

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 7, 2019

REVISED PAR AMOUNT AND PRINCIPAL MATURITY SCHEDULE

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: Moody's: Aa2
(See "MISCELLANEOUS-Rating" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, 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. 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 Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$19,610,000*

CITY OF JOHNSON CITY, TENNESSEE GENERAL OBLIGATION BONDS, SERIES 2019

Dated: Date of Delivery

Due: June 1 (as shown on inside front cover)*

The \$19,610,000* General Obligation Bonds, Series 2019 (the "Bonds") are being issued by the City of Johnson City, Tennessee (the "City") and shall be issued as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co. 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 on the inside front cover. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2019 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 the Registration Agent. In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the principal corporate trust office of U.S. Bank National Association, Nashville, Tennessee, the registration and paying agent for the Bonds (the "Registration Agent").

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment on the Bonds, the full faith and credit of the City are irrevocably pledged.

The Bonds are subject to redemption as provided herein.

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon by K. Erickson Herrin, Esq., counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about February __, 2019.

February __, 2019

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

\$19,610,000* GENERAL OBLIGATION BONDS, SERIES 2019

<u>Due June 1*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	710,000			
2021	740,000			
2022	780,000			
2023	820,000			
2024	780,000			
2025	815,000			
2026	860,000			
2027	830,000			
2028	870,000			
2029	915,000			
2030	955,000			
2031	995,000			
2032	1,035,000			
2033	1,080,000			
2034	1,125,000			
2035	1,165,000			
2036	1,210,000			
2037	1,255,000			
2038	1,310,000			
2039	1,360,000			

* Preliminary, subject to change.

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

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

No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those in the Official Statement in connection with the offering contained herein; and if given or made, such information or representations must not be relied upon. The Official Statement does not constitute an offer of the securities offered hereby to any jurisdiction where such offer or solicitation of such offer would be unlawful. The information set forth herein has been provided by the City and other sources that are believed to be reliable, but the accuracy or completeness of the information is not guaranteed by and is not to be construed as a representation by the Financial Advisor of the City. The delivery of the Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement is not to be construed as a contract or agreement between the City and any purchaser of any of the Bonds. Any statements made herein involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information contained herein is subject to change without notice and neither the delivery hereof nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

Questions regarding information in this Official Statement should be directed to Janet Jennings, Finance Director at 601 East Main Street, Johnson City, Tennessee, 37605 (423/434-6033) or Lauren Lowe, PFM Financial Advisors LLC, Financial Advisor to the City, 530 Oak Court Drive, Suite 160, Memphis, Tennessee, 38117 (901/682-8356).

This Official Statement has been prepared by the City in connection with the original offering for sale by it of the Bonds referred to above. See "INTRODUCTION" for a discussion of the financial and other information contained herein and the appendices which are to be used as part of this Preliminary Official Statement.

CITY OF JOHNSON CITY, TENNESSEE

BOARD OF COMMISSIONERS

Jenny Brock, *Mayor*

Joe Wise, *Vice Mayor*

Larry Calhoun, Commissioner

Todd Fowler, Commissioner

John Hunter, Commissioner

CITY OFFICIALS

Pete Peterson

Charles J. Stahl

Robert L. Wilson

Janet Jennings

City Manager

Assistant City Manager

Assistant City Manager

Finance Director / City Recorder

UNDERWRITER

REGISTRATION AND PAYING AGENT

U.S. Bank National Association

Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC

Knoxville, Tennessee

FINANCIAL ADVISOR

PFM Financial Advisors LLC

Memphis, Tennessee

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SUMMARY STATEMENT

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

Issuer	City of Johnson City, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B attached hereto for more information.
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment on the Bonds, the full faith and credit of the City are irrevocably pledged. That portion of the Bonds that finances extensions and improvements to the water and sewer system shall be additionally payable from but not secured by the revenues to be derived from the operation of the water and sewer system, that portion of the Bonds that finances extensions and improvements to the waste collection system shall be additionally payable from but not secured by the revenues to be derived from the operation of the solid waste system and that portion of the Bonds that finances school or other educational facilities shall be additionally secured by and payable from the Municipality’s portion of the revenues derived from the one-fourth (1/4) cent increase in the sales and use tax levied by Washington County, Tennessee, pursuant to Sections 67-6-701, et seq., and a resolution of the Board of County Commissioners of Washington County approved at a referendum held on May 3, 1994.
Purpose	The Bonds are being issued for the purpose of financing in whole or in part, (i) construction of extensions and improvements to the water and sewer system of the Municipality; (ii) construction of improvements to the waste collection system of the Municipality; (iii) acquisition and construction of and improvements to schools or other educational facilities of the Municipality; (iv) construction and improvement of public roads, streets and sidewalks; (v) construction and improvements of public safety facilities and the purchase of equipment therefor; (vi) construction and improvement of parks and recreation facilities; (vii) acquisition of all property, real and personal, appurtenant thereto or connected with such public works project; (viii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto; (ix) reimbursement to the Municipality for funds previously expended for any of the foregoing; and (x) payment of costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds maturing on or after June 1, 2030 are subject to optional redemption prior to maturity on or after June 1, 2029, at the redemption price of par plus accrued interest to the redemption date. See section titled “SECURITIES OFFERED – Optional Redemption” herein.
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, 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. Interest on the Bonds 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.
Rating	Moody’s Investors Service: Aa2. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration/Paying Agent	U. S. Bank National Association, Nashville, Tennessee
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee

Financial Advisor	PFM Financial Advisors LLC, Memphis, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor”, herein.
Underwriter	
Book-Entry-Only	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. 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 9, Chapter 21, Tennessee Code Annotated, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission as amended, the City will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS - Continuing Disclosure.”
Other Information	The information in the PRELIMINARY OFFICIAL STATEMENT is deemed “final” within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City, or the OFFICIAL STATEMENT, contact Janet Jennings, Finance Director, 601 East Main Street, Johnson City, Tennessee 37605, (423) 434-6033.

\$19,610,000*
CITY OF JOHNSON CITY, TENNESSEE
General Obligation Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices attached hereto is furnished in connection with the offering by the City of Johnson City, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$19,610,000* General Obligation Bonds, Series 2019 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to a resolution adopted by the City Commission of the City (the “Commission”). The detailed bond resolution (the “Resolution”) was adopted by the Commission on January 3, 2019.

The Bonds are being issued for the purpose of financing, in whole or in part, (i) construction of extensions and improvements to the water and sewer system of the Municipality; (ii) construction of improvements to the waste collection system of the Municipality; (iii) acquisition and construction of and improvements to schools or other educational facilities of the Municipality; (iv) construction and improvement of public roads, streets and sidewalks; (v) construction and improvements of public safety facilities and the purchase of equipment therefor; (vi) construction and improvement of parks and recreation facilities; (vii) acquisition of all property, real and personal, appurtenant thereto or connected with such public works project; (viii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto; (ix) reimbursement to the Municipality for funds previously expended for any of the foregoing; and (x) payment of costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from February __, 2019. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2019. The Bonds are issuable in registered book-entry 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 Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment on the Bonds, the full faith and credit of the City are irrevocably pledged. That portion of the Bonds that finances extensions and improvements to the water and sewer system shall be additionally payable from but not secured by the revenues to be derived from the operation of the water and sewer system, that portion of the Bonds that finances extensions and improvements to the waste collection system shall be additionally payable from but not secured by the revenues to be derived from the operation of the solid waste system and that portion of the Bonds that finances school or other educational facilities shall

* Preliminary, Subject to Change

be additionally secured by and payable from the Municipality's portion of the revenues derived from the one-fourth (1/4) cent increase in the sales and use tax levied by Washington County, Tennessee, pursuant to Sections 67-6-701, et seq., and a resolution of the Board of County Commissioners of Washington County approved at a referendum held on May 3, 1994.

The City through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes described above may be reduced to the extent of any appropriations from other funds, taxes and revenue of the Municipality, including the taxes and revenues described above.

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION

The Bonds maturing June 1, 2020 through June 1, 2029 are not subject to redemption prior to maturity. The Bonds maturing June 1, 2030 and thereafter shall be subject to redemption prior to maturity at the option of the City on or after June 1, 2029 and thereafter as a whole or in part at any time, at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the City in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

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

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__ on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

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

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds maturing June 1, 20__ to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond maturing June 1, 20__ 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 City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City 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 provided 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 City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, if applicable, notices of which shall be given at least forty-five (45) days prior to the redemption date unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided. In the case of a Conditional Redemption, the failure of the City 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 DTC 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 and premium, if any, on the Bonds shall be payable when due upon presentation and surrender of the Bonds at the principal corporate trust office of the Registration Agent. The Bonds shall be payable, both principal and interest, and any premium, in lawful money of the United States of America at the corporate trust office of the Registration Agent.

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, U.S. Bank National Association, its successor or the City 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 described below.

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 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 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, 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 affect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City 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 City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

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

ESTIMATED SOURCES AND USES

The following table sets forth the estimated sources and uses of the proceeds of the Bonds:

<p>SOURCES: Par Net Premium/Discount TOTAL SOURCES</p>	<p><u>Series 2019 Bonds</u></p>
<p>USES: Project Fund Costs of Issuance Underwriter’s Discount TOTAL USES</p>	

DISCHARGE AND SATISFACTION OF BONDS

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

If the City 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 City 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 City, 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, 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.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and

collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

LEGAL MATTERS

LITIGATION

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatening litigation with its counsel, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatening against them or their officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the City.

There is no litigation now pending or, to the knowledge of the City, threatened which restrains or enjoins the issuance or delivery of the Bonds, the power of the City to levy and collect taxes to pay the Bonds, or the use of the proceeds of the Bonds or which questions or contests the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor the existence of the City, nor the title of the present officials of the City to their respective offices, is being contested or questioned.

TAX MATTERS

Federal Taxes

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

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

The Code imposes requirements on the Bonds that the Issuer 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 Issuer 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 Issuer 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 Tax Law” below in this heading.

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

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

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

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

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

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) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity,

other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal 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.

Miscellaneous

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

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, Knoxville, 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.”

MISCELLANEOUS

RATING

Moody’s Investors Service (“Moody’s”) has given the Bonds the rating of Aa2.

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Moody’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 Moody's and any explanation of the significance of such rating should be obtained from Moody's.

COMPETITIVE PUBLIC SALE

The Bonds are being sold by the City at a competitive public sale on February 14, 2019 at 11:00 a.m., Eastern Time via electronic bids received by BiDCOMP/PARITY® Competitive Bidding System, a service of i-Deal LLC. Details concerning the sale of the Bonds are contained in the Official Notice of Sale dated February 7, 2019, which was available to bidders of the Bonds with the Preliminary Official Statement.

_____ (the "Purchaser") has agreed, subject to the conditions of Closing set forth in the Official Notice of Sale, to purchase the Bonds at a purchase price of \$_____ (consisting of the par amount of the Bonds, \$_____ plus original issue premium and less underwriter's discount of \$_____).

The Bonds will be offered at the respective initial public offering prices shown on the cover page of this Official Statement. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Purchaser in its discretion.

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") has been retained by the City to perform professional services in the capacity of financial advisor. In its role as financial advisor to the City, PFM has provided advice on the plan of financing and structure of the Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the City and other sources and the City's certification as to the Official Statement.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt at this time.

CONTINUING DISCLOSURE

The City 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 City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019 (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 City. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at 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 underwriter(s) of the Bonds in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. In the past five years, the City has filed its Annual Reports at emma.msrb.org under the base CUSIP Number 478251 which is the base CUSIP Number for the City; however, the City inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the City was an obligated person. The City has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Numbers. While it is believed that all appropriate filings were made with respect to the ratings of the City'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 SEC Rule 15c2-2. The City does not believe that the inadvertent omissions described in the foregoing paragraph were material and therefore, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided; however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of Bonded Indebtedness as of the end of such fiscal year as shown on page B-12;
2. The Indebtedness and Debt Ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-13 through B-14;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-15;
4. Information about the Bonded Debt Service Requirements – Schools Sales Tax Debt Service Fund as of the end of such fiscal year as show on page B-16;
5. Information about the Bonded Debt Service Requirements – Water and Sewer System Debt Service Fund as of the end of such fiscal year as show on page B-17;
6. Information about the Bonded Debt Service Requirements – Storm Water Revenue System Debt Service Fund as of the end of such fiscal year as show on page B-18;
7. Information about the Bonded Debt Service Requirements – Solid Waste Debt Service Fund as of the end of such fiscal year as show on page B-19;
8. Information about the Bonded Debt Service Requirements – PBA General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-20;
9. The fund balances and net assets for the fiscal year as shown on page B-22;
10. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the

fiscal year as shown on page B-23;

11. Summary of Revenues, Expenditures and Changes in Fund Balances – Water and Sewer System Fund for the fiscal year as shown on page B-24;
12. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-26;
13. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-26; and
14. The ten largest taxpayers as shown on page B-27.
15. The local option sales tax for the fiscal year as shown on page B-27;

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

Reporting of Significant Events. The City will file notice regarding certain 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 City 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 City 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 City's obligations under the Continuing 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 Continuing Disclosure Certificate, the City may amend the Continuing Disclosure Certificate, and any provision of the Continuing 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 City 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 City. 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 City 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 City 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 City 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 City 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 City has deemed this PRELIMINARY OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12(b) of the Securities and Exchange Commission except for the omission of certain pricing and other information.

CERTIFICATION OF ISSUER

On behalf of the City, 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.

/s/ _____
Mayor

ATTEST:

/s/ _____
City Recorder

APPENDIX A
PROPOSED FORM OF LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

(Closing Date)

City Commission
of the City of Johnson City, Tennessee
Johnson City, Tennessee

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Johnson City, Tennessee (the "Issuer") of its \$_____ General Obligation Improvement Bonds, Series 2019 (the "Bonds") dated the date hereof. 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 City Commission 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 Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. That portion of the Bonds that finances extensions and improvements to the water and sewer system shall be additionally payable from but not secured by the revenues to be derived from the operation of the water and sewer system, that portion of the Bonds that finances extensions and improvements to the waste collection system shall be additionally payable from but not secured by the revenues to be derived from the operation of the solid waste system and that portion of the Bonds that finances school or other educational facilities shall be additionally secured by and payable from the Municipality's portion of the revenues derived from the one-fourth (1/4) cent increase in the sales and use tax levied by Washington County, Tennessee, pursuant to Sections 67-6-701, et seq., and a resolution of the Board of County Commissioners of Washington County approved at a referendum held on May 3, 1994.

4. Interest on the Bonds (including any original discount properly allocable to an

owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. 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, 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) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions 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,

APPENDIX B
SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Johnson City (sometimes referred to herein as the “City”) is in the ridge and valley area of Northeast Tennessee. The City is located principally in Washington County (the “County”), Tennessee, but also includes portions of Carter and Sullivan Counties at the foot of Buffalo Mountain. The Town of Jonesborough is the County seat of Washington County and is located several miles southeast of the center of the City, but immediately adjacent to the border of the City. The City is located 90 miles northeast of Knoxville on Interstate 81, 160 miles southwest of Roanoke, Virginia on Interstate 81, and 67 miles due north of Asheville, North Carolina on Interstate 26. The Cherokee National Forest is located along the southeast border of the County.

INTRODUCTION

Johnson City was designated a Metropolitan Statistical Area (the “MSA”) in 2004 and had a population of 198,716 according to the 2010 US Census. In 2004 the Tri-Cities MSA that included Johnson City was split into two MSAs, the Johnson City MSA and the Kingsport-Bristol MSA.

Johnson City is also the lead city of the Tri-Cities Combined Statistical Area (the “CSA”) of Northeast Tennessee and Southwest Virginia. According to the 2010 Census, the CSA had a population of 508,260. The combined area is unusual in that there is no dominant central city. The City is the largest city in the CSA with a population of 63,152 according to the 2010 Census. Washington County’s population was 122,979 in 2010. Other major cities in the CSA include Kingsport, Elizabethton, Jonesborough and Bristol, Tennessee and Bristol, Virginia.

The Tri-Cities CSA enjoys many amenities of a large population without the problems that often follow a large central city. The educational and health care facilities in Johnson City are modern and have received recognition on state and national levels. Housing is abundant and moderately priced. Recreation of many types including professional baseball, NASCAR and IHRA racing, NCAA basketball, golfing and white water rafting are available.

TRANSPORTATION

The City has access to Interstate 81, which is approximately 14 miles from downtown Johnson City. Access to Interstate 26 to the south of the City is also nearby. This highway opened Johnson City and the region to the South Carolina seacoast and an easy connection to eastbound Interstate 40 to Asheville. U.S. 11-E provides four-lane access to Greeneville, 30 miles to the southwest; and U.S. 11-E to Bristol, 22 miles to the northeast. Four lane or interstate quality highways now connect Johnson City to all neighboring communities and counties. The County also is traversed by U. S. highways 19-W, 23, 321 and State highways 34, 36, 67, 91, 354, 359, 381, 400, 81, 75, 353, 107, and 93.

Johnson City is on the main lines of the Norfolk Southern and the CSX System, allowing one of the easiest transitions between Norfolk and New Orleans on the Norfolk Southern, and Chicago and the eastern seaboard on the CSX. Commercial air, air cargo and general aviation services are provided to the region through the Tri-Cities Airport Authority jointly sponsored by Washington County, Sullivan County and the cities of Johnson City, Kingsport, Bristol, Tennessee and Bristol, Virginia. Flights connect the region to major airline hubs located in Atlanta and Charlotte and make business and recreational travel easy and convenient. The airport is also a port-of-entry for international goods and services. Several air cargo carriers serve the region using the recently completed Air Cargo Logistics Center.

EDUCATION

There are two public school systems in the County that offer K-12 educational opportunities to residents of the County. The *Johnson City School System* has eleven schools with an enrollment of 7,762 students for the 2017-2018 school year. There are eight elementary schools (K-4), one intermediate school (5-6), one middle school (7-8) and one high school (9-12). Science Hill High School is comprised of the 10-12 campus, 9th Grade Academy, Vocation/Technical Center and the Henry Johnson Alternative Learning Center. There are 570 teachers employed by the school system.

The *Washington County School System* includes sixteen schools: two elementary schools, eight K-8 schools, two middle schools, two high schools, a K-12 laboratory school located on the campus of East Tennessee State University and Asbury Optional High School. For the 2017-2018 year, there were 8,357 students enrolled with 619 teachers in the County School System.

Source: Tennessee Department of Education Report Card

East Tennessee State University was founded in 1911 in the northeast corner of Tennessee. The 366-acre campus is located in southwest Johnson City, adjacent to the Veterans Administration. The Johnson City Medical Center Hospital is also located nearby. The university offers 55 majors of study in its undergraduate program, 38 degree fields in its masters program and 10 doctorate degree fields. In addition, the Quillen College of Medicine offers three degrees and the Gatton College of Pharmacy offers the Doctor of Pharmacy degree. Fall 2018 enrollment was 14,574 students. Extended regional campuses are in Kingsport, Elizabethton and Greeneville.

Instead of having one teaching hospital, the Quillen College of Medicine has a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. The students are provided access to more than 3,000 patient beds in the ten affiliated hospitals in the Tri-Cities area. The Quillen College of Medicine ranked third in the nation for excellence in rural medicine education by U.S. News & World Report in its "America's Best Graduate Schools" 2007 edition. For several consecutive years, ETSU has been ranked among the top 10 schools in the country for rural medicine. U.S. News also ranked ETSU in the top 25% of medical schools for primary care education. The Medical College has also brought specialties to Johnson City that normally could not be expected in a community of this size. The first in-vitro fertilization in Tennessee was done in Johnson City. One of five prenatal intensive care facilities in the state is manned by pediatric specialists of the Medical College faculty. Kidney transplants and open heart surgery are available in Johnson City as result of the medical college being located here.

ETSU's Bill Gatton College of Pharmacy is the Tennessee's second state supported college of pharmacy. It opened in early 2007 with 72 students. The average class size is about eighty students with approximately fifty faculty and staff employed. Students have routinely scored above state and national average on the licensure exams. The Pharmacy College received full accreditation status from ACPE (Accreditation Council for Pharmacy Education) in 2010. The Bill Gatton College of Pharmacy offers the PharmD degree. Students also have the opportunity to pursue a dual degree and earn PharmD/MPH or PharmD/MBA. College enrollment is more than 300 in 4 classes. Projected enrollment in the future is currently limited to 80 students per class (320 students).

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

Milligan College is a private, four-year Christian liberal arts college founded in 1882. Milligan's 181-acre campus is located between Johnson City and Elizabethton just minutes from the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive to historic Asheville, North Carolina. The school has enrollment of approximately 1,200 students. The College offers more than 100 majors, minors, pre-professional degrees and concentrations and grants numerous undergraduate and master's degrees, one specialist degree and two doctoral degrees.

Source: Milligan College.

Northeast State Technical Community College was founded in 1966 as the Tri-Cities State Area Vocational-Technical. The College has five campuses in the area, one of which is a recent addition to downtown Johnson City. The downtown Johnson City campus offers a variety of classes that are designed for students planning to enter the workforce or continue to a four-year university. The main campus is located at Blountville in Sullivan County, Tennessee, and had a fall 2017 enrollment of 6,124 students. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Gray, Kingsport, and Johnson City.

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

The Tennessee College of Applied Technology at Elizabethton. The Tennessee College of Applied Technology at Elizabethton is part of a statewide system of 27 vocational-technical schools. The College meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The College serves the northeast region of the state including Carter, Johnson, Sullivan, Unicoi and Washington Counties. The College began operations in 1963, and the main campus is located in Carter County. In October of 1999, the school opened an instructional site in Mountain City, offering Business Systems Technology, and later in Kingsport, offering classes in Practical Nursing. Current enrollment is approximately 1,000 students.

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

HEALTHCARE

Ballad Health. Ballad Health was created through the merger in early 2018 between the Mountain States Health Alliance and the Wellmont Health System. Ballad Health is an integrated healthcare system serving 29 counties of Northeast Tennessee, Southwest Virginia, Northwest North Carolina and Southeast Kentucky. Ballad Health operates a family of 21 hospitals, including three tertiary medical centers, a dedicated children's hospital, community hospitals, three critical access hospitals, a behavioral health hospital, an addiction treatment facility, long-term care facilities, home care and hospice services, retail pharmacies, outpatient services and a comprehensive medical management corporation. Four of Ballad's primary hospitals are located in Johnson City: Johnson City Medical Center, Niswonger Children's Hospital, Franklin Woods Community Hospital and Woodridge Hospital.

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

Franklin Woods is said to be the first "Green" hospital in Tennessee, being built to the standards of the U.S. Green Building Council. The design of the Hospital is unlike any other in the region or even the state. This new hospital mixes high-tech with a natural design. Rock formations are utilized to take advantage of

natural water flows. Trees are incorporated in the facility and large amounts of glass give everyone inside the hospital the illusion of being outside. Franklin Woods is certified as a Leader in Energy and Environmental Design (LEED) facility. LEED is a nationally accepted benchmark for the design, construction and operation of high-performance green buildings.

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

Johnson City Medical Center. Johnson City Medical Center (the "JCMC") is part of Ballad Health. It opened in 1911 in Johnson City. The second hospital built in Tennessee, JCMC is now a 514-bed not-for-profit, comprehensive, acute-care teaching hospital affiliated with East Tennessee State University. JCMC is also a major medical referral center with Level I Trauma Care and is the region's only dedicated emergency medical air transport service. A full range of specialty and subspecialty care services and some of the most advanced diagnostic and surgical techniques are available. JCMC provides private patient rooms and has separate specialized units for newborn, pediatric, medical and surgical intensive care. JCMC is accredited by The Joint Commission.

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

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

Source: Mountain States Health Alliance and Johnson City Press.

James H. Quillen VA Medical Center at Mountain Home (the "VAMC"). Since 1903, James H. Quillen VAMC serves more than 170,000 veterans from a 41-county area of Northeast Tennessee, Southwest Virginia, Western North Carolina, and Southeastern Kentucky. The VAMC at Mountain Home is located in Johnson City on 207 beautifully landscaped acres and shares the West End of the campus with the East Tennessee State University College of Medicine. The VAMC is a teaching hospital and has affiliations with the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various internships. VAMC Mountain Home has 468 general and 646 domiciliary beds. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the Veterans Administration Hospital completed many renovations including a \$70,000,000 modernization project in conjunction with the facility's role with the East Tennessee State University James H. Quillen College of Medicine. A U. S. National Cemetery is also located on the grounds of the VAMC.

Source: United States Department of Veterans Affairs.

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

Source: United Surgical Partners.

POWER PRODUCTION

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

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

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

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

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

Johnson City's economy has a strong base of institutional employment that has traditionally helped insulate the city from downturns on the national and state level. Ballad Health, the Veterans Administration, East Tennessee State University, and the City government all rank among the ten largest employers in the County.

**City of Johnson City, Tennessee Principal Employers
(June 30, 2018)**

<u>Employer</u>	<u>Product/Services</u>	<u>Employment</u>
Ballad Health Corporation (formerly Mountain States Health Alliance and Wellmont)	Healthcare	8,610
East Tennessee State University	Education	2,450
James H. Quillen VA Medical Group	Healthcare	2,400
CITI Commerce Solution	Credit Card Programs	1,973
Advanced Call Center Tech	Communications	1,500
Washington County School System	Education	1,200
A.O. Smith (American Water Heater Group)	Water Heaters	1,076
Johnson City School System	Education	1,071
Frontier Health	Rehabilitative Healthcare	1,035
City of Johnson City	Government	937
Total		22,252

Source: City of Johnson City CAFR June 30, 2018.

EMPLOYMENT INFORMATION

For the month of October 2018, the unemployment rate for Johnson City stood at 3.7% with 30,500 persons employed out of a labor force of 31,677. For the month of October 2018, the unemployment rate for Washington County stood at 3.8% with 57,606 persons employed out of a labor force of 59,885.

The Johnson City MSA unemployment for October 2018 was at 4.0% with 87,379 persons employed out of a labor force of 91,022. The unemployment rate for October 2018 in the Tri-Cities CSA stood at 3.8%, representing 221,045 persons employed out of a workforce of 229,723.

	<u>Unemployment- Annual Averages</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
Johnson City	7.2%	6.3%	5.8%	4.7%	3.7%
Index vs. National	97%	102%	109%	96%	84%
Index vs. State	92%	95%	104%	100%	100%
Washington County*	7.2%	6.3%	5.6%	4.8%	3.8%
Index vs. National	97%	102%	106%	98%	86%
Index vs. State	92%	95%	100%	102%	103%
Johnson City MSA	8.0%	6.9%	6.0%	5.2%	4.1%
Index vs. National	108%	111%	113%	106%	93%
Index vs. State	103%	105%	107%	111%	111%
Tri-Cities CSA	7.7%	6.7%	5.8%	5.1%	4.1%
Index vs. National	104%	108%	109%	104%	93%
Index vs. State	99%	102%	104%	109%	111%

* Even though the City lies in Carter, Sullivan and Washington Counties, the majority of the City is within Washington County.

Source: Bureau of Labor Statistics

ECONOMIC DATA

	<u>Per Capita Personal Income</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$4,097	\$42,810	\$43,932	\$45,517
Washington County	\$37,264	\$38,140	\$39,955	\$40,595	\$42,002
Index vs. National	83%	81%	82%	81%	81%
Index vs. State	94%	931%	93%	92%	92%
Johnson City MSA	\$34,698	\$35,640	\$37,244	\$37,868	\$39,168
Index vs. National	77%	76%	76%	76%	76%
Index vs. State	88%	870%	87%	86%	86%
Tri-Cities CSA	\$35,325	\$35,843	\$37,034	\$37,482	\$38,960
Index vs. National	79%	76%	76%	75%	75%
Index vs. State	89%	875%	87%	85%	86%

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

	<u>Social and Economic Characteristics</u>			
	<u>National</u>	<u>Tennessee</u>	<u>Washington County</u>	<u>Johnson City</u>
Median Value Owner Occupied Housing	\$193,500	\$151,700	\$152,800	\$160,500
% High School Graduates or Higher Persons				
25 Years Old and Older	87.3%	86.5%	89.1%	90.8%
% Persons with Income Below Poverty Level	12.3%	15.0%	14.9%	22.3%
Median Household Income	\$57,652	\$48,708	\$44,180	\$39,143

Source: U.S. Census Bureau State & County QuickFacts - 2017.

RECREATION

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

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

Source: National Park Service.

Boone Dam and Reservoir. Tennessee Valley Authority's ("TVA") Boone Dam is located in Johnson

City, Tennessee on the South Fork Holston River. Boone Reservoir is located in both Washington and Sullivan Counties. The reservoir is operated for a number of purposes, including power production, flood control, water supply, water quality, aquatic ecology and recreation. Compared with similar reservoirs on tributaries of the Tennessee, Boone generally maintains more stable water levels through the summer season. Recently the lake level was dropped due to major repairs by TVA to the dam.

Source: Tennessee Valley Authority.

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

Source: USDA Forest Service.

City Parks. The City's Parks and Recreation Department has five recreation centers and pavilions with available seating room for 20-125 people. Parks and Recreation also has 19 playgrounds and parks. There are 22 modern tennis courts; 141 adult and 24 Little League, 16 Pony Colt softball and baseball teams; 80 adult and youth basketball teams and 44 soccer teams. Three municipal (two indoor) swimming pools are also available. Winged Deer Park, featuring five softball fields, three soccer fields and two miles of paved walking trails, is one of the premiere municipal parks in Tennessee. It is the site of major soccer tournaments and at least 37 softball tournaments. Buffalo Mountain Park is a developed nature preserve, featuring 14 miles of hiking trails, panoramic views of the Johnson City area, and picnic sites. Numerous neighborhood parks also provide a wide range of amenities.

Source: Johnson City Economic Development Board.

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

Source: Johnson City Economic Development Board.

Fort Patrick Henry Reservoir. Tennessee Valley Authority's ("TVA") Fort Patrick Henry Dam is located in Kingsport on the South Fork Holston River. Fort Patrick Henry Reservoir extends 10 miles in Sullivan County upstream from the Dam to Boone Dam. Fort Patrick Henry Reservoir is a popular site for fishing, particularly rainbow trout, bluegill, bass, and crappie. Warrior's Path State Park is located on the reservoir.

Source: Tennessee Valley Authority.

Freedom Hall Civic Center. The 7,000 seat arena-style Freedom Hall Civic Center is one of Johnson City's biggest attractions. It serves as a center for entertainment, cultural and educational activities and conventions.

Source: Johnson City Economic Development Board.

Jonesborough Historic District. In 1969, Jonesborough became Tennessee's first town to be listed on the national Register of Historic Places. Visitors to Jonesborough begin tours of Tennessee's oldest town at

the Visitor's Center, where monthly exhibits feature the works of local artists and craftsmen. The Washington County History Museum is also housed in the Visitor's Center. The International Storytelling Center in Jonesborough annually hosts the world-famous National Storytelling Festival.

Source: Johnson City Economic Development Board.

ETSU Millennium Centre. ETSU purchased the Millennium Centre from the City (by way of the Public Building Authority) on October, 1, 2018. The facility was previously managed by the Public Building Authority through a formal agreement with the City. The Centre is a continuing education conference facility, as well as a venue for weddings, retreats and special events. Millennium Centre is located on approximately 6.5 acres of a 21 acre site known as Millennium Park. Millennium Park is located on the State of Franklin Road across from the main campus of ETSU and is surrounded by the VA Medical Center (Mountain Home) and the Johnson City Regional Medical Center which anchor the City's Med-Tech corridor and numerous other businesses and institutions. Millennium Centre provides approximately 76,000 square feet of meeting space and amenities and a parking garage suitable for approximately 550 vehicles. Immediately adjacent to Millennium Centre is the 137 room Carnegie Hotel which serves the Centre and the region. Recently, the State and the City announced plans to build a 1,200 seat Fine Arts Center on land located adjacent to Millennium Centre. The Fine Arts Center is expected to cost more than \$51 million when completed.

Source: The City of Johnson City and Johnson City Press.

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

Source: Tennessee State Parks.

South Holston Dam and Reservoir. Tennessee Valley Authority's ("TVA") South Holston Dam is located in Sullivan County on the South Fork Holston River. South Holston Reservoir extends in Sullivan County 24 miles east of the Dam into Virginia. South Holston is operated for many purposes, including flood control, power production, and aquatic ecology. Water levels in the reservoir vary about 30 feet during normal years to provide for flood storage and augmentation of the flow of water during the drier seasons of the year. In 1991 TVA built a weir immediately below South Holston Dam to add oxygen to the river when the hydropower plant isn't generating electricity. Oxygen-rich water helps create a sustained habitat for aquatic insects, vegetation, and fish.

Source: Tennessee Valley Authority.

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

Source: Tennessee State Parks.

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

swimming pool.

Source: Tennessee State Parks.

Watauga Reservoir. Tennessee Valley Authority's ("TVA") Watauga Dam is located in Carter County on the Watauga River. Watauga Reservoir extends 16 miles east from Watauga Dam toward the North Carolina border through Carter and Johnson Counties. Watauga holds the distinction of being the highest reservoir (more than 1,900 feet above sea level) in the Tennessee River system. The reservoir is operated for many uses, including flood control, power generation, water quality, and aquatic ecology.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

Aerospace Park. Aerospace Park is arguably the most notable community development story of the year for the region. This project involves the development of a large, build-ready site to promote and accommodate air travel, commerce and navigation. Aerospace Park is located on a 160-acre site that offers direct airfield access on airport property. Washington and Sullivan County, along with Bristol, Johnson City and Kingsport, have joined in partnership to support and underwrite financing for the project. Additionally, significant grant funding has been provided by the State of Tennessee.

Aerospace Park is designed to accommodate various types and sizes of aircraft manufacturing, finishing, maintenance, repair and overhaul (MRO) and related aerospace activities. The potential users of the site are expected to include small aircraft/helicopter, corporate/business jet, large single and twin aisle commercial aircraft, air cargo aircraft and MRO operations. The ultimate build-out of the site potentially could accommodate more than 2,000 aerospace industry jobs.

Since 2001, more than \$23 million has been invested in site preparation, utility installation, taxiway extensions, aircraft ramps and road that serve Aerospace Park. In 2014, a bordering road was relocated and a taxiway extended. These improvements resulted in providing airside and landside access to the entire 160-acre site. Twenty-one acres of the site are fully prepared and certified for immediate development under the Select Tennessee Sites certification program.

In addition to funding commitments from the various local government partners, the airport previously received a \$350,000 grant from the Tennessee Valley Authority, \$500,000 in grant funding from Tennessee's Department of Economic and Community Development and Tennessee Department of Transportation (TDOT) funds totaling \$4.1 million. Most recently, the Airport Authority was awarded a \$1.69 million grant from the TDOT Aeronautics Economic Development Fund, which should allow the Authority to complete the final phase of construction.

JD Squared. In 2014 JD Squared made a \$6.5 million investment in Johnson City that is expected to create 50 new jobs over 5 years. JD Squared's investment is an expansion of preexisting facilities in Johnson City.

Academy Sports + Outdoors. The sports, outdoor, and lifestyle retailer opened its first store in Johnson City in 2015. The store is approximately 63,000 square feet and created approximately 125 jobs. In addition to providing its usual retail products, the location provides services such as hunting and fishing licenses, scope mounting, line winding/spooling, propane exchange, and racquet stringing.

Koyo Corporation. An \$8 million investment in Koyo's existing Washington County location was made in the summer of 2015 by the Japan-based manufacturer. The company employs 154 people in the County, 46 more than was initially planned when Koyo committed to a Washington County location. The new investment added 11 jobs.

Allied Dispatch Solutions. Allied Dispatch Solutions began expanding its \$4.8 million expansion in the historic Kress building downtown Johnson City during 2017. The company announced plans to move downtown, bringing 75 employees and an investment of at least \$1.4 million with the renovation of the building. The building will serve as the corporate headquarters for the company, which contracts with roadside assistance providers to answer calls for assistance and dispatch tow trucks in the United States, Canada, Puerto Rico and the Virgin Islands.

Mullican Flooring. Mullican has completed a local expansion which will create 200 new production jobs near its existing facilities and corporate headquarters. This expansion was facilitated by a \$1.2 million incentive from Washington County and Johnson City.

Dentsply. In March 2015, Tulsa Dentsply announced it would remain in Johnson City and retain 189 local jobs. Over the next 15 years, approximately \$16.6 million in capital investments are expected along with the creation of 25 new jobs.

Boone Dam Repairs. Following the discovery of seepage beneath Boone Dam's earthen embankment in October 2014, the Tennessee Valley Authority conducted a drawdown of the water level in order to repair the leaks. In November 2016, the Tennessee Valley Authority did a preliminary test on the repairs by raising the water level to its highest point. If repairs stay on schedule, the repair process could be complete in two to three more years.

Downtown Restaurants and Small Businesses. In late 2016, the downtown section of Johnson City welcomed a handful of new businesses, including the highly anticipated Wild Wing Café, a new antique store and two new clothing stores. In 2017, a new restaurant from a popular Jonesborough eatery, Sabores, moved to Johnson City. In late 2016, Rab and Grant Summers purchased the historic Model Mill property. They plan to rehabilitate the 109-year old property as a heart project. This project has the potential to be the heart of a rejuvenated West Walnut Street district that could prove to be a crucial connector between ETSU and Johnson City's downtown. The old mill will house the headquarters of Summers-Taylor – the Summers' family business – as well as an art gallery featuring the work of ETSU students and a bakery.

ETSU's Performing Arts Center. Construction commenced in 2017 on a new performing arts center at ETSU and is expected to open in 2019. The City of Johnson City invested \$8 million in the \$52 million budget facility. In return for its investment, the City requested an increase in seating capacity from 635 to a minimum of 1,200, as well as other upgrades to the original building plans. In addition to the \$8 million investment, the City donated a courtyard adjacent to the Millennium Centre (\$500,000), \$350,000 for signalization of a nearby intersection and \$150,000 for stormwater detention. The Washington County Economic Development Council, a group that is partially funded by the City of Johnson City and Washington County, provided funding, as well.

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CITY OF JOHNSON CITY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING As of June 30, 2018⁽¹⁾
25,000,000	TMBF Variable Rate Loan Program, Series 2009	May 2029	Variable (5)	13,086,999
67,000,000	Loan Agreement, Series V-K-1	June 2025	Fixed (6)	8,780,000
27,945,000	(3) Loan Agreement, Series VII-I-1	June 2034	Variable	25,940,000
7,545,000	(3) Loan Agreement, Series VII-J-1	June 2023	Variable	3,375,000
450,000	(2) Water & Sewer Loans, Series 2003 (RDA Loan - Limestone Cove)	2041	Fixed	353,762
380,000	(2) Water & Sewer Loans, Series 2004 (RDA Loan - Watauga Flats)	2042	Fixed	303,004
125,000	(2) Water & Sewer Loans, Series 2005	2043	Fixed	101,549
1,795,000	(2) Water & Sewer Revenue and Tax Refunding Bonds, Series 2006	June 2020	Fixed	355,000
46,775,000	General Obligation Refunding Bonds, Series 2009	June 2031	Fixed	3,015,000
8,160,000	Qualified School Construction Bonds, Series 2009	July 2026	Fixed	4,171,493
435,000	(2) Water & Sewer Loans, Series 2010A (RDA Loan)	2048	Fixed	378,331
44,500,000	General Obligation Bonds, Series 2010A (Federally Taxable Build America Bonds)	June 2040	Fixed	41,405,000
14,450,000	(3) General Obligation Bonds, Series 2012	June 2025	Fixed	7,819,980
32,555,000	(7) General Obligation Bonds, Series 2013	June 2043	Fixed	26,560,000
2,000,000	Tennessee Municipal Bond Fund, 2014	June 2030	Fixed	1,635,995
1,300,000	Tennessee Municipal Bond Fund, 2014	June 2030	Fixed	1,146,000
870,000	Tennessee Municipal Bond Fund, Capital Outlay Note	June 2022	Fixed	514,000
500,000	Tennessee Municipal Bond Fund, Capital Outlay Note	June 2022	Fixed	295,000
5,745,000	(2) General Obligation Refunding Bonds, Series 2015	June 2022	Fixed	3,365,000
11,205,000	General Obligation Bonds, Series 2016	June 2036	Fixed	10,520,000
41,000,000	(8) General Obligation Improvement and Refunding Bonds, Series 2016A	June 2036	Fixed	37,245,000
7,920,000	Public Building Authority Public Facility Refunding Bonds, Series 2016	September 2022	Fixed	6,620,000
<u>\$ 347,655,000</u>	TOTAL BONDED DEBT			<u>\$ 196,986,113</u>
\$ -	General Obligation Bonds, Series 2019			\$ -
<u>\$ 347,655,000</u>	TOTAL BONDED DEBT AFTER ISSUANCE			<u>\$ 196,986,113</u>
	Less: Revenue-Supported Debt			
\$ 3,280,000	Sales Tax Revenue Debt			\$ 32,340,000
22,075,000	Water and Sewer Debt			66,777,452
6,000,000	Stormwater Debt			4,735,000
1,640,000	Solid Waste Debt			8,565
<u>\$ 32,995,000</u>	TOTAL REVENUE SUPPORTED DEBT			<u>\$ 103,861,017</u>
<u>\$ 314,660,000</u>	NET DIRECT BONDED DEBT			<u>\$ 93,125,096</u>

NOTES:

- (1) The above figures may not include all short-term notes outstanding and capitalized leases, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.
- (2) Revenue-supported bonds. Backed by the General Obligation pledge of the City.
- (3) Includes Sales Tax Supported bonds.
- (4) Johnson City has entered into General Obligation leases with the Public Building Authority of Johnson City, Tennessee in which the City will lease facilities from the Authority. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the Public Building Authority that remains unpaid during the fiscal year.
- (5) The City budgets to account for interest rate and/or basis risk.
- (6) The Series V-K-1 Bonds refinanced the Series D-9-A Bonds in Fiscal Year 2009 however the outstanding interest rate agreement remains in place. The City's refinanced all of the March 1, 2011 maturity of Series V-K-1 Loan Agreement in the Fiscal Year ended June 30, 2011 with the Series VII-I-1 and Series VII-J-1 Loan Agreements and left the Series D-9-A interest rate swap agreement outstanding to hedge a portion of the City's interest rate risk. This will allow the dedicated sales tax from the People's Education Program (PEP) to retire that portion of the debt associated with the PEP to be retired in a prudent manner without impacting other funds of the City. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.
- (7) The Series 2013 Bonds includes \$1,450,000 of Sales Tax Supported Bonds and \$23,465,000 of Water and Sewer Revenue Supported Bonds and \$5,390,000 of Stormwater Revenue Supported Bonds.
- (8) The Series 2016A Bonds include \$1,430,000 of Sales Tax Supported Bonds and \$17,054,844 of Water and Sewer Revenue Supported Bonds.

CITY OF JOHNSON CITY, TENNESSEE
INDEBTEDNESS AND INDEBTEDNESS RATIOS

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this Official Statement.

	For Fiscal Years Ended June 30				
INDEBTEDNESS	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
TAX SUPPORTED					
Bonds & Notes & Loans	87,203,185	87,156,000	90,417,707	98,619,795	86,505,096
Johnson City PBA Bonds	<u>10,765,000</u>	<u>9,830,000</u>	<u>7,920,000</u>	<u>7,920,000</u>	<u>6,620,000</u>
TOTAL TAX SUPPORTED	97,968,185	96,986,000	98,337,707	106,539,795	93,125,096
REVENUE SUPPORTED					
Sales Tax Supported Debt	37,995,000	36,160,000	34,240,000	34,335,000	32,340,000
Golf Course	495,000	255,000	-	-	-
Water & Sewer Revenue Bonds & Notes	84,577,754	79,870,158	75,986,273	70,798,188	66,777,452
Stormwater Debt	5,590,000	5,390,000	5,180,000	4,960,000	4,735,000
Solid Waste Debt	1,150,000	590,000	11,657	10,132	8,565
Electric Revenue Bonds & Notes	<u>46,415,000</u>	<u>43,570,000</u>	<u>41,235,666</u>	-	-
TOTAL REVENUE SUPPORTED	176,222,754	165,835,158	156,653,596	110,103,320	103,861,017
TOTAL DEBT	274,190,939	262,821,158	254,991,303	216,643,115	196,986,113
Less: Revenue Supported Debt	(176,222,754)	(165,835,158)	(156,653,596)	(110,103,320)	(103,861,017)
Less: Debt Service Fund	-	-	-	-	-
NET DIRECT DEBT	97,968,185	96,986,000	98,337,707	106,539,795	93,125,096
OVERLAPPING DEBT⁽¹⁾	<u>93,360,338</u>	<u>93,660,271</u>	<u>90,100,880</u>	<u>106,615,469</u>	<u>112,674,428</u>
NET DIRECT & OVERLAPPING DEBT	<u>191,328,523</u>	<u>190,646,271</u>	<u>188,438,587</u>	<u>213,155,264</u>	<u>205,799,524</u>
PROPERTY TAX BASE⁽²⁾	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated Actual Value	6,015,717,325	5,940,878,464	6,010,679,591	6,284,904,549	6,282,387,309
Appraised Value	6,015,612,767	5,940,764,340	6,007,229,984	6,128,868,757	6,282,387,309
Assessed Value	1,825,525,542	1,812,412,462	1,833,355,814	1,875,563,163	1,880,299,020

⁽¹⁾OVERLAPPING DEBT Includes the City's share of Washington and Carter and Sullivan County's Net Direct Debt.

⁽²⁾Includes values from all three counties the City is located in: Carter, Sullivan and Washington. Source: City of Johnson City's Comprehensive Annual Financial Report.

For Fiscal Years Ended June 30

DEBT RATIOS	2014	2015	2016	2017	2018
TOTAL DEBT to Estimated Actual Value	4.56%	4.42%	4.24%	3.45%	3.14%
TOTAL DEBT to Appraised Value	4.56%	4.42%	4.24%	3.53%	3.14%
TOTAL DEBT to Assessed Value	15.02%	14.50%	13.91%	11.55%	10.48%
NET DIRECT DEBT to Estimated Actual Value	1.63%	1.63%	1.64%	1.70%	1.48%
NET DIRECT DEBT to Appraised Value	1.63%	1.63%	1.64%	1.74%	1.48%
NET DIRECT DEBT to Assessed Value	5.37%	5.35%	5.36%	5.68%	4.95%
OVERLAPPING DEBT to Estimated Actual Value	1.55%	1.58%	1.50%	1.70%	1.79%
OVERLAPPING DEBT to Appraised Value	1.55%	1.58%	1.50%	1.74%	1.79%
OVERLAPPING DEBT to Assessed Value	5.11%	5.17%	4.91%	5.68%	5.99%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	3.18%	3.21%	3.14%	3.39%	3.28%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	3.18%	3.21%	3.14%	3.48%	3.28%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	10.48%	10.52%	10.28%	11.36%	10.95%
PER CAPITA RATIOS	2014	2015	2016	2017	2018
POPULATION (1)	64,787	65,196	65,552	66,233	66,391
PER CAPITA PERSONAL INCOME (2)	\$26,788	\$27,619	\$28,040	\$28,774	\$29,115
Estimated Actual Value to POPULATION	92,854	91,123	91,693	94,891	94,627
Assessed Value to POPULATION	92,852	91,122	91,641	92,535	94,627
Total Debt to POPULATION	4,232	4,031	3,890	3,271	2,967
Net Direct Debt to POPULATION	1,512	1,488	1,500	1,609	1,403
Overlapping Debt to POPULATION	1,441	1,437	1,374	1,610	1,697
Net Direct & Overlapping Debt to POPULATION	2,953	2,924	2,875	3,218	3,100
TOTAL DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	15.80%	14.60%	13.87%	11.37%	10.19%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	5.64%	5.39%	5.35%	5.59%	4.82%
OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	5.38%	5.20%	4.90%	5.59%	5.83%
NET DIRECT & OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	11.02%	10.59%	10.25%	11.18%	10.65%

(1) Per capita computations are based upon data according to the U.S. Census.

(2) Per 2018 CAFR.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS- Excludes Revenue Supported Debt
As of June 30, 2018

FY Ended 6/30	Existing Debt Service (1)			General Obligation Bonds, Series 2019			Total Debt Service		
	Principal	Interest (2)	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 8,491,240	\$ 3,632,859	\$ 12,124,099	\$ -	\$ -	\$ -	\$ 8,491,240	\$ 3,632,859	\$ 12,124,099
2020	7,968,116	3,316,900	11,285,016	-	-	-	7,968,116	3,316,900	11,285,016
2021	6,518,577	3,025,905	9,544,482	-	-	-	6,518,577	3,025,905	9,544,482
2022	6,783,105	2,799,145	9,582,250	-	-	-	6,783,105	2,799,145	9,582,250
2023	5,815,762	2,569,100	8,384,862	-	-	-	5,815,762	2,569,100	8,384,862
2024	5,473,835	2,358,829	7,832,664	-	-	-	5,473,835	2,358,829	7,832,664
2025	4,929,940	2,153,941	7,083,881	-	-	-	4,929,940	2,153,941	7,083,881
2026	4,126,945	1,961,033	6,087,978	-	-	-	4,126,945	1,961,033	6,087,978
2027	3,707,284	1,686,824	5,394,108	-	-	-	3,707,284	1,686,824	5,394,108
2028	3,817,006	1,529,344	5,346,350	-	-	-	3,817,006	1,529,344	5,346,350
2029	3,973,250	1,376,309	5,349,559	-	-	-	3,973,250	1,376,309	5,349,559
2030	3,139,658	1,216,123	4,355,781	-	-	-	3,139,658	1,216,123	4,355,781
2031	3,134,378	1,079,457	4,213,835	-	-	-	3,134,378	1,079,457	4,213,835
2032	2,441,000	937,607	3,378,607	-	-	-	2,441,000	937,607	3,378,607
2033	2,538,000	822,821	3,360,821	-	-	-	2,538,000	822,821	3,360,821
2034	2,645,000	703,483	3,348,483	-	-	-	2,645,000	703,483	3,348,483
2035	2,757,000	579,018	3,336,018	-	-	-	2,757,000	579,018	3,336,018
2036	2,780,000	450,310	3,230,310	-	-	-	2,780,000	450,310	3,230,310
2037	1,280,000	316,970	1,596,970	-	-	-	1,280,000	316,970	1,596,970
2038	1,335,000	242,730	1,577,730	-	-	-	1,335,000	242,730	1,577,730
2039	1,395,000	165,300	1,560,300	-	-	-	1,395,000	165,300	1,560,300
2040	1,455,000	84,390	1,539,390	-	-	-	1,455,000	84,390	1,539,390
	<u>\$ 86,505,096</u>	<u>\$ 33,008,398</u>	<u>\$ 119,513,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,505,096</u>	<u>\$ 33,008,398</u>	<u>\$ 119,513,494</u>

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any, and excludes the revenue supported debt listed on the following seven (7) pages. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.
- 2) The City budgets to account for interest rate and/or basis risk on its variable rate debt and synthetic fixed rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - School Sales Tax Supported
As of June 30, 2018

FY Ended 6/30	Existing Debt Service (1)			General Obligation Bonds, Series 2019			Total Debt Service		
	Principal	Interest (2)	Total	Principal	Interest	Total	Principal	Interest	Total
2019	2,080,000	996,238	3,076,238	\$ -	\$ -	\$ -	\$ 2,080,000	\$ 996,238	\$ 3,076,238
2020	2,145,000	919,837	3,064,837	-	-	-	2,145,000	919,837	3,064,837
2021	1,475,000	840,888	2,315,888	-	-	-	1,475,000	840,888	2,315,888
2022	1,535,000	799,200	2,334,200	-	-	-	1,535,000	799,200	2,334,200
2023	1,600,000	753,150	2,353,150	-	-	-	1,600,000	753,150	2,353,150
2024	1,790,000	705,150	2,495,150	-	-	-	1,790,000	705,150	2,495,150
2025	1,855,000	651,450	2,506,450	-	-	-	1,855,000	651,450	2,506,450
2026	1,920,000	595,800	2,515,800	-	-	-	1,920,000	595,800	2,515,800
2027	1,985,000	538,200	2,523,200	-	-	-	1,985,000	538,200	2,523,200
2028	2,055,000	478,650	2,533,650	-	-	-	2,055,000	478,650	2,533,650
2029	2,125,000	417,000	2,542,000	-	-	-	2,125,000	417,000	2,542,000
2030	2,200,000	353,250	2,553,250	-	-	-	2,200,000	353,250	2,553,250
2031	2,280,000	287,250	2,567,250	-	-	-	2,280,000	287,250	2,567,250
2032	2,355,000	218,850	2,573,850	-	-	-	2,355,000	218,850	2,573,850
2033	2,440,000	148,200	2,588,200	-	-	-	2,440,000	148,200	2,588,200
2034	2,500,000	75,000	2,575,000	-	-	-	2,500,000	75,000	2,575,000
	<u>\$ 32,340,000</u>	<u>\$ 8,778,113</u>	<u>\$ 41,118,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,340,000</u>	<u>\$ 8,778,113</u>	<u>\$ 41,118,113</u>

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.
- 2) The City budgets to account for interest rate and/or basis risk on its variable rate debt and synthetic fixed rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS – Water and Sewer System Revenue Supported
and General Obligation Debt
As of June 30, 2018

FY Ended 6/30	Existing Debt Service (1)			General Obligation Bonds, Series 2019			Total Debt Service		
	Principal	Interest (2)	Total	Principal	Interest (2)	Total	Principal	Interest (2)	Total
2019	\$ 3,324,000	\$ 2,852,982	\$ 6,176,982	\$ -	\$ -	\$ -	\$ 3,324,000	\$ 2,852,982	\$ 6,176,982
2020	3,442,104	2,729,875	6,171,979	-	-	-	3,442,104	2,729,875	6,171,979
2021	3,574,830	2,606,371	6,181,201	-	-	-	3,574,830	2,606,371	6,181,201
2022	3,700,465	2,460,875	6,161,340	-	-	-	3,700,465	2,460,875	6,161,340
2023	2,938,018	2,308,873	5,246,891	-	-	-	2,938,018	2,308,873	5,246,891
2024	3,090,035	2,175,687	5,265,722	-	-	-	3,090,035	2,175,687	5,265,722
2025	3,211,381	2,040,651	5,252,032	-	-	-	3,211,381	2,040,651	5,252,032
2026	3,425,940	1,897,074	5,323,014	-	-	-	3,425,940	1,897,074	5,323,014
2027	3,044,814	1,740,789	4,785,603	-	-	-	3,044,814	1,740,789	4,785,603
2028	3,174,599	1,617,212	4,791,811	-	-	-	3,174,599	1,617,212	4,791,811
2029	3,283,050	1,485,540	4,768,590	-	-	-	3,283,050	1,485,540	4,768,590
2030	3,327,345	1,348,335	4,675,680	-	-	-	3,327,345	1,348,335	4,675,680
2031	3,473,412	1,205,929	4,679,341	-	-	-	3,473,412	1,205,929	4,679,341
2032	1,865,598	1,056,405	2,922,003	-	-	-	1,865,598	1,056,405	2,922,003
2033	1,937,583	970,196	2,907,779	-	-	-	1,937,583	970,196	2,907,779
2034	2,019,606	880,634	2,900,240	-	-	-	2,019,606	880,634	2,900,240
2035	2,151,715	787,102	2,938,817	-	-	-	2,151,715	787,102	2,938,817
2036	2,208,881	689,686	2,898,567	-	-	-	2,208,881	689,686	2,898,567
2037	2,286,210	587,866	2,874,076	-	-	-	2,286,210	587,866	2,874,076
2038	2,358,607	482,268	2,840,875	-	-	-	2,358,607	482,268	2,840,875
2039	2,446,107	371,829	2,817,936	-	-	-	2,446,107	371,829	2,817,936
2040	2,593,698	257,101	2,850,799	-	-	-	2,593,698	257,101	2,850,799
2041	1,259,024	135,546	1,394,570	-	-	-	1,259,024	135,546	1,394,570
2042	1,261,911	91,593	1,353,504	-	-	-	1,261,911	91,593	1,353,504
2043	1,296,656	47,666	1,344,322	-	-	-	1,296,656	47,666	1,344,322
2044	17,597	2,407	20,004	-	-	-	17,597	2,407	20,004
2045	18,184	1,819	20,003	-	-	-	18,184	1,819	20,003
2046	18,784	1,220	20,004	-	-	-	18,784	1,220	20,004
2047	19,404	600	20,004	-	-	-	19,404	600	20,004
2048	7,894	62	7,956	-	-	-	7,894	62	7,956
	<u>\$ 66,777,452</u>	<u>\$ 32,834,193</u>	<u>\$ 99,611,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,777,452</u>	<u>\$ 32,834,193</u>	<u>\$ 99,611,645</u>

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.
- 2) The City budgets to account for interest rate and/or basis risk on its variable rate debt and synthetic fixed rate debt. See the Notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Stormwater Revenue
As of June 30, 2018

FY Ended	<u>Total Bonded Debt Service Requirements (1)</u>		
6/30	Principal	Interest	Total
2019	230,000	148,613	378,613
2020	240,000	141,712	381,712
2021	250,000	132,113	382,113
2022	260,000	122,112	382,112
2023	270,000	111,713	381,713
2024	275,000	103,612	378,612
2025	280,000	98,113	378,113
2026	290,000	91,812	381,812
2027	295,000	84,563	379,563
2028	305,000	76,819	381,819
2029	315,000	67,669	382,669
2030	320,000	58,219	378,219
2031	335,000	47,419	382,419
2032	345,000	36,112	381,112
2033	355,000	24,469	379,469
2034	370,000	12,486	382,486
	<u>\$ 4,735,000</u>	<u>\$ 1,357,556</u>	<u>\$ 6,092,556</u>

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.

CITY OF JOHNSON CITY, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Solid Waste System
Revenue Supported and General Obligation Debt
As of June 30, 2018

FY Ended 6/30	Existing Debt Service (1)			General Obligation Bonds, Series 2019			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,600	\$ 249	\$ 1,849	\$ -	\$ -	\$ -	\$ 1,600	\$ 249	\$ 1,849
2020	1,659	201	1,860	-	-	-	1,659	201	1,860
2021	1,717	152	1,869	-	-	-	1,717	152	1,869
2022	1,776	108	1,884	-	-	-	1,776	108	1,884
2023	1,813	55	1,868	-	-	-	1,813	55	1,868
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-
	<u>\$ 8,565</u>	<u>\$ 765</u>	<u>\$ 9,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,565</u>	<u>\$ 765</u>	<u>\$ 9,330</u>

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.

**THE PUBLIC BUILDING AUTHORITY OF THE CITY OF JOHNSON CITY,
TENNESSEE**
BONDED DEBT SERVICE REQUIREMENTS - General Obligation Debt
As of June 30, 2018

FY Ended	Total Bonded Debt Service Requirements (1)					
	6/30	Principal	Interest	Total		
2019		1,340,000	101,133	1,441,133		
2020		1,395,000	86,125	1,481,125		
2021		1,425,000	67,990	1,492,990		
2022		1,390,000	45,190	1,435,190		
2023		1,070,000	20,865	1,090,865		
	\$	6,620,000	\$	321,303	\$	6,941,303

NOTES:

- 1) The above figures do not include short-term notes outstanding, if any. This schedule was prepared using information from the FY 2018 CAFR. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS. This debt is backed by the full faith and credit of the City.

FINANCIAL INFORMATION

INTRODUCTION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures are recognized in the period that the obligation is incurred. Interest on bonded debt is not accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues of such funds are recognized when they are earned and expenses when they are incurred except for prepaid expenses, which are fully expended at the time of payment.

The City has entered into an interest rate swap agreement. For additional information on the interest rate swap agreement, please refer to the "Note 4 Detailed Note on All Funds" in the Notes to Financial Statements.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

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FUND BALANCES AND NET ASSETS

The following table depicts fund balances or net assets for the last five fiscal years ending June 30:

Fund Type	For the Fiscal Year Ended June 30				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental Funds:</i>					
General	18,656,971	19,116,241	22,427,048	25,372,114	26,957,304
General Purpose School Fund	4,428,488	5,518,082	6,299,097	5,796,225	6,372,520
Debt Service Fund	2,377	1,799	144,127	573,305	132,736
Educ. Fac. Debt Service Fund	1,685,923	1,581,160	1,994,345	1,836,167	2,459,126
Other Governmental	<u>8,325,221</u>	<u>6,632,322</u>	<u>15,731,547</u>	<u>22,797,542</u>	<u>27,095,171</u>
Total	<u>33,098,980</u>	<u>32,849,604</u>	<u>46,596,164</u>	<u>56,375,353</u>	<u>63,016,857</u>
<i>Proprietary Net Assets:</i>					
Water & Sewer	98,700,091	102,869,987	109,807,072	117,525,825	125,148,288
City Solid Waste	6,697,701	7,014,919	7,945,355	9,132,696	10,363,034
Power Board	170,133,870	165,173,780	177,863,339	-	-
PBA	4,454,148	4,747,233	5,175,217	5,733,668	6,668,727
Other Nonmajor	<u>15,317,555</u>	<u>15,344,889</u>	<u>18,917,679</u>	<u>20,510,613</u>	<u>19,587,743</u>
Total	<u>295,303,365</u>	<u>295,150,808</u>	<u>319,708,662</u>	<u>152,902,802</u>	<u>161,767,792</u>

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

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CITY OF JOHNSON CITY, TENNESSEE
Five Year Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund
For the Fiscal Year Ended June 30

<u>Revenues:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes	\$ 56,816,775	\$ 58,746,397	\$ 65,881,128	\$ 67,849,900	\$ 72,089,027
Licenses and Permits	755,842	775,378	832,139	833,810	835,104
Intergovernmental Revenue	9,688,137	10,031,134	10,915,588	10,860,251	11,250,661
Charges for Services	943,257	962,715	1,395,393	1,411,547	1,593,777
Fines and Forfeits	1,484,151	1,273,399	1,315,720	1,269,927	1,167,905
Revenue from Use of Facilities	1,211,900	1,218,704	1,252,386	1,236,363	1,184,442
Investment Earnings	203,723	214,665	227,940	260,651	295,216
Miscellaneous Revenues	<u>780,504</u>	<u>800,603</u>	<u>756,458</u>	<u>831,753</u>	<u>801,269</u>
Total Revenues	\$ 71,884,289	\$ 74,022,995	\$ 82,576,752	\$ 84,554,202	\$ 89,217,401
Expenditures and Other Uses:					
General Government	\$ 11,258,034	\$ 10,856,259	\$ 12,431,076	\$ 13,106,067	\$ 14,090,259
Public Safety	24,093,699	24,492,494	24,344,472	25,151,513	26,088,125
Public Works	11,721,899	11,804,597	12,811,075	13,370,651	13,682,038
Parks, Recreation, Culture & Leisure	5,200,562	5,498,518	5,393,906	5,598,553	5,780,390
Capital Outlay	-	-	171,548	864,860	387,145
Other Fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ 52,274,194	\$ 52,651,868	\$ 55,152,077	\$ 58,091,644	\$ 60,027,957
Excess of Revenues & Over (under) Expenditures	\$ 19,610,095	\$ 21,371,127	\$ 27,424,675	\$ 26,462,558	\$ 29,189,444
Other Financing Sources (Uses):					
Operating Transfers to General Fund	\$ 5,620,035	\$ 4,390,617	\$ 4,357,048	\$ 4,696,663	\$ 575,766
Operating Transfers from General Fund	(27,683,972)	(25,972,308)	(29,072,347)	(28,303,922)	(28,342,661)
Sale of Equipment or Real Estate	204,418	339,990	601,431	89,767	162,641
Bond/Note Proceeds	<u>-</u>	<u>870,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ (21,859,519)	\$ (20,371,701)	\$ (24,113,868)	\$ (23,517,492)	\$ (27,604,254)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	(2,249,424)	999,426	3,310,807	2,945,066	1,585,190
Fund Balance July 1	\$ 20,906,395	\$ 18,656,971	\$ 19,116,241	\$ 22,427,048	\$ 25,372,114
Prior Period Adjustment	<u>-</u>	<u>(540,156)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u>\$ 18,656,971</u>	<u>\$ 19,116,241</u>	<u>\$ 22,427,048</u>	<u>\$ 25,372,114</u>	<u>\$ 26,957,304</u>

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

CITY OF JOHNSON CITY, TENNESSEE
Summary of Revenues, Expenditures and Changes in Net Assets - Water and Sewer Fund For the
Fiscal Year Ended June 30

<u>Operating Revenues:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Charges for Services (Net)	\$ 31,407,708	\$ 33,879,472	\$ 34,311,347	\$ 35,154,974	\$ 35,005,228
Other Revenue	<u>418,648</u>	<u>422,459</u>	<u>266,709</u>	<u>229,712</u>	<u>274,226</u>
Total Operating Revenues	\$ 31,826,356	\$ 34,301,931	\$ 34,578,056	\$ 35,384,686	\$ 35,279,454
<u>Operating Expenses:</u>					
Administration	\$ 398,796	\$ 398,796	\$ 698,702	\$ 698,195	\$ 791,927
Personnel Services	8,633,382	8,111,719	8,300,716	8,759,674	9,160,119
Contractual Services	1,385,580	2,290,382	1,444,871	1,351,167	1,058,221
Materials & Supplies	1,218,540	1,257,908	1,377,807	1,502,407	1,632,636
Repairs & Maintenance	2,268,629	2,186,818	2,428,648	2,368,078	2,316,150
Other Operating Expenses	4,226,701	4,413,377	4,376,636	4,461,137	4,509,217
Depreciation & Amortization	<u>5,560,178</u>	<u>5,707,537</u>	<u>5,900,032</u>	<u>6,065,700</u>	<u>6,276,216</u>
Total Operating Expenses	\$ 23,691,806	\$ 24,366,537	\$ 24,527,412	\$ 25,206,358	\$ 25,744,486
Net Operating Income (Loss)	\$ 8,134,550	\$ 9,935,394	\$ 10,050,644	\$ 10,178,328	\$ 9,534,968
<u>Non-Operating Revenues (Expenses):</u>					
Investment Income	\$ 390,499	\$ 491,937	\$ 548,366	\$ 494,117	\$ 466,239
Interest Expense	(947,606)	(3,267,406)	(3,019,082)	(2,443,367)	(1,824,982)
Amortization of Loss on Refunding	(83,509)	(81,453)	(67,442)	(19,358)	(19,358)
Gain (Loss) on Asset Sale	-	(47,296)	-	(12,477)	(982)
Sale of Real Estate & Other Equipment	<u>-</u>	<u>24,316</u>	<u>-</u>	<u>65,460</u>	<u>10,528</u>
Total Non-Operating Revenues (Expenses)	\$ (640,616)	\$ (2,879,902)	\$ (2,538,158)	\$ (1,915,625)	\$ (1,368,555)
Income (Loss) Before Transfers & Capital Contributions	\$ 7,493,934	\$ 7,055,492	\$ 7,512,486	\$ 8,262,703	\$ 8,166,413
<u>Transfers & Capital Contributions:</u>					
Transfer In	\$ 398,733	\$ 196,759	\$ -	\$ -	\$ -
Transfer Out	<u>(1,346,339)</u>	<u>(548,150)</u>	<u>(575,401)</u>	<u>(543,950)</u>	<u>(543,950)</u>
Total Transfers & Capital Contributions	\$ (947,606)	\$ (351,391)	\$ (575,401)	\$ (543,950)	\$ (543,950)
Change in Net Position	\$ 6,546,328	\$ 6,704,101	\$ 6,937,085	\$ 7,718,753	\$ 7,622,463
Net Position Prior Year	\$ 94,574,999	\$ 98,700,091	\$ 102,869,987	\$ 109,807,072	\$ 117,525,825
Prior Period Adjustment	<u>-</u>	<u>(2,534,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position June 30	<u>\$ 101,121,327</u>	<u>\$ 102,869,987</u>	<u>\$ 109,807,072</u>	<u>\$ 117,525,825</u>	<u>\$ 125,148,288</u>

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

CITY OF JOHNSON CITY, TENNESSEE
GENERAL FUND BALANCES
Summary of Changes in Fund Balances
Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning Fund Balance	\$20,906,395	\$18,656,971	\$19,116,241	\$22,427,048	\$25,372,114
Revenues	71,884,289	74,022,995	82,576,752	84,554,202	89,217,401
Expenditures	(52,274,194)	(52,651,868)	(55,152,077)	(58,091,644)	(60,027,957)
Other Financing Sources:					
Transfers In	5,620,035	4,390,617	4,357,048	4,696,663	575,766
Transfers Out	(27,683,972)	(25,972,308)	(29,072,347)	(28,303,922)	(28,342,661)
Sales of Equipment/ Real Estate	204,418	339,990	601,431	89,767	162,641
Note Proceeds	-	870,000	-	-	-
Over (Under) Expenditures	(2,249,424)	999,426	3,310,807	2,945,066	1,585,190
Prior Period Adjustments	-	(540,156)	-	-	-
Ending Fund Balance	\$18,656,971	\$19,116,241	\$22,427,048	\$25,372,114	\$26,957,304

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

PROPERTY TAX

Introduction. The City is authorized to levy a tax on all property within the City without limitation as to rate or amount. All real and personal property within the City is assessed in accordance with the state constitutional and statutory provisions by the County Property Tax Assessors except most utility property, which is assessed by the Office of State Assessed Properties. The City property tax is levied each September 1 on the assessed values as of the prior January 1 for all real property located in the City.

Reappraisal Program. Title 67, Chapter 5, Part 16, Tennessee Code Annotated, as supplemented and amended, mandates that after June 1, 1989, all property in the State of Tennessee will be reappraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review. In the second and fourth years of the review, there shall be an updating of all real property values by application of an index or indexes established for the jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, Tennessee Code Annotated. The State Board of Equalization shall also consider a plan submitted by a local assessor which would have the effect of maintaining real property values at full value which may be used in lieu of indexing.

Title 67, Chapter 5, Part 17, Tennessee Code Annotated, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same ad valorem tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a municipality or county complies with state law and certifies a tax rate which provides the same property tax revenue as was collected before reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue. The City had a reappraisal program, conducted by the State Board of Equalization, Division of Property Assessment. The most recent re-appraisals were as follows: Washington County (largest) 2014 on a

5 year schedule, Sullivan County 2017 on a 4 year schedule, Carter County 2016 on a 5 year schedule.

Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 1.00 for Carter County, 1.00 for Sullivan County and 0.975 for Washington County. The following table shows pertinent data for tax year 2017¹.

<u>Class</u>	<u>Estimated Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Estimated Appraised Value*</u>
Public Utilities	\$ 44,284,022	40%	\$ 101,462,512
Commercial & Industrial	816,709,775	40%	2,106,076,898
Personal Tangible Property	118,427,003	30%	402,314,973
Residential, Farm & Open Space	900,878,220	25%	3,672,532,926
Total	\$1,880,299,020		\$6,282,387,309

The estimated assessed value of property in the City for the fiscal year ending June 30, 2018 (tax year 2017) is \$1,880,299,020* compared to \$1,875,563,163* for the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is \$6,282,387,309* as compared to \$6,284,904,549* for tax year 2016.

* The figures above represent all three counties that the City is located in.

Source: 2017 Tax Aggregate Report of Tennessee.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2017 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2018.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr. Collections		Aggregate Uncollected Balance	
Tax Year	Assessed Valuation(a)	Tax Rates(b)	Taxes Levied	Amount	%	As of June 30, 2018	
						Amount	Pct
2012	1,813,069,940	1.57/1.62/1.72	28,434,208	27,520,081	96.8%	47,109	0.2%
2013	1,825,525,542	1.58/1.58/1.58	28,883,900	28,103,866	97.3%	39,080	0.1%
2014	1,812,412,462	1.62/1.62/1.62	29,365,785	28,530,267	97.2%	177,444	0.6%
2015	1,833,355,814	1.87/1.87/1.87	34,324,400	33,579,748	97.8%	138,068	0.4%
2016	1,875,563,163	1.83/1.89/1.87	34,888,798	34,085,543	97.7%	224,188	0.6%
2017	1,880,299,020	1.84/1.84/1.89	35,511,557	34,725,926	97.8%	785,631	2.2%

(a) The property assessed valuation includes all three counties that the City is located in.

(b) The Tax Rate is for Carter County / Sullivan County / Washington County, respectively.

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

¹ The tax year coincides with the calendar year, therefore tax year 2017 is actually fiscal year 2017-2018.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2018 (tax year 2017), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxable Assessed Value</u>	<u>% of Total Taxable Assessed Value</u>
Glimcher Mall Johnson City LLC	Real Estate	\$ 21,709,720	1.2%
Mountain States Properties	Real Estate/Medical	19,877,914	1.1%
Wal-Mart/Sams Real Estate	Retail	19,129,380	1.0%
American Water Heater Co	Manufacturing	12,428,279	0.7%
Atmos Energy Corp.	Natural Gas	12,069,662	0.6%
The Haven at Knob Creek	Real Estate	10,402,400	0.6%
MMAC 150 Johnson City LLC	Real Estate	8,894,400	0.5%
RAF Johnson City LLC (The Crossing)	Retail	8,799,840	0.5%
United Telephone SE Inc.	Telecommunications	8,503,794	0.5%
ETSU 815 LLC	Education	8,427,360	0.4%
Total		\$130,242,749	6.9%

Source: Comprehensive Annual Financial Reports of the City of Johnson City, Tennessee.

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated*, as amended, (the "Act"), the County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

The City's share of the County-wide sales tax for the most recent five fiscal years indicated as follows:

	LOCAL OPTION SALES TAX				
	Collected Inside City Limits				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund	\$18,390,276	\$19,230,004	\$20,504,437	\$21,094,417	\$21,463,476
Johnson City Schools	8,441,137	8,980,412	9,510,309	9,932,891	10,081,424
Washington Co Schools	11,054,599	11,388,436	11,811,241	12,009,071	12,188,650
Washington Co Trustee	412,801	431,650	452,086	465,568	472,530
Pledged to People's Education Program	<u>2,981,268</u>	<u>3,134,490</u>	<u>3,294,526</u>	<u>3,408,217</u>	<u>3,459,181</u>
Total Collections	<u>\$41,280,081</u>	<u>\$43,164,992</u>	<u>\$45,572,599</u>	<u>\$46,910,164</u>	<u>\$47,665,261</u>

Source: The City of Johnson City.

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent.

The Board of Commissioners of the City has pledged a portion of the local option sales tax proceeds to bonded indebtedness of the City issued for the People's Education Program.

PENSION PLANS

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

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. These employees are eligible to participate in a 401(a) defined contribution plan. The employee must be 18 years of age and complete six months of service before beginning participation. The City contributes 5.00% for these employees. In addition to the 401(a) plan, the City began offering a 457(b) plan. The employer will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation. Employees are 100% vested after five years. Total employer contributions to TCRS for the year ended 2018 were \$6,173,340. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the Notes to Financial Statements.

OTHER POST EMPLOYMENT BENEFITS

Please refer to the Notes to the Financial Statements located in the City's Comprehensive Annual Financial Report for more information.

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APPENDIX C
GENERAL PURPOSE FINANCIAL STATEMENTS

GENERAL PURPOSE FINANCIAL STATEMENTS

Audited Financial Statements of the City of Johnson City, Tennessee (the “City”) and supplementary information as of and for the fiscal year ending June 30, 2018 together with the independent auditors’ report from the Tennessee Comptroller of the Treasury: (1) has been with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure”), and may be obtained from them in accordance with their respective procedures, (2) are available through the website of the City’s Finance Department at <http://www.johnsoncitytn.org/finance>.

To the extent there are any differences between the electronically posted financial statements of the City and the printed financial statements of the City, the printed version shall control.

The City’s Annual Financial Report for the fiscal year ended June 30, 2018 has been posted on the website referenced above.