

CONTINUING DISCLOSURE REPORT  
FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2017

KAUFMAN COUNTY, TEXAS

GENERAL OBLIGATION DEBT



## **FINANCIAL STATEMENTS**

The audited financial statements for the County for the fiscal year ended September 30, 2017 are being separately filed directly with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

## **SIGNATURE OF ISSUER**

The information set forth herein has been obtained from the County and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described.

## **KAUFMAN COUNTY, TEXAS**

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Karen MacLeod  
County Auditor

Approved for Submission:

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Date

## **CERTIFICATE OF SUBMISSION OF ANNUAL REPORT**

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for the Kaufman County, Texas with respect to the issues listed on the report cover was submitted directly to the Nationally Recognized Municipal Securities Information Repository ("NRMSIR") listed below as well as to any applicable State Information Depository ("SID").

### **NRMSIR**

Municipal Securities Rulemaking Board ("MSRB")  
via the Electronic Municipal Market Access ("EMMA") system

HTS Continuing Disclosure Services, A Division of Hilltop Securities Inc.

Signed by:

/s/ Karla Martinez

**KAUFMAN COUNTY, TEXAS**  
**2018 GENERAL OBLIGATION DEBT REPORT**

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2017/2018 Market Valuation Established by the Kaufman County Appraisal District (excluding totally exempt property)		\$ 10,233,250,644
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead (Over 65)	\$ 101,322,504	
Disabled Veterans/Persons Exemptions	77,901,382	
Freeport Loss	131,993,487	
Pollution Control Loss	126,684,460	
Productivity Loss	1,587,356,049	
Abatement Loss	12,810,524	
Value Lost to 10% Cap	159,206,843	<u>\$ 2,197,275,249</u>
2017/2018 Taxable Assessed Valuation		\$ 8,035,975,395
Funded Debt Payable from Ad Valorem Taxes (as of 1/31/18)		\$ 60,903,850
Ratio General Obligation Debt to Taxable Assessed Valuation		0.76%

2018 Estimated Population - 114,690  
Per Capita Taxable Assessed Valuation - \$70,067  
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$531

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Fiscal Year Ended September 30,					
	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 5,224,949,263	51.06%	\$4,500,082,225	48.74%	\$3,935,021,012	46.60%
Real, Residential, Multi Family	129,422,039	1.26%	87,940,050	0.95%	72,712,700	0.86%
Real, Vacant Lots/Tracts	157,330,980	1.54%	137,991,886	1.49%	118,116,398	1.40%
Real, Acreage (Land Only)	1,657,098,126	16.19%	1,647,904,950	17.85%	1,655,009,474	19.60%
Farm and Ranch Improvements	561,114,754	5.48%	518,334,732	5.61%	501,601,376	5.94%
Real, Commercial and Industrial	1,306,873,336	12.77%	1,222,253,911	13.24%	1,090,627,612	12.92%
Real, Oil, Gas/Other Mineral Resrvs	3,079,513	0.03%	6,266,615	0.07%	6,928,373	0.08%
Vehicles and Utilities	178,978,670	1.75%	181,170,080	1.96%	179,889,340	2.13%
Personal Commercial and Industrial	924,025,214	9.03%	847,201,144	9.18%	789,254,903	9.35%
Mobile Homes	48,698,060	0.48%	44,875,420	0.49%	44,446,240	0.53%
Real/Special Property, Inventory	41,680,689	0.41%	39,755,282	0.43%	50,485,277	0.60%
Total Before Exemptions	\$ 10,233,250,644	100.00%	\$9,233,776,295	100.00%	\$8,444,092,705	100.00%
Less: Total Exemptions/Reductions	(2,197,275,249)		(2,112,825,858)		(1,956,049,152)	
Taxable Assessed Value	<u>\$ 8,035,975,395</u>		<u>\$7,120,950,437</u>		<u>\$6,488,043,553</u>	

Category	Fiscal Year Ended September 30,			
	2015		2014	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 3,720,152,941	46.18%	\$3,519,992,893	44.90%
Real, Residential, Multi Family	59,905,320	0.74%	60,276,200	0.77%
Real, Vacant Lots/Tracts	120,378,590	1.49%	126,089,374	1.61%
Real, Acreage (Land Only)	1,614,298,197	20.04%	1,617,769,598	20.63%
Farm and Ranch Improvements	490,918,412	6.09%	490,335,873	6.25%
Real, Commercial and Industrial	1,069,723,160	13.28%	1,056,423,675	13.47%
Real, Oil, Gas/Other Mineral Resrvs	12,443,082	0.15%	16,677,388	0.21%
Vehicles and Utilities	155,932,360	1.94%	152,431,550	1.94%
Personal Commercial and Industrial	712,670,663	8.85%	694,523,400	8.86%
Mobile Homes	45,236,220	0.56%	46,901,611	0.60%
Real/Special Property, Inventory	53,996,010	0.67%	58,827,630	0.75%
Total Before Exemptions	\$ 8,055,654,955	100.00%	\$7,840,249,192	100.00%
Less: Total Exemptions/Reductions	(1,908,013,335)		(1,885,496,845)	
Taxable Assessed Value	<u>\$ 6,147,641,620</u>		<u>\$5,954,752,347</u>	

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita <sup>(3)</sup>
2014	105,358	\$ 5,954,752,347	\$ 56,519	\$ 41,578,850	0.70%	\$ 395
2015	105,582	6,147,641,620	58,226	43,853,850	0.71%	415
2016	114,690	6,488,043,553	56,570	62,388,850	0.96%	544
2017	114,690	7,120,950,437	62,089	60,903,850	0.86%	531
2018	114,690	8,035,975,395	70,067	59,373,850 <sup>(3)</sup>	0.74% <sup>(3)</sup>	518 <sup>(3)</sup>

(1) Source: County Officials.

(2) As reported by the Kaufman County Appraisal District; subject to change during the ensuing year.

(3) Projected.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended	Tax Rate <sup>(1)</sup>	Actual Tax Levy	% Current Collections	% Total Collections
2014	\$ 0.55650	\$ 33,138,197	98.26%	101.06%
2015	0.57620	35,422,711	99.45%	99.57%
2016	0.57620	37,384,107	99.60%	99.90%
2017	0.58870	41,895,580	97.50%	99.40%
2018	0.58870	47,307,715	92.42% <sup>(2)</sup>	93.56% <sup>(2)</sup>

(1) Includes Maintenance & Operations, Interest & Sinking Fund, and Road & Bridge.

(2) Partial year collections through February 28, 2018.

**TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS**

	Fiscal Year Ending September 30,				
	2018	2017	2016	2015	2014
Operating Fund	\$0.432200	\$0.434500	\$0.439800	\$0.449800	\$0.452000
Interest and Sinking Fund	0.056500	0.062200	0.049700	0.052400	0.030500
Total Constitutional Tax Rate	\$0.488700	\$0.496700	\$0.489500	\$0.502200	\$0.482500
Special Road and Bridge					
(Road Maint.) Tax Rate	\$0.100000	\$0.092000	\$0.086700	\$0.074000	\$0.074000
Total Tax Rate	\$0.588700	\$0.588700	\$0.576200	\$0.576200	\$0.556500

**TABLE 6 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2017/18 Taxable	% of Total Taxable
		Assessed Valuation	Assessed Valuation
La Frontera Holdings LLC	Power Plant	\$ 536,519,390	6.68%
Goodyear Tire & Rubber Co.	Tire Mfg.	70,627,139	0.88%
Oncor Electric Delivery Co.	Electric Utility	67,754,180	0.84%
Wal-Mart Stores 01-265	Retail	54,188,962	0.67%
Autozone Inc Department 8808	Retail	41,803,427	0.52%
Smurfit Kappa	Paper Packing Company	37,650,850	0.47%
Wal-Mart Real Estate Business Trust	Real Estate	33,446,480	0.42%
Rose Englebrook LP & Square Apts I L	Real Estate	33,000,000	0.41%
Gateway Holdings LP	Real Estate	29,627,160	0.37%
Solar Turbines Inc,	Gas Turbine	28,691,060	0.36%
		<u>\$ 933,308,648</u>	<u>11.61%</u>

**TABLE 7 - TAX ADEQUACY**

2018 Principal and Interest Requirements	\$ 3,967,550
\$0.0499 Tax Rate at 99% Collection Produces	\$ 3,969,852
Average Annual Principal and Interest Requirements, 2018 - 2038	\$ 4,282,936
\$0.0539 Tax Rate at 99% Collection Produces	\$ 4,288,077
Maximum Annual Principal and Interest Requirements, 2027	\$ 5,201,025
\$0.0654 Tax Rate at 99% Collection Produces	\$ 5,202,973

**TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt Service			% of Principal Retired
	Principal	Interest	Total	
2018	\$ 1,530,000	\$ 2,437,550	\$ 3,967,550	
2019	1,665,000	2,390,475	4,055,475	
2020	2,240,000	2,335,700	4,575,700	
2021	2,395,000	2,273,000	4,668,000	
2022	2,565,000	2,206,475	4,771,475	17.07%
2023	2,198,850	2,675,325	4,874,175	
2024	2,865,000	2,089,075	4,954,075	
2025	3,090,000	1,949,975	5,039,975	
2026	3,320,000	1,800,750	5,120,750	
2027	3,560,000	1,641,025	5,201,025	41.75%
2028	3,455,000	1,477,450	4,932,450	
2029	3,695,000	1,310,000	5,005,000	
2030	3,870,000	1,133,000	5,003,000	
2031	4,045,000	961,525	5,006,525	
2032	4,225,000	781,700	5,006,700	73.43%
2033	4,410,000	592,688	5,002,688	
2034	4,610,000	394,600	5,004,600	
2035	1,685,000	252,900	1,937,900	
2036	1,755,000	184,100	1,939,100	
2037	1,825,000	112,500	1,937,500	96.88%
2038	1,900,000	38,000	1,938,000	100.00%
	<u>\$ 60,903,850</u>	<u>\$ 29,037,812</u>	<u>\$ 89,941,663</u>	

**TABLE 10 – AUTHORIZED BUT UNISSUED BONDS**

As of September 30, 2017, the County has no authorized but unissued bonds.

**TABLE 11 - OTHER OBLIGATIONS <sup>(1)</sup>**

**State Infrastructure Bank Loan 2012**

The County entered into a State Infrastructure Bank Loan Agreement on October 8, 2012 for the purpose of highway improvements. The annual interest rate is 2.64% and future payments are as follows:

Fiscal Year Ended 9/30	State Infrastructure Bank Loan 2012		
	Principal	Interest	Total
2018	\$ 98,490	\$ 16,597	\$ 115,087
2019	101,091	13,996	115,087
2020	103,759	11,328	115,087
2021	106,499	8,588	115,087
2022	109,310	5,777	115,087
2023	109,507	2,891	112,398
	<u>\$ 628,656</u>	<u>\$ 59,177</u>	<u>\$ 687,833</u>

**Operating Leases**

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2017, lease expenditures totaled \$858,729. Future minimum operating lease commitments as follows:

Year Ended September 30,	Lease Obligation	Guaranteed Buy-back
2018	\$ 1,350,084	\$ 1,033,950
Total Minimum lease payments	<u>\$ 1,350,084</u>	<u>\$ 1,033,950</u>

**Lease Obligations**

The County is a party in several lease agreements for equipment and vehicles. The terms of the agreement provide an option to purchase the equipment during or at the end of the lease term. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases."

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 18,883,009
Less: accumulated depreciation	(12,438,090)
Total	<u>6,444,919</u>

The depreciation expense related to these leases for the year ended September 30, 2017 was \$573,466.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at September 30, 2017:

Years Ending September 30,	
2018	\$ 1,164,083
Total Minimum lease payments	1,164,083
Less amount representing interest	13,010
Present value of net minimum lease payments	<u>\$ 1,151,073</u>

### **Loans Payable**

Additional loans were issued in Fiscal Year 2014 for the purpose of vehicles and equipment. Interest rates on these loans range from 2.0-3.2%. The annual requirements to amortize the loans payable at September 30, 2017, are as follows:

Fiscal Year Ended 9/30	Principal	Interest	Total
2018	\$ 399,626	\$ 87,034	\$ 486,660
2019	407,741	77,437	485,178
2020	415,942	67,641	483,583
2021-2025	1,933,047	358,115	2,291,162
2026-2027	690,000	23,400	713,400
	<u>\$ 3,846,356</u>	<u>\$ 613,627</u>	<u>\$ 4,459,983</u>

### **Public Property Finance Contractual Obligation, Series 2015**

On March 9, 2015, the Contractual Obligation was authorized by the County in the amount of \$3,670,000 to fund acquisition of equipment for the County 911 EOC Center. Interest rate on the Contractual Obligation is 2.25%. The annual requirements to amortize the obligation payable at September 30, 2017 is as follows:

Fiscal Year Ended 9/30	Contractual Obligation, Series 2015		
	Principal	Interest	Total
2018	\$ 285,000	\$ 59,625	\$ 344,625
2019	290,000	45,113	335,113
2020	295,000	38,531	333,531
2021	305,000	31,781	336,781
2022	310,000	24,863	334,863
2023	320,000	17,775	337,775
2024	325,000	10,519	335,519
2025	330,000	3,431	333,431
	<u>\$ 2,460,000</u>	<u>\$ 231,638</u>	<u>\$ 2,691,638</u>

(1) Unaudited.

**TABLE 12 - CHANGES IN NET ASSETS**

	Fiscal Year Ending September 30,				
	2017 <sup>(1)</sup>	2016	2015	2014	2013
<b>Revenues</b>					
<b>General Revenues:</b>					
Property Taxes	\$ 41,982,571	\$ 37,736,896	\$ 35,586,187	\$ 33,528,405	\$ 32,774,053
Fees, Fines and Charges for Services	11,306,394	9,914,560	9,229,119	7,309,266	7,053,075
Grants and Contributions	2,461,063	6,363,741	6,540,948	4,341,034	1,914,732
Intergovernmental	-	-	-	-	-
Investment Income	416,491	134,036	209,983	178,240	112,871
Miscellaneous	435,494	303,920	389,718	318,584	94,334
Gain on Disposal of Capital Assets	526,450	85,433	294,793	875,277	195,268
<b>Total Revenues</b>	<b>\$ 57,128,463</b>	<b>\$ 54,538,586</b>	<b>\$ 52,250,748</b>	<b>\$ 46,550,806</b>	<b>\$ 42,144,333</b>
<b>Expenses</b>					
General Government	\$ 14,719,523	\$ 14,775,359	\$ 13,547,822	\$ 12,285,456	\$ 12,156,629
Public Safety and Corrections	18,208,707	18,349,963	18,688,878	16,892,691	17,302,705
Judicial	6,847,253	6,473,768	6,572,517	5,888,613	5,313,239
Community Service	515,775	299,990	328,905	300,708	366,708
Environmental Services	15,379,158	20,431,869	16,868,014	12,242,139	6,399,566
Health and Human Services	439,250	266,083	380,566	291,138	440,727
Interest and Fiscal Charges	2,432,696	1,586,140	1,723,892	1,461,883	422,999
Debt Service	-	-	57,572	-	-
Capital Outlay	-	400,276	-	-	-
<b>Total Expenses</b>	<b>\$ 58,542,362</b>	<b>\$ 62,583,448</b>	<b>\$ 58,168,166</b>	<b>\$ 49,362,628</b>	<b>\$ 42,402,573</b>
Change in Net Position	(1,413,899)	(8,044,862)	(5,917,418)	(2,811,822)	663,776
Other Financial Resources (Uses)	-	-	-	-	-
Net Assets, Beginning of Year	(1,492,571)	6,502,476	12,890,891	15,882,958	14,677,441
Change in Accounting Principles	-	-	(470,995)	(180,245)	-
Prior Period Adjustment	-	49,815	-	-	541,741
<b>Net Assets, End of Year</b>	<b>\$ (2,906,470)</b>	<b>\$ (1,492,571)</b>	<b>\$ 6,502,476</b>	<b>\$ 12,890,891</b>	<b>\$ 15,882,958</b>

(1) Unaudited.

**TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

Revenues	Fiscal Year Ending September 30,				
	2017 <sup>(1)</sup>	2016	2015	2014	2013
Taxes	\$ 31,185,738	\$ 29,008,869	\$ 27,841,270	\$ 27,349,483	\$ 27,713,184
Fees, Fines and Forfeitures	5,330,996	4,558,397	3,844,895	3,752,109	3,730,854
Intergovernmental	3,469,604	3,317,219	2,857,040	1,218,646	1,060,722
Investment Income	110,742	58,512	-	-	-
Miscellaneous	232,859	181,910	385,190	258,166	164,083
<b>Total Revenues</b>	<b>\$ 40,329,939</b>	<b>\$ 37,124,907</b>	<b>\$ 34,928,395</b>	<b>\$ 32,578,404</b>	<b>\$ 32,668,843</b>
<b>Expenditures</b>					
General Administration	\$ 13,688,641	\$ 12,751,310	\$ 11,650,961	\$ 11,112,745	\$ 11,134,899
Judicial and Legal	5,790,750	5,522,171	5,198,636	5,129,879	4,914,916
Public Safety	15,497,784	15,630,983	14,349,160	14,159,195	14,825,808
Environmental Protection	410,200	406,011	415,549	392,507	376,413
Health and Welfare	415,264	256,464	364,471	278,671	430,874
Community Service	405,910	316,785	315,778	288,343	356,624
Interest & Fiscal Charges	2,662	-	-	-	-
Capital Outlay	575,518	635,610	735,112	727,148	835,818
Debt Service	15,636	18,297	328,578	586,722	550,440
<b>Total Expenditures</b>	<b>\$ 36,802,365</b>	<b>\$ 35,537,631</b>	<b>\$ 33,358,245</b>	<b>\$ 32,675,210</b>	<b>\$ 33,425,792</b>
Excess (Deficiency) Revenues					
Over Expenditures	\$ 3,527,574	\$ 1,587,276	\$ 1,570,150	\$ (96,806)	\$ (756,949)
Other Financing Sources (Uses):					
Proceeds from Insurance	\$ 270,907	\$ 22,114	\$ 69,516	\$ -	\$ -
Transfers In (Out)	(1,258,563)	(1,442,073)	(913,257)	569,871	1,410,785
Proceeds from Sale of Capital Assets	-	21,980	23,939	-	-
Excess (Deficiency) of Revenue and					
Other Sources Over Expenses	2,539,918	189,297	750,348	473,065	653,836
Fund Balance Beginning of Year	2,415,603	2,226,306 <sup>(2)</sup>	1,475,798 <sup>(2)</sup>	1,791,162	1,137,326
Prior Period Adjustment	-	-	-	-	-
<b>Fund Balance End of Year</b>	<b>\$ 4,955,521</b>	<b>\$ 2,415,603</b>	<b>\$ 2,226,146</b>	<b>\$ 2,264,227</b>	<b>\$ 1,791,162</b>

(1) Unaudited.

(2) Restated.

**TABLE 13 – SPECIAL REVENUE FUNDS – STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE (ROAD AND BRIDGE AND OTHER)**

Revenues	Fiscal Year Ending September 30,				
	2017 <sup>(1)</sup>	2016	2015	2014	2013
Taxes	\$ 10,823,489	\$ 8,793,706	\$ 7,717,003	\$ 6,234,613	\$ 3,235,387
Fees, Fines and Forfeitures	3,576,305	3,273,383	3,191,486	3,145,548	2,873,296
Intergovernmental	1,240,041	1,991,264	1,704,640	1,462,472	873,119
Investment Income	28,316	26,311	31,664	30,711	24,488
Miscellaneous	181,179	39,232	61,310	148,312	405,654
<b>Total Revenues</b>	<b>\$ 15,849,330</b>	<b>\$ 14,123,896</b>	<b>\$ 12,706,103</b>	<b>\$ 11,021,656</b>	<b>\$ 7,411,944</b>
<b>Expenditures</b>					
General Administration	328,431	1,010,808	959,443	681,728	\$159,759
Judicial & Legal	518,502	917,339	1,237,643	594,845	263,713
Community Service	-	-	-	-	-
Public Safety	1,324,312	1,260,064	2,976,541	1,242,445	1,078,732
Environmental Protection	8,070,338	7,269,895	6,455,091	6,045,139	5,276,613
Interest & Fiscal Charges	2,495,686	1,785,355	-	-	-
Capital Outlay	2,601,877	2,591,605	2,017,923	1,042,429	739,115
Debt Service	2,053,942	1,899,803	3,444,645	2,621,602	321,252
<b>Total Expenditures</b>	<b>17,393,088</b>	<b>16,734,869</b>	<b>17,091,286</b>	<b>\$12,228,188</b>	<b>\$7,839,184</b>
Excess (Deficiency) Revenues					
Over Expenditures	\$ (1,543,758)	\$ (2,610,973)	\$ (4,385,183)	\$ (1,206,532)	\$ (427,240)
Other Financing Sources (Uses):	2,778,875	1,710,278	4,816,224	1,380,856	1,665,401
Excess (Deficiency) of Revenue and					
Other Sources Over Expenses	1,235,117	(900,695)	431,041	174,324	1,238,161
Fund Balance Beginning of Year	5,370,905 <sup>(2)</sup>	6,271,760	5,840,719 <sup>(2)</sup>	4,871,466 <sup>(2)</sup>	4,317,454
Balance Adjustment	-	-	-	-	-
<b>Fund Balance End of Year</b>	<b>\$ 6,606,022</b>	<b>\$ 5,371,064</b>	<b>\$ 6,271,760</b>	<b>\$ 5,045,790</b>	<b>\$ 5,555,615</b>

(1) Unaudited.

(2) Restated.

**TABLE 14 - CURRENT INVESTMENTS**

As of January 31, 2018, the County's funds were invested in the following categories:

Description	Book Value	Market Value	Percentage
TexPool	\$ 25,395,070	\$ 25,395,070	100.00%
	<u>\$ 25,395,070</u>	<u>\$ 25,395,070</u>	<u>100.00%</u>