STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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March 7, 2017

Honorable Hoyt Firestone, County Executive
and Honorable Board of Commissioners
Polk County
P.O. Box 128
Benton, TN 38058

Dear Mr. Firestone and Members of the Board:

Please provide a copy of this report to each member of the governing body at the public meeting during which the report is reviewed. Additionally, this letter, report, and plan of refunding (the "Plan"), are to be posted on the website of Polk County (the "County").

This letter acknowledges receipt on February 28, 2017, of the County's request to review its Plan to enter into an $11,955,000 Loan Agreement (the "Refunding Loan Agreement") with the Public Building Authority of Montgomery County, Tennessee (the "PBA").

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.

County's Proposed Refunding Objective

The County indicated the purpose of the refunding is to lower its overall debt service. According to the County's Plan, the proposed variable interest rate will be lower than its current 5% average coupon for its General Obligation Refunding Bonds, Series 2007 (the "Refunded Bonds").

Plan of Refunding

The County intends to enter into an $11,955,000 Refunding Loan Agreement with the PBA. The PBA will issue revenue bonds (the "PBA Bonds") structured as a bank loan to fund the Refunding Loan Agreement. The proceeds of the Refunding Loan Agreement will be used to current refund $11,955,000 Refunded Bonds. The County intends to contribute $71,730 to pay the costs of issuance associated with entering into the Refunding Loan Agreement.

The eight-year Refunding Loan Agreement will bear interest at a variable rate using the SIFMA Municipal Swap Index and a proposed bank spread of 1.05% to determine the interest rate for the first seven years. Additionally, the County will pay a loan administration fee of 0.15% to the Tennessee Municipal Bond Fund. The purchaser of the PBA Bonds underlying the Refunding Loan Agreement may reset the interest rate at the end of the seventh fiscal year. The purchaser also has the option, with not less than 180 days' notice, to put the PBA Bonds to the PBA at the end of the seventh fiscal year, as described in the loan agreement.

The variable interest rate is based on the SIFMA Municipal Swap Index. The SIFMA Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDOs) with certain characteristics. Additional information concerning the index can be found at http://www.sifma.org/research/. The 52-week range for SIFMA as of March 1, 2017, was between 0.02 and 0.87 percent. The rate at March 1, 2017, was 0.62%.

As part of entering into the variable interest rate Refunding Loan Agreement, the County Commission is accepting the risks associated with this type of variable rate debt: interest rate risk, tax risk, and refunding risk in the final year of maturity.

Balloon Indebtedness

The County determined that this indebtedness is balloon indebtedness pursuant to T.C.A. § 9-21-134(d). The County stated that it intends to meet the requirements for the State Funding Board's Blanket Exemption for Approval adopted at its December 16, 2014, meeting (the "Blanket Exemption"). The language in Section 1.(c) of the draft Resolution to authorize the loan agreement appears to meet the requirements of item 5 of the Blanket Exemption.

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 not reported a 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 the Tennessee Municipal Bond Fund.

Report of the Review of a Plan of Refunding

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. 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 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.

Municipal Securities Rulemaking Board Notice 2011-52 on "Bank Loans" and Voluntary Disclosure

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). For more information see the preceding notices on the MSRB's website (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 are enclosing a Report on Debt Obligation, Form CT-0253. 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.

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

Sincerely,

Sandra Thompson

Sandra Thompson
Director of the Office of State & Local Finance

cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Ms. Linda Mooningham, Tennessee Municipal Bond Fund

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

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE OF A PUBLIC BUILDING AUTHORITY REFUNDING LOAN AGREEMENT BY POLK COUNTY, TENNESSEE

Polk County (the "County") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-1003 regarding the entrance into an $11,955,000 Loan Agreement with the Public Building Authority of Montgomery County, Tennessee (the "Refunding Loan Agreement").

The Plan was prepared with the assistance of the Tennessee Municipal Bond Fund. This Office has not performed an evaluation of the preparation, support, and underlying assumptions of the Plan, therefore this report provides no assurances of the reasonableness of those assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Loan Agreement 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 County determined that this indebtedness is balloon indebtedness pursuant to T.C.A. § 9-21-134(d). The County stated that it intends to meet the requirements for the State Funding Board's Blanket Exemption for Approval adopted at its December 16, 2014, meeting (the "Blanket Exemption"). The language in Section 1.(c) of the draft Resolution to authorize the Refunding Loan Agreement appears to meet the requirements of item 5 of the Blanket Exemption.

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The County indicated the purpose of the refunding is to lower its overall debt service. According to the County's Plan, the proposed variable interest rate will be lower than its current 5% average coupon for its General Obligation Refunding Bonds, Series 2007 (the "Refunded Bonds").

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The eight-year Refunding Loan Agreement will bear interest at a variable rate using the SIFMA Municipal Swap Index and a proposed bank spread of 1.05% to determine the interest rate for the first seven years. Additionally, the County will pay a loan administration fee of 0.15% to the Tennessee Municipal Bond Fund. The purchaser of the PBA Bonds underlying the Refunding Loan Agreement may reset the interest rate at the end of the seventh fiscal year. The purchaser also has option, with not less than 180 days' notice, to put the PBA Bonds to the PBA at the end of the seventh fiscal year, as described in the loan agreement.

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As part of entering into the variable interest rate Refunding Loan Agreement, the County Commission is accepting the risks associated with this type of variable rate debt: interest rate risk, tax risk, and refunding risk in the final year of maturity.

Refunding Analysis

- Due to the nature of variable interest rate debt we cannot determine the savings that may be associated with the refunding.
- The final maturity of the Refunding Loan Agreement does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Loan Agreement is $71,730 or $6.00 per $1,000 of par amount. See Table 1 for individual costs of issuance.

Table 1
Costs of Issuance of the Refunding Loan Agreement

	Amount	Price per $1,000 Par Amount
Tennessee Municipal Bond Fund	$56,299.00	$4.71
Bond and Tax Counsel	12,026.00	1.01
Miscellaneous	3,405.00	0.28
Total Cost of Issuance	$71,730.00	$6.00

The County has not reported a 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 the Tennessee Municipal Bond Fund.

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 Loan Agreement 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: March 7, 2017