



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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November 30, 2011

Mr. James Hillis, President
Board of Commissioners
West Warren-Viola Utility District of Warren County
P.O. Box 218
Morrison, TN 37357

Dear Mr. Hillis:

This letter acknowledges receipt of a request on October 28, 2011 from West Warren-Viola Utility District of Warren County (the "District"), to review a plan of issuance for an amount not to exceed \$6,000,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012 (the "2012 Bonds"). An estimated amount of \$2,295,000 2012 Bonds will currently refund the following bonds:

- Series 1982 Rural Development Loan
- Series 1993 Rural Development Loan
- Series 1998 Water and Sewer Refunding and Improvement Bonds.

The District will refund \$906,153 of principal associated with the Series 1982 Rural Development Loan Series 1993 Rural Development Loan and Series 1998 Water and Sewer Refunding and Improvement Bonds. This creates a debt service saving of \$98,465.

Additionally, the District is issuing \$3,585,000 to finance the cost of construction projects associated with the water and sewer system.

The financial information received with the request's proposed plan of issuance includes the assertions of the District and may or may not reflect the current or future financial condition of the District or reflect either current market conditions or market conditions at the time of sale.

Pursuant to Title 7, Chapter 82 and Title 9, Chapter 21 of the Tennessee Code Annotated, prior to issuance of bonds a plan for issuance must be submitted to the Director of the Office of State and Local Finance for review leading to a Report for Publication.

The District must adopt a debt management policy by December 31, 2011. If this debt is issued after January 1, 2012:

- a debt management policy must have been adopted prior to the issuance of the debt; and
- this debt management policy must be submitted with the form CT-0253.

Failure to comply with these requirements will force this office to place the District on the list of issuers failing to comply with debt issuance requirements.

The Report for Publication must be published once during the week following its receipt in a newspaper of general circulation in the counties served by the utility district. **The enclosed Report does not constitute either approval or disapproval by the Director of State and Local Finance of the proposed plan.**

Please post both this letter and report and the plan of issuance on the District's website.

This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The District should discuss these issues with a bond counsel or tax attorney.

Tennessee Local Development Authority

This report has been pending the Tennessee Local Development Authority (TLDA) approval to issue the 2012 Bonds on parity with the outstanding State Revolving Fund Loan. On November 23, 2011, the TLDA met and granted the District approval to issue the 2012 Bonds on parity with its outstanding State Revolving Fund Loan. A separate communication has been sent from TLDA concerning the approval of lien status.

Financial Analysis

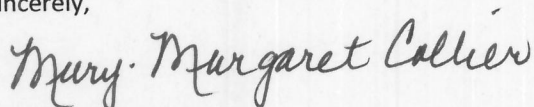
We reviewed the most recent financial statements provided by the District. The District had an increase of net assets of \$786,968 for the year ending December 31, 2010; net assets totaled \$14,415,281. Based on these financial statements, the District is not under the jurisdiction of the Utility Management Review Board.

The District's operating income was \$867,908 for the year ending December 31, 2010. Before capital contributions, the District's change in net assets was \$603,014. Operating income should at least equal a utility's debt service (principal and interest payment). Debt service payments for the year ending December 31, 2010, were \$646,465 (from the Statement of Cash Flows).

Report on Debt Obligation

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to *Tennessee Code Annotated* Section 9-21-151, this form is to be completed and filed with this office within 45 days after the issuance of this debt. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

Sincerely,



Mary-Margaret Collier
Director of the Office of State & Local Finance

Cc: Mr. Dennis Dycus, Director of Municipal Audit, COT
Mr. Tim Pelham, General Manager, West Warren-Viola Utility District
Ms. Julie Graham, Wiley Brothers

Enclosures (2): Report of the Director of the Office of State & Local Finance
State Form CT-0253, Report on Debt Obligation.

(Report for Publication)

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
WATER AND SEWER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2012
WEST WARREN-VIOLA UTILITY DISTRICT OF WARREN COUNTY**

Pursuant to the requirements of Tennessee Code Annotated Section 7-82-501, the Director of the Office of State and Local Finance has reviewed a plan prepared by the West Warren-Viola Utility District of Warren County (the "District") assisted by its underwriter, Wiley Brothers, for the issuance of an amount not to exceed \$6,000,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012 (the "2012 Bonds") sold by negotiated sale. The 2012 Bonds may be structured in a different manner than proposed; pricing at a premium, discount, and/or with a different principal payment structure.

The plan proposes the issuance of \$4,510,000 of 2012 Bonds with \$920,000 of bond proceeds used to currently refund \$906,153 of the following outstanding debt:

- \$220,152 Series 1982 Rural Development Loan
- \$268,399 Series 1993 Rural Development Loan
- \$320,000 Series 1998 Water and Sewer Refunding and Improvement Bonds

Collectively these are the "Outstanding Bonds."

The additional \$3,590,000 of bond proceeds will be used to finance the cost of construction projects associated with the water and sewer system.

The Tennessee Local Development Authority permitted the District to issue the 2012 Bonds on parity with its outstanding State Revolving Fund Loan.

The District did not set any criteria for refunding debt service savings in its request. The proposed refunding has estimated net present value savings of \$87,698.

The financial information presented in the plan may or may not reflect the current or future financial condition of the District.

The District's operating income for the year ending December 31, 2010, was \$867,908. Before capital contributions, the District's change in net assets was \$603,014. Operating income should at least equal a utility's debt service (principal and interest payment). Debt service for fiscal year 2010 was \$646,465.

The plan estimates the following concerning the 2012 Bonds:

2012 Bonds including the refunding of the SRF Loan

- The proposed issue for an amount not to exceed \$6,000,000 will be sold in the capital markets.
- The plan proposes issuing a total of \$3,590,000 for improvements to the system.
- The proposed issue will amortize over 18 years with approximately level debt amortization.
- The proposed issue will have a junior lien status to the Series 1993 Rural Development Bond and series 1990 Inter-governmental Financing Agreement and be on parity with its State Revolving Fund Loan.
- Total cost of issuance is \$102,375.
- Cost of issuance for the new money portion of the 2012 Bonds is \$88,575 or 24.67 per \$1,000 par amount of bonds.
- The refunding portion of the issue reflects an estimated net present value savings of \$87,698 or 9.68% of the \$906,153 refunded principal.
- Cost of issuance for this refunding is \$13,800 or \$15.00 per \$1,000 par amount of bonds.

This report of the Office of State and Local Government does not constitute approval or disapproval by the Office for the proposed Plan. This report is based on information as presented in the Plan. The assumptions of the District included in the Plan may not reflect either current market conditions or market conditions at the time of sale.

Mary Margaret Collier

Mary-Margaret Collier
Director of the Office of State and Local Finance
Date: November 30, 2011