(Report for Publication) This Report does not constitute either approval or disapproval by the Office of State and Local Finance of the proposed plan.

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
REGARDING THE ISSUANCE BY
THE MADISON SUBURBAN UTILITY DISTRICT OF DAVIDSON COUNTY
OF ITS WATERWORKS REVENUE BONDS

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 of finance prepared by the District's underwriter, Piper Jaffray, for the issuance of an approximately $3,660,000 Waterworks Revenue Bonds, Series 2012 (the "2012 Bonds"). The purpose of issuing the bonds is to finance the purchase and installation of automated metering infrastructure for the District's residential customers. The District currently anticipates selling the 2012 Bonds by negotiated sale priced at a premium estimated to be $146,885.

Analysis

Financial

The District's operating income was $1,852,575 for the year ending June 30, 2011 (from the unaudited Statement of Revenues, Expenses, and Changes in Net Assets). Operating income should at least equal a utility's debt service (principal and interest payment). Debt service payments for the year ending June 30. 2011, were $1,775,384 consisting of interest payments of $588,063 and of principal payments of $1,187,321 (from the unaudited Statement of Cash Flows).

Net Revenues for fiscal year 2011 appear to be sufficient to meet expenses and the debt service coverage requirement of the District's State Revolving Fund Loans (SRF Loans).

Compliance with the District's Debt Management Policy

The District adopted a debt management policy (the "Policy") on October 27, 2011. In its letter requesting a report, the District gave an explanation of how the proposed 2012 Bonds comply with the requirements of its Policy.

Plan of Finance

The plan estimates the following concerning the 2012 Bonds:

- An estimated $3,600,000 of the proceeds from the issuance of the bonds and the related premium will be used for the project.
- The estimated economic life of the project is 10 years.
- The proposed issue will amortize at approximately level debt service payments over 8 years.
- The maximum annual debt service is $489,550 with average annual debt service of $487,963.
- The final maturity is May 1, 2020.
- The estimated average coupon for the proposed issue is approximately 2.43%.
- The estimated cost of issuance is $56,163 or $16.00 per $1,000 of the par amount of the 2012 Bonds.

The issuance of the 2012 Bonds and the results reported in the plan are contingent on the Tennessee Local Development Authority's (TLDA) approval to issue the 2012 Bonds and to subordinate the SRF Loans currently outstanding to the 2012 Bonds. The TLDA consented to the subordination at its meeting on March 13, 2012.

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 included in the plan may not reflect either current market conditions or market conditions at the time of sale.

Mary-Margaret Collier
Director of State and Local Finance
State of Tennessee
March 13, 2012