



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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March 29, 2016

The Honorable Mayor
and Board of Commissioners of Rhea County
375 Church Street, Suite 200
Dayton, TN 37321

Dear Mayor Thacker and Commissioners:

Please publish and post this letter and reports including the submitted plans of refunding (the "Plans") on the County's website prior to the meeting of the Commission adopting the refunding bond resolution. The same letter and reports for the Plans are to be provided to each Commissioner for review at the Public Meeting adopting the refunding bond resolution.

This letter acknowledges receipt of a request on March 17, 2016, from Rhea County (the "County") to review the plans of refunding (the "Plans") for the issuance of an amount not to exceed \$1,960,000 School Refunding Bonds, Series 2016 (the "School Refunding Bonds") and for the issuance of an amount not to exceed \$2,340,000 Rural School Refunding Bonds, Series 2016 (the "Rural School Refunding Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plans includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County's objective is to achieve net present value debt service savings by issuing the School Refunding Bonds and Rural School Refunding Bonds.

PLANS OF REFUNDING

The County presented plans to issue

- \$1,885,000 School Refunding Bonds through competitive sale priced at a premium of \$32,249 to current refund \$1,880,000 School Refunding Bonds, Series 2006 (the "Series 2006 Bonds"). A pledge of the levy of unlimited ad valorem taxes on all taxable property within the corporate limits of the County secures the Series 2006 Bonds.
- \$2,195,000 Rural School Refunding Bonds through competitive sale priced at a premium of \$104,466 to current refund \$2,255,000 County District School Refunding Bonds, Series 2006 (the "Series 2006 Rural School Bonds"). A pledge of the levy of unlimited ad valorem taxes on all taxable property

within the County lying outside the corporate limits of the City of Dayton, Tennessee, secures the Series 2006 Rural School Bonds.

BALLOON INDEBTEDNESS

The structures of the Refunding Bonds presented in the Plans do not appear to be balloon indebtedness. If a Refunding Bonds' structure is revised, the County 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 a bond structure constitutes balloon indebtedness, the County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

COMPLIANCE WITH THE COUNTY'S DEBT MANAGEMENT POLICY

The County provided a copy of its debt management policy, and within forty-five days (45) of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the County amends its policy, please submit the amended policy to this office.

FINANCIAL PROFESSIONALS

The County has reported Raymond James & Associates, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests. The County prepared the Plan with the assistance of its financial advisor.

MSRB Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the County in the conduct of its municipal securities or municipal advisory activities. The Securities and Exchange Commission approved MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

To learn more about the obligations of the County's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

REPORTS OF THE REVIEWS OF PLANS OF REFUNDING

The enclosed reports do not constitute approval or disapproval for the proposed plans or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed reports do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The County should discuss these issues with a bond counsel.

These reports are effective for a period of one hundred and twenty (120) days. If the refundings have not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time, we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Either the Chief Executive Officer or the Chief Financial Officer of the local government must submit such statement. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

We recognize that the information provided in the plans 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 of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plans which have been submitted, and the local government determines to proceed with the issues, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.

Reports on Debt Obligation

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the County no later than forty-five (45) days after the issuance of each of these debts, with copies (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. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation on a debt issuance. A fillable PDF of Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions regarding this letter or the following report, please feel free to call us.

Sincerely,

Sandra Thompson
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. William Watson, CPA, Finance Director, Rhea County
Mr. Steven McCoy, Raymond James & Associates, Inc.
Ms. Karen Neal, Esq., Bass Berry & Sims, PLC

Enclosures: Reports of the Director of the Office of State & Local Finance
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
SCHOOL REFUNDING BONDS, SERIES 2016
RHEA COUNTY, TENNESSEE**

Rhea County (the "County") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding the issuance of an amount not to exceed \$1,960,000 School Refunding Bonds, Series 2016 (the "School Refunding Bonds").

The Plan was prepared with the assistance of the County's municipal advisor, Raymond James & Associates, Inc. This Office has not performed an evaluation of the preparation, support, and underlying assumptions of the Plan. This report provides no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different from that of the Plan. The County provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The structure of the School Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the School Refunding Bonds' structure is revised, the County 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 County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County's objective is to achieve net present value savings by issuing the Refunding Bonds.

PLAN OF REFUNDING

The County intends to issue \$1,885,000 School Refunding Bonds through competitive sale priced at a premium of \$32,249 to current refund \$1,880,000 School Refunding Bonds, Series 2006 (the "Series 2006 Bonds"). A pledge of the levy of unlimited ad valorem taxes on all taxable property within the corporate limits of the County secures the Series 2006 Bonds. The School Refunding Bonds will be secured with the same revenue pledge as the Series 2006 Bonds.

REFUNDING ANALYSIS

- The results of the refunding are based on the issuance of \$1,885,000 School Refunding Bonds by competitive sale priced at a premium of \$32,249.
- The estimated net present value savings of the refunding is \$45,482 or 2.42% of the refunded principal amount of \$1,880,000.
- The refunding generates savings by reducing the average coupon of 3.74% for the Series 2006 Bonds to an average coupon of 2.00% for the School Refunding Bonds.
- The final maturity of the School Refunding Bonds does not extend beyond the final maturity of the Series 2006 Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$33,163 or \$17.59 per \$1,000 of par amount. See Table 1 for individual costs of issuance.

Table 1
Rhea County
Costs of Issuance
School Refunding Bonds, Series 2016

	Amount	Price per \$1,000 Bond
Underwriters Discount*	\$ 14,137.50	\$ 7.50
Municipal Advisor (Raymond James)	4,620.10	2.45
Bond Counsel (Bass Berry & Sims)	6,930.15	3.68
Rating Agency Fee (S&P)	5,082.11	2.70
Miscellaneous	2,393.21	1.27
Total Cost of Issuance	\$ 33,163.06	\$ 17.59

* To be determine by competitive bid

The County has reported Raymond James & Associates, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests. The County prepared the Plan with the assistance of its financial advisor.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the County. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale.

If not all of the Series 2006 Bonds are refunded as a part of the School Refunding Bonds, and the County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

Sandra Thompson
 Director of the Office of State and Local Finance
 Date: March 23, 2016

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
RURAL SCHOOL REFUNDING BONDS, SERIES 2016
RHEA COUNTY, TENNESSEE**

Rhea County (the "County") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding the issuance of an amount not to exceed \$2,340,000 Rural School Refunding Bonds, Series 2016 (the "Rural School Refunding Bonds").

The Plan was prepared with the assistance of the County's municipal advisor, Raymond James & Associates, Inc. This Office has not performed an evaluation of the preparation, support, and underlying assumptions of the Plan. This report provides no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different from that of the Plan. The County provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The structure of the Rural School Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Rural School Refunding Bonds' structure is revised, the County 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 County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County's objective is to achieve net present value debt service savings by issuing the Refunding Bonds.

PLAN OF REFUNDING

The County intends to issue \$2,195,000 Rural School Refunding Bonds through competitive sale priced at a premium of \$104,466 to current refund \$2,255,000 County District School Refunding Bonds, Series 2006 (the "Series 2006 Rural School Bonds"). A pledge of the levy of unlimited ad valorem taxes on all taxable property within the County lying outside the corporate limits of the City of Dayton, Tennessee, secures the Series 2006 Rural School Bonds. The Rural School Refunding Bonds will be secured with the same revenue pledge as the Series 2006 Rural School Bonds.

REFUNDING ANALYSIS

- The results of the refunding are based on the issuance of \$2,195,000 Rural School Refunding Bonds by competitive sale priced at a premium of \$104,466.
- The estimated net present value savings of the refunding is \$183,016 or 8.12% of the refunded principal amount of \$2,255,000.
- The refunding generates savings by reducing the average coupon of the Series 2006 Rural School Bonds from 3.90% to an average coupon of 2.67% for the Rural School Refunding Bonds.
- The final maturity of the Rural School Refunding Bonds does not extend beyond the final maturity of the Series 2006 Rural School Refunded Bonds.
- Estimated cost of issuance of the Rural School Refunding Bonds is \$38,617 or \$17.59 per \$1,000 of par amount. See Table 1 for individual costs of issuance.

Table 1
Rhea County
Costs of Issuance
Rural School Refunding Bonds, Series 2016

	Amount	Price per \$1,000 Bond
Underwriters Discount*	\$ 16,462.50	\$ 7.50
Municipal Advisor (Raymond James)	5,379.90	2.45
Bond Counsel (Bass Berry & Sims)	8,069.85	3.68
Rating Agency Fee (S&P)	5,917.89	2.70
Miscellaneous	2,786.79	1.27
Total Cost of Issuance	\$ 38,616.94	\$ 17.59

* To be determine by competitive bid

The County has reported Raymond James & Associates, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act in the County's best interest without regard to their own or other interests. The County 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 the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the County. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale.

If not all of the Refunded Bonds are refunded as a part of the Refunding Bonds, and the County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

Sandra Thompson
 Director of the Office of State and Local Finance
 Date: March 29, 2016