

OFFICIAL STATEMENT

NEW ISSUE

Book-Entry-Only

Rating: Standard & Poor's: "AA-"

(See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "Legal Matters - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Legal Matters - Tax Matters" herein).

\$6,565,000

NOLENSVILLE-COLLEGE GROVE UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

Waterworks Revenue Refunding and Improvement Bonds, Series 2016

Dated: June 1, 2016.

Due: June 1 (as shown below)

The \$6,565,000 Waterworks Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds") of Nolensville-College Grove Utility District of Williamson County, Tennessee (the "District") will be issued as fully registered Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

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

Bonds maturing June 1, 2025 and thereafter are subject to redemption prior to maturity on or after June 1, 2024.

<u>Due</u> <u>(Jun 1)</u>	<u>Amount</u>	<u>Interest</u>			<u>Due</u> <u>(Jun 1)</u>	<u>Amount</u>	<u>Interest</u>		
		<u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>			<u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>
2017	\$ 95,000	2.00%	0.75%	655308 AU8	2023	\$ 500,000	4.00%	1.35%	655308 BA1
2018	85,000	4.00	0.85	655308 AV6	2024	520,000	4.00	1.45	655308 BB9
2019	105,000	4.00	1.00	655308 AW4	2025	540,000	2.00	1.60	c 655308 BC7
2020	445,000	4.00	1.05	655308 AX2	2026	550,000	2.00	1.70	c 655308 BD5
2021	460,000	4.00	1.15	655308 AY0	2027	560,000	2.00	1.75	c 655308 BE3
2022	480,000	4.00	1.20	655308 AZ7					
		\$ 380,000	2.25%	Term Bond Due	June 1, 2030	@ 2.00%	c	655308 BH6	
		\$ 265,000	2.50%	Term Bond Due	June 1, 2032	@ 2.30%	c	655308 BK9	
		\$ 280,000	2.75%	Term Bond Due	June 1, 2034	@ 2.45%	c	655308 BM5	
		\$ 295,000	2.75%	Term Bond Due	June 1, 2036	@ 2.50%	c	655308 BP8	
		\$ 480,000	3.00%	Term Bond Due	June 1, 2039	@ 2.75%	c	655308 BS2	
		\$ 525,000	3.00%	Term Bond Due	June 1, 2042	@ 3.00%		655308 BV5	

c = Yield to call on June 1, 2024.

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

The Bonds are offered when, as and if issued by the District, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters in connection with the Bonds are subject to the approval of Branstetter, Stranch & Jennings, PLLC, Nashville, Tennessee, as counsel to the District. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about June 1, 2016.

Cumberland Securities Company, Inc.

Financial Advisor

May 12, 2016

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

This 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 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 Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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

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

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

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

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The District is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

NOLENSVILLE-COLLEGE GROVE UTILITY DISTRICT OF
WILLIAMSON COUNTY, TENNESSEE

OFFICIALS

Paul Campbell
President

Charles Strasser
Secretary/Treasurer

Robert Whittemore
Vice President

GENERAL MANAGER

Mike Polston

COUNSEL TO THE DISTRICT

Branstetter, Stranch & Jennings, PLLC
Nashville, Tennessee

UNDERWRITER

Raymond James & Associates, Inc.

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SECURITIES OFFERED	
Authority and Purpose	1
Refunding Plan	1
The Project	2
Sources and Uses	2
Description of the Bonds	2
Security	2
Optional Redemption of the Bond	4
Mandatory Redemption	4
Notice of Redemption.....	5
Payment of Bonds	6
BASIC DOCUMENTATION	
Registration Agent	7
Book-Entry-Only System	7
Discontinuance of Book-Entry-Only System	9
Disposition of Bond Proceeds	10
Discharge and Satisfaction of Bonds	11
LEGAL MATTERS	
Litigation.....	13
Tax Matters	
<i>Federal Tax Matters</i>	13
<i>State Taxes</i>	15
Changes in Federal and State Law	15
Closing Certificates.....	15
Approval of Legal Proceedings	16
MISCELLANEOUS	
Rating	17
Competitive Public Sale	17
Financial Advisor; Related Parties; Other.....	17
Debt Record	18
Additional Debt.....	18
Continuing Disclosure	19
<i>Five-Year History of Filing</i>	19
<i>Content of Annual Report</i>	19
<i>Reporting of Significant Events</i>	19
<i>Termination of Reporting Obligation</i>	21
<i>Amendment; Waiver</i>	21
<i>Default</i>	21
Additional Information	22
CERTIFICATION	23
 APPENDIX A: LEGAL OPINION	
 APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT	
The District	

Location	B-1
History	B-1
Organization	B-1
Powers	B-2
Government Body	B-2
Board of Commissioners	B-3
Management	B-3
Employees	B-3
Regulation	B-3
The System	
Introduction	B-6
Waterworks System	B-6
Rates	B-9
Operating and Financial History of the System	
Management Discussion of Operating Results	B-10
Bills and Collections	B-10
Operating History	B-10
Competition and Franchise Rights	B-10
Method of Accounting	B-11
Pension Plan	B-11
Capitalization	B-11
Utility Plants	B-12
Summary of Bonded Indebtedness	B-13
Debt Service Requirements	B-14
Five-Year Summary of Revenues, Expenditures and Changes in Retained Earnings	B-15
Historical Debt Service Coverage	B-16
Williamson County, Tennessee	
Location	B-17
General	B-17
Transportation	B-17
Education	B-18
Healthcare	B-19
Manufacturing and Commerce	B-20
<i>Major Employers</i>	B-23
Employment Information	B-24
Economic Data	B-25
Parks and Recreation	B-25
Recent Developments	B-26

APPENDIX C: SUMMARY OF THE BOND RESOLUTION

APPENDIX D: GENERAL PURPOSE FINANCIAL STATEMENTS FOR

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 *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer	Nolensville-College Grove Utility District of Williamson County, Tennessee (the "District" or "Issuer"). See APPENDIX B contained herein.
Securities Offered.....	\$6,565,000 Waterworks Revenue Refunding and Improvement Bonds, Series 2016 (the "Bonds") of the District will be dated the date of issuance June 1, 2016 and maturing June 1 beginning June 1, 2017 through June 1, 2027, inclusive and June 1, 2030, June 1, 2032, June 1, 2034, June 1, 2036, June 1, 2039 and June 1, 2042. See mature entitled "SECURITIES OFFERED" herein for additional information.
Security	The Bonds shall be payable solely from and secured by a pledge of the Net Revenues, subject to prior pledge of such revenues in favor of the Prior Lien Bond (as defined herein).
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, the Refunded Bonds (as described herein); (ii) financing certain extensions and improvements to the System (as hereinafter defined); (iii) paying interest on the Bonds during construction and for up to six months thereafter; (iv) paying costs incurred in connection with the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to redemption, in whole or in part, at a price of par plus accrued interest on June 1, 2024, in whole or in part, and at anytime thereafter at the price of par plus accrued interest to the redemption date. See the section entitled "SECURITIES OFFERED-Optional Redemption."
Tax Matters.....	In the opinion of bond counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the alternative minimum tax on individuals and corporations and will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS - Tax Matters" and APPENDIX A (form of legal opinion) included herein.
Bank Qualification	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating.....	Standard & Poor's: "AA-". See the section entitled "MISCELLANEOUS-Ratings" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parties; Others" herein.
Underwriter.....	Raymond James & Associates, Inc.
Book-Entry-Only System.....	The Bonds will be issued under the Book-Entry System. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry-Only System."

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

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

Other Information.....The information in the *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the District or the *Official Statement*, contact Paul Campbell, President, 2002 Johnson Industrial Blvd., Nolensville, Tennessee 37135, Telephone: 615-776-2511 or the District's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663

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

For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Net Assets	\$26,752,424	\$27,302,192	\$28,315,413	\$29,583,690	\$31,157,305
Revenues	4,639,257	4,864,934	4,665,939	5,283,420	6,154,328
Expenditures	(4,220,007)	(4,990,400)	(5,067,886)	(5,560,729)	(6,228,908)
Non-Operating Revenue (Expense)	(110,002)	(58,735)	(98,613)	(120,497)	(76,512)
Net Income before Contributions	309,248	(184,201)	(500,560)	(397,806)	(151,092)
Contributions – Tap Fees	445,350	886,572	1,138,437	1,170,509	1,794,865
Contributions – Utility Plant	65,000	310,850	630,400	800,912	1,382,300
Prior Period Adjustments	<u>(269,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>\$27,302,192</u>	<u>\$28,315,413</u>	<u>\$29,583,690</u>	<u>\$31,157,305</u>	<u>\$34,183,378</u>

Source: Financial Statements with Report of Certified Public Accountants.

\$6,565,000
NOLENSVILLE-COLLEGE GROVE UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Waterworks Revenue Refunding and Improvement Bonds,
Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement* which includes the “Summary Statement” and appendices is furnished in connection with the offering by Nolensville-College Grove Utility District of Williamson County, Tennessee (the “District” or “Issuer”) of its \$6,565,000 Waterworks Revenue Refunding and Improvement Bonds, Series 2016 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 82, and Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of law and pursuant to a resolution authorizing Waterworks Revenue Refunding and Improvement Bonds duly adopted by the Board of Commissioners (the “Governing Body”) of the District on April 12, 2016 (the “Resolution”).

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

REFUNDING PLAN

The District is proposing to refinance a portion of its outstanding Waterworks Revenue Refunding Bonds, Series 2009, dated June 25, 2009 (the “Series 2009 Bonds” or “Refunded Bonds”) maturing June 1, 2020 and thereafter in the principal amount of \$3,090,000. The Refunded Bonds will be escrowed until their June 1, 2019 redemption date.

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

THE PROJECT

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

SOURCES AND USES

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

Sources of Funds:

Par Amount of Bonds	\$6,565,000.00
Original Issue Premium (Discount)	<u>465,823.25</u>
Total Sources of Funds	\$7,030,823.25

Uses of Funds:

Deposit to Construction Fund	\$ 3,500,000.00
Deposit to Escrow Fund	3,398,004.31
Costs of Issuance including the Underwriter Discount	<u>132,818.94</u>
Total Uses of Funds	\$7,030,823.25

DESCRIPTION OF THE BONDS

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

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

SECURITY

The Bonds shall be payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the System on a parity and complete equality of lien with respect to such revenues with the District's remaining outstanding Waterworks Revenue Refunding Bonds, Series 2009 and any bonds hereafter issued on a parity therewith, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and

insuring said System and to the prior pledge of such revenues in favor of the District's Waterworks Revenue Bond, Series 1976. As provided in the Resolution, the punctual payment of principal of and interest on the series of Bonds of which this Bond is one, the remaining Series 2009 Bonds and any other bonds issued on a parity therewith pursuant to the terms of the Resolution shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The District has no taxing power. The District has covenanted in the Resolution and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond, the issue of which it is a part, and any bonds hereafter issued on a parity herewith, as each payment becomes due. For a more complete statement of the revenues from which and conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

A statutory mortgage lien, which is hereby recognized as valid and binding, is created and granted by statute on the System, on a parity and equality of lien with the remaining Series 2009 Bonds and any other bonds issued on a parity therewith, in favor of the owner or owners of this Bond and the issue of which it is a part, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on said Bonds.

Said revenues are required by law and by the proceedings pursuant to which the Bonds are issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on the Prior Lien Bond, the "remaining Series 2009 Bonds" and the Bonds promptly as each becomes due and payable. The District has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on the Prior Lien Bond, the Bonds the remaining Series 2009 Bonds and any Parity Bonds hereafter issued as each becomes due. The Bonds and the interest on the Bonds are payable solely from the revenues so pledged to the payment of the Bonds, and the Bonds do not constitute a debt of the District within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which the Bonds are payable, a statement of the conditions on which obligations may hereafter be issued on a parity with the Bonds, the general covenants and provisions pursuant to which the Bonds are issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Pursuant to the Resolution: "System" shall mean the complete water procurement, treatment, storage and distribution system of the District, and the complete sewage collection transmission and disposal system of the District (which systems may be operated separately or as a consolidated system for accounting, financial record keeping, billing and legal purposes), together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a

part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

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

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2017 through June 1, 2024 are not subject to redemption prior to maturity. The Bonds maturing June 1, 2025 and thereafter shall be subject to redemption, in whole or in part, at a price of par plus accrued interest to the redemption date, on or after June 1, 2024. If less than all of the Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected as follows:

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

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 2030, June 1, 2032, June 1, 2034, June 1, 2036, June 1, 2039 and June 1, 2042 on the redemption dates set forth below opposite the maturity date, 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. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2030	June 1, 2028	\$125,000
	June 1, 2029	\$125,000
	June 1, 2030*	\$130,000
June 1, 2032	June 1, 2031	\$130,000

	June 1, 2032*	\$135,000
June 1, 2034	June 1, 2033	\$140,000
	June 1, 2034*	\$140,000
June 1, 2036	June 1, 2035	\$145,000
	June 1, 2036*	\$150,000
June 1, 2039	June 1, 2037	\$155,000
	June 1, 2038	\$160,000
	June 1, 2039*	\$165,000
June 1, 2042	June 1, 2040	\$170,000
	June 1, 2041	\$175,000
	June 1, 2042*	\$180,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation 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 section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. 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 County 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 shall be accordingly reduced. The County shall on or before the forty-fifth (45) 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) described above 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 thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the

registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

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

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the District will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

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

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book entry-only system has been obtained from sources that the District believes to be reliable, but the District, the Bond Counsel, the Registration Agent and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the District, the Bond Counsel, the Registration Agent or the Financial Advisor will have any responsibility or obligation to the Participants, DTC or the persons for

whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

DISPOSITION OF BOND PROCEEDS

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

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

DISCHARGE AND SATISFACTION OF BONDS

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

- (a) by paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
- (b) by depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or
- (c) By delivering such Bonds to the Registration Agent for cancellation by it;

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

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

Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

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

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

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

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

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

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

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

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

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

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

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

owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

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

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

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

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

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

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on May 12, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 3, 2016.

The successful bidder for the Bonds was an account led by Raymond James & Associates, Inc., (the "Underwriters") who contracted with the District, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$6,988,959.73 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$465,823.25 less an underwriter's discount of \$41,863.52) or 106.457879% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the District and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the District and may do so again in the future.

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

DEBT RECORD

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

ADDITIONAL DEBT

The District has authorized an additional \$1,200,000 loan from the USDA which will be on parity with the Bonds. The District also has ongoing projects that may or may not require additional debt in the future.

CONTINUING DISCLOSURE

The District will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the District. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The District is in compliance with the undertakings required under the Rule.

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

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

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the District shall in a timely manner, but in no event more than ten (10) business days after the

occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the District shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the District may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

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

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

ADDITIONAL INFORMATION

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

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

The District has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION

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

NOLENSVILLE COLLEGE GROVE UTILITY
DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

/s/ Paul Campbell

President

Board of Commissioners

ATTEST:

/s/ Charles Strasser

Secretary

Board of Commissioners

APPENDIX A

LEGAL OPINION

(Form of Bond Counsel Opinion)

June 1, 2016

Nolensville – College Grove Utility District of
Williamson County, Tennessee
Nolensville, Tennessee

Raymond James & Associates Inc.

Re: Nolensville – College Grove Utility District of Williamson County, Tennessee
Waterworks Revenue Refunding and Improvement Bonds, Series 2016

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Nolensville – College Grove Utility District of Williamson County, Tennessee (the “Issuer”) of \$6,565,000 Waterworks Revenue Refunding and Improvement Bonds, Series 2016, dated the date hereof (the “Bonds”). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of Commissioners 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 solely from and secured by a pledge of revenues to be derived from the operation of the waterworks system of the Issuer on parity with the Issuer’s outstanding Waterworks Revenue Refunding Bonds, Series 2009, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system and to the prior pledge of system revenues in favor of the District’s outstanding Waterworks Revenue Bond, Series 1976. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Bonds.
4. 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, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, 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,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

THE DISTRICT

LOCATION

The Nolensville-College Grove Utility District (the “District”) current coverage area includes the Town of Nolensville (the “Town”) and the community of College Grove within Williamson County, Tennessee (the “County”). The District serves a population of approximately 22,981 customers, 8,575 connections, which consists of the eastern and northeastern part of Williamson County. The District’s service area of 170 square miles is bordered on the east by Rutherford County, on the south by Marshall County, on the north by Davidson County and west by the City of Brentwood.

These areas are served from the District’s Office in Nolensville, Tennessee. The District’s administrative and management functions are also performed in Nolensville, Tennessee.

HISTORY

The District was formed on January 17, 1969 pursuant to a decree of the Williamson County Court. The Nolensville Utility District was formed to serve approximately 157 customers and water was provided by a well. The District quickly out grew the capacity of its wells and in 1978 the District entered into an agreement with Metro Nashville to purchase additional water supply. In 1992 the Nolensville Utility District combined with the College Grove Utility District, which was also served by a well. As the District continued to grow, it entered into an agreement with the Town of Smyrna in 1992 to purchase an additional 2 mgd, which was increased to 4 mgd in 2002. The District renegotiated a new contract with Town of Smyrna in 2015 and agreed to purchase 2.5 mgd from May 1 through October 31 and .75 mgd from November 1 through April 30th. The District entered into an agreement with Mallory Valley Utility District for an additional 2 mgd in 2008. The District has experienced sustained growth throughout its inception.

ORGANIZATION

The District was incorporated as a municipal corporation pursuant to an Order of the County Executive of Williamson County, Tennessee, dated January 17, 1969, all pursuant to provisions of the District Act, which provides that such an incorporated municipal corporation shall exist in perpetuity and possess the powers set forth in the District Act.

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

POWERS

The District Act provides that the District is empowered, among other things, to conduct, operate and maintain a system or systems for the furnishing of water and water storage and related facilities. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate such system or systems within or without the District, and to purchase from, furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of construction, acquiring, reconstructing, improving, bettering or extending any of its facilities or system or systems and to pledge to the payment of such negotiable bonds all or any part of the revenues derived from the operation of such facilities, system or systems or combination thereof. The District has no power to levy or collect taxes.

GOVERNING BODY

All corporate powers of the District are vested in and exercised by the Board. The Board consists of three members, serving staggered terms. The Board of Commissioners of the District shall, upon the occurrence of a vacancy in the office of any commissioner caused by death, resignation, disability, or forfeiture of office, select a list of three nominees to fill such office vacated for any of the above reasons and shall certify said list of nominees under seal of the District to the County Mayor of Williamson County in accordance with the terms of Tennessee Code Annotated 7-82-307 and any amendments or revisions thereto. In regard to vacancies created for any other reason, including but not limited to the addition by act of the State legislature of additional members of the Board of Commissioners, the Board of Commissioners shall select, at a regular meeting or at special meeting called for that purpose, a list of three nominees for each additional office and that list or lists shall be certified to the County Mayor under the seal of the District and attested to by the Secretary of the District within a reasonable time of the creation of said offices. The vacancy shall be filled as provided by the laws of the State of Tennessee.

Pursuant to the District Act, the Board acts by a majority of its members and must meet at least once each quarter. The Board is authorized by the District Act, among other things, to exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and bylaws for the management and conduct of the affairs of the District and to issue bonds of the District by resolution of the Board.

The individual commissioners receive compensation for their services on a per diem basis in the maximum amount allowable by the District Act for each day's attendance of the meetings of the Board in the performance of their official duties. No member of the Board shall draw compensation in excess of Thirty Six Hundred Dollars (\$3,600) for such service during any one calendar year. In addition, Board members are eligible for group medical insurance coverage as may be provided other employees, or payment of premiums for any equivalent or similar group coverage under the terms of Tennessee Code Annotated, 7-82-308.

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THE BOARD OF COMMISSIONERS

The following are the current members of the Board of Commissioners as of September 30, 2015:

Paul Campbell, President
Robert Whittemore, Vice President
Charles Strasser, Secretary/Treasurer

MANAGEMENT

Mike Polston has served as the District's General Manager since March 1, 2015. Mr. Polston has a total of 12 years' experience with the Nolensville-College Grove Utility District.

EMPLOYEES

The District has 9 full-time and 2 part-time employees. The breakdown of employment by job description is as follows:

	<u>Number</u>
General Manager.....	1
Bookkeeper	1 (Part time)
Office Manager	1
Clerical	3 (1 Part Time)
Water Operators	1
Water Laborers.....	<u>4</u>
TOTAL.....	10

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

REGULATION

State and Local Regulation. The District is required by law to establish and maintain a set of rules and regulations regarding an adjustment of all complaints which may be made to the District concerning the availability of utility services to persons in need thereof, the quality of service performed, the adjustment of bills and all other complaints of any nature, with provisions relating to the manner of resolution of individual complaints, the types of complaints which may be resolved by salaried employees of the District, and those which may be resolved only by the Board. Such rules must be posted or otherwise available in the offices of the District for inspection by customers and members of the public. The District Act provides that the District may not contractually bind itself to issue bonds which would require a rate increase until the users of the system are given notice thereof. The District has complied with this requirement with respect to all current water user rates (which rates became effective May 13, 1998) by publishing notice of same on all customers' bills. Pursuant to the District Act, rates charged and services provided by the District may be reviewed by the Utility Management Review Board of the State (the "Review Board") upon the filing with the Review Board of a petition signed by a

least ten percent of the users within the authorized area of the District (see the discussion under "THE DISTRICT" - Regulation - Review Board). In addition, the District is required to have its books and records audited annually by a certified public accountant, a public accountant, or by the Department of Audit of the Comptroller of the Treasury of the State. The Comptroller of the Treasury of the State, through the Department of Audit, makes a determination as to whether the annual audit of the District has been prepared in accordance with generally accepted governmental auditing standards and whether the audits meet the minimum standards prescribed by the Comptroller. The Comptroller has promulgated rules and regulations to assure that the books and records of utility district are kept in accordance with generally accepted accounting procedures and that audit standards prescribed by the Comptroller are met. The District must file a copy of the audit with the Comptroller and with the County Mayor of Williamson County.

Rate Regulation. The District is required by the District Act to charge such rates as shall be sufficient to pay operation and maintenance expenses and to pay principal of and interest on all bond or notes secured by revenues of the System. The Board determines the rates paid by the District's customers. The District is required to publish within ninety days after the close of its fiscal year a statement showing the financial condition of the District, the earnings of the District, the water rates then being charged by the District and the method used in arriving at such rates for such fiscal year. Within thirty days of the date such statement is published, any water user customer of the District may file with the Board a protest concerning the rates. The Board must then give notice of a hearing to determine the validity of the protest and whether the published rates are reasonable. After the Board makes its determination, the customer may seek judicial review of the Board's action by common law writ of certiorari to the Circuit Court of Williamson County.

Review Board. In 1987, the State legislature established a utility management review board (the "Review Board") for the purpose of advising utility district boards of commissioners throughout the State in the area of utility management. The Review Board consists of nine (9) members consisting of the State Commissioner of Environment, the State Comptroller of the Treasury, and seven (7) members appointed by the Governor, three (3) of whom must be experienced utility district manager, three (3) of whom must be experienced utility district commissioners and one (1) of whom must be a resident customer that may have residential development experience but may not be engaged in utility management or operation. The Review Board is given the power, among other things. To review any decision of any utility district relating to rate changes upon petition of any customer of the district, to compel the adoption of an adherence to rules and regulations for the adjustment of customer complaints, to oversee operation of "financially distressed utility districts", including the power to compel rate increases sufficient to be in compliance with State law and all covenants with bondholders and compel consolidation with another utility. A "financially distressed utility district" is a district (i) which has failed to charge rates sufficient to pay the costs of operation and maintenance of the system, including depreciation and reserves therefore, as well as to pay all bonds and interest thereon secured by the revenues of the system, including reserves therefore, for a period of two (2) consecutive years, or (ii) which is in default on any outstanding indebtedness, or (iii) which has a retained earnings deficiency. The Review Board may not take any action which would adversely impair the obligations of contract or the payment of outstanding bonds of the District.

Any party to a proceeding before the Review Board may appeal to a local court seeking review of any action taken.

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

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THE SYSTEM

INTRODUCTION

The District provides services consisting of the treatment and distribution of water to its customers through its Waterworks System. The District provides no other services to its customers.

WATERWORKS SYSTEM

Water is obtained from two sources: the Nolensville Well and the College Grove Well. Water taken from the wells is treated on site at the Nolensville and College Grove Water Treatment Plants. The District purchases water from the Town of Smyrna, Metro Water Services and Mallory Valley Utility District (the “MVUD”). The Nolensville well is currently only used for emergencies.

Physical Plant. The Water System consists of a 0.2 MGD conventional ground water treatment plant at Nolensville and a 0.15 MGD ground water treatment plant at College Grove. Both plants are supplied by wells located at each site. Both plants have duplicate high service pumps and chlorinators. Treatments at the plant include chlorination and corrosion control.

The District’s distribution system consists of approximately 239.5 miles of supply lines sized 2 inch to 20 inch.

Approximately 95% of the daily demand is purchased from The Town of Smyrna and Mallory Valley Utility District. The water from Smyrna is taken from J. Percy Priest Lake is treated at the Smyrna Water Treatment Plant. In July, 2002 Nolensville/College Grove Utility District entered into a contract with the Town of Smyrna for the purchase of water not to exceed 4,000,000 gallons per day. This contract was renegotiated in July 2015 and therefore all previous agreements or contracts are null and void. The contract does not expire until 2022. The new contract allows for purchase of water not to exceed 4,300,000 gallons per day. However, in the event NCGUD request more than the 4.3 mgd, such additional water shall be provided at the same purchase price for water up to 5 mgd. If NCGUD requests an amount over 5 mgd then NCGUD will be invoiced twice the current rate. The current rate is \$2.75 per 1,000 gallons. Rates will be adjusted each July 1. This rate increase will be based on cost to produce water (total plant cost + pro-rated maintenance operation cost divided by thousands gallon produced). The Town of Smyrna and MVUD are the major suppliers of water to the District.

During fiscal year 2008 the District entered into a contract to purchase water from Mallory Valley Utility District. MVUD purchases their water from Harpeth Valley Utility District. The HVUD water plant is located on the Cumberland River. The contract provides that the District will purchase a minimum of 2,000,000 gallons per day at a rate of 2.93 per 1,000 gallons above the HVUD rate. The term of the contract is 22 years with extension provisions. The connection to MVUD was completed in June 2011.

WATER PURCHASED
(Fiscal Year Ended September 30)

<u>Year</u>	<u>Total Gallons</u>	<u>Total Cost</u>
2011	1,007,669,000	\$ 2,452,589
2012	1,170,611,000	3,129,382
2013	1,124,716,000	3,121,262
2014	1,210,531,000	3,429,644
2015	<u>1,256,053,000</u>	<u>3,953,388</u>
TOTAL	<u>5,769,580,000</u>	<u>\$16,086,265</u>

* As of June, 2012 the District began purchasing water from MVUD.

Source: Audited Financial Statements and the District.

The District's previous construction programs have improved the water distribution system so that all customers obtain adequate service. Nine (9) ground level tanks provide a total of 11.15 million gallons in storage capacity. Location and capacity of each is shown below:

<u>LOCATION</u>	<u>CAPACITY IN GALLONS</u>
Nolensville (1)	150,000
Nolensville (2)	2,000,000
Nolensville (3)	5,000,000
College Grove (Hyde Rd)	250,000
College Grove (Horton Hwy)	100,000
Brentwood (1)	500,000
Brentwood (2)	2,000,000
Clovercroft (1)	650,000
Triune (Spanntown Rd)	<u>500,000</u>
TOTAL STORAGE	<u>11,150,000</u>

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

NUMBER OF WATER SYSTEM CUSTOMERS BY CLASS
(Fiscal Year Ended September 30)

<u>Customer Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	6,830	7,130	7,411	7,690	8,575
Commercial	298	319	330	460	0
Industrial	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>7,128</u>	<u>7,449</u>	<u>7,741</u>	<u>8,150</u>	<u>8,575</u>

Source: Audited Financial Statements and the District.

In 2015 all rates were combined into one.

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

WATER CONSUMPTION

(in gallons)

(Fiscal Year Ended September 30)

<u>Year</u>	Water to Operate			
	Total Water Billed Residential & Commercial	Plant, Blowoffs & Fire Department	Total Water Treated and Purchased	Water Lost
2011	798,006,000	437,400	1,007,669,000	227,596,600
2012	837,220,000	15,118,000	1,179,062,000	341,842,000
2013	754,445,000	754,445	1,143,200,000	388,755,000
2014	816,475,000	816,475	1,191,725,000	375,251,000
2015	812,942,000	812,847	1,236,702,000	376,809,000

Source: Audited Financial Statements and the District.

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

TOTAL WATER REVENUES BY CUSTOMERS CLASS

(Fiscal Year Ended September 30)

<u>Customer Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	\$3,971,885	\$4,588,590	\$4,375,004	\$4,885,522	\$5,711,470
Commercial	<u>541,620</u>	<u>295,100</u>	<u>290,935</u>	<u>397,898</u>	<u>0</u>
TOTAL	<u>\$4,513,505</u>	<u>\$4,883,691</u>	<u>\$4,665,939</u>	<u>\$5,283,420</u>	<u>\$5,711,470</u>

Source: Audited Financial Statements and the District.
Commercial is now combined into residential

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

WATER SYSTEM DEMAND

(Fiscal Year Ended September 30)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak Demand (mgd)	5.17	7.46	5.2	4.5	3.5
Average Demand (mgd)	2.77	3.23	3.1	3.1	2.2

Source: Audited Financial Statements and the District.

WATER RATES

The District's presently existing rate structure produces an average residential water service bill that is comparable to all other water utilities having customers within twenty miles of the District.

Set forth below is the rate schedule presently in effect for the System.

Residential Customers:

First 1,000 gallons of water	\$17.61 minimum bill
1,000 - 20,000 gallons	5.50 per 1,000 gallons
20,000 - 50,000 gallons	7.62 per 1,000 gallons
Over 50,000 gallons	10.15 per 1,000 gallons

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OPERATING AND FINANCIAL HISTORY OF THE SYSTEM

MANAGEMENT DISCUSSION OF OPERATING RESULTS

The number of customers served by the District has increased over 210% since 1998, from 2,748 to 8,575. During the period from 1985 to present, the District has experienced sustained customer and revenue growth.

The District has experienced sustained customer and revenue growth in the last few years. During the fiscal year ending September 30, 2015, the District added 4.96% customer growth (425 customers) to its system, and increased revenues by 14.2% (\$870,908).

BILLINGS AND COLLECTIONS

The District handles its own billings with the use of its own computer system. During the three fiscal years ended September 30, 2015, 2014 and 2013, uncollected accounts charged against the allowance for doubtful accounts amounted to \$5,004, \$5,753 and \$(4,439) respectively.

OPERATING HISTORY

The following table presents information relating to the number of customers served at the end of each fiscal year.

<u>Fiscal Year</u> <u>Ended September 30</u>	<u>TOTAL</u>
2011	7,128
2012	7,449
2013	7,741
2014	8,150
2015	8,519

COMPETITION AND FRANCHISE RIGHTS

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

by a utility district. Further, any acquisition of service area must be done in such a way as to fully preserve and protect the contract rights vested in owners of bonds or other obligations of the utility district.

METHOD OF ACCOUNTING

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

PENSION PLAN

All full-time employees of the Utility District are eligible to participate in a salary deferral plan provided for their benefit. The name of the plan is the Nolensville/College Grove Utility District 457 Plan. The District contributes 10% of each employee's compensation to the plan annually. The Plan is managed by John Hancock.

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

CAPITALIZATION

The following table sets forth the capitalization of the District as of September 30, 2015:

	<u>Outstanding</u> (as of September 30)
Total Long Term Indebtedness	\$4,347,000
Total Current Liabilities	<u>2,176,032</u>
Retained Earnings & Contributed Capital (Net Assets)	<u>\$34,183,378</u>
Total Long Term Indebtedness and Total Customers' Equity	\$40,706,410

UTILITY PLANTS

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

Utility Plants in Service	<u>\$26,535,989</u>
Accumulated Depreciation	(7,948,094)
Construction in Progress	3,103,104
Land	<u>475,229</u>
TOTAL	<u>\$22,166,228</u>

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NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT
SUMMARY OF BONDED INDEBTEDNESS

PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING As of 09/30/15 (1)
\$6,040,000 Waterworks Revenue Refunding Bonds, Series 2009	June 2027	Fixed	\$ 4,345,000
TOTAL BONDED DEBT			\$ 4,345,000
 \$6,565,000 Waterworks Revenue Refunding & Improvement Bonds, Series 2016	 June 2042	 Fixed	 \$ 6,565,000
Less: Refunded Debt			(3,090,000)
NET BONDED DEBT			<u><u>\$ 7,820,000</u></u>

NOTES:

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

NOLANSVILLE/COLLEGE GROVE UTILITY DISTRICT
BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended Sept 30	Existing Debt - As of September 30, 2015			Waterworks Revenue Refunding & Improvement Bonds, Series 2016			Less: Refunded Bonds			Total Bonded Debt Service Requirements			Principal Repaid		
	Water & Sewer System (1)		TOTAL	Interest (2)		TOTAL	Principal		Interest	TOTAL	Principal			Interest	TOTAL
	Principal	Interest		Principal	Interest		Principal	Interest			Principal	Interest			
2016	\$ 305,000	\$ 178,356	\$ 483,356	\$ -	\$ -	\$ 199,838	\$ 294,838	\$ -	\$ -	\$ (131,206)	\$ (131,206)	\$ 305,000	\$ 178,356	\$ 483,356	3.90%
2017	305,000	167,681	472,681	95,000	199,838	294,838	-	-	-	(131,206)	(131,206)	400,000	236,313	636,313	
2018	325,000	157,006	482,006	85,000	197,938	282,938	194,538	299,538	-	(131,206)	(131,206)	410,000	223,738	633,738	
2019	320,000	144,006	464,006	105,000	194,538	299,538	105,000	299,538	-	(131,206)	(131,206)	425,000	207,338	632,338	
2020	340,000	131,206	471,206	445,000	190,338	635,338	635,338	(340,000)	(131,206)	(471,206)	(471,206)	445,000	190,338	635,338	
2021	365,000	117,606	482,606	460,000	172,538	632,538	632,538	(365,000)	(117,606)	(482,606)	(482,606)	460,000	172,538	632,538	31.27%
2022	360,000	103,006	463,006	480,000	154,138	634,138	634,138	(360,000)	(103,006)	(463,006)	(463,006)	480,000	154,138	634,138	
2023	380,000	88,156	468,156	500,000	134,938	634,938	634,938	(380,000)	(88,156)	(468,156)	(468,156)	500,000	134,938	634,938	
2024	400,000	72,006	472,006	520,000	114,938	634,938	634,938	(400,000)	(72,006)	(472,006)	(472,006)	520,000	114,938	634,938	
2025	400,000	55,006	455,006	540,000	94,138	634,138	634,138	(400,000)	(55,006)	(455,006)	(455,006)	540,000	94,138	634,138	
2026	415,000	37,506	452,506	550,000	83,338	633,338	633,338	(415,000)	(37,506)	(452,506)	(452,506)	550,000	83,338	633,338	64.39%
2027	430,000	19,350	449,350	560,000	72,338	632,338	632,338	(430,000)	(19,350)	(449,350)	(449,350)	560,000	72,338	632,338	
2028	-	-	-	125,000	186,138	311,138	186,138	-	-	-	-	125,000	61,138	186,138	
2029	-	-	-	125,000	58,325	183,325	183,325	-	-	-	-	125,000	58,325	183,325	
2030	-	-	-	130,000	55,513	185,513	185,513	-	-	-	-	130,000	55,513	185,513	
2031	-	-	-	130,000	52,588	182,588	182,588	-	-	-	-	130,000	52,588	182,588	78.07%
2032	-	-	-	135,000	49,338	184,338	184,338	-	-	-	-	135,000	49,338	184,338	
2033	-	-	-	140,000	45,963	185,963	185,963	-	-	-	-	140,000	45,963	185,963	
2034	-	-	-	140,000	42,113	182,113	182,113	-	-	-	-	140,000	42,113	182,113	
2035	-	-	-	145,000	38,263	183,263	183,263	-	-	-	-	145,000	38,263	183,263	
2036	-	-	-	150,000	34,275	184,275	184,275	-	-	-	-	150,000	34,275	184,275	87.15%
2037	-	-	-	155,000	30,150	185,150	185,150	-	-	-	-	155,000	30,150	185,150	
2038	-	-	-	160,000	25,500	185,500	185,500	-	-	-	-	160,000	25,500	185,500	
2039	-	-	-	165,000	20,700	185,700	185,700	-	-	-	-	165,000	20,700	185,700	
2040	-	-	-	170,000	15,750	185,750	185,750	-	-	-	-	170,000	15,750	185,750	
2041	-	-	-	175,000	10,650	185,650	185,650	-	-	-	-	175,000	10,650	185,650	97.70%
2042	-	-	-	180,000	5,400	185,400	185,400	-	-	-	-	180,000	5,400	185,400	100.00%
	\$ 4,345,000	\$ 1,270,894	\$ 5,615,894	\$ 6,565,000	\$ 2,154,675	\$ 8,719,675	\$ (3,090,000)	\$ (1,017,463)	\$ (4,107,463)	\$ (4,107,463)	\$ (4,107,463)	\$ 7,820,000	\$ 2,408,106	\$ 10,228,106	

NOTES:

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

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Five Year Summary of Revenues, Expenditures and

Changes In Fund Balances

For the Fiscal Year Ended September 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Water Sales	\$ 4,513,505	\$ 4,703,480	\$ 4,351,417	\$ 4,937,797	\$ 5,711,470
Tap Fees	31,161	41,217	51,443	57,412	100,824
Penalties	54,713	52,591	54,119	58,541	54,034
Administrative Fees	9,146	29,974	51,683	56,817	105,158
Inspection Fees	-	-	118,580	139,726	128,572
Miscellaneous	30,732	37,672	38,697	33,127	54,270
Total Revenues	<u>\$ 4,639,257</u>	<u>\$ 4,864,934</u>	<u>\$ 4,665,939</u>	<u>\$ 5,283,420</u>	<u>\$ 6,154,328</u>
Expenses:					
Salaries and Wages	\$ 545,410	\$ 548,895	\$ 590,176	\$ 572,162	\$ 589,421
Payroll Taxes	41,865	42,555	45,647	43,745	45,790
Water Purchases	2,452,589	3,129,382	3,013,714	3,387,447	3,953,388
Chemicals	2,948	3,340	3,143	6,217	4,015
Repairs and Maintenance	106,878	142,361	100,563	130,057	136,098
Utilities	53,016	44,322	42,871	50,361	45,389
Telephone	14,249	14,389	14,366	12,842	15,482
Office Supplies	8,230	7,254	17,851	10,970	17,969
Legal and Professional	27,932	31,448	28,560	39,327	26,700
Insurance	197,895	218,127	214,647	214,229	239,446
Truck Expense	33,167	34,367	31,450	36,198	25,631
Retirement Plan Contribution	49,352	51,306	53,310	51,538	48,903
Other	66,078	79,201	192,327	231,583	228,528
Depreciation / Amortization	620,398	643,453	719,261	774,053	852,148
Total Expenses	<u>\$ 4,220,007</u>	<u>\$ 4,990,400</u>	<u>\$ 5,067,886</u>	<u>\$ 5,560,729</u>	<u>\$ 6,228,908</u>
Operating Income	<u>\$ 419,250</u>	<u>\$ (125,466)</u>	<u>\$ (401,947)</u>	<u>\$ (277,309)</u>	<u>\$ (74,580)</u>
Non-Operating Revenues (Expenses):					
Interest Income	\$ 85,147	\$ 62,550	\$ 50,503	\$ 45,847	\$ 46,704
Rent Income	21,673	21,673	21,814	22,095	22,095
Interest Expense	(216,822)	(142,958)	(170,930)	(188,439)	(145,311)
Total Non-Operating Revenues (Expenses)	<u>\$ (110,002)</u>	<u>\$ (58,735)</u>	<u>\$ (98,613)</u>	<u>\$ (120,497)</u>	<u>\$ (76,512)</u>
Net Income before Contributions	\$ 309,248	\$ (184,201)	\$ (500,560)	\$ (397,806)	\$ (151,092)
Capital Contributions - Tap Fees	445,350	886,572	1,138,437	1,170,509	1,794,865
Net Income	\$ 754,598	\$ 702,371	\$ 637,877	\$ 772,703	\$ 1,643,773
Capital Contributions - Utility Plant	65,000	310,850	630,400	800,912	1,382,300
Retained Earnings / Net Assets	26,752,424	27,302,192	28,315,413	29,583,690	31,157,305
Prior Year Adjustments	(269,830)	-	-	-	-
Retained Earnings / End of Year Assets	<u><u>\$ 27,302,192</u></u>	<u><u>\$ 28,315,413</u></u>	<u><u>\$ 29,583,690</u></u>	<u><u>\$ 31,157,305</u></u>	<u><u>\$ 34,183,378</u></u>

Source: Comprehensive Annual Financial Reports for the Nolensville/College Grove Utility District.

NOLENVILLE/COLLEGE GROVE UTILITY DISTRICT

Historical Debt Service Coverage
For the Fiscal Year Ended September 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenue	\$ 4,639,257	\$ 4,864,934	\$ 4,665,939	\$ 5,283,420	\$ 6,154,328
Operating Expenses	<u>3,599,609</u>	<u>4,346,947</u>	<u>4,348,625</u>	<u>4,786,676</u>	<u>5,376,760</u>
Net Operating Revenue Before Interest Expense, Depreciation & Amortization	1,039,648	517,987	317,314	496,744	777,568
Other Income Before Interest Expense, Depreciation & Amortization	<u>106,820</u>	<u>84,223</u>	<u>72,317</u>	<u>67,942</u>	<u>68,799</u>
Income Available For Debt Service	<u>\$ 1,146,468</u>	<u>\$ 602,210</u>	<u>\$ 389,631</u>	<u>\$ 564,686</u>	<u>\$ 846,367</u>
Actual Debt Service Requirements	\$ 497,470	\$ 488,955	\$ 480,579	\$ 479,206	\$ 479,206
Actual Bond Coverage w/o Cash Received as Capital Contributions	2.30 x	1.23 x	0.81 x	1.18 x	1.77 x
Maximum Annual Debt Service Requirements (FY 2017)	\$ 636,313	\$ 636,313	\$ 636,313	\$ 636,313	\$ 636,313
Bond Coverage w/o Cash Received as Capital Contributions	1.80 x	0.95 x	0.61 x	0.89 x	1.33 x
Cash Received as Capital Contributions	\$445,350	\$886,572	\$1,138,437	\$1,170,509	\$1,794,865
Income Available For Debt Service - Includes Cash Received as Capital Contributions	<u>\$ 1,591,818</u>	<u>\$ 1,488,782</u>	<u>\$ 1,528,068</u>	<u>\$ 1,735,195</u>	<u>\$ 2,641,232</u>
Actual Debt Service Requirements Requirements (FY 2016)	\$ 497,470	\$ 488,955	\$ 480,579	\$ 479,206	\$ 479,206
Bond Coverage (Including Cash Received as Capital Contributions)	3.20 x	3.04 x	3.18 x	3.62 x	5.51 x
Maximum Annual Debt Service on all outstanding and proposed Bonds (2017)	\$ 636,313	\$ 636,313	\$ 636,313	\$ 636,313	\$ 636,313
Bond Coverage (Including Cash Received as Capital Contributions)	2.50 x	2.34 x	2.40 x	2.73 x	4.15 x

Source: Report of Audit for the District

WILLIAMSON COUNTY, TENNESSEE

LOCATION

Williamson County (the “County”) is located in Middle Tennessee. The County is one of Tennessee’s and the nation’s fastest-growing and most modern communities. The County is adjacent to the southern boundary of Metropolitan Nashville and Davidson County and includes the Cities of Brentwood, Fairview, Franklin, Nolensville, Thompson’s Station and a portion of Spring Hill. The County is bordered by Cheatham and Davidson Counties to the north, Rutherford County to the east, Maury and Marshall Counties to the south and Hickman and Dickson Counties to the west. The land area of the County is approximately 583 square miles.

The City of Fairview is situated in the northwest corner of Williamson County with a 2010 Census of 7,720 people. Historic Franklin, the County seat, is 18 miles south of Nashville, Tennessee and has a population of 62,487 according to the 2010 Census. Franklin, the largest City in the County, was founded in 1799 and is built around a restored historic downtown district. Brentwood is the second largest City in the County with a 2010 Census population of 37,060. Brentwood is known for its upscale office parks and executive living. Nolensville is one of Tennessee’s newest towns, located in the northeastern section of the County, and it had a 2010 Census of 5,861. The 2010 Census puts Williamson County’s population at 183,182.

GENERAL

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

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

TRANSPORTATION

Interstate-65 and Highway-840 run crosswise through the County. The County is only eight miles from the convergence of the Interstates I-65, I-40 and I-24. There are 9 major state and federal roads within the county lines -- Interstates 40 and 65; U.S. Highways 31, 41 and 431; State Highways 11, 96, 100, and 397. Franklin has several forms of public transportation: intercity bus lines, Franklin trolleys (state of the art vehicles operating on bio diesel fuel used for providing mobility options), Van Pooling for businesses (share a ride to work with co-workers), and HOV lanes.

The close proximity to Nashville gives the County access to several forms of transportation located in the State Capital. The CSX Transportation Group links 20 states and operates a major inter modal yard (Radnor Inter modal Yard) in Nashville with 90 trains daily. The Port of Nashville on the Cumberland River provides a nine-foot navigation channel. The Southern Inland Waterway offers access to the Gulf of Mexico. The Nashville International Airport provides commercial air services to many cities and countries.

EDUCATION

The County typically has a higher graduation rate than other counties within the state each year. More than half of the County residents hold a bachelor's degree. The two school systems in the County are the Williamson County Schools and the Franklin Special School District. *Williamson County Schools* is a K-12 school district with about 36,000 students enrolled for the fall 2014 school year. There are 41 school sites: nine high schools, eight middle schools, twenty three elementary schools, and one K-8 school. There are 2,237 teachers. The graduating class of 2014 achieved an ACT composite score of 23.5, which exceeds the national average of 20.9 and the state average of 19.5. Franklin High School was named as the state's first International Baccalaureate school. A pre-kindergarten program is in place at 9 elementary schools. This program is designed to prepare at-risk children for a more successful entry into kindergarten.

The *Franklin Special School District* owns and operates its school system separate and apart from the County system, providing public education in grades K-8. Students are served by seven schools: four elementary schools, one intermediate school, one middle school, and a balanced calendar K-8 school. The fall 2013 enrollment had 3,805 students with 346 teachers.

Source: Tennessee Department of Education and the Williamson County Chamber of Commerce.

Columbia State Community College Franklin Campus, located in Maury County, is Tennessee's first two-year college. It has five convenient campuses and offers more than 50 programs of study. As of the fall 2013 semester, there were 5,287 students enrolled. Columbia State was founded in 1966, becoming the first community college in the Tennessee Board of Regents system. Lady Bird Johnson, accompanied by President Lyndon B. Johnson, officially dedicated the new Columbia State campus.

Columbia State offers both online and in-class courses, in both credit and non-credit formats. The college is also home to popular Middle Tennessee arts venues, such as the Cherry Theatre and the Pryor Art Gallery. Columbia State serves close to 10,000 students per year in credit and continuing education courses and awards more than \$10 million in financial aid. In addition to the Columbia campus, the college has campuses in Lawrenceburg, Lewisburg, Clifton and Franklin.

Source: Columbia State Community College.

The Tennessee Technology Center at Dickson Franklin Campus is part of a statewide system of 26 vocational-technical schools. 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 Dickson serves the south central region of the state including Dickson, Montgomery, Williamson, Houston and Humphreys Counties. The Technology Center at Dickson began operations in 1968, and the

main campus is located in Dickson County. Fall 2012 enrollment was 915 students. There are three satellite campuses located in Clarksville, Franklin and Waverly, Tennessee

Source: Tennessee Technology Center at Dickson.

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually. Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in health care delivery.

HEALTHCARE

Williamson Medical Center (the “WMC”) is a 185-bed acute care hospital that offers comprehensive inpatient and outpatient services, 24-hour emergency care, preventive health screenings and wellness activities. More than 500 outstanding physicians represent 53 medical specialties. WMC was established as Williamson County Hospital in 1957 with 50 beds. WMC is operated by the citizens of Williamson County through its Board of Trustees. The WMC Board of Trustees is made up of individuals from the County community. The WMC Board of Trustees includes civic leaders, private citizens, government leaders and physicians. WMC also provides a full-time family physician for Williamson County Health Department patients in Franklin, as well as a part-time physician for the Health Department clinic in the City.

Source: Williamson Medical Center.

TriStar Southern Hills Medical Center, located in Nashville, has grown since 1979 to 126 beds and serves three counties, including Davidson, Williamson and Rutherford. TriStar Southern Hills offers a wide range of state of the art healthcare, including emergency services, cardiology, vascular surgery, orthopaedics and oncology. The facility has a medical staff currently has over 300 members representing more than 20 specialties. All are board certified or board eligible. TriStar Southern Hills earned The Joint Commission's Gold Seal of Approval® for its acute coronary syndrome program by demonstrating compliance with The Joint Commission's national standards for health care quality and safety in disease-specific care.

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

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

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

MANUFACTURING AND COMMERCE

Economic diversity is important to maintaining a strong and stable economy. The County only has about a quarter of the percentage of jobs in manufacturing compared to the nation and roughly half the percentage of jobs in government. The County has much higher employment in professional & business services, with nearly three times the portion of jobs in this industry compared to national employment, and finance & insurance, with more than double the portion of jobs in this industry. The County also has nearly five times the percentage of jobs in management of companies compared to national jobs. Comparable employment to the nation across industries implies a diverse and strong local economy.

In recent years, the County has benefited from its status as the county with the highest per capita income and the lowest unemployment rate in the state. The corporate headquarters of 13 of the largest 25 publicly traded companies in the Nashville region are all located in the County; among them are: Community Health Systems, Nissan Americas, Healthways, Medsolutions, Passport Health Communications, Franklin American Mortgage, Medquist, Walgreens Take Care Health, and PureSafety. Two of the state's largest office parks, Maryland Farms and Aspen Grove, and one of Tennessee's largest shopping malls, Cool Springs Galleria, are located in the County. The General Motors' Saturn Plant is located one mile south of the County in Spring Hill.

Source: The City of Franklin, Tennessee Comprehensive Annual Financial Report.

There are several industrial and business parks within the County. There are 23 buildings or parks within the City of Franklin, Brentwood or the Town of Nolensville. Aspen Grove is a series of six business parks located in Franklin. Brentwood South Business Center has five sites located in both Brentwood and Franklin. There are eight buildings zoned for industrial in Franklin and one in Nolensville. The City of Franklin also has six sites for warehouses and distribution.

CoolSprings Galleria. The 1 million-square-foot shopping complex is one of the biggest and most successful retailer centers in the Southeast, and it is the largest annual tax generator for the County. The complex has on average 13 million annual visitors and yearly sales topping \$400 million in over 150 stores and restaurants. It is anchored by Belk, Dillard's, JCPenney, and Macy's. Expansion plans are underway for the Belk store, as well as the arrival of H&M, American Girl, and the Cheesecake Factory. The complex opened in 1991.

Health Care Management Offices. Brentwood and Cool Springs are home to many health care companies, including AIM Healthcare Services, Cogent Healthcare, DaVita, HCA, MedSolutions and Simplex Healthcare. In addition, Cool Springs-based Community Health Systems is one of the nation's leading operators of hospitals, owning or operating more than 130

hospitals in 28 states. Healthways, a disease-management company, moved from Nashville to a \$65 million headquarters in Cool Springs in 2008.

Mars Petcare US. The Brentwood-based pet food giant designs and develops products for dogs, cats and other animals. Mars is a leading manufacturer of dry pet foods, soft-dry foods, soft treats and dog biscuits. The company also makes products for other pet food companies, with customers such as Walmart, grocery and pet store chains, and farm and feed stores.

Maryland Farms and Brentwood Town Center. The Maryland Farms office park is home to several national headquarters more than 5 million square feet of office space. Its location is convenient to Nashville International Airport, interstates, downtown Nashville, shopping and residential areas. The Town Center area consists of more than 100 retail stores and businesses.

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the state, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over \$27.0 billion. Major regional shopping centers register more than \$3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. Outside the Nashville downtown area, there are five major shopping centers, four of which are enclosed malls, and 60 smaller shopping complexes. Opry Mills Mall located nearby but outside the Nashville downtown area, reopened in 2012 with several new stores after being closed for repairs after a flood in 2010. Rivergate Mall, one of the MSA's largest shopping centers in which approximately 192 stores operate is located in Nashville and is a major economic engine for the MSA and Nashville.

Source: Official Statements of the Metropolitan Government and Williamson County Chamber of Commerce.

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The Gross Regional Product (the “GRP”) is the market value of all goods and services produced within a given area over a specific period of time and are a good measure of the size, income and productivity of a regional economy. The Nashville MSA total GRP for 2013 was \$95.2 billion. The County’s GRP accounts for over 14% of the total region.

<u>Goods and Services</u>	<u>Gross Regional Product</u>
Mining, Quarrying & Oil/Gas	\$ 9.1 Million
Crop / Animal Production	\$ 46.4 Million
Utilities	\$ 73.6 Million
Educational Services	\$ 80.6 Million
Transportation & Housing	\$153.8 Million
Arts, Entertainment & Recreation	\$ 219 Million
Other	\$ 246 Million
Manufacturing	\$ 269 Million
Accommodation / Food	\$ 322 Million
Construction	\$520.8 Million
Administrative & Support & Waste Management	\$ 532 Million
Government	\$ 627 Million
Wholesale Trade	\$791.4 Million
Non-Industries, Other	\$ 882 Million
Healthcare & Social Assistance	\$ 896 Million
Retail Trade	\$ 926 Million
Information	\$ 1 Billion
Real Estate, Rental and Leasing	\$ 1.1 Billion
Management of Companies	\$ 1.28 Billion
Professional, Scientific & Technical	\$ 1.75 Billion
Finance & Insurance	\$ 1.95 Billion
TOTAL GRP	<u>\$ 13.7 Billion</u>

Source: Williamson County Trends Report from Williamson, Inc. Economic Development – 2015.

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

Major Employers

<u>Company</u>	<u>Product</u>	<u>Employment</u>
Community Health System**	Healthcare	3,092
Williamson Co. Board of Education*	Education	2,313
HCA	Healthcare	2,002
Nissan Americas**	Automobiles	1,850
United Health Group	Healthcare	1,467
Williamson Medical Center	County Hospital	1,400
Parallon Business Solutions		1,100
Verizon Wireless	Cell Phones	1,001
Comdata Holdings Corp.**	Financial Services	1,000
Lee Co.	Mechanical Contractors	910
Tractor Supply Company**	Retail	910
Williamson County	Government	881
Optum, Inc.	Healthcare	801
Ford Motor Credit	Customer Care	800
Brookdale Senior Living	Healthcare	730
Healthways**	Healthcare	717
City of Franklin	Government	708
Mars Petcare US**	Pet Care Products	659
DA Vita	Healthcare service	650
eviCore Healthcare	Healthcare	625
MedSolutions Inc.**	Healthcare	625
Delek US Holdings, Inc.		605
AT&T	Telecommunications	515
MEDHOST, Inc.	Healthcare	501
Ozburn-Hessey Logistics	Management solutions	460
Lampo Group, Inc.	Investment advisory service	458
Lattimore Black Morgan & Cain	Accounting	450
W Squared		450
Lifepoint Hospitals Inc.	General Hospital management	435
Cogent	Healthcare	400
Franklin Special School District*	Education	369
City of Brentwood	Government	270

* Employment only includes teachers and administrators.

** The headquarters for these companies are located in Williamson County.

Source: Williamson County Trends Report from Williamson, Inc. Economic Development 2016 and the Cities of Franklin and Brentwood Audits – 2015.

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EMPLOYMENT INFORMATION

Williamson County typically has the lowest unemployment rate in the state each month. For the month of February 2016, the unemployment rate for Franklin stood at 2.9% with 38,220 persons employed out of a labor force of 39,360. For the month of February 2016, the unemployment rate for Brentwood stood at 3.0% with 19,840 persons employed out of a labor force of 20,470. For the month of February 2015, the unemployment rate for Williamson County stood at 3.0% with 104,930 persons employed out of a labor force of 108,170.

The Nashville-Murfreesboro MSA's unemployment for February 2016 was at 3.5% with 920,760 persons employed out of a labor force of 953,710. As of February 2016, the unemployment rate in the Nashville-Murfreesboro CSA stood at 3.5%, representing 970,530 persons employed out of a workforce of 1,005,990.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Franklin	6.2%	5.4%	5.5%	4.3%	3.8%
Index vs. National	69	67	74	69	72
Index vs. State	67	68	67	64	66
Brentwood	5.9%	5.2%	5.6%	4.7%	4.2%
Index vs. National	66	64	76	76	79
Index vs. State	64	65	68	70	72
Williamson County	6.2%	5.4%	5.6%	4.5%	4.1%
Index vs. National	69	67	76	73	77
Index vs. State	67	68	68	67	71
Nashville-Murfreesboro MSA	8.0%	6.6%	6.5%	5.2%	4.6%
Index vs. National	90	81	88	84	87
Index vs. State	87	82	79	78	79
Nashville-Murfreesboro CSA	8.2%	6.7%	6.6%	5.4%	5.9%
Index vs. National	92	83	89	87	111
Index vs. State	89	84	80	81	102

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

ECONOMIC DATA

Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
Williamson County	\$59,374	\$62,771	\$69,451	\$69,555	\$71,761
Index vs. National	147	148	157	157	156
Index vs. State	167	168	177	177	177
Nashville-Murfreesboro MSA	\$41,205	\$43,037	\$45,792	\$45,825	\$47,392
Index vs. National	102	101	103	103	103
Index vs. State	116	115	117	117	117
Nashville-Murfreesboro-Columbia CSA	\$40,302	\$42,090	\$44,777	\$44,880	\$46,409
Index vs. National	100	99	101	101	101
Index vs. State	113	113	114	114	115

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Williamson County</u>	<u>Brentwood</u>	<u>Franklin</u>
Median Value Owner Occupied Housing	\$175,700	\$139,900	\$336,400	\$487,900	\$312,400
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	94.8%	97.7%	94.3%
% Persons with Income Below Poverty Level	14.80%	18.30%	5.6%	2.9%	7.3%
Median Household Income	\$53,482	\$44,621	\$91,743	\$138,395	\$81,432

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

PARKS AND RECREATION

Ag Expo Park. The Williamson County Agricultural Exposition Park is located on 110 picturesque acres in historically rich Franklin, Tennessee, and is conveniently located on I-65. It provides over 230,000 square feet under roof, and 15+ acres of parking. The Ag Expo Park has been designed to host a variety of activities including trade shows and agricultural events. With

over 45 major events per year, it has become a popular destination for local, regional and national events.

The Main Arena is 150 feet by 300 feet, and has permanent seating for 4,180, with optional temporary seating for an additional 3,500. It provides over 175,000 square feet of climate controlled space. The warm up arena is 100 feet by 200 feet, and is attached to the main arena. The Manier Arena is 110 feet by 190 feet and is located a short distance from the barns that house 194 stalls.

Source: Williamson County.

Natchez Trace Parkway. The 444-mile Natchez Trace Parkway from Natchez to Nashville generally follows an ancient trail that connected southern portions of the Mississippi River, through Alabama, to salt licks in today's central Tennessee. Today, visitors can experience this National Scenic Byway and All-American Road through driving, hiking, biking, horseback riding, and camping. The Natchez Trace Parkway goes through the Tennessee Counties of Davidson, Williamson, Maury, Hickman, Lewis, Lawrence and Wayne before crossing into Alabama. The terrain along the Natchez Trace Parkway changes from 70 to 1,100 feet in elevation and passes through 5 degrees of latitude. Originally a prehistoric Indian trail and later used by the Spaniards, French, British, and Americans, the Natchez Trace Parkway was for several centuries an important trade and emigrant road in the old Southwest.

Source: National Park Service.

The Natchez Trace Parkway Bridge is a concrete double arch bridge located in the County, near the northern terminus of the Natchez Trace Parkway. The Natchez Trace Parkway Bridge is the nation's first segmentally constructed concrete arch bridge. Spanning 502 m (1,648 feet), the double arch structure offers motorists a view from 47m (155 feet) above the valley floor and is one of the final links in the Natchez Trace Parkway project. The bridge's arches are designed to support the deck without evenly spaced spandrel columns, resulting in a picturesque, unencumbered appearance. The bridge is the first segmentally constructed concrete arch bridge in the United States. The bridge has won many awards for its design, including a Presidential Award for Design Excellence in 1995, and an Award of Merit from the Federal Highway Administration in 1996. The Eleventh International Bridge Conference named it the single most outstanding achievement in the bridge industry for 1994.

Source: Federal Highway Administration.

RECENT DEVELOPMENTS

AAC Holdings. AAC Holdings, the parent company of American Addiction Centers, has expanded into the former Tractor Supply Company headquarters building in Brentwood in early 2015. The two-story, 102,000-square-foot office building will increase the company's space for its call center operations and expanding their training facilities with room to expand later.

Brookdale Senior Living Inc. Brookdale Senior Living invested 2.1 million to expand its headquarters in Brentwood in 2014. This resulted in 162 new employees over the next five years. Brookdale merged with Emeritus Corp in late 2014, which created the first national senior living solutions company. After the merger, Brookdale had more than 1,100 senior-living communities in 46 states, including each of the country's 30 largest metro areas.

CoolSprings Galleria. The mall complex that is owned by Chattanooga-based CBL Associates Properties Inc. will undergo a three-phase expansion in order to attract upscale national retailers who have not previously entered the Nashville market. The Sears department store (closed at the end of 2013) will be divided up to provide a new south entrance and room for adding unattached retail buildings. First, a 73,700-square-foot expansion began in February of 2014. The second phase of construction began in the summer of 2014 and added more than 53,000 square feet of space in three, new, stand-alone buildings. A third phase of work near the Macy's department store entrance on the north side of the mall will bring two new 10,000-square-foot spaces, but no timeline for the work has been slated. When completed, mall planners say the complex will increase 1.5-million-square-foot retail footprint by 5 percent.

Crescent Cool Springs. Crescent Communities, a North Carolina based developer, broke ground in 2013 on a \$42 million, 13-acre, 252-unit apartment development east of Nissan North America headquarters. The company also has more than 1.5 million square feet of office space and more than 400 apartments in the area.

Comprehensive Logistics Co., Inc. Comprehensive Logistics located a new automotive manufacturing support facility in Spring Hill (Maury County) that houses the manufacturing and light assembly of automotive components for the local General Motors plant. The Ohio-based logistics provider invested \$30 million on 13 acres and created more than 200 new jobs. The new facility was completed in mid-2015. In addition to logistic support, Comprehensive Logistics provides services including parts sequencing and assembly of headliners, tires and wheels, rear suspensions, and front verticals. The company manages 19 operations comprised of 4 million square feet of warehousing and subassembly.

Corizon Health Inc. Corizon, a health care provider for prison systems, added 199 jobs to its headquarters in Brentwood in 2014. The expansion into LifePoint's old headquarters resulted in some employees being moved from St. Louis.

DiaTech Oncology. DiaTech Oncology, a clinical pathology lab company that offers patient-specific cancer testing, invested \$2.7 million in a new lab located in Franklin in 2013. The lab hired 39 new employees, including specialists such as medical technologists.

General Motors. The former Saturn Plant in Spring Hill (in Maury County) will begin to produce the new GMC Acadia crossover and the all new Cadillac XT5 crossover utility vehicles in 2016. The plant was reopened in 2012 after being idled for two years. In 2012 production began on the Chevrolet Equinox sport utility and a new Ecotec engine at Spring Hill. \$419 million was invested in the plant upgrades for production of the new vehicles. Built on a 2,100-acre site about 30 miles south of Nashville, the Spring Hill GM plant has about 6.9 million square feet of space under rood, and employed 1,849 people in August of 2015.

Healthways. Healthways added 90 more jobs to its headquarters in Franklin after landing several new government contracts.

Kirklands. Home goods retailer Kirkland's expanded its headquarters and moved to Brentwood in 2014 from nearby Davidson County. The new space has 76,615 square feet that is about twice the size of their old building.

Magna International. The Canadian manufacturer of auto seats invested \$16 million to build a new manufacturing facility in Spring Hill (Maury County). The company, which currently has a location in Columbia, will eventually create up to 357 new jobs in Maury County. The new, 122,500-square-foot facility will be Magna's fifth location in Tennessee and became fully operational in January 2015.

Mars Petcare US. The pet food company Mars Petcare finished construction on an \$87 million regional innovation center in the County in Thompson's Station in 2013. There is a four-building campus where Mars and the Nutro Company creates new pet food innovations for the North American market. The new center employs about 144. Mars Petcare makes pet food brands Pedigree, Whiskas, Cesar, Temptations, Nutro and Greenies.

Mizzouri. Mizzouri, a global market research firm formed in early 2014, selected Franklin for its headquarters. The firm will have six local employees but its global network includes roughly 150 senior consultants and technologist.

Morning Pointe Assisted Living. Chattanooga-based Independent Healthcare Properties and Morning Pointe Assisted Living constructed a new \$25 million, two-phase senior-living campus in Franklin, which created 200 construction jobs and 125 permanent health care positions in 2014.

NaviHealth. Brentwood-based NaviHealth expanded into the former Tractor Supply building in 2014. The company took over more than 60,000 square feet of space that will allow the company to double its current workforce of 160 in the coming years. The company had previously been located in Brentwood and CoolSprings in about 30,000 square feet, combined.

Optum. Optum, previously AIM Healthcare, expanded in 2013 by adding 250 coding and development jobs. The local office of Optum focuses on simplifying the administration of health care so that hospitals and health plans can operate more efficiently, primarily through claims inefficiencies.

Ovation Project. SouthStar LLC and Highwoods Properties jointly announced plans in late 2013 to develop 350,000 square feet of open-air retail and restaurant space on the opposite side of Interstate 65 about 2 miles from CoolSprings Galleria. The site is part of a \$700 million mixed-use office, retail and residential project called Ovation on 145 acres at the intersection of Carothers Parkway and McEwen Drive that would include 1.4 million square feet of offices and a 300-room hotel. The concept eschews the retail direction of the latter half of the past century of a large enclosed mall. Artist renderings depict rows of stores lining a manicured main street with lush trees and landscaping flanked by office towers of glass and steel.

Peak Health Solutions. Medical coding company Peak Health Solutions moved its headquarters from San Diego to Franklin in 2014 in order to be closer to several of the nation's largest hospital systems. The company has two divisions with the other located in Atlanta. Peak Health has a total of 350 employees in 49 states.

Tractor Supply Company. Brentwood-based Tractor Supply Company expanded its headquarters to a new 260,000-square-foot building in Brentwood in 2014. The Company had been using three leased facilities since 2004. Tractor Supply expects its employment to grow to 1,000 employees over the next few years. Tractor Supply Company is the largest retail farm and ranch supply store chain in the United States.

United Healthcare Group. United Healthcare Group hired 200 customer service representatives to manage TennCare Medicaid enrollees in 2014. United Healthcare has over 2,000 employees in Tennessee.

Verizon Wireless. Verizon Wireless in Franklin, the state headquarters for the corporation, added 155 new jobs to the County in 2014 (plus another 150 to nearby Murfreesboro) in its expansion of retail and call centers in the Nashville area.

Video Gaming Technologies Inc. The maker of casino games, Video Gaming Technologies, added 100 employees to their workforce of 200 in 2014. The \$3 million expansion to its headquarters in Franklin allowed for more product managers and software engineers to be hired. The company moved to the area in 2012.

W Squared. W Squared merged with Reston, VA based CHS Health Services in February 2013. W Squared expanded operations in its Brentwood location, hiring more than 150 employees. W Squared's outsourced solutions include technology managed services, healthcare information technology, finance and accounting, and human resources and payroll solutions.

Source: Williamson, Inc. Economic Development, The Tennessean and Knoxville News Sentinel.

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APPENDIX C

SUMMARY OF BOND RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following briefly summarizes certain terms and provisions of the resolution authorizing the issuance of the Series 2016 Bonds (the "Resolution"). This summary is not a complete explanation of the terms and conditions of the Resolution. Reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof. A copy of the Resolution may be obtained from the District at P.O. Box 127, Nolensville, Tennessee 37135, Attn: General Manager.

Definitions of Certain Terms

"Acquired System" shall mean the complete water storage, collection, treatment, transmission and distribution system of the District, together with, and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District pursuant to the Act and/or any waterworks treatment and/or transmission facilities hereafter constructed, acquired or otherwise established by the District pursuant to the Act.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness of the District, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% percent by mandatory redemption prior to the beginning of such twelve month period.

"Bonds" shall mean the Series 2009 Bonds, the Series 2016 Bonds and any Parity Bonds.

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

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

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

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

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

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the District or any paying agent for the Bonds or

other obligations of the District), for any period of 12 consecutive calendar months for which such a determination is made, provided:

- The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (1) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser.
- The Debt Service Requirement with respect to any Hedged Obligations, for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder, shall be calculated by adding (x) the amount of interest payable by the District on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the District under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the District on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed (i) by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) or (ii) by using the same assumptions with respect to the Hedged Obligations as may be used for determining the assumed interest rate for Variable Rate Indebtedness.
- For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the District, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained in the Resolution, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the District could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the District's Debt Service Requirement for purposes of the Resolution regarding the setting of water rates, unless the District has a written commitment from a bank, underwriting firm or other financial

institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in the section of the Resolution regarding Defeasance of Bonds, 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.

"District" means Nolensville/College Grove Utility District of Williamson County, Tennessee, and its successors and assigns.

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the District for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

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

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

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

"Gross Earnings" means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution, the Series 1976 Bond Resolution and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used in the Resolution shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System.

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds

from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedged Obligations" means any Bonds for which the District shall have entered into a Hedge Agreement.

"Hedge Payments" means amounts payable by the District pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Insurance Policy" shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2009 Bonds when due.

"Insurer" shall mean Assured Guaranty Corp., a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration, or any successor thereto or assignee thereof.

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

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year of the District.

"Net Revenues" means (1) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash revenue items such as in-kind contributions in aid of construction, less (2) Current Expenses.

"Parity Bonds" means bonds, notes, loan agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Series 2009 Bonds in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted in the Resolution or the revenues from such Acquired System are not excluded from Gross Earnings.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch Ratings, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., or any successors thereto and any other nationally recognized credit rating agency.

"Reserve Account" shall mean an account established within the Reserve Fund.

"Reserve Fund" shall mean the Debt Service Reserve Fund established pursuant to the Resolution.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer

which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement on the Series 2009 Bonds or any issue of Parity Bonds in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of such Series 2009 Bonds or Parity Bonds.

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated in the highest rating category by each Rating Agency that rates such Reserve Fund Credit Facility Issuer;

"Reserve Fund Requirement" means, for each of the Series 2009 Bonds and any issue of Parity Bonds, the least of (a) 10% of the stated principal amount of the Series 2009 Bonds or Parity Bonds; (b) the Maximum Annual Debt Service Requirement on such Series 2009 Bonds or Parity Bonds during the term thereof; or (c) 125% of the average Debt Service Requirement on such Series 2009 Bonds or Parity Bonds during the term thereof.

"Series 1976 Bond" means the District's Waterworks Revenue Bond, Series 1976, dated January 28, 1977, in the original principal amount of \$35,000.

"Series 1976 Bond Resolution" means the resolution of the District adopted the Board of Commissioners of the District on November 4, 1976, pursuant to which the Series 1976 Bond was issued.

"Series 2009 Bonds" shall mean the District's remaining outstanding Waterworks Revenue Refunding Bonds, Series 2009.

"Series 2016 Bonds" shall mean the District's Waterworks Revenue Refunding and Improvement Bonds, Series 2016.

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

"System" means the complete water procurement, treatment, storage and distribution system of the District, together with and including all properties of every nature hereafter owned by the District, and any sewer treatment and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

"Termination Payments" means an amount payable by or to the District upon termination of a Hedge Agreement.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by the resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source and Security of Payment

The Bonds shall be payable solely from and secured by a pledge of the Net Revenues of the System, subject to the prior pledge of such revenues in favor of the Series 1976 Bond. The Bonds do not

constitute a debt of Williamson County, Tennessee, the State of Tennessee, or any political subdivision, agency or instrumentality thereof, other than the District, and no owner or holder of any of the Bonds shall have recourse to the taxing power of any such entities.

The punctual payment of principal of, premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of number or time of sale or execution or delivery and, subject to the prior pledge of such revenues to the Series 1976 Bond, the Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

For the further protection of the registered owners of the Bonds, a statutory lien in the nature of a mortgage lien upon the System is granted and created by Sections 7-82-101 et seq., Tennessee Code Annotated, which statutory mortgage lien is recognized as valid and binding upon the District and to be a lien upon the System, subject only to the statutory mortgage lien securing the Series 1976 Bond, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on the Bonds.

Application of Revenues and Creation of Funds

From and after the delivery of any of the Bonds, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District in the Revenue Fund established pursuant to and currently operated in accordance with the requirements of the Series 1976 Bond Resolution, and after payment in full of the Series 1976 Bond, to the Revenue Fund established by the Resolution (each, the "Revenue Fund"), administered and controlled by the District. The funds so deposited shall be used only as follows:

1. The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.
2. The money remaining in the Revenue Fund after payment of Current Expenses shall be applied and deposited to the various funds established under the Series 1976 Bond Resolution, in full satisfaction of the requirements thereof for the benefit of the Series 1976 Bond, for so long as the Series 1976 Bond shall be outstanding and unpaid.
3. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Bond and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of the District and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the provisions of the Resolution, beginning in the month next following delivery of the Series 2009 Bonds. For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts. For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the

month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts. Each deposit as to interest may take into account expected Hedge Payments related to such interest payments. No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period, and any related Hedge Payments. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the District as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds and making any Hedge Payments.

4. The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

5. To the extent the Reserve Fund Requirement for the Series 2009 Bonds or any issue of Parity Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special account, to be known as the “(description of issue) Reserve Account,” (a “Reserve Account”) within a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of the District. No deposit shall be required to be made to any Reserve Account of the Reserve Fund unless the amount in such Reserve Account, together with any applicable Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the any Reserve Account of the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the applicable Reserve Fund Requirement and the amount in such Reserve Account, together with the applicable Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Account shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments, and provided further that, if deposits are required to be made to two or more Reserve Accounts and the District has insufficient monies to make the full amount of the required deposits, then such deposits shall be made to the Reserve Accounts pro rata in proportion to the respective deficiencies therein. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Reserve Account, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the applicable Reserve Fund Requirement. Money in any Reserve Account shall be used solely for the purpose of paying principal of or interest on the Series 2009 Bonds or Parity Bonds for which it was established and for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement in any Reserve Account may be released to be used by the District for legally permissible purposes.

At the option of the District, the District may satisfy the Reserve Fund Requirement for the Series 2009 Bonds or an issue of Parity Bonds, or a portion thereof, by providing for the benefit of owners thereof a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable thereto and release an equal amount of funds on deposit in the applicable

Reserve Account to be used by the District for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the District receives notice of either of said events, the District shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the applicable Reserve Account from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of Section 12 of the Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the applicable Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the applicable Reserve Account or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from any Reserve Account during a time when the applicable Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement for the Series 2009 Bonds or any issue of Parity Bonds is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities.

In the event the Reserve Fund Requirement for the Series 2009 Bonds or any Parity Bonds, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution regarding defeasance, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect with respect to the applicable Series 2009 Bonds or Parity Bonds and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

Notwithstanding anything herein to the contrary, the District may, with the written consent of each Reserve Fund Credit Facility Issuer, calculate the Reserve Fund Requirement on an aggregate basis for all outstanding Bonds, in which case there shall be a single Reserve Account within the Reserve Fund for all outstanding Bonds.

6. Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund, and Termination Payments required of the District in connection with a Hedge Agreement shall be paid as a subordinate lien obligation pursuant to subsection (7) below.

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

8. Money on deposit in the Funds described above may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such

investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund, except, at the District's option, investment income on the Reserve Fund may be deposited in any construction fund established to hold Bond proceeds. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described above.

9. The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of the System

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

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

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

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

Records and Accounts. The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

(i) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

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

All expenses incurred in the making of the audits shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 180 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of 25% in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

Performance of Duties. The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System and will apply the revenues of the System to the purposes and Funds specified in the Resolution and the Series 1976 Bond Resolution.

Rate Covenant. The District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

- (i) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the District; and
- (ii) such that Net Revenues in each Fiscal Year:
 - (A) will equal at least 120% of the Debt Service Requirement on the Series 1976 Bond and all Bonds, and 100% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year;
 - (B) will enable the District to make all required payments, if any, into the Reserve Fund and on any Credit Facility or Hedge Agreement;

(C) will enable the District to accumulate an amount, which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

(D) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years; and

(E) will permit the District to comply with the terms of any agreement that the District has entered into to purchase or sell water;

If the District fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this section in any Fiscal Year, but the District in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by a Consulting Engineer or Financial Adviser retained by the District to review the operations of the System, there shall be no breach by the District of its obligations under the Resolution until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

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

1. The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;
2. Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth in the Resolution or in any resolution authorizing Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;
3. (a) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System, or (b) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and
4. if the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

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

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

Franchise. The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing contained in the Resolution shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Control by the Governing Body. To the extent permitted by law, for the purpose of assuring the efficient, impartial and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained in the Resolution. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

Hedge Agreements. The District shall not enter into a Hedge Agreement with any entity, other than an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the second highest Rating category of at least two Rating Agencies (ignoring any gradations within a Rating category). For purposes of this section, a potential hedge provider's qualification with the requirements of the preceding sentence shall be determined only at the time the District enters into a Hedge Agreement with such entity and will not be redetermined with respect to that Hedge Agreement.

Remedies of Bond Owners

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the District by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

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

Prohibition of Prior Lien; Parity Bonds

The District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds, including without limitation, any bonds or obligations on a parity of lien with the Series 1976 Bond. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

1. Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of the Series 1976 Bond or the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Series 1976 Bond or Bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) the District shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Outstanding Loan Agreement and/or Bonds, as applicable, including payments on related Credit Facilities and Hedge Agreements; and

(ii) the requirements of subsections (b)(2) and (4) below are met with respect to such refunding.

2. Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with the District a report by a Financial Adviser or a certificate by the general manager of the District, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the average annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

(ii) The District shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the general manager of the District, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or

capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Secretary of the Governing Body shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the District is in compliance with all requirements of the Resolution.

Modification of Resolution

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

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

1. Make any change in the maturities or redemption dates of the Bonds;
2. Make any change in the rates of interest borne by the Bonds;
3. Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
4. Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
5. Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
6. Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

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

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

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

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

Notwithstanding the foregoing, if any Bonds are insured by a bond insurance policy, the bond insurer issuing such bond insurance policy shall be entitled to consent to any modifications to the Resolution on behalf of the owners of the Bonds insured by such bond insurer, provided that no bond insurer shall be entitled to consent to any modifications to this Resolution that require the unanimous consent of the owners of the Bonds as described above.

Discharge and Satisfaction of Bonds

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

1. 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;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);
3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

GENERAL PURPOSE FINANCIAL STATEMENTS
OF
NOLENSVILLE-COLLEGE GROVE UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE
FOR THE FISCAL YEAR ENDED
June 30, 2015

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

**NOLENSVILLE/COLLEGE GROVE
UTILITY DISTRICT**

Financial Statements

For the Years Ended September 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
FINANCIAL STATEMENTS:	
Statements of Net Position.....	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows.....	3-4
Notes to Financial Statements.....	5-11
FINANCIAL SCHEDULES:	
Schedule of Bond Principal and Interest Requirements.....	12
Schedule of Cash and Cash Equivalents.....	13
Schedule of Principal Officials of the District.....	14
Schedule of Insurance in Force.....	15
Schedule of Water Rates in Force.....	16
AWWA Reporting Worksheets – Unaudited.....	17-18
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD.....	
	19-20
SCHEDULE OF FINDINGS AND RESPONSES	21

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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

Independent Auditor's Report

The Board of Commissioners
Nolensville College Grove Utility District
Nolensville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Nolensville College Grove Utility District (the District), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the District, as of September 30, 2015 and 2014, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States America.

The Board of Commissioners
Nolensville College Grove Utility District
Nolensville, Tennessee

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

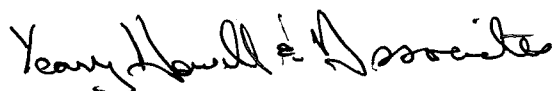
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information in the accompanying schedules on pages 12-18 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for those financial schedules marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nolensville College Grove Utility District's internal control over financial reporting and compliance.



December 17, 2015

Management's Discussion and Analysis

Our discussion and analysis of the Nolensville/College Grove Utility District financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015.

HIGHLIGHTS

Financial highlights

Fiscal Year 2015

- The District's net position increased to \$34,183,378, an increase of \$3,026,073 or over 9%, as a result of 2015's operations.
- Operating revenues increased to \$6,154,328 a 16% increase from prior year while operating expenses increased a little over 12 %.
- The District's cash increased by \$676,563 to \$6,409,665, while investments increased by \$33,650 to \$4,157,811.

Fiscal Year 2014

- The District's net position increased to \$31,157,305 an increase of \$1,573,615 or over 5%, as a result of 2014's operations.
- Operating revenues increased to \$5,283,420, a 13% increase from prior year while operating expenses increased a little over 7.4 %.
- The District's cash increased by \$132,629 to \$5,733,102, while investments decreased by \$137,034 to \$4,124,161.

Restatement

During 2015, the District became aware that a water supplier had overbilled the District during 2015 by \$17,407, during 2014 by \$42,197 and \$107,548 for fiscal years prior to 2014. The 2015 and 2014 statements were restated as well as the July 1, 2013 net position to reflect this correction.

District highlights

Fiscal Year 2015

- The District added \$3,816,651 to capital assets including \$1,382,300 in donated lines and \$37,592 in capitalized interest.
- Water sales increased 15.6% to a total of \$5,711,470.
- Tap fees and other capital contributions increased by \$624,356 to \$1,794,865.
- The District added \$2,143,259 to capital assets including \$800,912 in donated lines and \$3,300 in capitalized interest.
- Water sales increased 13.5% to a total of \$4,937,797.
- Tap fees and other capital contributions increased by \$32,072 to \$1,170,509.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Financial Schedules. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Required financial statements

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and Nolensville/College Grove Utility District capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?".

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

Nolensville/College Grove Utility District

The District's total net position increased by \$3,026,073 in fiscal year 2015, and \$1,573,615 in fiscal year 2014. Our analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the years presented.

Table 1

	2015	2014*	2013*
Capital assets	\$ 27,543,641	\$ 24,579,138	\$ 23,209,932
Current and other assets	13,162,769	12,123,618	12,129,712
Total assets	<u>\$ 40,706,410</u>	<u>\$ 36,702,756</u>	<u>\$ 35,339,644</u>
Long-term debt outstanding	\$ 4,347,000	\$ 4,639,000	\$ 4,930,500
Other liabilities	2,176,032	906,451	825,454
Total liabilities	<u>\$ 6,523,032</u>	<u>\$ 5,545,451</u>	<u>\$ 5,755,954</u>
Net position:			
Invested in capital assets, net of debt	\$ 22,239,706	\$ 19,876,340	\$ 18,251,295
Restricted	821,342	829,864	1,173,796
Unrestricted	<u>11,122,330</u>	<u>10,451,101</u>	<u>10,051,051</u>
Total net position	<u>\$ 34,183,378</u>	<u>\$ 31,157,305</u>	<u>\$ 29,583,690</u>

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table 2

	2015	2014*	2013*
Net operating revenues	\$ 6,154,328	\$ 5,283,420	\$ 4,665,939
Investment Income	46,704	45,847	50,503
Other Income	22,095	22,095	21,814
Total Revenues	<u>6,223,127</u>	<u>5,351,362</u>	<u>4,738,256</u>
Operating Expenses	6,228,908	5,560,729	5,175,434
Interest expenses	145,311	188,439	170,930
Total Expenses	<u>6,374,219</u>	<u>5,749,168</u>	<u>5,346,364</u>
Excess of revenues or (expenses)	(151,092)	(397,806)	(608,108)
Contributions	3,177,165	1,971,421	1,768,837
Changes in net position	3,026,073	1,573,615	1,160,720
Net position at beginning of year	31,157,305	29,583,690	28,422,970
Net position at end of year	<u>\$ 34,183,378</u>	<u>\$ 31,157,305</u>	<u>\$ 29,583,690</u>

*As restated.

Nolensville/College Grove Utility District

Revenues by Source

	2015	2014	2013
Charges for services	97.2%	97.0%	96.5%
Miscellaneous	2.1%	2.1%	2.4%
Interest	.7%	.9%	1.1%

Expenses by Source

General and administrative	20.2%	22.1%	23.1%
Interest	2.3%	3.2%	3.1%
Water purchases	62.0%	58.9%	58.4%
Depreciation and amortization	13.4%	13.5%	13.5%
Repairs and maintenance	2.1%	2.3%	1.9%

THE DISTRICT'S FUNDS

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At the end of 2015, the District had \$27,543,641 (net of accumulated depreciation and amortization) invested in a broad range of capital assets, including its utility plant and equipment, water tanks, water rights and buildings and office furniture. This amount represents a net increase (including additions and deductions) of \$2,964,503 during the year 2015.

At the end of 2014, the District had \$24,579,138 invested in a broad range of capital assets, including its utility plant and equipment, water tanks, water rights and buildings and office furniture. This amount represented a net increase (including additions and deductions) of \$1,369,206 over 2013.

The above changes are presented in detail in Note 3 of the financial statements.

The following table summarizes the District's capital assets, net of accumulated depreciation, for the years ended September 30, 2015, 2014 and 2013.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The District continues to experience growth, primarily in the residential market. The District added approximately 484 new services in 2015. Several new developments are in the planning or development stages, and the District expects the growth will continue through 2016. Construction has started on a new high school in Nolensville with a new middle and elementary school to follow, which is a good sign of the anticipated growth.

The District purchases the majority of its water supply from outside sources and therefore must pass along any rate increases that the District incurs. The District does not anticipate adding any additional personnel in 2016.

The District anticipates that construction will begin in late 2015 on phase 2 of the water line upgrades in the southern portion of the District from the Tollgate tanks to the Spanntown tank. The upgrade is made necessary due to the growth in the area. The District is in the process of acquiring the easements and will bid the project once all the easements are acquired. The project will be completed using existing funds.

The State has started construction on the Concord Road project. The water line relocation portion of the project is substantially complete, and is in service. The District funded the project in prior years and does not expect any additional charges to be incurred. The project is scheduled to be completed in 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Manager at P.O. Box 127, 2002 Johnson Industrial Boulevard, Nolensville, TN 37135

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Statements of Net Position

ASSETS

September 30,

2015

2014

CURRENT ASSETS:

Cash and cash equivalents	\$ 6,409,665	5,733,102
Investments	4,157,811	4,124,161
Accounts receivable - net of allowance for doubtful accounts of \$30,810 and \$25,850 in 2015 and 2014, respectively	1,103,000	810,619
Inventory of supplies	211,921	181,777
Interest receivable	20,301	16,129
Prepaid expenses	34,095	24,764
Total current assets	<u>11,936,793</u>	<u>10,890,552</u>

RESTRICTED ASSETS:

Cash and cash equivalents – restricted for debt service	692,819	694,266
Cash and cash equivalents – restricted for customer deposits	38,157	48,800
Investments restricted for debt service	495,000	490,000
Total restricted assets	<u>1,225,976</u>	<u>1,233,066</u>

NONCURRENT ASSETS:

Capital Assets:		
Depreciable capital assets, net of accumulated depreciation	22,768,502	21,812,110
Non depreciable capital assets	3,578,369	1,487,245
Water purchase rights – net of amortization	1,196,770	1,279,783
Total noncurrent Assets	<u>27,543,641</u>	<u>24,579,138</u>
Total assets	\$ <u>40,706,410</u>	<u>36,702,756</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 1,059,595	665,256
Accrued liabilities	61,868	66,195
Contract payable	931,554	37,039
Total current liabilities	<u>2,053,017</u>	<u>768,490</u>

CURRENT LIABILITIES, PAYABLE FROM RESTRICTED ASSETS:

Bonds payable- current portion	307,000	292,000
Accrued interest	59,477	62,402
Customer deposits	38,157	48,800
Total current liabilities payable from restricted assets	<u>404,634</u>	<u>403,202</u>

NONCURRENT LIABILITIES:

Bond premium	25,381	26,759
Bonds payable, net of current portion	4,040,000	4,347,000
Total Liabilities	<u>6,523,032</u>	<u>5,545,451</u>

NET POSITION:

Net investment in capital assets	22,239,706	19,876,340
Restricted for debt service	821,342	829,864
Unrestricted	11,122,330	10,451,101
Total Net Position	\$ <u>34,183,378</u>	<u>31,157,305</u>

See accompanying notes to financial statements.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Statements of Revenues, Expenses
and Changes in Net Position

**For the Years Ended
September 30,**

2015 2014

OPERATING REVENUES:

Water sales	\$	5,711,470	4,937,797
Tap and service fees		100,824	57,412
Penalties		54,034	58,541
Administrative fees		105,158	56,817
Backflow inspection fees		128,572	139,726
Other revenues		<u>54,270</u>	<u>33,127</u>
Total Operating Revenues		<u>6,154,328</u>	<u>5,283,420</u>

OPERATING EXPENSES:

Salaries and wages		589,421	572,162
Payroll taxes		45,790	43,745
Water purchases		3,953,388	3,387,447
Chemicals and supplies		4,015	6,217
Repairs and maintenance		136,098	130,057
Utilities		45,389	50,361
Telephone		15,482	12,842
Office supplies		17,969	10,970
Legal and professional		26,700	39,327
Insurance		57,738	54,328
Health insurance		181,708	159,901
Truck Expense		25,631	36,198
Retirement plan contribution		48,903	51,538
Other		23,880	24,356
Billing services		67,708	76,225
Computer services		6,924	-
Backflow inspection services		130,016	131,002
Depreciation		769,135	691,040
Amortization		<u>83,013</u>	<u>83,013</u>
Total Operating Expenses		<u>6,228,908</u>	<u>5,560,729</u>
Operating Income (Loss)		<u>(74,580)</u>	<u>(277,309)</u>

NON-OPERATING REVENUES (EXPENSE)

Interest income		46,704	45,847
Rent income		22,095	22,095
Interest expense		<u>(145,311)</u>	<u>(188,439)</u>
Total Nonoperating Revenues (Expenses)		<u>(76,512)</u>	<u>(120,497)</u>
Income (Loss) Before Capital Contributions		<u>(151,092)</u>	<u>(397,806)</u>

CAPITAL CONTRIBUTIONS:

Tap fees and other contributions		1,794,865	1,170,509
Capital assets donated by developers		<u>1,382,300</u>	<u>800,912</u>
Total Capital Contributions		<u>3,177,165</u>	<u>1,971,421</u>
Change in Net Position		3,026,073	1,573,615

NET POSITION, BEGINNING OF YEAR, AS RESTATED 31,157,305 29,583,690

NET POSITION, END OF YEAR \$ 34,183,378 31,157,305

See accompanying notes to financial statements

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Statements of Cash Flows

**For the Years Ended
September 30,**

2015 2014

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:

Receipts from customers and users	\$ 5,861,947	5,305,139
Payments to suppliers	(4,433,891)	(4,260,226)
Payments to employees	<u>(592,332)</u>	<u>(567,345)</u>
Net cash provided by operating activities	<u>835,724</u>	<u>477,568</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Customer deposits received (refunded) (net)	<u>(10,643)</u>	<u>2,300</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(1,502,244)	(1,302,008)
Principal payment on long-term debt	(292,000)	(291,500)
Interest paid	(187,206)	(196,036)
Cash received as capital contributions	<u>1,794,865</u>	<u>1,170,509</u>
Net cash provided (used) by capital and related financing activities	<u>(186,585)</u>	<u>(619,035)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investment	(4,387,811)	(235,977)
Proceeds from investments	4,349,161	248,011
Interest received	42,532	60,116
Proceeds from rental activity	<u>22,095</u>	<u>22,095</u>
Net cash provided (used) by investing activities	<u>25,977</u>	<u>94,245</u>
Net increase (decrease) in cash	664,473	(44,922)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

6,476,168 6,521,090

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 7,140,641 6,476,168

Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities

Operating income (loss)	\$ (74,580)	(277,309)
Adjustments to reconcile income to net cash by operating activities:		
Depreciation and Amortization	852,148	774,053
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(292,381)	21,719
(Increase) decrease in prepaid expenses	(9,331)	(1,360)
(Increase) decrease in inventory	(30,144)	(85,490)
Increase (decrease) in accounts payable	394,339	40,423
Increase (decrease) in accrued liabilities	<u>(4,327)</u>	<u>5,532</u>
Net cash provided by operating activities	\$ <u>835,724</u>	<u>477,568</u>

See accompanying notes to financial statements.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Statements of Cash Flows, Continued

For the Years Ended
September 30,
2015 2014

Supplemental Schedule of Non-Cash Capital Financing Activities

Contributed water lines	1,382,300	800,912
Capital assets acquired by contract payable	931,554	37,039
Contract payable for capital assets liquidated	(37,039)	-
Capitalized interest	37,592	3,300
Amortization of bond premiums	(1,378)	(1,378)

See accompanying notes to financial statements.

NOLENVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Nolensville/College Grove Utility District was created pursuant to the laws of the State of Tennessee and reports revenues and expenses on the accrual basis. Accountability for all fiscal matters is vested in and under the responsibility and control of its Board of Commissioners which consists of three members appointed by the Mayor of Williamson County, Tennessee, and the General Manager as selected by the Board of Commissioners.

The accompanying financial statements include all of the operations of Nolensville/College Grove Utility District, and there are no other related entities.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units in accordance with the Governmental Accounting Standards Board Statement Number 14. The financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the District's financial statements to be misleading or incomplete. At September 30, 2015, no potential component units were considered to meet the above criteria.

Basis of Presentation

Utility District operations are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

The District does not have a legally binding budget.

The District is accounted for as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charged to customers for sales and service. Operating expenses of the District 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.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Cash and Cash Equivalents

The Nolensville/College Grove Utility District is authorized to invest in U.S. Treasury Bills, mutual funds and certificates of deposit in local banks, municipal bonds, Federal Home Loan Mortgage Bonds, as well as participate in the Local Government Investment Pool administered by the State of Tennessee. The pool contains investments in certificates of deposits, U.S. Treasury securities and Repurchase Agreements, backed by the U.S. Treasury Securities. The investment pool is administered by the Treasurer of the State of Tennessee. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State Collateral Pool or be deposited in an escrow account in another institution for the benefit of the Nolensville/College Grove Utility District and must be a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal deposit insurance. The state collateral pool is administered by the Treasurer of the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency.

Cash and cash equivalents consist of cash, savings accounts, amounts deposited with the Local Government Investment Pool, and short-term certificates of deposit with an original maturity of three months or less. Due to liquidity, the District considers the funds deposited in the TN Local Government Investment Pool as a cash equivalent for financial statement and cash flow purposes. The fair value of the position in the investment pool is the same as the value of the pool shares.

Receivables and credit policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment by the 15th day of the month subsequent to the billing date. A provision for uncollectible accounts is recorded using the allowance method based on historical loss experience and on the District's knowledge of its customers.

Uncollectible accounts are written off against the provision when the District has exhausted all efforts in collecting the unpaid balance. Revenues are reported net of discounts and allowances for bad debts.

Inventory

Inventory, consisting primarily of supply and repair parts, is valued, at the lower of cost (FIFO) or market.

Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments approximate carrying values of such amounts. Certificates of deposits are valued at cost which approximates maturity value. The District's intent is to hold the certificates until maturity.

Prepaid Expenses

Prepaid expenses consist of the following:

	<u>2015</u>	<u>2014</u>
Prepaid maintenance	\$ 14,756	13,643
Insurance	11,303	11,121
Postage	<u>8,036</u>	<u>-</u>
	<u>\$34,095</u>	<u>24,764</u>

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets

Capital assets include utility plant and equipment of the District is recorded at cost and is defined by the District as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Depreciation is computed over the estimated lives of the assets utilizing the straight-line method. The estimated lives are as follows:

<u>Category</u>	<u>Estimated Life</u>
Land	N/A
Building	20-40 Years
Tank	50 Years
Distribution system	50 Years
Vehicles & equipment	3-10 Years
Office equipment	5-10 Years

Interest is capitalized on assets acquired with tax-exempt debt or imputed on the use of existing resources when tax exempt debt is outstanding. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of interest capitalized for the year ending September 30, 2015 was \$37,592 and \$3,300 for 2014. The total amounts of interest incurred was \$182,903 and \$191,731 for fiscal year 2015 and 2014 respectively.

Restricted Assets

Bond covenants of the various bond issues require the establishment of bond interest sinking funds to provide for the timely retirement of bond principal and interest as well as restricted accounts for unspent bond proceeds. At September 30, 2015, sufficient funds were available to meet the funding requirements. When both restricted and unrestricted resources are available for use, policy is to use restricted resources first.

Water Purchase Rights

In 2008, the District entered into a contract to purchase water from another local utility district. For this right to purchase water the District paid a fee along with other associated costs which are being amortized over the 22 years of the contract term.

Bond Issue Costs, Premiums and Discounts

Bond and note premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as expenses in the year of issuance.

Capital Contributions

Contributions represent amounts received from customers and developers for service connection fees and transportation fees as well as donated lines.

Compensated Absences

The District provides ten vacation days after one year of service and up to a maximum of 20 days after 10 years of service. There is normally no carryover of vacation leave beyond one year of accumulation. The District does not allow for the accumulation of sick leave to be paid upon termination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Equity Classification

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

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

2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's deposits were either secured by Federal Deposit Insurance Corporation insurance (FDIC), deposited in an institution which participates in the State Collateral Pool, or invested in the Local Government Investment Pool. At September 30, 2015 there were no deposits exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for investment custodial credit risk. At year end, none of the District's investments were subject to custodial credit risk due to all investments being held by an agent in the District's name.

Investments

At September 30, 2015 and 2014, the District had the following investments:

Types of Investments:	Fair Value/ Carrying Amount		Weighted Average Days to Maturity		Average Credit Quality/ Ratings
	2015	2014	2015	2014	2015
Local Government Investment Pool	\$ 3,843,599	3,839,698	-	-	N/A
Certificates of Deposit- .75% to 1.1%	4,652,811	4,614,161	201	473	N/A
Totals	\$ 8,496,410	8,453,859			
Less liquid investment (LGIP)					
Cash equivalent	(3,843,599)	(3,839,698)			
	\$ 4,652,811	4,614,161			

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk:

The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

3. CAPITAL ASSETS

A summary of changes in assets as follows:

	Balance September 30, 2013	Additions	Reclass/ Retirements	Balance September 30, 2014	Additions	Reclass/ Retirements	Balance September 30, 2015
Depreciable capital assets							
Utility plant and transmission							
system service	\$ 22,479,738	786,620	1,864,188	25,130,546	1,408,443	-	26,538,989
Buildings	1,987,861	1,768	-	1,989,629	-	-	1,989,629
Equipment	1,220,327	196,700	-	1,417,027	249,376	-	1,666,403
Office furniture and equipment	211,269	2,574	-	213,843	11,400	-	225,243
Vehicles	240,024	-	-	240,024	56,308	-	296,332
Total depreciable assets	<u>26,139,219</u>	<u>987,662</u>	<u>1,864,188</u>	<u>28,991,069</u>	<u>1,725,527</u>	<u>-</u>	<u>30,716,596</u>
Less accumulated depreciation:							
Utility plant	5,267,452	465,399	-	5,732,851	524,624	-	6,257,475
Buildings	157,188	47,388	-	204,576	47,403	-	251,979
Equipment	799,260	144,057	-	943,317	157,925	-	1,101,242
Office furniture	111,382	12,288	-	123,670	12,583	-	136,253
Vehicles	152,637	21,908	-	174,545	26,600	-	201,145
Total accumulated depreciation	<u>6,487,919</u>	<u>691,040</u>	<u>-</u>	<u>7,178,959</u>	<u>769,135</u>	<u>-</u>	<u>7,948,094</u>
Net depreciable capital assets	<u>19,651,300</u>			<u>21,812,110</u>			<u>22,768,502</u>
Non depreciable capital assets							
Land and easements	475,229	-	-	475,229	-	-	475,229
Construction in progress	<u>1,720,607</u>	<u>872,167</u>	<u>(1,864,188)</u>	<u>1,012,016</u>	<u>2,091,124</u>	<u>-</u>	<u>3,103,140</u>
Total Non-depreciable capital assets	<u>2,195,836</u>	<u>872,167</u>	<u>(1,864,188)</u>	<u>1,487,245</u>	<u>2,091,124</u>	<u>-</u>	<u>3,578,369</u>
Amortizable capital asset							
Water purchase rights	<u>1,362,796</u>		<u>83,013</u>	<u>1,279,783</u>		<u>(83,013)</u>	<u>1,196,770</u>
Total capital assets	<u>\$ 23,209,932</u>			<u>24,579,138</u>			<u>27,543,641</u>

Depreciation expense for 2015 and 2014 was \$769,135 and \$691,040 respectively. Amortization of water rights was \$83,013 for 2015 and 2014. Capital asset additions include \$1,382,300 in donated water lines from developers.

4. BONDS PAYABLE AND COMPENSATED ABSENCES

Waterworks revenue bonds are obligations payable solely from revenues of the Utility District and are secured by a statutory mortgage lien on the Utility District's water system.

Summary of changes in long term debt for the year ended September 30, 2015	Balance 10/1/14	Additions	Deletions	Balance 9/30/15	Current Portion
Waterworks Revenue Installment Bond	\$ 4,000	-	2,000	2,000	2,000
Waterworks Revenue Refunding Bond	<u>4,635,000</u>	<u>-</u>	<u>290,000</u>	<u>4,345,000</u>	<u>305,000</u>
	<u>4,639,000</u>	<u>-</u>	<u>292,000</u>	<u>4,347,000</u>	<u>307,000</u>
Bond premiums	<u>\$ 26,759</u>	<u>-</u>	<u>1,378</u>	<u>25,381</u>	
	<u>4,665,759</u>			<u>4,372,381</u>	
Compensated absences	<u>\$ 17,603</u>	<u>38,697</u>	<u>41,148</u>	<u>15,152</u>	

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

4. BONDS PAYABLE AND COMPENSATED ABSENCES (Continued)

Summary of changes in long term debt for the year ended
September 30, 2014:

	Balance <u>10/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/2014</u>
Waterworks Revenue Installment Bond	\$ 5,500	-	1,500	4,000
Waterworks Revenue Refunding Bond	<u>4,925,000</u>	-	<u>290,000</u>	<u>4,635,000</u>
	4,930,500	-	<u>291,500</u>	4,639,000
Bond premiums	<u>28,137</u>	-	<u>1,378</u>	<u>26,759</u>
	<u>\$4,958,637</u>	-		<u>4,665,759</u>

Long-term debt is as follows:

	<u>2015</u>	<u>2014</u>
5% Waterworks Revenue Installment Bond (original amount \$35,000) due in progressive annual payments on January 1 of each year to January 1, 2017. Interest is due on each January 1 st and July 1 st .	\$ 2,000	4,000
\$6,040,000 2009 Refunding Bonds, interest paid semi-annually based on the average interest rate of 4.07%, and principal paid annually through 2027.	<u>4,345,000</u>	<u>4,635,000</u>
Total debt	4,347,000	4,639,000
Less current portion of long-term debt	<u>(307,000)</u>	<u>(292,000)</u>
Long-term portion of debt	\$ <u>4,040,000</u>	<u>4,347,000</u>

Summary of debt requirements is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 307,000	178,406	485,406
2017	305,000	167,681	472,681
2018	325,000	157,006	482,006
2019	320,000	144,006	464,006
2020	340,000	131,206	471,206
2021-2025	1,905,000	435,780	2,340,780
2026-2027	<u>845,000</u>	<u>56,861</u>	<u>901,861</u>
	\$ <u>4,437,000</u>	<u>1,270,946</u>	<u>5,617,946</u>

The bonds are payable solely from the revenues derived from the operation of the Utility District. The bonds are collateralized by the pledge of the revenues and by a statutory mortgage lien on the waterworks system and related properties.

The Revenue Bond Agreements also provide for the establishment and maintenance of various bond reserve accounts. The agreements also provide that net revenues be 120% of debt service requirements. District management believes the required bond reserve accounts are properly funded at September 30, 2015 and net revenue requirements have been met.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Notes to Financial Statements, Continued

5. EMPLOYEE RETIREMENT PLAN

All full-time employees of the Utility District are eligible to participate in a salary deferral plan provided for their benefit. The name of the plan is the Nolensville/College Grove Utility District 457 Retirement Savings Plan. The District contributes 10% of each employee's compensation to the plan annually. The Plan is managed by John Hancock. During fiscal years 2015 and 2014 the employees contributed \$ 18,437 and \$20,733 respectively, and the District's required contribution was \$48,903 and \$51,538 respectively. The contribution is made annually on a calendar year basis.

6. COMMITMENTS

In July 2015, Nolensville/College Grove Utility District entered into a contract with the Town of Smyrna for the purchase of water not to exceed 4,000,000 gallons per day. The minimum daily purchase amount is 2,500,000 gallons from May through October and 750,000 gallons from November through April. The base usage charge is \$2.75 per 1,000 gallons, which increases each July 1. During 2015 and 2014 the District paid the Town of Smyrna \$1,598,637 and \$1,071,428 respectively.

During fiscal year 2008 the District entered into a contract to purchase water from Mallory Valley Utility District. The contract provides for a rate of \$2.63 per 1,000 gallons, with a minimum charge of \$178,241 per month. The term of the contract is through 2030. Mallory Valley Utility District is the major supplier of water to the District. During 2015 and 2014 the District paid Mallory Valley \$2,138,892 and \$1,987,702 respectively.

The District also purchases water from Metro Nashville which amounted to \$215,720 in 2015 and \$169,985 in 2014 and also incurs a demand charge from the City of Brentwood for \$140 annually.

At September 30, 2015, the District had construction contracts of \$2,468,000 which were approximately 56% complete.

7. RISK MANAGEMENT

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past fiscal years.

8. RENTAL AGREEMENT

Nolensville/College Grove Utility District has a lease and license agreement with two wireless communication companies. One lease provides for an annual payment of \$13,225 with 15% increases every five years and with a 30 day termination notice. The other lease agreement provides for \$739 per month with a 5% escalation every five years and a 30 day termination notice. In fiscal year 2015 the District received \$22,095 under the terms of the leases. Expected lease receipts are as follows:

2016	\$24,077	2019	\$15,209
2017	21,870	2020	15,209
2018	15,209		

9. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation.

10. RESTATEMENT

During the 2015 fiscal year, the District became aware that a water supplier had overbilled the District for water purchased. The overbilling affected the current year by decreasing expense by \$17,407 and 2014 fiscal year by \$42,197. The 2014 statements were restated and the October 1, 2013 net position was restated by \$107,548.

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Schedule of Bond Principal and Interest Requirements

September 30 , 2015

<u>Year Ending</u>	<u>2009 Refunding Bonds</u>		<u>1977 Waterworks Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$305,000	178,356	2,000	50	307,000	178,406
2017	305,000	167,681	-	-	305,000	167,681
2018	325,000	157,006	-	-	325,000	157,006
2019	320,000	144,006	-	-	320,000	144,006
2020	340,000	131,206	-	-	340,000	131,206
2021	365,000	117,606	-	-	365,000	117,606
2022	360,000	103,006	-	-	360,000	103,006
2023	380,000	88,156	-	-	380,000	88,156
2024	400,000	72,006	-	-	400,000	72,006
2025	400,000	55,006	-	-	400,000	55,006
2026	415,000	37,506	-	-	415,000	37,506
2027	430,000	19,355	-	-	430,000	19,355
				-		
	<u>\$4,345,000</u>	<u>1,270,896</u>	<u>2,000</u>	<u>50</u>	<u>4,347,000</u>	<u>1,270,946</u>

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Schedule of Cash and Cash Equivalents

September 30, 2015

<u>Institution / Type</u>	<u>Rate</u>	<u>Amount</u>
<u>First Tennessee Bank</u>		
Demand deposits	.005 - .15%	\$ 3,266,168
<u>U.S. Bank</u>		
Demand deposit	-	26,425
<u>Local Government Investment Pool</u>	Varies	3,843,599
<u>Raymond James, Cash Account</u>		3,749
<u>Petty Cash and Cash on Hand</u>	N/A	700
		\$ <u>7,140,641</u>

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Schedule of Principal Officials of the District

September 30, 2015

Board of Commissioners:

Paul Campbell..... President

Robert Whitemore Vice-President

Charles Strasser Secretary/Treasurer

General Manager Michael Polston

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Schedule of Insurance in Force

September 30, 2015

<u>Property Covered</u> <u>Insurance</u>	<u>Type of Coverage</u>	<u>Co-Insurance</u>	
Buildings, contents, water plant and system	Fire and extended coverage	90%	\$ 6,455,890
General liability	Liability	Each occurrence Aggregate	1,000,000 3,000,000
Excess Liability Umbrella	Liability		2,000,000
Auto	Liability and collision Passenger injury Uninsured motorist	Each accident Each accident Each accident	1,000,000 5,000 1,000,000
Workers' compensation	Statutory	Each accident Each employee Policy limit	500,000 500,000 500,000
Public officials liability	Employee dishonesty		1,000,000
	Public officials		1,000,000

NOLENSVILLE/COLLEGE GROVE UTILITY DISTRICT

Schedule of Water Rates in Force

September 30, 2015

Water Rates

First 1,000 gallons	\$ 17.61 (minimum charge)*
1,000-20,000 gallons	5.50 per thousand gallons
20,000-50,000 gallons	7.62 per thousand gallons
Over 50,000 gallons	10.15 per thousand gallons

Total number of customers:	8,519
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AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Nolensville College Grove Utility District (0000511)**
Reporting Year: **2015** **10/2014 - 9/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: 17.924 MG/Yr
Water imported: 1,243.512 MG/Yr
Water exported: MG/Yr

WATER SUPPLIED: 1,236.702 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 2.00% 2.00% MG/Yr
Value: MG/Yr
Value: MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered: 794.538 MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: 2.850 MG/Yr
Unbilled unmetered: 15.459 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 812.847 MG/Yr

Click here: for help using option buttons below

Pcnt: 1.25% MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% MG/Yr

5.00% MG/Yr
 0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

423.855 MG/Yr

Apparent Losses

Unauthorized consumption: 3.092 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 41.968 MG/Yr
Systematic data handling errors: 1.986 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 47.046 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **376.809 MG/Yr**

WATER LOSSES: 423.855 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 442.164 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 241.5 miles
Number of active AND inactive service connections: 8,456
Service connection density: 35 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 100.0 psi

COST DATA

Total annual cost of operating water system: \$5,888,621 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$7.10 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$3.03 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 90 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Customer metering inaccuracies

2: Unauthorized consumption

3: Systematic data handling errors

AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
Copyright © 2014, All Rights Reserved.Water Audit Report for: **Nolensville College Grove Utility District (0000511)**Reporting Year: **2015** **10/2014 - 9/2015******* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 *****System Attributes:

Apparent Losses:	47.046	MG/Yr
+ Real Losses:	376.809	MG/Yr
= Water Losses:	423.855	MG/Yr

? Unavoidable Annual Real Losses (UARL):	93.98	MG/Yr
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Annual cost of Apparent Losses: \$334,026

Annual cost of Real Losses: \$1,142 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	35.8%	
		Non-revenue water as percent by cost of operating system:	5.7%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	15.24	gallons/connection/day
		Real Losses per service connection per day:	122.09	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	1.22	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 376.81 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:	4.01
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* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

The Board of Commissioners
Nolensville College Grove Utility District
Nolensville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Nolensville College Grove Utility District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (15-01, 12-02 and 02-01)

Board of Commissioners
Nolensville College Grove Utility District
Nolensville, Tennessee

Compliance and Other Matters

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

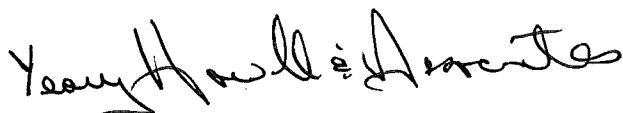
We also noted certain other matters that were reported to management in a separate letter dated December 17, 2015.

Nolensville College Grove Utility District's Response to the Findings

The District's response to the findings in the audit is described in the accompanying schedule of findings and recommendations. The District's responses was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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



December 17, 2015

NOLENSVILLE COLLEGE GROVE UTILITY DISTRICT

Schedule of Findings and Responses

September 30, 2015

CURRENT YEAR FINDINGS

- 15-01 In May of 2015 the District modified water rates and rate ranges. When the rate ranges were programmed into the billing system, they were incorrectly programmed, which resulted in an under-billing to large use customers and resulted in adjustments also being improperly calculated.

Recommendation: We recommend that all modifications to billing be independently tested prior to the initial billing under the new rate or rate structure.

Response: Future rate changes will be independently tested before implementing them into the billing cycle.

PRIOR YEAR FINDINGS

- 12-02 The District unaccounted for water loss increased from the prior year which has added operating costs to the District and contributed to the operating loss.

Recommendation: We recommend the District take action to determine the cause of the unaccounted for water loss and take action to reduce the loss.

Status: The District's unaccounted water loss continues to be high and is a substantial cost to the system.

Response: The District has an ongoing meter replacement program to insure that older meters are being upgraded to the newer radio read type meters to improve accuracy. The District has begun using data loggers on various sections of water lines to locate leaks which has proven to be successful and should continue to reduce the water loss.

- 02-01 Due to the limited number of financial personnel employed by the District, several functions which, ideally, should be performed by different individuals, are regularly performed by the same individuals. Such functions include handling cash receipts, processing customer billings and accounts receivable and recording of transactions. This lack of segregation of duties could result in errors or improprieties in accounting transactions not being detected.

Recommendation: We recommend the District continue to investigate opportunities to increase the segregation of duties whether by cross training of staff or adding additional staff.

Status: Condition continues.

Response: Management feels that it is impractical, given the present staff level, to totally overcome this weakness. However, the management is aware of the situation and when possible, will have individuals independent of the billing and recording function responsible for collections, which are incompatible functions. Such measures do not totally correct the situation, but does mitigate, to a certain extent, the potential exposure.