March 18, 2019

Honorable Jimmy Haley, County Executive
and Honorable Board of County Commissioners
Warren County
201 Locust Street
McMinnville, TN 37110

Dear Mr. Haley and Commissioners:

This letter, report and plan of refunding (the "Plan") are to be published and posted on the website of Warren County (the "County"). Please provide a copy of the Plan to each Commissioner for review at the public meeting prior to the adoption of the bond authorizing resolution.

We acknowledge receipt on March 6, 2019, of a request from the County to review its plan for the issuance of a maximum amount of $6,850,000 General Obligation Refunding Bonds, Series 2019.

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.

Compliance with the County's Debt Management Policy

The County provided a copy of its debt management policy and within forty-five (45) days 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.

The County's current debt management policy, adopted on November 11, 2011, indicates that "Current refunding opportunities may be considered by the County using any savings threshold if the refunding generates positive net present value savings." Please note the debt management policy does not have a minimum savings standard for current refundings. The County Commission should consider amending the policy to provide a minimum savings standard versus interest savings and costs of issuance when refunding for cost savings. Please submit any amended policy to our office immediately upon its adoption.

Financial Professionals

The County has indicated that Cumberland Securities Company, Inc. is 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.

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.

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.

The enclosed report is effective for a period of ninety (90) days from the date of the report. If the refunding bonds have not been sold within the ninety (90) day period, a new plan of refunding, with new analysis and estimates based on market conditions at that time, must be submitted to this office. We will then issue a report on the new plan for the governing body to review prior to adopting a new refunding bond authorizing resolution.

This letter and the enclosed report do not address 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.

Required Notification

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. However, if the actual results differ significantly from the information provided in the submitted Plan, the County's governing body and our office should be notified after the sale by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences.

Notification will be necessary only if there is a change of ten percent (10%) or more in any of the following:

1. An increase in the principal amount of the debt issued;
2. An increase in costs of issuance; or
3. A decrease in the cumulative savings or increase in the loss.

The notification must include an explanation for any significant differences and the justification for change of ten percent (10%) or more from the amounts in the plan. This notification should be presented to the County's governing body and our office with the required filing of the Report on Debt Obligation, Form CT-0253.

Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and

- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

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 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 slf.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 the form can be found on our website.

If you should have questions or need assistance regarding statutory debt issuance requirements, please refer to our online resources available at https://comptroller.tn.gov/office-functions/state-and-local-finance/local-government/debt.html, or feel free to contact your financial analyst, Ron Queen, at 615.401.7862 or Ron.Queen@cot.tn.gov.

You may also contact our office by mail at the address in the footer of this letter. Please send it to the attention of your analyst at the Office of State and Local Finance.

Sincerely,

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance

cc: Mr. Bryan Burklin, Assistant Director, Division of Local Government Audit
Mr. Scott Gibson, Cumberland Securities Company, Inc.
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State and 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 2019 BY WARREN COUNTY, TENNESSEE

The County Executive of the Warren County, Tennessee, (the "County") submitted a plan of refunding (the "Plan") as required by TCA § 9-21-903 to adopt a resolution authorizing the issuance of a maximum of $6,850,000 General Obligation Refunding Bonds, Series 2019B (the "Series 2019B Refunding Bonds").

The Plan was prepared with the assistance of the County's municipal advisor, Cumberland Securities Company, 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 Series 2019 Refunding Bonds may be issued with a structure different from that of the Plan. The County provided a copy of its debt management policy.

The County has indicated that Cumberland Securities Company, Inc. is 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.

CHRONOLOGY

We have provided the following chronology to assist in understanding the history of the debt being refunded.

2002 – PBA Loan Agreement Executed

The A-6-C Loan Agreement between the County and the Public Building Authority of Blount County, Tennessee dated as of September 1, 2002 (the "PBA Loan Agreement") was executed to finance the construction of a jail.

- The PBA loaned the County $6,500,000 of the proceeds from its Local Government Public Improvement Bonds, Series A-6-C dated September 1, 2002 (the "PBA Bonds").
- The PBA Loan Agreement was structured identically to the PBA bonds.
- The PBA Bonds were secured by the revenues from the County's PBA Loan Agreement.
- The County's security pledge to the PBA was Ad Valorem taxes and general revenues.
- The PBA Bonds were issued as Variable Rate Debt Obligations (VRDOs).
- The PBA Bonds and associated PBA Loan Agreement were structured as balloon indebtedness with a final maturity of June 1, 2022. The first principal payment was made June 1, 2013.

2010 – First Refunding of the PBA Loan Agreement

The General Obligation Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds") were issued to refinance the variable interest rate PBA Loan Agreement on a current basis.

- The $6,475,000 Series 2010 Refunding Bonds were issued to eliminate the risks associated with the variable interest rate PBA Loan Agreement.

- The Series 2010 Refunding Bonds were issued as fixed interest rate general obligation bonds.
- June 1, 2022 is the final maturity date for the Series 2010 Refunding Bonds.
- The call date for the Series 2010 Refunding Bonds is June 1, 2019.
- The PBA used the proceeds from the refunding to extinguish the associated PBA Bonds.
- The Series 2010 Refunding Bonds did not appear to be issued with a balloon indebtedness structure.

2012 – General Obligation Taxable Build America Bonds (BABs) – Series 2010B

The $6,000,000 General Obligation Taxable Build America Bonds Series 2010B (the "Series 2010B BABs") were issued for:

- acquisition of land and site development for school purposes;
- constructing, repairing, renovating and equipping of County school buildings and school facilities;
- constructing, repairing, renovating and equipping of County buildings and facilities; and
- construction, repair and renovating of roads and bridges located in the County.

These bonds were issued on a taxable basis to the bondholders with a subsidy being provided through the federal government to the County and tax credits to the bondholder.

- The Series 2010B BABs were issued as fixed interest rate general obligation bonds.
- June 1, 2030 is the final maturity date for the Series 2010B BABs.
- The call date for the Series 2010B BABs is June 1, 2019.
- The Series 2010B BABs did not appear to be issued with a balloon indebtedness structure.

2019 – Proposed General Obligation Refunding Bonds, Series 2019

The Series 2019B Refunding Bonds are the second refunding of the PBA Loan Agreement and first refunding of the 2010B BABs. Together the Series 2010 Refunding Bonds and Series 2010B BABs are the "Refunded Bonds." This refunding is described in this report. The proposed refunding is to take place in June 2019.

BALLOON INDEBTEDNESS

The structure of the Series 2019 Refunding presented in the Plan does not appear to be balloon indebtedness. If the structure of the bonds 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 is refunding the Series 2010 Refunding Bonds and Series 2010 BABs for net present value debt service savings.

PLAN OF REFUNDING

The County's governing body intends to current refund an estimated $2,265,000 Series 2010 Refunding Bonds and $4,435,000 Series 2010B BABs, with general obligation refunding bonds structured with a fixed interest rate and an approximately level debt service payment schedule with a final maturity of June 1, 2025. The Series 2010 Bonds and Series 2010B BABBs are the "Refunded Bonds." Total refunded principal is $6,700,000.

REFUNDING ANALYSIS

- Results of the refunding assume that the County intends to sell $6,835,000 Series 2019 Refunding Bonds by competitive sale, priced at par.
- The Series 2019 Refunding Bonds are being issued to produce enough proceeds to provide $6,700,869 to retire the Refunded Bonds as well as to pay $134,131 in costs of issuance.
- The Series 2019 Refunding Bonds will be structured as fixed interest rate bonds with an approximately level debt service payment structure.
- The estimated net present value debt service savings at the arbitrage yield of 3.83% is $190,664, or 2.85% of the refunded principal amount of $6,700,000, achieved by lowering the average coupon from 4.99% for the Refunded Bonds to 2.31% for the Series 2019 Refunding Bonds.
- Total annual savings for the 11-year payment period is anticipated to be $239,597. Average annual savings is $21,782 with annual savings ranging from $13,806 a year to $29,761 a year.
- The final maturity of the Series 2019 Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated costs of issuance for the Series 2019 Refunding Bonds is $134,131 or $19.58 per $1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1
Warren County
Series 2019 Refunding Bonds
Costs of Issuance

	Amount	Price per $1,000 Bond
Underwriter[1]	$ 54,156.41	$ 7.91
Municipal Advisor (Cumberland Securities)	35,000.00	5.11
Bond Counsel (Bass Berry & Sims)	14,000.00	2.04
Rating Agency (S&P)	14,000.00	2.04
Local Counsel	5,000.00	0.73
Miscellaneous	11,975.00	1.75
Total Cost of Issuance	$ 134,131.41	$ 19.58

Note 1: To be determined by competitive sale

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.

This report is effective for a period of ninety (90) days from the date of the report. If the refunding transaction has not been priced during this ninety (90) day period, a new plan of refunding, with new analysis and estimates based on market conditions at that time, must be submitted to this office.

Sandra Thompson
Director of the Office of State and Local Finance
Date: March 18, 2019