



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
FAX (615) 741-5986

October 24, 2011

Mr. Rob Neil, President  
Board of Commissioners  
Powell Clinch Utility District  
P.O. Box 428  
Lake City, TN 37769

Dear Mr. Neil:

This Office received a request on October 7, 2011, for a report on the proposed issuance of an amount not to exceed \$1,200,000 Revenue Bonds, Series 2011 (the "2011 Bonds") to finance the purchase of property for a new operations building. Pursuant to Title 7, Chapter 82 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 submitted plan anticipates the issuance of \$1,200,000 in 2011 Bonds

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 Powell Clinch Utility District website.

#### Financial Analysis

The District's operating income for fiscal year 2010 was \$1,084,840. The change in net assets from non-operating activities was (\$20,887) consisting primarily of a debt service interest payment of \$36,022. Before capital contributions, the District's change in net assets was \$1,063,962. Capital contributions are primarily noncash items included in the change in net assets. The total increase in net assets for the District was \$1,106,872 from \$23,478,489 at July 1, 2009, to \$24,585,361 at June 30, 2010. Debt service payments were payment for a \$3,105,000 natural gas purchase revenue anticipation note.

The District utilizes short-term working capital loans to fund the mismatch between the cash inflows for natural gas purchases and from natural gas sales. The District's cash at July 1, 2009, was \$528,932 increased by \$2,178,973 to \$2,707,905 at June 30, 2010. The increase in cash came from operating cash flows. The cost of natural gas decreased increasing cash from operations

## 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,

A handwritten signature in cursive script that reads "Mary-Margaret Collier".

Mary-Margaret Collier  
Director of State and Local Finance

Cc: Mr. Dennis Dycus, Director of Municipal Audit, COT

(Report for Publication)

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
REGARDING THE ISSUANCE BY  
POWELL CLINCH UTILITY DISTRICT  
OF  
\$1,200,000 REVENUE BONDS, SERIES 2011

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 Powell Clinch Utility District (the "District") for the issuance of \$1,200,000 Revenue Bonds, Series 2011 (the "2011 Bonds"). The proposed issue of \$1,200,000 of 2011 Bonds will finance the purchase of property for a new operations building

The financial information received with the request may or may not reflect the current or future financial condition of the District.

The District's operating income for fiscal year 2010 was \$1,084,840. The change in net assets from non-operating activities was -\$20,887 consisting primarily of a debt service interest payment of \$36,022. Before capital contributions, the District's change in net assets was \$1,063,962. Capital contributions are primarily noncash items included in the change in net assets. The total increase in net assets for the District was \$1,106,872 from \$23,478,489 at July 1, 2009, to \$24,585,361 at June 30, 2010. The financial statements for the fiscal year ending June 30, 2011, are not yet available.

The District currently has no long-term debt.

The plan estimates the following concerning the 2012 Bonds:

- The proposed issue will be a bank loan with Sun Trust Bank.
- The proposed issue will be sold as bank qualified tax-exempt debt.
- The proposed issue will amortize over 10 years with approximately level debt amortization.
- The proposed interest rate is approximately 2.71% for the first five years of the 2011 Bonds
- The proposed issue will be designed with a put feature at 5 years allowing the bank to call the loan at that time or change the interest rate.
- Annual debt service for the proposed issue will be \$137,128 at an interest rate of 2.71%.
- Total cost of issuance is \$6,000 or \$8.57 per \$1,000 par value of the 2011 Bonds.

2012 Bonds	
Source and Uses	
<b>Source of Funds</b>	
Par amount of Bonds	\$ 1,200,000.00
Cash Contribution	207,750.00
Total Sources	\$ 1,407,750.00
<b>Uses of Funds</b>	
Property Purchase Fund	\$ 1,401,750.00
Cost: Cost of Issuance	6,000.00
Total Uses	\$ 1,407,750.00

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 information and assumptions of the District included in the plan may not reflect either current market conditions or market conditions at the time of sale or the current or future financial condition of the District. This report does not address the compliance with federal tax regulations and is not for that purpose. The District should discuss these issues with a tax attorney or bond counsel.



Mary-Margaret Collier  
Director of State and Local Finance  
State of Tennessee  
October 24, 2011