



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

July 23, 2018

Board of Commissioners  
Cunningham Utility District  
P.O. Box 90  
Cunningham, TN 37052

Dear Members of the Board:

Our office received a request on July 19, 2018, from the Cunningham Utility District (the "District") for a report on the plan of finance (the "Plan") for the proposed issuance of an estimated \$700,000 Waterworks Revenue Bonds, Series 2018 (the "Series 2018 Bonds").

The financial information received with the District's Plan includes the assertions of the District and 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.

### **Plan of Finance**

The District indicated the purpose of issuing the Series 2018 Bonds is to finance capital improvements to the system.

### **Balloon Indebtedness**

The structure of the bonds presented in the Plan does not appear to be balloon indebtedness. If the structure of the Series 2018 Bonds is revised, the District should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the District must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the District adopting the resolution authorizing the issuance of the debt.

### **Financial Information for the Fiscal Year Ended December 31, 2017**

For the fiscal year ended December 31, 2017, the District's audited financial statements reflected operating income of \$287,007, and a positive change in net position of \$226,884. The District's statement of cash flows reflected debt service payments of \$480,416, consisting of principal payments of \$364,808 and interest payments of \$115,608.

At December 31, 2017, the District reported \$1,285,220 in unrestricted cash.



## **Financial Professionals**

The District has indicated that TUA, LLC is its municipal advisor. Municipal advisors have a fiduciary responsibility to the District. Underwriters have no fiduciary responsibility to the District. They represent the interests of their firm and are not required to act in the District's best interest without regard to their own or other interests. The District prepared the Plan with the assistance of its municipal advisor.

## **Compliance with the District's Debt Management Policy**

The District provided a copy of its debt management policy, and within forty-five (45) days of issuance of the Debt, must submit a Report on Debt Obligation that indicates that the debt issued complies with the District's debt policy. If the District amends its policy, please submit the amended policy to our office.

## **Report for Publication**

Pursuant to Tennessee Code Annotated, Title 7, Chapter 82, and Tennessee Code Annotated, Title 9, Chapter 21, prior to the adoption of a resolution authorizing the issuance of utility debt, a plan of finance must be submitted to the Director of the Office of State and Local Finance (the "Director") for review. The Director then issues a report on the plan (the "Report").

The Report must be published once during the week following its receipt in a newspaper of general circulation in the counties served by the utility district. Please post this letter, the Report, and submitted Plan on the District's website.

*The enclosed Report does not constitute either the Director's approval or disapproval of the Plan. This letter and the enclosed Report do not address 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.*

This report is effective for a period of ninety (90) days. If the finance transaction has not been completed during this time, a new plan of finance, with new analysis and estimates based on market conditions at that time, must be submitted to this office for the Director's report. We will then issue a report for publication on the new plan for the Board to publish in a newspaper of general circulation in the counties served by the utility district prior to the Board adopting a new bond authorizing resolution.

## **Required Notification**

We recognize that the information provided in the Plan submitted to our office is based on preliminary analysis and estimates and that actual results will be determined by market conditions at the time of sale. However, if the actual results significantly differ from the information provided in the submitted Plan, the Chief Executive Officer or the Chief Financial Officer must notify the District's governing body and our office regarding these differences.

Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

- (1) An increase in the principal amount of the debt issued;
- (2) An increase in costs of issuance; or



(3) A decrease in the cumulative savings or increase in the loss.

The notification must include an explanation for any significant differences and the justification for change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the District's governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

### **Municipal Securities Rulemaking Board (MSRB) Voluntary Disclosure of Bank Loans**

The Municipal Securities Rulemaking Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of "bank loans" that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB's Electronic Municipal Market Access (EMMA®) website ([emma.msrb.org](http://emma.msrb.org)). For more information see the preceding notices on the MSRB's website ([msrb.org](http://msrb.org)). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB's website.

### **Report on Debt Obligation**

We have enclosed the Report on Debt Obligation, Form CT-0253. Pursuant to T.C.A. § 9-21-151, this form must be completed and filed with the governing body of the public entity issuing debt no later than forty-five days after the issuance of any debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). A fillable PDF of the form is available on our website at: [http://www.comptroller.tn.gov/sl/PDF/CT0253\\_Revised.pdf](http://www.comptroller.tn.gov/sl/PDF/CT0253_Revised.pdf). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

If you should have questions or need assistance, please feel free to contact your financial analyst, Lori Barnard, at 615.747.5347 or [Lori.Barnard@cot.tn.gov](mailto:Lori.Barnard@cot.tn.gov). You may also contact our office by mail at the address located at the bottom of this page. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,



Sandra Thompson  
Director of State and Local Finance

cc: Ms. Jean Suh, Contract Audit Review Manager, Division of Local Government Audit  
Mr. John Atkins, General Manager, Cunningham Utility District  
Mr. Mark Butler, TUA, LLC  
Mr. Jeff Oldham, Bass Berry & Sims

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



**(Report for Publication)**

**REPORT OF THE DIRECTOR  
OF THE OFFICE OF STATE AND LOCAL FINANCE  
REGARDING THE ISSUANCE BY CUNNINGHAM UTILITY DISTRICT  
OF ITS  
WATERWORKS REVENUE BONDS, SERIES 2018**

Pursuant to the requirements of T.C.A. § 7-82-501, the Director of the Office of State and Local Finance has reviewed the plan of finance (the “Plan”) prepared by the Cunningham Utility District (the “District”) with the assistance of its municipal advisor, TUA, LLC, for the proposed issuance of an estimated \$700,000 Waterworks Revenue Bonds, Series 2018 (the “Series 2018 Bonds”) to finance capital improvements to the system.

**Balloon Indebtedness**

The structure of the bonds presented in the Plan does not appear to be balloon indebtedness. If the structure of the Series 2018 Bonds is revised, the District should determine if the new structure complies with the requirements of T.C.A § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the District must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the District adopting the resolution authorizing the issuance of the debt.

**Financial Information for the Fiscal Year Ended December 31, 2017**

For the fiscal year ended December 31, 2017, the District’s audited financial statements reflected operating income of \$287,007, and a positive change in net position of \$226,884. The District’s statement of cash flows reflected debt service payments of \$480,416, consisting of principal payments of \$364,808 and interest payments of \$115,608.

At December 31, 2017, the District reported \$1,285,220 in unrestricted cash.

**Analysis**

- The results of the transaction are based on the issuance of \$700,000 Series 2018 Bonds as a private placement and priced at par.
- The Series 2018 Bonds will be payable in equal monthly installments at a fixed interest rate of 3.62% over a term of fifteen (15) years.
- The estimated total cost of issuance is \$12,500 or \$17.86 per \$1,000 of par amount of the Series 2018 Bonds. See Table 1 for individual costs of issuance.

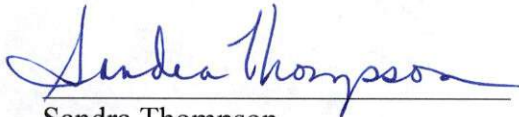
**Table 1**  
**Costs of Issuance**

	<b>Amount</b>	<b>Price per \$1,000 Bond</b>
Municipal Advisor (TUA)	\$ 5,000.00	\$ 7.14
Underwriter	2,500.00	3.57
Bond Counsel (Bass Berry & Sims)	5,000.00	7.14
Total Cost of Issuance	\$ 12,500.00	\$ 17.86

The District has indicated that TUA, LLC is its municipal advisor. Municipal advisors have a fiduciary responsibility to the District. Underwriters have no fiduciary responsibility to the District. They represent the interests of their firm and are not required to act in the District's best interest without regard to their own or other interests. The District prepared the Plan with the assistance of its municipal advisor.

This report of the Office of State and Local Finance does not constitute approval or disapproval by our office for the proposed Plan.

This report is effective for a period of ninety (90) days from the date of the report. If the finance transaction has not been completed during this ninety (90) day period, a new plan of finance, with new analysis and estimates based on market conditions at that time, must be submitted to this office.



Sandra Thompson  
Director of State and Local Finance  
July 23, 2018