STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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December 12, 2014

The Honorable County Mayor
and Board of Commissioners of Sullivan County
3411 Highway 126, Suite 206
Livingston, TN 38570

Dear Mayor Venable and Commissioners:

This letter, reports, and plan of refunding (the "Plan"), are to be posted on the Sullivan County (the "County") website. These documents shall be made available to the public. The same report is to be provided to each Commissioner and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

This letter acknowledges receipt on December 1, 2014, from the County of a request to review a Plan for the issuance of a maximum $29,340,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds") to current refund an estimated:

- $13,115,000 General Obligation School Refunding Bonds, Series 2005;
- $4,310,000 General Obligation Refunding Bonds, Series 2005; and

to advance refund:

- $10,542,215 Capital Lease Loan, Series 2014.

Collectively these are the "Refunded Bonds." Total refunded principal is $27,967,215.

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 Plan includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

FINANCIAL PROFESSIONALS

The County has reported Stephens, 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 Plan was prepared by the County with the assistance of its municipal advisor.

BALLOON INDEBTEDNESS

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the County should determine if the new structure complies with the requirements of Public Chapter 766 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 indicated its purpose for the refunding is for debt service savings.

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.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

This letter, report, and the Plan are to be posted on the County's website. The same report is to be provided to each member of the County Commission and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

The enclosed report does not constitute approval or disapproval for the proposed plan 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 report 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.

This report is effective for a period of one hundred and twenty (120) days. If the refunding has 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. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of

the local government. 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 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 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 plan which has been submitted, and the local government determines to proceed with the issue, 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.

Report 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 this 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. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of Form CT-0253 can be found at http://www.comptroller.tn.gov/sl/pubdebt.asp.

Sincerely,

Sandra Thompson
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. Larry Bailey, Director of Accounts and Budgets, Sullivan County
Mr. Ashley McAnulty, Stephens, Inc.

Enclosures (2): Report 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 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015 SULLIVAN COUNTY, TENNESSEE

Sullivan County (the "County") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding the issuance of a maximum $29,340,000 General Obligation Refunding Bonds, Series 2015 (the "Refunding Bonds") to current refund an estimated:

- $13,115,000 General Obligation School Refunding Bonds, Series 2005;
- $4,310,000 General Obligation Refunding Bonds, Series 2005; and

to advance refund:

- $10,542,215 Capital Lease Loan, Series 2014.

Collectively these are the "Refunded Bonds." Total refunded principal is $27,967,215.

The Plan was prepared with the assistance of the County's municipal advisor, Stephens, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. 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 Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the County should determine if the new structure complies with the requirements of Public Chapter 766 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 indicated its purpose for the refunding is for debt service savings.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that the County will issue $29,340,000 Refunding Bonds by competitive sale and priced at par. See Table 1 in the attached Exhibit for a Sources and Uses table. The County is contributing $404,109 from prior issue debt service funds for the transaction. See Table 2 for structure of the Refunding Bonds and Refunded Bonds.
- The estimated net present value savings of the refunding is $2,241,326 or 8.01% of the refunded principal amount of $27,967,215.
- The savings are generated by reducing the average coupon of the Refunded Bonds from 4.94% to an average coupon of 2.19% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is $281,601 or $9.60 per $1,000 of par amount. See Table 3 for individual costs of issuance.

The County has identified Stephens, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

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 all of the Refunded Bonds are not 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

Sandra Thompson
Director of the Office of State and Local Finance
Date: December 12, 2014

Exhibit

Table 1
Sullivan County
Sources and Uses of Funds
General Obligation County Wide Refunding Bonds, Series 2015

Sources:		
Par Amount Bond Proceeds	$	29,340,000.00
Transfers from Prior Issue Debt Service Funds		404,109.44
Total Sources	$	29,744,109.44
Uses:		
Underwriter's Discount	$	146,700.00
Cost of Issuance		134,901.00
Deposit to Net Cash Escrow Fund		29,459,025.70
Rounding Amount		3,482.74
Total Uses	$	29,744,109.44

Table 2
Sullivan County
General Obligation County Wide Refunding Bonds, Series 2015
Refunding Analysis

		Refunding Bonds			Refunded Bonds		
YR	**FY**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
1	2015	$ -	$ -	$ -	$ -	$ 405,956.25	$ 405,956.25
2	2016	1,295,000.00	633,963.76	1,928,963.76	1,260,000.00	811,912.50	2,071,912.50
3	2017	2,660,000.00	540,170.00	3,200,170.00	1,819,824.45	1,640,331.67	3,460,156.12
4	2018	2,900,000.00	521,550.00	3,421,550.00	2,576,628.48	1,106,482.62	3,683,111.10
5	2019	2,975,000.00	492,550.00	3,467,550.00	2,735,630.15	994,105.95	3,729,736.10
6	2020	3,055,000.00	453,875.00	3,508,875.00	2,891,238.72	874,622.38	3,765,861.10
7	2021	3,160,000.00	401,940.00	3,561,940.00	3,073,520.38	747,090.72	3,820,611.10
8	2022	3,300,000.00	338,740.00	3,638,740.00	3,292,544.06	607,467.04	3,900,011.10
9	2023	3,420,000.00	262,840.00	3,682,840.00	3,483,381.56	457,529.54	3,940,911.10
10	2024	3,565,000.00	177,340.00	3,742,340.00	3,706,107.58	298,653.52	4,004,761.10
11	2025	1,760,000.00	84,650.00	1,844,650.00	1,820,799.95	128,776.15	1,949,576.10
12	2026	1,250,000.00	36,250.00	1,286,250.00	1,307,539.67	53,871.43	1,361,411.10
		$ 29,340,000.00	$ 3,943,868.76	$ 33,283,868.76	$ 27,967,215.00	$ 8,126,799.77	$ 36,094,014.77

Interest Savings	Gross Savings	NPV Savings*	Cost of Issuance	Per $1,000 of Bond Par Value
$ 4,182,931.01	$ 2,409,519.31	$2,241,326	$281,601	$ 9.60

Note: Net Present Value Savings and Gross Savings include impact of $404,109 from the use of prior issue debt service funds for the transaction.

Table 3
Sullivan County
Costs of Issuance of Refunding Bonds

	Amount	Price per $1,000 bond
Underwriter's Discount	$146,700.00	$ 5.00
Financial Advisor (Stephens, Inc)	52,000.00	1.77
Bond Counsel (Bass Berry & Sims)	45,000.00	1.53
Credit Rating Agency Fee	25,000.00	0.85
Other Costs	12,901.00	0.44
Total Cost of Issuance	$281,601.00	$ 9.60

* Subject to competitive bid