the "Issuer") in connection with the issuance of \$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2012 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The principal of and interest on the Bonds are payable primarily from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the water and sewer system (the "System") of the Issuer, subject only to the prior pledges of such revenues in favor of the Issuer's outstanding Wastewater Facility Revolving Fund Loan Agreement, dated July 7, 1987 among the State of Tennessee, Department of Public Health, the State Funding Board and the Issuer, its outstanding Water/Sewer Equipment Capital Outlay Note,

Series 2007, dated September 19, 2007, its outstanding Capital Outlay Note, dated April 23, 2009, its outstanding Water/Sewer Fund Capital Outlay Note, Series 2009, dated August 27, 2009, its Bond Anticipation Notes and Interim Certificates of Indebtedness issued to the United States of America acting through Rural Development authorized by resolution adopted on September 12, 2011 and, if and when issued to refinance such note, its Water and Sewer Revenue Bond, Series 2011. In the event of a deficiency in such revenues, as to the sufficiency of which we express no opinion, the principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals 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. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

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

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

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

Yours truly,

10823680.1

**APPENDIX B**

**SUPPLEMENTAL INFORMATION STATEMENT**

## GENERAL INFORMATION

### LOCATION

Tennessee's oldest town, the Town of Jonesborough, Tennessee (the "Town") is located in the northeastern portion of Tennessee in Washington County (the "County"). Jonesborough is the County seat and is located 7 miles west of the center of Johnson City and 25 miles east of the Town of Greeneville. The Town is located in the midst of number of working farms although its eastern border is immediately adjacent to the City of Johnson City. In 1969, Jonesborough became Tennessee's first town to be listed on the national Register of Historic Places.



Washington County is located in the ridge and valley area of northeast Tennessee and covers approximately 323 square miles. The County has a land area of approximately 210,000 acres and a rich agricultural and historical heritage. The County is named after George Washington and was organized as Tennessee's first county in November 1777.

Nearby Johnson City and the Town are located approximately 90 miles northeast of Knoxville on Interstate 81, 160 miles southwest of Roanoke, Virginia on Interstate 81, and 67 miles due north of Asheville, North Carolina on Interstate 26. The Cherokee National Forest is located along the southeast border of the County.

According to the U.S. Census Bureau, the populations of the County and Town in 2010 were 123,338 and 5,649, respectively.

### GOVERNMENTAL STRUCTURE

The Town was incorporated on pursuant to the *Private Acts of 1779* of the State of North Carolina, as supplemented and amended. The Charter form was approved by the *Private Acts of 1903*, Chapter 135, State of Tennessee as supplemented and amended. The governing body of the Town is the Board of Mayor and Aldermen (the "Governing Body" or "Board") which consists of four (4) Aldermen who serve four year terms of office. The Mayor is elected by direct vote of all registered voters to serve for a two year period as head of the Town and presiding officer of the Board. The Board appoints an Administrator who is chief administrative officer of the Town, a Recorder and all other Town employees.

The Town provides a wide range of services characteristic of similar jurisdictions in the State including public safety (police and fire protection), sanitation, streets, recreation, library (jointly with the County), public improvements, planning, zoning and building inspection and general administrative services. The Town also provides water purification and distribution and sewer collection and treatment services.

## **WATER AND SEWER SYSTEM**

The Town's water system treatment capacity is approximately 4 million gallons per day (4 MGD). The Town's water source is the Nolichucky River. The water system provides water to customers inside and outside the Town's corporate limits.

The Town has pursued a multi-year program to upgrade, extend and replace numerous components of its water treatment and distribution and wastewater collection and treatment systems.

In fiscal year 2011, the Town completed plans for a \$7.3 million expansion of its wastewater treatment plant and obtained partial funding for the project through the Appalachian Regional Commission (\$500,000), a \$2 million grant from the US Department of Agriculture, Rural Development Administration (RDA), a \$1 million Economic Development Administration (EDA) and a \$500,000 Community Development Block Grant program (CDBG). The balance of the program is being funded by a \$4.3 million loan from the RDA.

Phase II of this improvement program totals approximately \$4.5 million includes the construction of an effluent outfall line and pumping station to the Nolichucky River six miles from the wastewater treatment plant which also hopefully will be funded by RDA loan (\$2.5 million) and grants from the RDA (\$750,000), the EDA (\$1 million) and the CDBG program (\$500,000). Once completed, the wastewater plant will have an estimated annual treatment capacity of 1.25 to 1.50 million gallons per day.

Funding was also obtained from RDA for the construction and installation of a new sedimentation basin and high service pump at the Town's water treatment plant.

Active customers of the Town's water and sewer system are as follows:

<b><u>Service</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Water	10,344	10,289	10,168	10,064	9,378	8,111	8,390
Sewer	2,343	2,320	2,274	2,015	1,976	1,878	1,801

Source: Audited Financial Statements of the Town and Town officials

Approximately 100 percent of the proceeds of the Bonds will be used to retire the Refunded Bonds that are supported from net revenues of the Town's water and sewer system. Approximately one-half of the transaction is attributable to the water and to the sewer systems, respectively.

Effective July 1, 2010, the Town revised its water and sewer rate structure. The new rate structure replaced the old structure adopted for fiscal year 2010 and effective on July 1, 2009. For additional historical financial information on the Town's water and sewer system operations including the most recently adopted rate schedule effective on July 1, 2011, see pages B-23 in

“APPENDIX B: Supplemental Information” herein. Also, please see the section entitled “MISCELLANEOUS – Additional Debt Obligations” for additional information.

Electric power is provided to the Washington County and the Town by the Johnson City Power Board, a TVA distributor of electric energy. Atmos Energy provides the natural gas service.

## **TRANSPORTATION**

Interstate 26 was completed to the south in recent years. This highway opened the Town and region to North Carolina and the South Carolina seacoast and an easy connection to eastbound Interstate 40 in Asheville. Additionally, U.S. 11-E is a four lane highway to Greeneville located 23 miles to the southwest and nearby Interstate 81 some 14 miles beyond. Four lane or interstate quality highways now connect the Town and region to many neighboring communities and counties. The Washington County also is traversed by U.S. highways 19-W, 23, 321 and State highways 34, 36, 67, 91, 354, 359, 381 and 400.

The Town is on the main lines of the Norfolk Southern and the CSX System, allowing one of the easiest transitions between Norfolk and New Orleans on the Norfolk Southern, and Chicago and the eastern seaboard on the CSX. Commercial air, air cargo and general aviation services are provided to the region through the Tri-Cities Regional Airport currently jointly owned by Washington County, Sullivan County and the cities of Johnson City, Kingsport, Bristol, Tennessee and Bristol, Virginia. Tri-Cities Regional Airport is also a port-of-entry for international goods and services. Several air cargo carriers serve the region using the recently completed Air Cargo Logistics Center.

## **EDUCATION**

*Washington County School System* includes sixteen schools: five elementary schools; two K-8 schools; two middle schools; two high schools and a K-12 laboratory school located on the campus of East Tennessee State University. In the fall of 2011 there were 8,926 students enrolled with 579 teachers in the County School System. The County School System recently completed an extensive renovation program totaling \$60 million – the largest amount spent in its history. The school building improvements were completed in August of 2009.

Source: Tennessee Department of Education, Johnson City School System, Washington County School System and the Economic Development Board of Johnson City.

*East Tennessee State University* was founded in 1910 in the northeast corner of Tennessee. The 366-acre campus is located in southwest Johnson City, adjacent to the Veterans Administration and the Johnson City Medical Center Hospital. The university offers 74 majors of study in its undergraduate program, 30 degree fields in its master’s programs and doctorates in education, education administration, and biomedical sciences. Fall 2010 enrollment was 14,999 students. Extended regional campuses are in Kingsport, Elizabethton and Greeneville.

East Tennessee State University also is the home of the Quillen College of Medicine. As a by-product, the College of Medicine has brought specialties to the region that normally would not



be expected. Instead of one teaching hospital, the Quillen College of Medicine serves a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. Students are provided access to more than 3,000 patient beds in ten affiliated hospitals in the Tri-Cities area and region. For several consecutive years, ETSU has ranked among the top 10 schools in the country for rural medicine. U.S. News & World Report also ranked ETSU in the top 25 percent of medical schools for primary care education. The first in-vitro fertilization in Tennessee was done in Johnson City. In Johnson City, one of five prenatal intensive care facilities in the State is manned by pediatric specialists from the College of Medicine faculty. Kidney transplants and open heart surgery also are available in Johnson City.

The ETSU College of Pharmacy is the second State supported College of Pharmacy. The College of Pharmacy opened in early 2007.

*Source:* East Tennessee State University and TN Higher Education Commission

*Milligan College* is a private, four-year Christian liberal arts college founded in 1882. Milligan's 181-acre campus is located between Johnson City and Elizabethton just minutes from the Jonesborough and the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive from historic Asheville, North Carolina. Milligan College offers 25 academic majors and three master's degree programs to its 900 plus students. Milligan College earned the #6 spot among Best Baccalaureate Colleges in the South in the 2009 edition of "America's Best Colleges" by U.S. News & World Report.

*Source:* Milligan College

*Northeast State Technical Community College* was founded in 1966 as the Tri-Cities State Area Vocational-Technical school. Northeast State is located near Tri-Cities Airport near Blountville in Sullivan County, Tennessee. The fall 2010 enrollment was approximately 6,780 students. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, and Kingsport.

*Source:* Northeast State Technical Community College and TN Higher Education Commission

*The Tennessee Technology Center at Elizabethton.* The Tennessee Technology Center at Elizabethton 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 Elizabethton serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. The Technology Center at Elizabethton began operations in 1963, and the main campus is located in Carter County. The school also has opened instructional sites in Mountain

City, offering Business Systems Technology, and in Kingsport, offering classes in Practical Nursing.

*Source:* Tennessee Technology Centers, Carter County and TN Higher Education Commission

## **MEDICAL**

The Tri-Cities region has 10 acute-care hospitals and many other healthcare facilities. The national healthcare system Health South has the facility HealthSouth Rehabilitation Hospital in Kingsport. Wellmont Health System has several facilities in the area. Wellmont has two facilities in Kingsport: the Holston Valley Medical Center and the Wellmont Madison House. Bristol has four Wellmont facilities: the Bristol Regional Medical Center (an acute-care hospital), the Ridgeview Pavilion (a psychiatric facility), the Wellmont Hospice House and a Wellmont Wellness Center.

*Mountain States Health Alliance.* Mountain States Health Alliance (the “MSHA”) is a locally owned and managed healthcare system based in Johnson City. Formed after Johnson City Medical Center Hospital, Inc. acquired six Columbia/HCA hospitals in Northeast Tennessee on September 1, 1998, it received its official name in January 1999. Today, MSHA provides an integrated, comprehensive continuum of care to people in 28 counties in Tennessee, Virginia, Kentucky, and North Carolina. In addition to the six open hospitals, MSHA's integrated health care delivery system includes 21 primary/preventive care centers and 13 outpatient care sites, including First Assist Urgent Care, Medical Center North, Med-One of Tennessee, MedWorks, Same Day Surgery, Rehab Plus and Gray Physician Group.

In addition to its campuses in Johnson City, Mountain States Health Alliance has two facilities in Kingsport: the Indian Path Medical Center and the Indian Path Pavilion.

*Source:* Mountain States Health Alliance and Johnson City Press

*Franklin Woods Community Hospital.* Franklin Woods Community Hospital, opened in the summer of 2010, was constructed at an estimated cost of approximately \$122 million. It is affiliated with the Mountain States Health Alliance. The new hospital has approximately 240,000 square feet and was built on a 25-acre lot in Johnson City. The hospital includes 80 beds, a 22-bay emergency department, 5 operating rooms with 22 beds, radiology services including two CT scans and a MRI, physical and respiratory therapy, and additional support areas. Of the licensed beds, 20 are dedicated as part of Women’s and Children’s Services. Franklin Woods replaced both the North Side Hospital and the Johnson City Specialty Hospital.

Franklin Woods is said to be the first “Green” hospital in Tennessee, being built to the standards of the U.S. Green Building Council. The design of the Hospital is unlike any other in the region or even the state. This new hospital mixes high-tech with a natural design. Rock formations are utilized to take advantage of natural water flows. Trees are incorporated in the facility and large amounts of glass give everyone inside the hospital the illusion of being outside. Franklin Woods is certified as a Leader in Energy and Environmental Design (LEED) facility. LEED is a nationally accepted benchmark for the design, construction and operation of high-performance green buildings.

*Source:* Mountain States Health Alliance and Johnson City Press

*James H. and Cecile C. Quillen Rehabilitation Hospital.* What began with a small physical therapy department at Johnson City Medical Center in the early 1980s is now The James H. and Cecile C. Quillen Rehabilitation Hospital. Founded in 1998, with the formation of Mountain States Health Alliance, the 60-bed James H. and Cecile C. Quillen Rehabilitation Hospital is the region's first and most comprehensive inpatient rehabilitation hospital. Dedicated to maximizing improvement of function, the staff assists patients with problems related to, but not limited to: brain injury, stroke, amputation, spinal cord injury, burns and other major multiple trauma. The facility is located in Johnson City and is affiliated with the Mountain States Health Alliance.

*Source:* Mountain States Health Alliance and Johnson City Press

*Johnson City Medical Center.* Johnson City Medical Center (the “JCMC”) is the flagship hospital of MSHA. Its predecessor opened in Johnson City in 1911. JCMC is now a 443-bed not-for-profit, comprehensive, acute-care teaching hospital affiliated with East Tennessee State University. JCMC is also a major medical referral center with Level I Trauma Care and is the region's only dedicated emergency medical air transport service. A full range of specialty and subspecialty care services and some of the most advanced diagnostic and surgical techniques are available. JCMC provides private patient rooms and has separate specialized units for newborn, pediatric, medical and surgical intensive care. JCMC is accredited by The Joint Commission. A new pediatric emergency department opened in 2008 and more renovations were completed in 2009. See “RECENT DEVELOPMENTS” for more information.

*Source:* Mountain States Health Alliance and Johnson City Press

*Niswonger Children's Hospital.* Affiliated with MSHA, the Children's Hospital at Johnson City Medical Center was opened in early 2009. Niswonger Children's Hospital, as it is called, features a child-friendly design and separate Emergency Department entrance for pediatric patients. The \$35.5 million facility is named after Greeneville businessman Scott M. Niswonger. Among the offerings within the 82,600-square-foot facility are pediatric operating rooms, pediatric radiology units, pediatric physical therapy space and the region's first pediatric emergency room. The facility is affiliated with St. Jude Children's Research Hospital in Memphis.

*Source:* Mountain States Health Alliance and Johnson City Press

*Woodridge Psychiatric Hospital.* Woodridge Psychiatric Hospital is a 75-bed inpatient provider of mental health and chemical dependency services for children, adolescents and adults age 6 and older. Woodridge leads a team of professionals that includes clinicians, social workers, recreational therapists and psychiatric nurses who will assist the individual with finding the most beneficial level of treatment. The facility is located in Johnson City and is affiliated with MSHA.

*Source:* Mountain States Health Alliance and Johnson City Press

*James H. Quillen VA Medical Center at Mountain Home (the “VAMC”).* Since 1903, James H. Quillen VAMC and its predecessor have served more than 170,000 veterans from a 41-county area of Northeast Tennessee, Southwest Virginia, Western North Carolina, and Southeastern Kentucky. The VAMC at Mountain Home is located in Johnson City on 207 beautifully landscaped acres and shares the West End of its campus with the East Tennessee State University College of Medicine. The VAMC is a teaching hospital and has affiliations with

the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various internships. VAMC Mountain Home has 468 general and 646 domiciliary beds. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the Veterans Administration Hospital completed many renovations including a \$70,000,000 modernization project in conjunction with the facility's role with the East Tennessee State University James H. Quillen College of Medicine. A U. S. National Cemetery is also located on the grounds of the VAMC.

*Source:* United States Department of Veterans Affairs

*Mountain Empire Surgery Center.* Located in Johnson City, the Mountain Empire Surgery Center opened in 1999. It is affiliated with Texas-based United Surgical Partners International, an international surgery company partnered with local physicians. The surgery center performs about 5,000 surgeries each year in four operating rooms. There are about 29 physicians on staff. The state-of-the-art equipment allows surgeons to perform procedures in the specialty areas of Ear, Nose, and Throat, Orthopedics, Pain Management and Podiatry. The facility is accredited by the Joint Commission for the Accreditation of Health Organizations.

*Source:* United Surgical Partners

## **POWER PRODUCTION**

*Boone Dam.* Tennessee Valley Authority's ("TVA") Boone Dam is located in Johnson City on the South Fork Holston River. Construction of Boone Dam began in 1950 and was completed in 1952. Boone Dam is 160 feet high and stretches 1,532 feet across the South Fork Holston River. The three hydroelectric generating units have a generating capacity of 81,000 kilowatts of electricity. Boone Reservoir is located in both Washington and Sullivan Counties.

*Fort Patrick Henry Dam.* Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Construction of the Dam began in 1951 and was completed in 1953. The Dam is 95 feet high and stretches 737 feet across the South Fork Holston River. The generating capacity of Fort Patrick Henry Dam is 59,400 kilowatts of electricity. The Dam was built primarily for hydropower, but it is also used to regulate the flow of water downstream to ensure a reliable supply of water for local industry and for cooling water at TVA's John Sevier Fossil Plant. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam.

*South Holston Dam.* Tennessee Valley Authority's ("TVA") South Holston Dam is located in Sullivan County on the South Fork Holston River. Construction of the dam was begun in 1942 but was halted in favor of other wartime construction efforts. Building resumed in 1947 and was completed in 1950. South Holston Dam is 285 feet high and reaches 1,600 feet across the South Fork Holston River. South Holston is an earth-and-rock fill dam with one hydroelectric unit. The generating capacity of South Holston Dam is 38,500 kilowatts of electricity. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia.

*Watauga Dam.* Tennessee Valley Authority's ("TVA") Watauga Dam is located in Carter County on the Watauga River. Construction of Watauga Dam began in 1942 and was completed in 1948. Watauga Dam is 318 feet high and extends 900 feet across the Watauga River. Watauga has two hydroelectric generating units with a generating capacity of 57,600 kilowatts of electricity. Watauga Reservoir extends 16 miles east from Watauga Dam toward the North Carolina border through Carter and Johnson Counties.

*Source:* Tennessee Valley Authority

## **RECREATION**

There are four Tennessee Valley Authority lakes located in the area that offer opportunities for water skiing, boating and fishing. There are numerous golf courses and other recreational opportunities both indoor and outdoor located in the region. There are many playgrounds and parks as well as college and high school athletics. The St. Louis Cardinals baseball farm team is located in Johnson City. There is a domed athletic complex at East Tennessee State University seating 12,000. The Appalachian Fair is held in late summer at Gray, Tennessee, five miles north of Johnson City, and annually attracts thousands of fair goers.

*Appalachian National Scenic Trail (the "AT").* The Appalachian Trail is a 2,175-mile long footpath stretching through 14 eastern states from Maine to Georgia. It can be accessed in nearby Carter County through the Roan Mountain State Park at Carters Gap. Conceived in 1921 and first completed in 1937, it traverses the wild, scenic, wooded, pastoral, and culturally significant lands of the Appalachian Mountains. The AT is enjoyed by an estimated 4 million people each year.

*Source:* National Park Service

*Cherokee National Forest (the "CNF").* The Cherokee National Forest is located in Eastern Tennessee and stretches from Polk, Monroe, Cocke, Greene, Unicoi, Carter and Johnson Counties along the North Carolina border. The 640,000-acre forest is the largest tract of public land in Tennessee. It lies in the heart of the Southern Appalachian mountain range, one of the world's most diverse areas. These mountains are home to more than 20,000 species of plants and animals. Also popular are the 650 miles of hiking trails and the 500 miles of streams for fishing. Each year millions of people visit Tennessee's Cherokee National Forest, over 2 million in 2010. The area is the former homeland of the Cherokee Indians and is Tennessee's only National Forest. National forests are lands of many uses. The original purpose for their creation was to protect water quality and provide a continuous supply of timber. Today the national forest mission includes outdoor recreation, wildlife and fish habitat, wilderness, water quality, minerals, wood products, and much more.

*Source:* USDA Forest Service

*East Tennessee State University's Memorial Center.* East Tennessee State University's Memorial Center has 12,000 comfortable seats, each with an unimpeded view of the action. The "mini-dome" is climate controlled...designed for fan comfort. The Center has a tartan basketball floor, with two auxiliary floors, a six-lane 1/4 mile tartan track, six handball courts, six tennis courts, a volleyball court, rifle range and a physical education laboratory.

*Source:* Johnson City Economic Development Board

*Freedom Hall Civic Center.* The 7,000 seat arena-style Freedom Hall Civic Center is one of Johnson City's biggest attractions. It serves as a center for entertainment, cultural and educational activities and conventions. One of only two domed athletic complexes on a college campus is located at East Tennessee State University.

*Source:* Johnson City Economic Development Board

*Jonesborough Historic District.* In 1969, Jonesborough became Tennessee's first town to be listed on the national Register of Historic Places. Visitors to Jonesborough begin tours of Tennessee's oldest town at the Visitor's Center, where monthly exhibits feature the works of local artists and craftsmen. The Washington County History Museum is also housed in the Visitor's Center. The International Storytelling Center in Jonesborough annually hosts the world-famous National Storytelling Festival.

*Source:* Johnson City Economic Development Board

*Jonesborough/Washington County History Museum.* The Jonesborough/Washington County History Museum and Archives was founded in 1982. With the formation of the Heritage Alliance in 2001, the museum acquired the Archival collection of the former Historic Jonesborough Foundation, creating a fascinating historical record of the region. In keeping with its mission to preserve and protect the cultural, historical and structural heritage and arts of our region, the Museum and Archives collects material culture for the purpose of enhancing the public's understanding of the social, political, cultural, and economic history of Jonesborough and Washington County. Exhibits provide an excellent orientation to the history of Jonesborough and Washington County from its founding through the early twentieth century. Residents of our region enjoy the opportunity to relive the heady days of Tennessee's oldest town, regaining a sense of place and civic pride. Additionally, the Archives feature a large collection of historic photographs from throughout the region, as well as a collection of books and correspondence covering a range of topics.

*Source:* Town of Jonesborough website

*The Wetlands Water Park.* Located in Jonesborough, this family water park offers a full area of water features ranging from open and enclosed flume slides, water bubblers, tumble buckets, a Lazy River, wadding areas, picnic areas and other outdoor game areas. The park also includes a large pavilion and a full service café. During the summer months, the park is a popular destination for area families.

*Roan Mountain State Park.* Roan Mountain State Park encompasses 2,006 acres of southern Appalachian forest at the base of 6,285 foot Roan Mountain in Carter County. Park elevation ranges from 3,000 feet in the valley to around 3,700 feet on surrounding ridges. Rich hardwood forests allow for a great diversity of life and a wide range of outdoor activities. Park guests have opportunities to hike along creeks and ridges, fish for trout in the Doe River, play tennis, swim, tour a century old farmhouse, join rangers and naturalists for educational programs, and enjoy mountain music concerts. Guests who wish to stay overnight have a choice of RV and tent camping or fully equipped AAA cabins. The Appalachian Trail and famous Rhododendron Gardens of Roan Mountain can be accessed at Carver's Gap, an 8 mile drive from the park. A naturalist is on hand year round to provide programs for visitors to the park and special groups.

*Source:* Tennessee State Parks

*Sycamore Shoals State Historic Park.* Sycamore Shoals State Historic Park is located in Elizabethton in Carter County on the Watauga River. The Park has about 60 acres that offers picnicking, hiking and swimming. The Visitors Center houses an interpretive facility with information, historic displays, and a theater.

*Source:* Tennessee State Parks

*Warriors' Path State Park.* Warriors' Path State Park is located in Kingsport in Sullivan County. It was named for the park's proximity to the ancient war and trading path used by the Cherokee. Since that time, the park land has known a long history of travelers, and is still a pathway for modern-day outdoor enthusiasts. The 950-acre area was acquired from the Tennessee Valley Authority in 1952, to serve the people who live in or visit this section of Northeast Tennessee. It is situated on the shores of TVA's Patrick Henry Reservoir on the Holston River. The park offers boating, fishing, many hiking trails, campsites, picnic facilities and a swimming pool.

*Source:* Tennessee State Parks

## MANUFACTURING AND COMMERCE

Johnson City's and the region's economy has a strong base of institutional employment that has traditionally helped insulate the area from downturns on the national and state level.

The following list depicts major sources of employment in the County:

### Major Employers in and around Johnson City and Jonesborough

<u>Employer</u>	<u>Product/Services</u>	<u>Employment</u>
Mountain States Health Alliance	Healthcare	3,541
East Tennessee State University	Education	2,330
Citi Commerce Solution	Credit Card Programs	2,050
Veterans Administration Hospital	Healthcare	1,592
Advance Call Center Tech	Communications	1,400
AO Smith (American Water Heater Group)	Water Heaters	1,220
Washington County School System	Education	1,200
Frontier Health	Rehabilitative Healthcare	1,200
Johnson City School System	Education	901
City of Johnson City	Government	883
AT&T Mobility	Communications	650
TPI Corporation	Electric Heating Equip	541
Kennametal, Inc.	Carbide Alloys	342
Alemite Corporation (ALLC)	Lubrication Systems	325
Arbor Craft Floors	Hardwood Flooring	275
Dentsply Tulsa Denta Products	Dental Instruments	255

*Source:* Department of Economic & Community Development Board and Johnson City / Washington County Economic Development Board - 2011

The following is a list of the major sources of employment in Tri-Cities area (nearby Kingsport and Bristol in Sullivan County):

**Major Employers in the Remaining Tri-Cities Area**

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Eastman Chemical Company	Kingsport	Chemicals, Fibers, Plastics	6,525
Wellmont Health Systems	Kingsport	Healthcare	2,624
Wellmont Health System	Bristol	Hospital	1,748
Brock	Kingsport	Construction Management	1,550
Kingsport City Schools	Kingsport	Education	1,013
Jacobs	Kingsport	Engineering	866
Holston Medical Group	Kingsport	Healthcare	845
Mountain States Health	Kingsport	Healthcare	815
Wal-Mart	Kingsport	Retail	789
City of Kingsport	Kingsport	Government	736
BAE Systems	Kingsport	Chemicals & Explosives	542
Pfizer	Bristol	Pharmaceuticals	510
AGC Flat Glass	Kingsport	Glass	500
Edwards & Associates	Bristol	Helicopter Components	500
Bristol School System	Bristol	Education	417
Exide Battery Plant	Bristol	Batteries	414
Domtar (Weyerhaeuser Co.)	Kingsport	Paper	335
City of Bristol	Bristol	Government	334
Bristol Metals	Bristol	Metal Fabricating	306
Robinette Company	Bristol	Printed Roll Stock	300
Wal-Mart	Bristol	Retail	300
Lowe's	Bristol	Retail	250
AH Schreiber Company	Bristol	Swimwear	250
Modern Forge of TN	Bristol	Drop Forgings	240

*Source:* Department of Economic & Community Development Board, Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee, and Comprehensive Annual Financial Reports of the City of Bristol, Tennessee - 2011



## EMPLOYMENT INFORMATION

For the month of April 2012, the unemployment rate for Washington County stood at 6.4% with 60,320 persons employed out of a labor force of 64,430.

The Johnson City MSA's unemployment for April 2012 was at 6.8% with 94,880 persons employed out of a labor force of 101,840. The unemployment rate for April 2012 in the Tri-Cities CSA stood at 6.9%, representing 232,910 persons employed out of a workforce of 250,220.

### Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
National	4.6%	5.8%	9.3%	9.6%	8.9%
Tennessee	4.7%	6.4%	10.5%	9.7%	9.2%
<b>Washington County</b>	<b>4.1%</b>	<b>5.5%</b>	<b>8.8%</b>	<b>8.3%</b>	<b>7.8%</b>
Index vs. National	89	95	95	86	88
Index vs. State	87	86	84	85	85
<b>Johnson City MSA</b>	<b>4.4%</b>	<b>5.9%</b>	<b>9.5%</b>	<b>8.9%</b>	<b>8.4%</b>
Index vs. National	96	102	102	93	94
Index vs. State	94	92	90	92	91
<b>Tri-Cities CSA</b>	<b>4.4%</b>	<b>7.3%</b>	<b>9.4%</b>	<b>8.8%</b>	<b>8.2%</b>
Index vs. National	96	126	101	92	92
Index vs. State	94	112	90	91	89

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

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
National	\$35,424	\$37,698	\$39,461	\$40,674	\$39,635
Tennessee	\$31,302	\$32,881	\$34,237	\$35,119	\$34,277
<b>Washington County</b>	<b>\$28,735</b>	<b>\$30,413</b>	<b>\$32,313</b>	<b>\$33,985</b>	<b>\$33,391</b>
Compared to National	81%	81%	82%	84%	84%
Compared to State	92%	92%	94%	97%	97%
<b>Johnson City MSA</b>	<b>\$26,731</b>	<b>\$28,170</b>	<b>\$29,927</b>	<b>\$31,200</b>	<b>\$30,778</b>
Compared to National	75%	75%	76%	77%	78%
Compared to State	85%	86%	87%	89%	90%
<b>Tri-Cities CSA</b>	<b>\$27,078</b>	<b>\$28,748</b>	<b>\$30,340</b>	<b>\$31,718</b>	<b>\$31,381</b>
Compared to National	76%	76%	77%	78%	79%
Compared to State	87%	87%	89%	90%	92%

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Washington County</u>	<u>Johnson City</u>
Median Value Owner Occupied Housing	\$188,400	\$134,100	\$136,700	\$145,800
% High School Graduates or Higher Persons 25 Years Old and Older	85.0%	82.5%	84.4%	85.6%
% Persons with Income Below Poverty Level	13.8%	16.5%	16.9%	22.0%
Median Household Income	\$51,914	\$43,314	\$41,256	\$37,047

Source: U.S. Census Bureau State & County QuickFacts - 2010

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## FINANCIAL INFORMATION

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers property taxes as available if they are

collected within 60 days after year end. A 120-day availability period is used for revenue recognition for all grant revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Certain revenues are required to be and are recognized in the General Fund as a receivable at June 30 and either as revenue or deferred revenue, depending upon revenue recognition policies of the entity. The following items for the Town are accrued: In-Lieu of Tax for TVA, Hotel and Motel tax, Local sales tax, State Telecommunications tax, State Income tax, State Beer tax, Gas/motor fuel tax, Corporate Excise tax and Local Property tax.

Litigation tax, business tax, fines, forfeitures and penalties are required to be recognized as earned; however, they are not measurable or estimable and generally, are not material to the financial statements. Therefore, they are not recognized as revenue until received.

The Town reports the following major governmental fund:

The *general* fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *water and sewer fund* is used to account for the provision of water and sewer service to the residents of the Town. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and financing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost 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. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Source: Audited Financial Statements of the Town

### FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances and net assets for the last 5 fiscal years ending June 30<sup>th</sup>:

<u>Fund Type</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General	\$958,070	\$884,722	\$595,570	\$404,000	\$255,041
Other Governmental	<u>70,429</u>	<u>207,499</u>	<u>184,929</u>	<u>167,283</u>	<u>147,002</u>
Total:	<u>1,028,499</u>	<u>1,092,221</u>	<u>780,499</u>	<u>\$571,831</u>	<u>\$402,043</u>
<i>Proprietary</i> <i>Net</i>					
<i>Assets</i>					
Water and Sewer	\$16,244,990	\$15,685,898	\$15,691,235	\$15,974,329	\$15,486,837

Source: Audited Financial Statements of the Town

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**TOWN OF JONESBOROUGH, TENNESSEE**  
**SUMMARY OF BONDED INDEBTEDNESS**  
As of June 30, 2011

The following section outlines various important factors related to the outstanding debt of the Town.

<b>Amount Issued - (1)</b>	<b>Purpose</b>	<b>Due Date</b>	<b>Interest Rates</b>	<b>Debt Outstanding</b>
\$ 300,000	General Obligation Capital Outlay Note, Series 2005	December 2015	Fixed	\$ 150,821
135,000	General Obligation Capital Outlay Note, Series 2007	April 2012	Fixed	20,382
185,000	General Obligation Capital Outlay Note, Series 2007	October 2012	Fixed	51,707
400,000	General Obligation Capital Outlay Notes, Series 2009	September 2014	Fixed	221,841
875,000	General Obligation Refunding Bonds, Series 2009 - General Portion	June 2025	Fixed	640,000
100,000	General Obligation Capital Outlay Notes, Series 2010	June 2013	Fixed	67,474
220,000	General Obligation Capital Outlay Notes, Series 2011	May 2016	Fixed	216,541
500,000	Rural Development Loan, 2001	2040	Fixed	444,527
4,200,000	Rural Development Loan, 2006 (Feb.)	2044	Fixed	3,938,459
1,000,000	Rural Development Loan, 2006 (Oct.)	2045	Fixed	946,516
300,000	Water and Sewer Capital Outlay Note, Series 2007	2013	Fixed	83,849
300,000	\$300,000 General Obligation Capital Outlay Notes, Series 2009	May 2014	Fixed	175,862
270,000	\$270,000 General Obligation Capital Outlay Notes, Series 2009	September 2015	Fixed	175,388
426,347	State of Tennessee Public Health Loan Program General Obligation Refunding Bonds, Series 2009 - Water Sewer Portion	June 2017	Variable	237,967
7,480,000		June 2025	Fixed	5,840,000
\$ 16,691,347	<b>Total Existing Debt</b>			\$ 13,211,334
\$5,385,000	General Obligation Refunding Bonds, Series 2012		Fixed - (2)	5,385,000
(5,254,820)	Less: Debt Refunded			(5,254,820)
\$ 16,821,527	<b>Total Debt Authorized and/or Outstanding After Issuance</b>			\$ 13,341,514
(14,606,527)	Less: Self Supported Obligations			(11,972,748)
\$ 2,215,000	<b>Net Bonded Debt</b>			\$ 1,368,766

(1) Does not include capitalized leases outstanding or compensated absences.

(2) Est. TIC - 3.55%.

**TOWN OF JONESBOROUGH, TENNESSEE**  
**INDEBTEDNESS AND DEBT RATIOS**

**INTRODUCTION**

The information set forth in the following table is based upon information derived in part from the Comprehensive Financial Reports of the Town and Financial information provided by the Town. These tables should be read in conjunction with those statements which are included herein. The table does not include future funding plans of the Town, if any.

INDEBTEDNESS	For the Fiscal Year Ended June 30							
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>After Issuance</u>
<b>TAX SUPPORTED</b>								
General Obligation Bonds & Notes - (1)	\$ 1,892,203	\$ 2,135,435	\$ 1,914,574	\$ 1,731,912	\$ 1,754,029	\$ 1,131,090	\$ 1,368,766	\$ 1,368,766
<b>TOTAL TAX SUPPORTED</b>	<u>\$ 1,892,203</u>	<u>\$ 2,135,435</u>	<u>\$ 1,914,574</u>	<u>\$ 1,731,912</u>	<u>\$ 1,754,029</u>	<u>\$ 1,131,090</u>	<u>\$ 1,368,766</u>	<u>\$ 1,368,766</u>
<b>REVENUE SUPPORTED</b>								
Water and Sewer Debt	\$ 10,245,786	\$ 14,021,118	\$ 14,434,268	\$ 14,062,263	\$ 13,993,075	\$ 11,883,711	\$ 11,972,748	\$ 11,972,748
<b>TOTAL REVENUE SUPPORTED</b>	<u>\$ 10,245,786</u>	<u>\$ 14,021,118</u>	<u>\$ 14,434,268</u>	<u>\$ 14,062,263</u>	<u>\$ 13,993,075</u>	<u>\$ 11,883,711</u>	<u>\$ 11,972,748</u>	<u>\$ 11,842,568</u>
<b>TOTAL DEBT</b>	<u>\$ 12,137,989</u>	<u>\$ 16,156,553</u>	<u>\$ 16,348,842</u>	<u>\$ 15,794,175</u>	<u>\$ 15,747,104</u>	<u>\$ 13,014,801</u>	<u>\$ 13,341,514</u>	<u>\$ 13,211,334</u>
Less: Revenue Supported Debt	\$ (10,245,786)	\$ (14,021,118)	\$ (14,434,268)	\$ (14,062,263)	\$ (13,993,075)	\$ (11,883,711)	\$ (11,972,748)	\$ (11,842,568)
Less: Debt Service Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET DIRECT DEBT</b>	<u>\$ 1,892,203</u>	<u>\$ 2,135,435</u>	<u>\$ 1,914,574</u>	<u>\$ 1,731,912</u>	<u>\$ 1,754,029</u>	<u>\$ 1,131,090</u>	<u>\$ 1,368,766</u>	<u>\$ 1,368,766</u>
<b>OVERLAPPING DEBT - (2)</b>	<u>\$ 1,349,396</u>	<u>\$ 1,474,247</u>	<u>\$ 11,920,377</u>	<u>\$ 11,500,784</u>	<u>\$ 11,060,450</u>	<u>\$ 11,253,333</u>	<u>\$ 11,278,615</u>	<u>\$ 11,278,615</u>
<b>NET DIRECT &amp; OVERLAPPING DEBT</b>	<u>\$ 3,241,599</u>	<u>\$ 3,609,682</u>	<u>\$ 13,834,951</u>	<u>\$ 13,232,696</u>	<u>\$ 12,814,479</u>	<u>\$ 12,384,423</u>	<u>\$ 12,647,381</u>	<u>\$ 12,647,381</u>

<b>PROPERTY TAX BASE - (3)</b>								
Estimated Actual Value	\$ 258,287,533	\$ 269,774,674	\$ 316,187,951	\$ 343,657,050	\$ 400,449,948	\$ 444,186,125	\$ 454,561,957	\$ 456,025,469
Appraised Value	258,287,533	269,774,674	286,276,571	311,147,093	325,766,033	444,186,125	454,561,957	456,025,469
Assessed Value	75,837,701	78,763,038	83,299,236	89,819,984	94,140,857	128,120,286	131,221,326	131,532,569

Source: Tax Aggregate Reports and Town of Jonesborough

(1) Does not include compensated absences, capitalized leases. See the Notes to the Financial Statements herein for additional details.

(2) OVERLAPPING DEBT Includes the Town's portion of the Washington County's debt based on and/or estimated from best available information.

<u>DEBT RATIOS</u>	<u>For Fiscal Years Ended June 30</u>							
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>After Issuance</u>
TOTAL DEBT to Estimated Actual Value	4.70%	5.99%	5.17%	4.60%	3.93%	2.93%	2.94%	2.90%
TOTAL DEBT to Appraised Value	4.70%	5.99%	5.71%	5.08%	4.83%	2.93%	2.94%	2.90%
TOTAL DEBT to Assessed Value	16.01%	20.51%	19.63%	17.58%	16.73%	10.16%	10.17%	10.04%
NET DIRECT DEBT to Estimated Actual Value	0.73%	0.79%	0.61%	0.50%	0.44%	0.25%	0.30%	0.30%
NET DIRECT DEBT to Appraised Value	0.73%	0.79%	0.67%	0.56%	0.54%	0.25%	0.30%	0.30%
NET DIRECT DEBT to Assessed Value	2.50%	2.71%	2.30%	1.93%	1.86%	0.88%	1.04%	1.04%
OVERLAPPING DEBT to Estimated Actual Value	0.52%	0.55%	3.77%	3.35%	2.76%	2.53%	2.48%	2.47%
OVERLAPPING DEBT to Appraised value	0.52%	0.55%	4.16%	3.70%	3.40%	2.53%	2.48%	2.47%
OVERLAPPING DEBT to Assessed Value	1.78%	1.87%	14.31%	12.80%	11.75%	8.78%	8.60%	8.57%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	1.26%	1.34%	4.38%	3.85%	3.20%	2.79%	2.78%	2.77%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	1.26%	1.34%	4.83%	4.25%	3.93%	2.79%	2.78%	2.77%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	4.27%	4.58%	16.61%	14.73%	13.61%	9.67%	9.64%	9.62%
<u>PER CAPITA RATIOS</u>								
POPULATION (1)	4,554	4,884	5,177	5,355	5,469	5,051	5,051	5,051
PER CAPITA PERSONAL INCOME (2)	\$28,729	\$30,402	\$32,313	\$33,985	\$33,391	\$33,391	\$33,391	\$33,391
Estimated Actual Value to POPULATION	\$56,717	\$55,236	\$61,076	\$64,175	\$73,222	\$87,940	\$89,994	\$90,284
Assessed Value to POPULATION	\$16,653	\$16,127	\$16,090	\$16,773	\$17,214	\$25,365	\$25,979	\$26,041
Total Debt to POPULATION	\$2,665	\$3,308	\$3,158	\$2,949	\$2,879	\$2,577	\$2,641	\$2,616
Net Direct Debt to POPULATION	\$416	\$437	\$370	\$323	\$321	\$224	\$271	\$271
Overlapping Debt to POPULATION	\$296	\$302	\$2,303	\$2,148	\$2,022	\$2,228	\$2,233	\$2,233
Net Direct & Overlapping Debt to POPULATION	\$712	\$739	\$2,672	\$2,471	\$2,343	\$2,452	\$2,504	\$2,504
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	9.28%	10.88%	9.77%	8.68%	8.62%	7.72%	7.91%	7.83%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	1.45%	1.44%	1.14%	0.95%	0.96%	0.67%	0.81%	0.81%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.03%	0.99%	7.13%	6.32%	6.06%	6.67%	6.69%	6.69%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	2.48%	2.43%	8.27%	7.27%	7.02%	7.34%	7.50%	7.50%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and subsequent population estimates.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.



**TOWN OF JONESBOROUGH, TENNESSEE**  
**GENERAL BONDED DEBT SERVICE REQUIREMENTS**  
As of June 30, 2011

FY Ended <u>6/30</u>	Existing General Obligation Debt			% Principal Repaid
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	
2012	\$ 372,212	\$ 42,134	\$ 414,346	
2013	285,534	30,823	316,357	
2014	154,882	23,724	178,606	
2015	145,490	19,087	164,577	
2016	125,648	14,202	139,850	79.18%
2017	70,000	10,788	80,788	
2018	70,000	7,988	77,988	
2019	75,000	5,800	80,800	
2020	70,000	2,800	72,800	100.00%
	<u>\$ 1,368,766</u>	<u>\$ 157,346</u>	<u>\$ 1,526,112</u>	

**NOTES:**

(1) The above figures do not include capital leases outstanding, if any. For more information, see the notes to the Financial Statements in the Financial Statements and Supplemental Information with Independent Auditor's Report included herein.

**TOWN OF JONESBOROUGH, TENNESSEE**  
**WATER AND SEWER BONDED DEBT SERVICE REQUIREMENTS**  
As of June 30, 2011

FY Ended 6/30	Existing Water and Sewer Supported Debt - (1)			Less:			Current Issues - (3)			Total Bonded Water and Sewer Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal - (2)	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2012	\$ 1,046,748	\$ 462,139	\$ 1,508,887	(1,728)	(5,277)	(7,005)	-	-	-	1,045,021	456,862	1,501,882	
2013	796,697	428,724	1,225,421	(79,877)	(231,487)	(311,364)	150,000	156,812	306,812	866,820	354,049	1,220,869	
2014	813,298	402,658	1,215,957	(83,503)	(227,861)	(311,364)	150,000	156,765	306,765	879,795	331,563	1,211,358	
2015	732,794	376,659	1,109,453	(87,294)	(224,070)	(311,364)	150,000	155,205	305,205	795,500	307,794	1,103,294	
2016	769,866	346,687	1,116,553	(91,258)	(220,106)	(311,364)	150,000	153,420	303,420	828,608	280,001	1,108,609	36.88%
2017	792,406	321,312	1,113,718	(95,402)	(215,962)	(311,364)	155,000	151,320	306,320	852,004	256,670	1,108,674	
2018	779,735	288,679	1,068,414	(99,735)	(211,629)	(311,364)	155,000	148,871	303,871	835,000	225,921	1,060,921	
2019	799,265	262,899	1,062,164	(104,265)	(207,099)	(311,364)	160,000	146,081	306,081	855,000	201,881	1,056,881	
2020	809,001	230,363	1,039,364	(109,001)	(202,363)	(311,364)	160,000	142,833	302,833	860,000	170,833	1,030,833	
2021	113,953	197,411	311,364	(113,953)	(197,411)	(311,364)	165,000	139,297	304,297	165,000	139,297	304,297	66.67%
2022	119,130	192,234	311,364	(119,130)	(192,234)	(311,364)	170,000	135,486	305,486	170,000	135,485	305,485	
2023	124,544	186,820	311,364	(124,544)	(186,820)	(311,364)	175,000	131,389	306,389	175,000	131,388	306,388	
2024	130,204	181,160	311,364	(130,204)	(181,160)	(311,364)	180,000	126,996	306,996	180,000	126,996	306,996	
2025	136,122	175,242	311,364	(136,122)	(175,242)	(311,364)	185,000	122,298	307,298	185,000	122,298	307,298	
2026	142,310	169,054	311,364	(142,310)	(169,054)	(311,364)	190,000	117,285	307,285	190,000	117,285	307,284	75.82%
2027	148,780	162,584	311,364	(148,780)	(162,584)	(311,364)	195,000	111,851	306,851	195,000	111,850	306,851	
2028	155,545	155,819	311,364	(155,545)	(155,819)	(311,364)	200,000	106,079	306,079	200,000	106,079	306,078	
2029	162,618	148,746	311,364	(162,618)	(148,746)	(311,364)	205,000	99,959	304,959	205,000	99,958	304,959	
2030	170,014	141,350	311,364	(170,014)	(141,350)	(311,364)	210,000	93,378	303,378	210,000	93,378	303,378	
2031	177,747	133,617	311,364	(177,747)	(133,617)	(311,364)	220,000	86,427	306,427	220,000	86,427	306,427	82.79%
2032	185,833	125,531	311,364	(185,833)	(125,531)	(311,364)	225,000	78,815	303,815	225,000	78,815	303,815	
2033	194,288	117,076	311,364	(194,288)	(117,076)	(311,364)	235,000	70,805	305,805	235,000	70,805	305,805	
2034	203,129	108,235	311,364	(203,129)	(108,235)	(311,364)	245,000	62,251	307,251	245,000	62,251	307,251	
2035	212,373	98,991	311,364	(212,373)	(98,991)	(311,364)	250,000	53,137	303,137	250,000	53,137	303,137	
2036	222,039	89,325	311,364	(222,039)	(89,325)	(311,364)	260,000	43,637	303,637	260,000	43,637	303,637	92.94%
2037	232,146	79,218	311,364	(232,146)	(79,218)	(311,364)	270,000	33,549	303,549	270,000	33,549	303,549	
2038	242,715	68,649	311,364	(242,715)	(68,649)	(311,364)	280,000	22,857	302,857	280,000	22,857	302,857	
2039	253,194	57,598	310,792	(253,194)	(57,598)	(310,792)	295,000	11,741	306,741	295,000	11,741	306,741	100.00%
2040	234,639	46,785	281,424	(234,639)	(46,785)	(281,424)	-	-	-	-	-	-	
2041	245,112	36,312	281,424	(245,112)	(36,312)	(281,424)	-	-	-	-	-	-	
2042	256,054	25,370	281,424	(256,054)	(25,370)	(281,424)	-	-	-	-	-	-	
2043	267,484	13,940	281,424	(267,484)	(13,940)	(281,424)	-	-	-	-	-	-	
2044	163,302	3,072	166,374	(163,302)	(3,072)	(166,374)	-	-	-	-	-	-	
2045	9,484	55	9,538	(9,484)	(55)	(9,538)	-	-	-	-	-	-	
	<u>\$ 11,842,568</u>	<u>\$ 5,834,315</u>	<u>\$ 17,676,883</u>	<u>\$ (5,254,820)</u>	<u>\$ (4,460,049)</u>	<u>\$ (9,714,869)</u>	<u>\$ 5,385,000</u>	<u>\$ 2,858,541</u>	<u>\$ 8,243,541</u>	<u>\$ 11,972,748</u>	<u>\$ 4,232,807</u>	<u>\$ 16,205,555</u>	

**NOTES:**

- (1) The above figures do not include capital leases outstanding, if any. For more information, see the notes to the Financial Statements in the Financial Statements and Supplemental Information with Independent Auditor's Report included herein.
- (2) For more information on Outstanding Obligations to be refinanced, see the section entitled SECURITIES OFFERED - Refunding Plan.
- (3) Est. TIC - 3.55%.

**TOWN OF JONESBOROUGH, TENNESSEE**

Summary of Revenues, Expenditures and  
Changes In Fund Balances - General Fund  
For the Fiscal Year Ended June 30

	<b>For the Fiscal Year Ended June 30</b>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>							
Taxes	\$ 2,337,797	\$ 2,507,051	\$ 2,648,512	\$ 2,812,765	\$ 3,020,771	\$ 3,307,529	\$ 3,318,699
Licenses and Permits	47,836	80,796	64,728	58,728	55,853	27,086	34,397
Intergovernmental	779,876	788,064	704,345	733,180	709,716	723,856	825,486
Charges for Services	94,765	94,565	147,897	102,471	99,626	100,175	100,975
Water Park	421,905	502,451	548,105	534,250	545,556	547,248	611,728
Contribution and Donations	-	-	-	-	-	-	233,305
Grant Income	279,421	277,700	153,732	213,240	110,659	28,636	-
Fines and Forfeitures	134,427	155,713	106,739	129,153	180,980	258,032	185,023
Department of Recreation	-	-	-	-	-	-	227,989
Interest Earned	3,256	7,124	13,788	16,796	4,962	3,977	2,542
Miscellaneous	261,571	372,348	401,374	439,771	399,333	354,417	70,442
<b>Total Revenues</b>	<b>\$ 4,099,283</b>	<b>\$ 4,413,464</b>	<b>\$ 4,789,220</b>	<b>\$ 5,040,354</b>	<b>\$ 5,127,456</b>	<b>\$ 5,350,956</b>	<b>\$ 5,610,586</b>
<b>Expenditures:</b>							
General Government	\$ 770,509	\$ 722,624	\$ 621,719	\$ 802,531	\$ 710,384	\$ 771,493	\$ 835,193
Public Safety	1,168,226	1,290,634	1,321,834	1,408,010	1,485,569	1,531,957	1,426,213
Street Department	502,295	569,953	589,386	591,858	639,338	1,007,164	755,599
Community Development	219,193	224,281	256,998	-	-	-	-
Culture and Recreation	532,845	698,960	687,720	-	-	-	-
Other Expenses	-	6,098	-	-	-	-	-
Garage	-	-	-	92,667	102,163	102,956	100,965
Senior Center	-	-	-	234,620	251,434	293,203	297,191
Park and Recreation	-	-	-	389,594	439,543	448,894	642,608
Visitor's Center	-	-	-	371,175	330,858	401,085	407,056
Water Park	247,887	315,421	291,230	327,868	373,275	426,586	445,896
Debt Service	567,276	465,443	608,298	603,094	407,882	384,833	523,444
Capital Outlay	262,090	1,047,525	364,186	320,154	236,712	720,106	398,797
<b>Total Expenditures</b>	<b>\$ 4,270,321</b>	<b>\$ 5,340,939</b>	<b>\$ 4,741,371</b>	<b>\$ 5,141,571</b>	<b>\$ 4,977,158</b>	<b>\$ 6,088,277</b>	<b>\$ 5,832,962</b>
Excess of Revenues Over (Under) Expenditures	\$ (171,038)	\$ (927,475)	\$ 47,849	\$ (101,217)	\$ 150,298	\$ (737,321)	\$ (222,376)
<b>Other Financing Sources (Uses):</b>							
Operating Transfers	\$ 40,724	\$ 40,000	\$ 40,000	\$ 40,724	\$ 40,724	\$ 40,724	\$ 40,724
Debt Proceeds	75,000	706,643	235,000	210,000	-	-	-
Debt Issuance - Capital Outlay Notes	-	-	-	-	-	500,000	220,000
Refunded Bonds Issued	-	-	-	-	-	875,000	-
Debt Issuance - Bond Premium	-	-	-	-	-	30,178	-
Capital Leases	-	-	-	-	-	462,873	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(882,302)	-
Transfer from Capital Projects	-	84,288	-	-	-	-	35,000
<b>Total</b>	<b>\$ 115,724</b>	<b>\$ 830,931</b>	<b>\$ 275,000</b>	<b>\$ 250,724</b>	<b>\$ 40,724</b>	<b>\$ 1,026,473</b>	<b>\$ 295,724</b>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ (55,314)	\$ (96,544)	\$ 322,849	\$ 149,507	\$ 191,022	\$ 289,152	\$ 73,348
<b>Fund Balance July 1</b>	<b>\$ (549,869)</b>	<b>\$ (343,612)</b>	<b>\$ (67,808)</b>	<b>\$ 255,041</b>	<b>\$ 404,548</b>	<b>\$ 595,570</b>	<b>\$ 884,722</b>
Adjustments	-	-	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ (605,183)</b>	<b>\$ (440,156)</b>	<b>\$ 255,041</b>	<b>\$ 404,548</b>	<b>\$ 595,570</b>	<b>\$ 884,722</b>	<b>\$ 958,070</b>

Source: Financial Statements and Supplemental Information with Independent Auditor's Reports.

**TOWN OF JONESBOROUGH, TENNESSEE**

Summary of Revenues, Expenses and  
Changes in Net Assets - Water and Sewer

	For the Fiscal Year Ended June 30						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Operating Revenues</b>							
Charges for Services	\$ 4,166,221	\$ 4,443,837	\$ 4,888,111	\$ 5,204,113	\$ 5,162,584	\$ 5,494,199	\$ 5,727,587
<b>Total Operating Revenues</b>	\$ 4,166,221	\$ 4,443,837	\$ 4,888,111	\$ 5,204,113	\$ 5,162,584	\$ 5,494,199	\$ 5,727,587
<b>Operating Expenses</b>							
Operations, Administration, & General	\$ 2,620,678	\$ 2,950,182	\$ 3,108,877	\$ 3,255,401	\$ 3,824,788	\$ 3,990,797	\$ 3,776,242
Depreciation	651,019	669,416	704,212	945,031	972,097	965,061	1,016,165
<b>Total Operating Expenses</b>	\$ 3,271,697	\$ 3,619,598	\$ 3,813,089	\$ 4,200,432	\$ 4,796,885	\$ 4,955,858	\$ 4,792,407
<b>Operating Income</b>	\$ 894,524	\$ 824,239	\$ 1,075,022	\$ 1,003,681	\$ 365,699	\$ 538,341	\$ 935,180
<b>Non-Operating Revenues (Expenses)</b>							
Interest Income	7,547	12,166	19,758	23,588	22,260	7,106	4,295
Interest Expense and Fiscal Charges	(564,606)	(624,491)	(720,796)	(713,789)	(677,334)	(478,974)	(513,041)
Grant Revenue	1,007,504	2,284,115	450,200	-	-	-	173,382
Auction Proceeds	-	5,060	-	-	-	-	-
Gain on Sale of Assets	34,500	-	-	-	-	-	-
Miscellaneous	26,892	15,945	1,094	425	-	-	-
Amortization	(73,127)	(73,146)	(73,320)	(70,319)	(60,795)	(31,086)	-
<b>Total Non-Operating Rev. (Exp.)</b>	\$ 438,710	\$ 1,619,649	\$ (323,064)	\$ (760,095)	\$ (715,869)	\$ (502,954)	\$ (335,364)
<b>Income Before Contributions and Transfers</b>	\$ 1,333,234	\$ 2,443,888	\$ 751,958	\$ 243,586	\$ (350,170)	\$ 35,387	\$ 599,816
Contributions - Capital Grant Revenue	\$ -	\$ -	\$ -	\$ 284,630	\$ 107,800	\$ -	\$ -
Transfers Out	(40,724)	(40,000)	(40,000)	(40,724)	(40,724)	(40,724)	(40,724)
<b>Change in Net Assets</b>	\$ 1,292,510	\$ 2,403,888	\$ 711,958	\$ 487,492	\$ (283,094)	\$ (5,337)	\$ 559,092
<b>Net Assets - PY</b>	\$ 11,078,481	\$ 12,370,991	\$ 14,774,879	\$ 23,655,119	\$ 15,974,329	\$ 15,691,235	\$ 15,685,898
Prior Year Corrections/Other	-	-	-	-	-	-	-
<b>Net Assets - PY (Restated)</b>	11,078,481	12,370,991	14,774,879	15,486,837	15,974,329	15,691,235	15,685,898
<b>Net Assets</b>	<b>\$ 12,370,991</b>	<b>\$ 14,774,879</b>	<b>\$ 15,486,837</b>	<b>\$ 15,974,329</b>	<b>\$ 15,691,235</b>	<b>\$ 15,685,898</b>	<b>\$ 16,244,990</b>

Source: Audited Financial Statements of Jonesborough, Tennessee.  
For additional information, please see the individual Audited Financial Statements for each year.

## **BUDGETARY PROCESS**

The Town authorizes an annual operating budget ordinance for expenditures and related estimated revenues for the General Fund and all Special Revenue funds. The Town's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the year. The Statement of Budget to Actual for the General Fund is as originally adopted or as amended by the Board of Mayor and Aldermen. The budgetary basis only differs from accounting principles generally accepted in the United States of America concerning the reporting of property tax collections. The budget is prepared using the actual cash collections expected. The actual amounts reported by the modified accrual basis are immaterially different from the cash basis used for the budget. The Board of Mayor and Aldermen prepare a tentative appropriation ordinance from detailed information obtained from various departments of the Town and compiled by the Town Administrator. Two readings of the appropriation ordinance must be approved on or before June 30<sup>th</sup>, after which the new budget goes into effect.

Source: Audited Financial Statements of the Town

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Deposits include demand deposits, passbook savings accounts and certificates of deposit. The certificates of deposit include those with original maturity of three months or less which are recorded as certificates of deposit--cash equivalents, and those with original maturities greater than three months but less than one year which are recorded as certificates of deposit--long-term. The Town of Jonesborough is responsible for receiving and disbursing funds of the Town. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

**DEPOSITS:** All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

**INVESTMENTS:** State statutes authorize the Town to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States government or any of its agencies; obligations of the United States government or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The

State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

Source: Audited Financial Statements of the Town

## PROPERTY TAX

*Introduction.* Washington County and the Town are authorized to levy a tax on all property within the County and the Town without limitation as to rate or amount.

In accordance with the State constitutional and statutory provisions, all real and personal property is assessed by the County Property Tax Assessor. Most utility property is assessed directly by the State. All property taxes are due on October 1<sup>st</sup> of each year based upon appraisals as of January 1<sup>st</sup> of the same calendar year. All property taxes are delinquent on June 1<sup>st</sup> of the subsequent calendar year. Delinquent taxes begin accumulating interest and penalties on that date. In order to collect delinquent taxes, lawsuits must be filed in Chancery Court within a ten-year period of the delinquency date. After the Chancery Court is filed by the County or the Town, additional costs are incurred and attached to delinquent property

*Reappraisal Program.* Title 67, Chapter 5, Part 16, *Tennessee Code Annotated*, as supplemented and amended requires that all property in the State will be reappraised on a continuous cycle composed of an on-sight review of each parcel. Periodic valuations and indices are established for the jurisdiction by the State Board of Equalization in order to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, *Tennessee Code Annotated*. The State Board of Equalization is also required to consider a plan submitted by a local assessor that may be used in lieu of indexing which would have the effect of maintaining real property values at full value.

Title 67, Chapter 5, Part 17, *Tennessee Code Annotated*, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same *ad valorem* tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a county or a Town complies with State law and certifies a tax rate which provides the same property tax revenue as was collected for reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue.

*Assessed Valuations.* The Washington County is on a five-year appraisal cycle. The most recent County-wide appraisal took place in 2009 (fiscal year 2010). The next County-wide appraisal will be effective in 2014 (fiscal year 2015). A ratio adjustment was done in 2011 and

another is scheduled for 2013. Public utility assessments have been equalized and certified by the State after adjustment resulting from reappraisals or from sales studies.

The following chart depicts selected assessed values and estimated actual values for the most recent ten tax years:

<b>Real Property</b>										
<b>FY</b>	<b>Tax Year</b>	<b>Commercial/Industrial<sup>(1)</sup></b>	<b>Residential</b>	<b>Farm/Other Property<sup>(2)</sup></b>	<b>Tangible/Intangible Personal Property<sup>(3)</sup></b>	<b>Public Utility Property</b>	<b>Total Assessed Value</b>	<b>Appraisal Ratio</b>	<b>Estimated Actual Value</b>	<b>Direct Tax Rate<sup>(4)</sup></b>
2012	2011	\$40,101,400	\$79,841,225	\$1,401,925	\$7,155,836	\$3,032,183	\$131,532,569	1.0000	\$456,025,469	\$3.19
2011	2010	40,158,120	79,155,900	1,402,225	7,547,645	2,957,436	131,221,326	1.0000	454,561,957	3.09
2010	2009*	39,182,640	77,465,875	1,377,975	7,415,450	2,678,346	128,120,286	1.0000	444,186,125	3.09
2009	2008	28,742,600	56,856,450	903,950	5,284,837	2,353,020	94,140,857	0.8135	400,449,948	3.99
2008	2007	27,173,520	53,714,675	870,275	5,578,597	2,482,917	89,819,984	0.9054	343,657,050	3.89
2007	2006	26,048,400	48,578,375	708,725	5,528,339	2,435,397	83,299,236	0.9054	316,187,951	3.54
2006	2005	24,279,640	45,021,200	601,750	6,029,383	2,831,065	78,763,038	1.0000	269,774,674	3.41
2005	2004*	24,609,480	42,967,650	661,200	4,641,912	2,957,459	75,837,701	1.0000	258,287,533	3.41
2004	2003	18,899,720	35,311,475	619,875	4,715,367	2,703,406	62,249,843	0.9195	231,523,611	3.68
2003	2002	17,574,760	32,544,900	501,575	5,333,149	2,488,717	58,443,101	0.9482	210,505,686	3.46
	<b>Rate</b>	<b>25%</b>	<b>40%</b>	<b>25%</b>	<b>30%/40%</b>	<b>55%</b>				

(1) Includes mineral assessments, if any.

(2) Includes Farm, Agricultural and Other Property.

(3) There are no intangible assessments at 40 percent included.

(4) Town and County combined rate.

\* Reappraisal

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization.

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*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the Town for the last ten Tax Years as well as the aggregate uncollected balances for each fiscal year ending June 30, 2011.

<u>FY</u>	<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u> <sup>(1)</sup>	<u>Taxes Levied</u> <sup>(2)</sup>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u> IN PROCESS	<u>Total Tax Collections</u>	<u>Outstanding Delinquent Taxes</u>
2012	2011	\$131,532,569	\$1.28	\$1,681,018					
2011	2010	131,221,326	1.18	1,549,724	\$1,456,792	94%	\$82,770	\$1,539,562	\$130,076
2010	2009	128,120,286	1.18	1,513,101	1,423,592	94%	103,902	1,527,494	124,314
2009	2008	94,140,857	1.54	1,449,775	1,348,596	93%	84,902	1,433,498	141,096
2008	2007	89,819,984	1.54	1,383,233	1,297,933	94%	72,195	1,370,128	123,318
2007	2006	83,299,236	1.54	1,282,813	1,205,895	94%	65,013	1,270,908	112,428
2006	2005	78,763,038	1.54	1,212,953	1,144,950	94%	82,691	1,227,641	98,134
2005	2004	75,837,701	1.54	1,167,905	1,085,829	93%	68,714	1,154,543	114,512
2004	2003	62,249,843	1.54	1,074,299	1,006,837	94%	58,386	1,065,223	105,100
2003	2002	58,443,101	1.53	894,182	834,761	93%	79,596	914,357	97,112

<sup>(1)</sup> Direct tax rate of the Town only.

<sup>(2)</sup> The Tax Levy for Tax Year 2011 is treated as a receivable for the Fiscal Year Ended as of June 30, 2012

Source: Aggregate Tax Reports of the State of Tennessee and the Audited Financial Statements of the Town

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2011 (tax year 2010), the largest taxpayers in the Town compared to those in fiscal year 2004 are as follows:

<u>Taxpayer</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2004</u>		
	<u>Rank</u>	<u>Assessed Value</u>	<u>% of Total Town AV</u>	<u>Rank</u>	<u>Assessed Value</u>	<u>% of Total Town AV</u>
Excel Polymers LLC	1	\$3,819,231	2.79%	1	\$3,157,515	5.30%
Wolfe Development	2	3,380,828	2.63%	10	398,906	0.67%
Lowe's	3	2,999,360	2.33%	-	-	-
Archie Friday	4	2,160,095	1.68%	-	-	-
Ingle's Market, Inc.	5	1,899,118	1.48%	2	1,391,575	2.34%
Avion Reality II, LLC	6	1,431,480	1.11%	-	-	-
Frank Haws	7	1,293,055	1.01%	-	-	-
Blue Sky Hospitality	8	1,228,810	0.96%	4	808,010	1.36%
Douglas White	9	1,098,480	0.85%	3	923,600	1.55%
Washington Farmers Co-Op	10	953,228	0.74%	6	720,444	1.21%
Jackson Heights Apartments	-	-	-	5	763,400	1.28%
M.A. Hanna Company	-	-	-	7	650,890	1.09%
Nationwide Health Prop., Inc.	-	-	-	8	428,480	0.72%
Larry McClanahan et al	-	-	-	9	<u>421,450</u>	<u>0.71%</u>
Total:		<u>\$20,263,685</u>	<u>15.76%</u>		<u>\$9,664,270</u>	<u>16.23%</u>

Source: Audited Financial Statements of the Town for Fiscal Year 2011

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*Ten Largest Water Customers.* For the fiscal year ending June 30, 2011, the largest customers of the Town's water treatment and distribution system are as follows:

	<u>Customer</u>	<u>Business</u>	<u>Average Annual Usage</u>	<u>Average Annual Bill</u>	
1.	Washington Co. Detention	County Jail	12,644,800	\$37,588	
2.	Hexpol Compounding	Rubber Compounds	5,554,400	16,574	
3.	Four Oaks Health Care	Health Care	2,632,300	7,961	
4.	Washington Co. Detention (new)	County Jail	2,610,600	7,896	
5.	Koyo Corporation	Manufacturing	1,399,100	8,041	*
6.	ALO Tennessee, Inc.	Manufacturing	1,471,200	7,581	*
7.	Jackson Heights Apartments	Housing	1,382,100	8,366	
8.	Ingles Grocery Story	Retail Grocer	1,337,700	4,274	
9.	Marks Car Wash	Car Wash	1,289,800	3,983	
10.	Jonesborough Elementary School	Education	<u>1,249,500</u>	3,856	
	Total:		<u>154,289,300</u>		
	Top 10 Customers as % of Total:		20.46%		

Source: Town of Jonesborough  
\*Outside the Town limits.

*Ten Largest Sewer Customers.* For the fiscal year ending June 30, 2011, the largest customers of the Town's sewer collection and treatment system are as follows:

	<u>Customer</u>	<u>Business</u>	<u>Average Monthly Usage</u>	<u>Average Monthly Bill</u>	
1.	Washington Co. Detention	County Jail	1,053,700	\$3,132	
2.	Hexpol Compounding	Rubber Compounds	462,900	1,381	
3.	Four Oaks Health Care	Health Care	219,400	663	
4.	Washington Co. Detention (new)	County Jail	217,600	658	
5.	Koyo Corporation	Manufacturing	122,600	670	*
6.	ALO Tennessee, Inc.	Manufacturing	115,200	632	*
7.	Jackson Heights Apartments	Housing	116,600	697	
8.	Ingles Grocery Story	Retail Grocer	111,500	356	
9.	Marks Car Wash	Car Wash	107,500	332	
10.	Jonesborough Elementary School	Education	<u>104,100</u>	321	
	Total:		<u>2,631,100</u>		
	Top 10 Customers as % of Total:		20.46%		

Source: Town of Jonesborough  
\*Outside the Town limits.

**LOCAL OPTION SALES AND USE TAX**

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Local Sales Tax"), the County levies a county - wide local option sales tax. Under the Local Sales Tax, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or town is limited under State law to two and three-fourths percent (2.75%).

Pursuant to the Local Sales Tax, the levy of a sales tax by a county precludes any city or town within the county from levying a sales tax, but a city or town may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2.75%). If a city or town is located in more than one county, each portion of the city or town that is located in a separate county is treated as a separate city or town for purposes of determining the maximum sales tax rate.

The revenues from the county - wide sales taxes are distributed pursuant to the provisions of the Local Sales Tax and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 percent) of the revenues raised through the county - wide sales taxes are directed to educational purposes and are distributed to all organized school systems in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the sites of collection, unless a separate agreement has been ratified concerning the distribution of these funds.

Local Sales Taxes collected by the Washington County and shared with the Town pursuant to State statutory authorities are based on the current rate of two and one-half percent (2.50%) for the most recent fiscal years are outlined below:

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percentage Increase</u>
2012	In Process	
2011	\$1,295,323	5.19%
2010	1,231,381	11.56%
2009	1,103,782	6.02%
2008	1,041,148	7.28%
2007	970,537	8.60%
2006	893,646	6.58%
2005	838,500	8.31%
2004	774,187	7.98%
2003	716,948	n/a

Source: Audited Financial Statements of the Town and Town officials

## **PENSION PLANS**

Certain employees of the Town 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 and 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 5 (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 become 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 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). The Tennessee General Assembly amends the State Statutes. Political subdivisions such as the Town 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 governing body.

For additional information on the funding status, trend information and actuarial status of the Town's retirement programs, please refer to the appropriate Notes to Financial Statements located in the Audited Financial Statements of the Town included as APPENDIX D.

## **OTHER POST EMPLOYMENT BENEFITS**

The Town does not offer other post-employment benefits ("OPEB") to its employees or retirees.

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**FORM OF CONTINUING DISCLOSURE  
AGREEMENT**

TOWN OF JONESBOROUGH, TENNESSEE

\$\_\_\_\_\_GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered this \_\_\_th day of June, 2012 by the Town of Jonesborough, Tennessee (the "Issuer") in connection with the issuance of its \$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Mayor and Aldermen of the Issuer on May 14, 2012 (the "Resolution"). The Issuer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means the Issuer or any successor designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any successor thereto.

"Official Statement" shall mean the *Official Statement* dated June \_\_, 2012, relating to the Bonds.

"Participating Underwriter" shall mean \_\_\_\_\_.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Depository" shall mean any public or private depository or entity designated by the State as a state depository to which continuing disclosure information shall be sent pursuant to State law. As of the date of this Disclosure Certificate, there is no State Depository.

**SECTION 3. Provision of Annual Reports.** Not later than one year after the end of the Fiscal Year, commencing with Fiscal Year ending June 30, 2012, the Issuer shall provide an Annual Report to the MSRB at [www.emma.msrb.com](http://www.emma.msrb.com) and to the State Depository, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. Notwithstanding the foregoing, the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Issuer shall include unaudited financial statements of the Issuer in the Annual Report and shall indicate in the Annual Report the date on which the audited financial statements of the Issuer will be submitted. The audited financial statements of the Issuer, when available, will be provided to the MSRB and to the State Depository, if any. If the Annual Report (or audited financial statements which were to be separately submitted) is not timely filed, the Issuer shall in a timely manner send a notice to the MSRB and to the State Depository, if any. To its knowledge, the Municipality has not failed to comply in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events.

**SECTION 4. Content of Annual Reports.** The Issuer's Annual Report shall contain or incorporate by reference the Comprehensive Annual Financial Report of the Issuer for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in Appendix B to this *Official Statement* as follows:

1. Summary of bonded indebtedness as of the end of such fiscal year;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base;
3. Information regarding tax backed debt service requirements;
4. Information about the water and sewer revenue and tax backed debt service requirements as of the end of such fiscal year;
5. The fund balances and net assets for the fiscal year;
6. Summary of revenues, expenditures and changes in fund balances - general fund for the fiscal year;
7. Summary of revenues, expenses and changes in net assets - water and sewer fund for the fiscal year;
8. Water and Sewer rates;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year;
11. The ten largest taxpayers;
12. Local Option Sales and Use Tax Collections.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the Issuer or related public entities, which have been filed with the Securities and Exchange Commission or are available from the MSRB at [emma.msrb.org](http://emma.msrb.org). If the document incorporated by reference is a final Official Statement, in final form, it will be available from the MSRB at [emma.msrb.org](http://emma.msrb.org). The Issuer shall clearly identify each such other document so incorporated by reference.

**SECTION 5. Reporting of Significant Events.** The Issuer will file notice regarding certain significant events with the MSRB and SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the Issuer 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 State Depository, 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 Issuer 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.

**SECTION 6. Dissemination Agent.** The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment. Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have

no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for any party hereto or the Issuer), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Intermediaries; Expenses. The Dissemination Agent is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorneys' fees).

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 16. Filings with the MSRB. All filings required to be made with the MSRB shall be made electronically at [www.emma.msrb.org](http://www.emma.msrb.org), shall be accompanied by identifying information as prescribed by the MSRB and shall be submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062.

TOWN OF JONESBOROUGH, TENNESSEE

By: \_\_\_\_\_  
Mayor

## APPENDIX D

### TOWN OF JONESBOROUGH, TENNESSEE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED

JUNE 30, 2011

#### ELECTRONIC LINK

The Audited Financial Statements for the Town of Jonesborough, Tennessee as of and for the fiscal year ending June 30, 2011 together with the independent auditors' report is available through the Tennessee Comptroller of the Treasury official website at:

<http://www.comptroller.tn.gov/AuditsAndReportsSearch/CategorySearchResults.aspx>  
(if not directly routed to list of audits, on the Release Date Search page  
choose Municipal Audit, Jonesborough under report title, and Search)

This document is hereby incorporated by reference as APPENDIX D.

To the extent there are any differences between the electronically posted Audited Financial Statements of the Town of Jonesborough and the printed Audited Financial Statements of the Town of Jonesborough, the printed version shall control.

The Municipality's current independent external auditor has not been engaged to perform and has not performed any procedures on the financial statements addressed in that report since the date of its report referenced herein nor have they performed any procedures relating to this *Official Statement*.