



Texas

CITY OF KAUFMAN
MUNICIPAL COMPLEX



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2018

CITY OF KAUFMAN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2018

Issued By:

City Manager
Michael T. Slye

Director of Finance
Mary Wennerstrom

CITY OF KAUFMAN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2018

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INTRODUCTORY SECTION



March 14, 2019

Citizens of Kaufman, Honorable Mayor Jeff Jordan
Members of the City Council
City of Kaufman, Texas:

The Comprehensive Annual Financial Report ("CAFR") for fiscal year ended September 30, 2018 is hereby submitted as required by § 7.19 of the Kaufman City Charter. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors. The purpose of this report is to provide the City Council, management, staff, the public, bondholders and other interested parties information that reflects the City's financial condition and activities of the City government.

Full responsibility for both the accuracy and reliability of the data contained herein, and the completeness and fairness of the presentation, including all disclosures, rests with City management. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner that presents fairly the financial position and activity of the City of Kaufman. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Beginning with the fiscal year 2003 report, the City complied with Governmental Accounting Standards Board ("GASB") Statement No. 34. In addition to the basic financial statements and supplementary information, you will also find Management's Discussion and Analysis ("MD&A"). The MD&A section of the CAFR presents only objective information, or currently known facts, known by the City's financial managers as of the date of the auditor's report. The objective is to provide a much broader and detailed analysis of the City's financial condition and operating results. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Kaufman City Charter requires an annual audit by independent certified public accountants. The accounting firm of Yeldell, Wilson, Wood, and Reeve, P.C., Ennis, Texas, was selected by the City Council to complete the required audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2018, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE GOVERNMENT

Location The City of Kaufman, established in 1853, is located just southeast of the Dallas / Fort Worth Metroplex, in Kaufman County, in the North-Central region of the State of Texas. The Dallas/Fort Worth Metroplex ranks as the top growth area in the State of Texas and one of the top growth areas in the United States. Kaufman currently has a land area of 9 ½ square miles and a population of 7,322 (per the North Central Texas Council of Governments). The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council. There is no new City Council action planned for additional annexations, but there are areas that could be considered for annexation in the future.



Governmental Structure The City of Kaufman, a Home Rule City, has operated under the Council-Manager form of government since 1987. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six council members. The City Council is responsible for passing ordinances, adopting the budget, hiring the City Manager, and appointing the City Secretary, City Judge, City Attorney and Chief of Police. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three Council members elected every two years. The Mayor is also elected to two-year terms, while all Council members are elected at-large, on a plurality basis.

Services Provided The City of Kaufman provides a full range of municipal services including police and fire protection; water, sewer, and solid waste services; recreational and cultural activities; land planning and zoning/community development; building/code enforcement; and the construction and maintenance of streets and infrastructure. The City also is financially accountable for a legally separate economic development corporation, which is reported separately within the City's financial statements. Additional information on this legally separate entity can be found in **Note 1** in the notes to the financial statements.

Mission Statement Our goal is to enhance the quality of life of our citizens by providing a safe, clean environment through efficient delivery of public services.

Budgetary Controls The City maintains acceptable budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, debt service fund and enterprise fund are included in the annual appropriated budget. Project-length budgets are adopted for capital project funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

As demonstrated by the statements and schedules included in the financial section of this report, the City of Kaufman continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

A history of property values shows moderate growth from fiscal year 2007 through fiscal year 2009. The nationwide recession did not impact the local economy until fiscal year 2010 when the City recognized a 4.32% loss in property values. Part of this loss was related to a new exemption for 100% disabled veterans. Values in fiscal year 2012 dropped slightly and values for fiscal year 2013 increased by \$8.4 million, bringing values back to 2009 levels. Walmart opened in the spring of 2014 which has improved the City's tax base. New businesses continue to open and gain permits surrounding the strip center near the Walmart development, the State Highway 34 Bypass, and the newly developed Kingfort Parkway extension. Property values are expected to continue to improve going forward as a result of the increase in new commercial and residential development as well as the existing trend in local economy improvements.

Sales tax collections fell during fiscal year 2009 by 4.66% when compared to fiscal year 2008, partially due to the beginning of the recession. In fiscal year 2010, sales tax revenue began to recover as several new retail outlets opened, resulting in a 1.4% increase in sales tax revenue over the prior year. In fiscal year 2011, sales tax revenue was flat, but in fiscal year 2012, there was an 8% increase over 2011 and 2013 revenues increased just under 13% over the prior year. Fiscal year 2014 saw an 18% increase over 2013, 2015 saw a 16% increase over 2014, 2016 saw a 9% increase over 2015, 2017 saw a 2.75% increase over 2016, and 2018 saw a 11.04% increase over 2017. Area market indicators and an overall improved national economy point toward positive growth in sales tax during fiscal year 2019 and beyond.

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

Fiscal Year	Tax Rate
2014-2015	0.702490
2015-2016	0.702490
2016-2017	0.777725
2017-2018	0.889369
2018-2019	0.898651

The City continued to monitor revenue and expenditures during the year and makes adjustments as necessary. In fiscal year 2018, the City funded a 3% COLA for the entire organization funded the succession and transition of the City Secretary, added two Fire Lieutenant positions and removed the Assistant Fire Chief position, funded chapter 380 agreement commitments, maintained the Texas Municipal Retirement System Consumer Price Index participation to 70% Ad Hoc, funded an upgrade to the Climbing Tree Lift Station, funded the schematic design and construction budget for the Community Center, funded the Green Ribbon Grant Match, increased water utility rates 9.69% to accommodate the increase in bulk water purchases and complete the requisite sanitary sewer improvements mandated by Texas Commission on Environmental Quality (TCEQ), increased sewer rates 5% to accommodate increased operational costs, continued to fund the Storm Drainage Fund dedicated exclusively to storm drainage improvements, purchased a F-250 utility truck, replaced 6 SCBA units, funded a 5 year lease/purchase plan for 10 tasers for the Police Department, and funded \$114,000 for Debra Street repairs.

During fiscal year 2016, City Council called a May Bond Election that included two propositions, a \$4,200,000 Street Bond Program that passed with a resounding 92% margin and a \$6,630,000 Joint Municipal Complex (City Hall/Police Department Complex) that passed with a 77% margin. The City also purchased a building that will become a future Community Center with certificate of obligation funds that were issued in May 2016. In 2017, an additional \$1,000,000 General Obligation Bond was issued and construction began on Houston and Fourth Streets. In 2018, Austin and Fair Streets were added to the existing Houston and Fourth Street Project, and construction is expected to be completed November 2019.

The street improvement program included \$337,000 in fiscal year 2007, \$200,000 in fiscal year 2008, \$200,000 in fiscal year 2009, and \$175,000 in fiscal year 2010. The allotment for fiscal year 2011 was increased to \$242,500, and budget year 2012 provided for another \$200,000 in an effort to steadily address needed street improvements. In fiscal years 2013, 2014, and 2015 \$210,000, \$250,000, and \$200,000 respectively was budgeted for street repair and overlays. In fiscal year 2016, no major street repairs were planned and the budget was decreased to \$65,000. In 2017, the City issued and began utilizing 2016 General Obligation proceeds designated for the Street Bond Project to start repairs on both Houston and Fourth Streets. In 2017, an additional \$1,000,000 General Obligation Bond was issued to provide the additional funds needed to complete Phase 1 of the Street Bond Project that included Houston, Fourth, Austin, and Fair Streets. Estimated completion of Phase 1 of the Street Bond Project is November 2019. Phase 2 of the Street Bond Project includes street repairs on Ninth, Main, and Circle Drive and is currently under design. Phase 2 Construction is expected to begin in fiscal year 2019 and expected to be completed in fiscal year 2020.

Community Development Issues During fiscal year 2018, a total of 428 building permits were issued with a combined construction value of \$18,762,254. New Structures - The combined construction value of the 26 new building permits issued was \$7,884,850. Included within that number were eight commercial permits for 26,279 square feet of new building area valued at \$4,641,850. Also, included within that same number were 18 new single family permits for a total of 40,026 square feet valued at \$3,243,000. Remodel/Repair Structures - The combined construction value of the 46 remodeling building permits issued was \$2,046,693. Included within that number were 15 commercial permits for 18103 square feet of new building area valued at \$1,691,600. Also, included within that same number were 31 remodel single family permits for a total of 2,891 square feet valued at \$355,093. There was one commercial demolition permit valued at \$12,000 and six residential demolition permits valued at \$23,300. There were 349 additional permits valued at \$12,975,411. The additional permits include electrical, fences, foundations/approaches, mechanical, plumbing, signs, storage and garages, swimming pools and miscellaneous permits.

The City of Kaufman passed a local bond election in 2016 for a new city hall. The existing city hall was demolished and construction of the new 17,300 square foot city hall, valued at \$5,600,000, was completed in August 2018.

The City of Kaufman was awarded a \$390,900 Transportation Enhancement Program for the beautification and improvement of the sidewalks around the square. The City of Kaufman will be investing approximately \$1,100,000 to complete the work around the square, plus the sidewalks on the streets one block off of the square. This project will be a multi-stage project that will take approximately 15 months to complete. This project has installed all of the necessary utility improvements, light post, sidewalks and handicapped ramps. Currently the traffic lights are being installed. The landscaping will be installed and the roads will be remilled, relaid, and striped. The street and sidewalk construction is expected to be completed in April 2019. The landscaping will begin soon after and is expected to be completed in the Summer of 2019.

Construction of Tabor Parkway (formerly known as CR151/Old Kemp Highway) pavement improvement project from SH34 and South Washington Street to SH34 Bypass began in April 2017 and was completed in the Spring of 2018.

Construction of CR151/Old Kemp Highway pavement improvements project from SH34 and South Washington Street to SH34 Bypass began in April 2017 and was completed in the Spring of 2018.

A sanitary sewer assessment study, which began in 2012, was completed in fiscal year 2018.

The City recently submitted an application for a Community Development Block Grant for Drainage Improvement along Dallas Street from Mulberry Street, SH34, and FM243 to 9th street. Construction will begin in Spring of 2019.

Several small utility-related capital improvement projects are currently under construction, or have just been completed. The City of Kaufman's utility systems have been deteriorating for many years and an aggressive, comprehensive program is in place to make necessary improvements to our utility systems.

Compensation Plan/Personnel Overall staff budget during fiscal year 2018 was 68 full-time personnel and one part-time personnel. Total fiscal year 2018 budgeted payroll with benefits was \$4,595,936. A generous benefit package is provided to employees including vacation, holiday, sick pay and 100% employer paid health insurance plan for employees. In fiscal year 2007, health reimbursement accounts (HRA) were established for full time employees and funded by the City at the level of \$30 per month for each employee. Funding of the HRA accounts continued at the same level until fiscal year 2010 when it was increased to \$60 per month. The current HRA amount can range from \$0-\$0.36 per month per employee depending on the consumer choice plan and optional eligible insurance chosen by the employee. In fiscal year 2015, two additional health savings accounts (HSA) were established for full time employees and funded by the City. The current HSA amount can range from \$68.58-\$118.72 per month per employee depending on the consumer choice plan and optional eligible insurance chosen by the employee. The City provides for retirement in the Texas Municipal Retirement System (TMRS) to their employees, with a contribution rate of 7% (effective October 2007), two to one match, five year vesting, updated service credits and a 20-year retirement plan.

Cash Management Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and TexPool investment pool. The average yield on investments, except for the pension trust fund, at 9/30/18 was .15% on pooled bank accounts (89.63% of portfolio), 0.2049% on certificates of deposit (7.84% of portfolio) and 1.9953% on investment pool (2.53% of portfolio).

The City's investment policy complies with the Public Funds Investment Act. The policy, updated in 2017, is designed to ensure the safety of its principal in the overall portfolio as the foremost objective. Accordingly, deposits are either insured by federal depository insurance or collateralized. The investment policy is reviewed and updated annually, as applicable. The City Council considered proposals for banking services in January 2016. Staff reviewed the proposals and determined the best cost of banking services for the City. As recommended, American National Bank of Texas was awarded the City's depository contract for five years, with a 90 day extension. It is anticipated the city will consider proposals for banking services again in January, 2021.

Risk Management The City currently maintains third party insurance coverage to minimize all financial risks. Risk management programs are in place to minimize risk in the areas of workers' compensation, general liability, public officials and employees' liability, police officer liability and property and fleet/equipment liability and damage.

Pension Benefits The City provides pension benefits to all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System, an agent multiple-employment public employee retirement system. The pension plan is administered and accounted for by TMRS rather than by the City.

AWARDS AND ACKNOWLEDGEMENTS

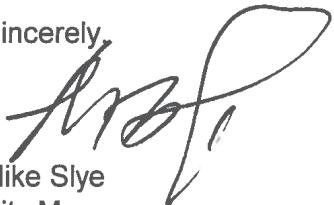
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kaufman for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the twentieth consecutive year that the government achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the entire staff of Yeldell, Wilson, Wood, and Reeve, P.C. and the Finance Department of the City of Kaufman.

In closing, the members of the City Council are to be commended for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Mike Slye
City Manager



Jessie Hanks

Jessie Hanks
City Secretary



Mary Wennerstrom

Mary Wennerstrom
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Kaufman
Texas**

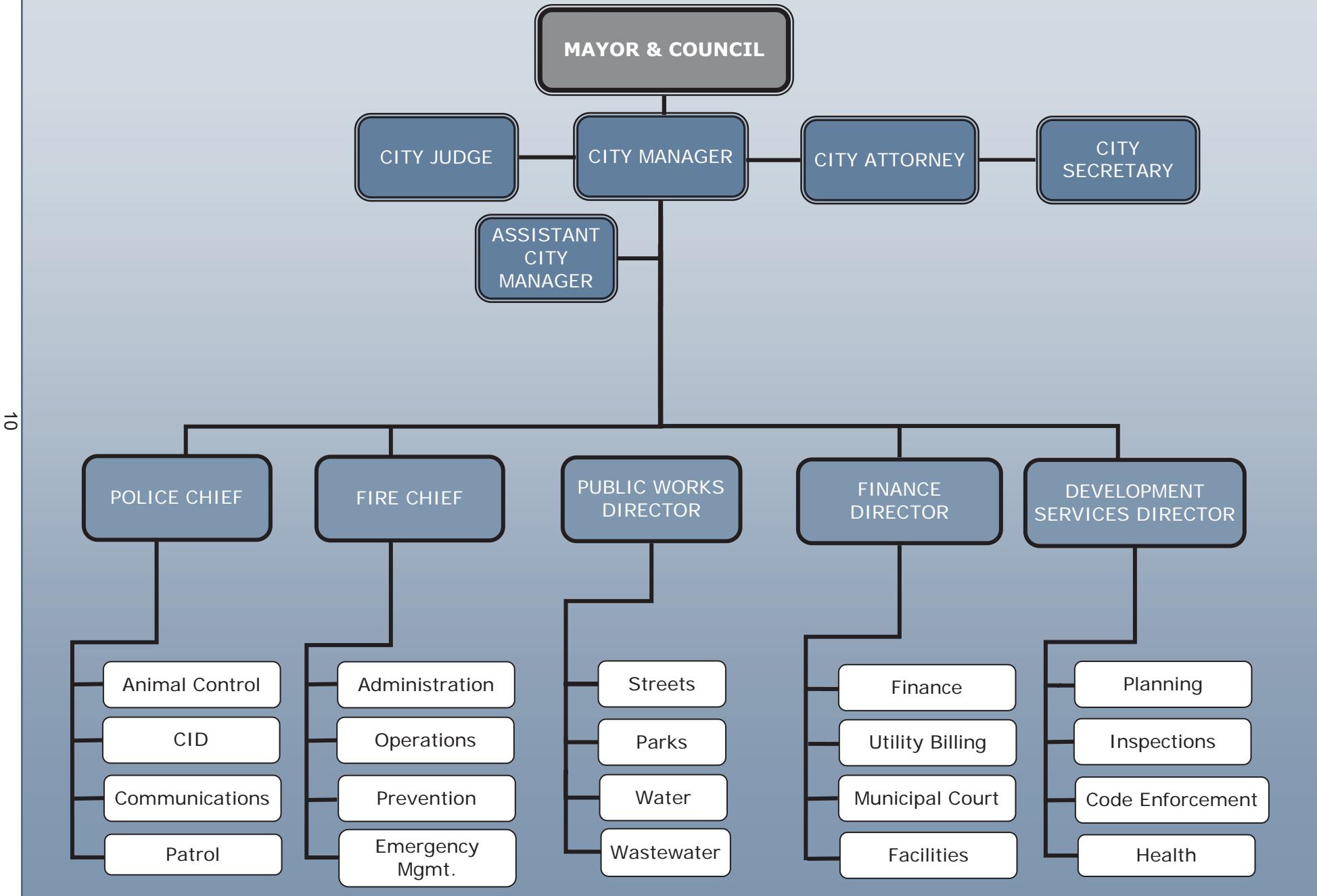
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Monill

Executive Director/CEO

CITY OF KAUFMAN ORGANIZATIONAL CHART



CITY OF KAUFMAN, TEXAS
LIST OF ELECTED CITY OFFICIALS AND ADMINISTRATORS
September 30, 2018

ELECTED CITY OFFICIALS

Mayor	Jeff Jordan
Mayor Pro Tem	Patty Patterson
Council Member	Carole Aga
Council Member	Jeff Council
Council Member	Charles Gillenwater
Council Member	Matt Phillips
Council Member	Barry Ratcliffe

ADMINISTRATION

City Manager	Michael T. Slye
Assistant City Manager	Mike Holder
City Secretary	Regina Farris
Director of Finance	Mary Wennerstrom

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of
City of Kaufman, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and City Council
City of Kaufman, Texas
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, net pension liability information, and total OPEB liability information on pages 16-24 and 79-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaufman, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and City Council
City of Kaufman, Texas
Page Three

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
March 14, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Kaufman, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-8 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,621,731 (*net position*).
- The City's total net position increased by \$9,829,436.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$17,726,617, a decrease of \$6,630,810 in comparison with the prior year. Approximately 10.01% of this amount (\$1,774,154) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,780,866, or approximately 32.7% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public services and operations, and parks and recreation. The business-type activities of the City include utility and drainage operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26-27 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Improvements, which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 28-31 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its utility and drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund, which is considered to be a major fund of the City. Data from the other enterprise fund is combined into a single aggregated presentation.

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-77 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios. Required supplementary information can be found on pages 79-82 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining fund statements and schedules can be found on pages 84-90 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$25,621,731, at the close of the most recent fiscal year.

CITY OF KAUFMAN'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 19,563,111	\$ 26,248,082	\$ 9,002,733	\$ 7,268,126	\$ 28,565,844	\$ 33,516,208
Capital assets	28,320,797	12,421,531	12,422,822	11,597,800	40,743,619	24,019,331
Total assets	47,883,908	38,669,613	21,425,555	18,865,926	69,309,463	57,535,539
 Total deferred outflows of resources	 319,069	 622,429	 241,066	 364,119	 560,135	 986,548
Long term liabilities	31,950,060	32,527,549	10,065,969	7,697,305	42,016,029	40,224,854
Other liabilities	1,230,139	1,974,315	617,521	392,775	1,847,660	2,367,090
Total liabilities	33,180,199	34,501,864	10,683,490	8,090,080	43,863,689	42,591,944
 Total deferred inflows of resources	 294,044	 120,433	 90,134	 17,415	 384,178	 137,848
 Net position:						
Net investment in capital assets	17,491,826	5,037,515	9,487,320	9,247,153	26,979,146	14,284,668
Restricted	1,191,219	1,646,430	234,130	290,212	1,425,349	1,936,642
Unrestricted (deficit)	(3,954,311)	(2,014,200)	1,171,547	1,585,185	(2,782,764)	(429,015)
Total net position	\$ 14,728,734	\$ 4,669,745	\$ 10,892,997	\$ 11,122,550	\$ 25,621,731	\$ 15,792,295

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (105.3%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5.56%) represents resources that are subject to external restrictions on how they may be used.

The City's total net investment in capital assets increased as the additions from capital outlays and work-in-progress exceeded depreciation and retirements.

The City's overall net position increased \$9,829,436 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF KAUFMAN'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 807,425	\$ 780,767	\$ 4,486,762	\$ 4,083,978	\$ 5,294,187	\$ 4,864,745
Operating grants and contributions	417,325	48,395	-	-	417,325	48,395
Capital grants and contributions	10,997,630	1,401,852	202,065	54,004	11,199,695	1,455,856
General revenues:						
Property taxes	3,015,217	2,370,809	-	-	3,015,217	2,370,809
Sales taxes	2,314,065	2,070,430	-	-	2,314,065	2,070,430
Franchise taxes	425,109	425,130	-	-	425,109	425,130
Hotel occupancy taxes	43,746	31,825	-	-	43,746	31,825
Alcoholic beverage taxes	12,114	8,028	-	-	12,114	8,028
Investment earnings	11,134	5,214	13,376	11,985	24,510	17,199
Gain on sale of capital assets	-	-	-	14,679	-	14,679
Miscellaneous	98,122	115,475	1,013	851	99,135	116,326
Total revenues	18,141,887	7,257,925	4,703,216	4,165,497	22,845,103	11,423,422
Expenses:						
General government	1,203,419	889,202	-	-	1,203,419	889,202
Public safety	3,538,527	2,369,520	-	-	3,538,527	2,369,520
Public works	1,491,850	998,534	-	-	1,491,850	998,534
Public services and operations	613,769	324,759	-	-	613,769	324,759
Parks and recreation	593,384	503,986	-	-	593,384	503,986
Interest on long-term debt	699,605	645,093	-	-	699,605	645,093
Utility	-	-	4,771,558	3,816,367	4,771,558	3,816,367
Drainage	-	-	103,555	71,999	103,555	71,999
Total expenses	8,140,554	5,731,094	4,875,113	3,888,366	13,015,667	9,619,460
Increase in net position before transfers	10,001,333	1,526,831	(171,897)	277,131	9,829,436	1,803,962
Transfers	57,656	23,129	(57,656)	(23,129)	-	-
Change in net position	10,058,989	1,549,960	(229,553)	254,002	9,829,436	1,803,962
Net position - beginning, as restated	4,669,745	3,119,785	11,122,550	10,868,548	15,792,295	13,988,333
Net position - ending	\$ 14,728,734	\$ 4,669,745	\$ 10,892,997	\$ 11,122,550	\$ 25,621,731	\$ 15,792,295

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$10,058,989 from the prior fiscal year for an ending balance of \$14,728,734. Revenues rose \$10,883,962 with grants and contributions accounting for \$9,964,708 (91.55%) of this change. Increases in property tax and sales tax were also responsible for 5.92% and 2.24% of the increase in revenues, respectively. Governmental expenses increased \$2,409,460 with increases in pension expense being primarily responsible for the change.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net decrease in net position to an ending balance of \$10,892,997. The total decrease in net position for business-type activities (water, sewer, and drainage operations) was \$229,553 or 2.06% of prior fiscal year. Total expenses before transfers increased by 25.38%.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2018, the City's governmental funds reported combined fund balances of \$17,726,617, a decrease of \$6,630,810 in comparison with the prior year. Approximately 10.0% of this amount (\$1,774,154) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$11,195,513), 2) restricted for particular purposes (\$4,722,424), or 3) assigned for particular purposes (\$34,526).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,780,866, while total fund balance increased to \$3,329,706. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 32.7 percent of total general fund expenditures, while total fund balance represents approximately 61.1 percent of that same amount.

The fund balance of the City's general fund decreased by \$184,696 during the current fiscal year. Property tax decreased approximately 7% while sales tax increased approximately 12%. Total expenditures decreased 5% over 2017 with the public services and operations department contributing to 50% of the increase. The increase is primarily the result of an increase in professional services.

The debt service fund, a major fund, had a decrease in fund balance during the current year of \$569,959 to bring the year end fund balance to \$10,062,005.

The capital improvements fund, a major fund, had a \$5,300,847 decrease in fund balance during the current fiscal year which decreased total fund balance to \$3,531,205.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year was \$988,308. The total decrease in net position was \$383,041. Operating revenues increased in 2018 by \$396,522 (10.20%). Operating expenses increased by 22.75% while interest and fiscal charges increased \$86,035 as the result of debt issuances during the current year.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City decreased total estimated revenues by \$14,836. Total expenditures and transfers out were decreased by \$33,596.

Final budget compared to actual results. General budgeted revenues of \$6,655,561 exceeded actual revenues of \$6,589,687 by \$65,874.

Budgeted general fund expenditures of \$5,680,440 exceeded actual expenditures of \$5,447,378. This \$233,062 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$40,743,619 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 69.63%.

City of Kaufman's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,593,109	\$ 953,524	\$ 549,375	\$ 549,375	\$ 2,142,484	\$ 1,502,899
Construction in progress	12,599,207	3,892,548	1,483,420	212,700	14,082,627	4,105,248
Buildings	2,248,072	2,344,698	2,099,218	2,316,567	4,347,290	4,661,265
Improvements	-	-	7,688,428	7,788,841	7,688,428	7,788,841
Machinery and equipment	1,098,659	1,102,911	602,381	730,317	1,701,040	1,833,228
Infrastructure	10,781,750	4,127,850	-	-	10,781,750	4,127,850
Total	\$ 28,320,797	\$ 12,421,531	\$ 12,422,822	\$ 11,597,800	\$ 40,743,619	\$ 24,019,331

Major capital asset events during the current fiscal year included the following:

- Construction in progress additions of approximately \$10,298,000 consisting of street improvements, water and sewer improvements, and a new municipal facility.
- Improvements of approximately \$476,000 for water and sewer lines.
- Machinery and equipment additions of approximately \$181,000.
- Infrastructure additions of approximately \$7,072,000.

Additional information on the City's capital assets can be found in Note 2.G on pages 50-51 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$39,368,812.

City of Kaufman's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of obligation	\$ 2,060,000	\$ 2,145,000	\$ 7,830,000	\$ 5,395,000	\$ 9,890,000	\$ 7,540,000
General obligations bonds	11,404,400	11,689,000	1,180,600	1,366,000	12,585,000	13,055,000
Pass through bonds	7,640,000	7,950,000	-	-	7,640,000	7,950,000
Notes payable	8,141,695	8,644,726	-	-	8,141,695	8,644,726
Tax anticipation note	245,000	305,000	-	-	245,000	305,000
Development agreements payable	339,000	678,000	135,000	404,916	474,000	1,082,916
Capital leases	286,511	399,238	106,606	140,191	393,117	539,429
Total	\$ 30,116,606	\$ 31,810,964	\$ 9,252,206	\$ 7,306,107	\$ 39,368,812	\$ 39,117,071

The City's total debt increased by \$251,741 (0.6 percent) during the current fiscal year. The reason for the increase is primarily the result of new debt issues exceeding scheduled debt payments.

The City's General Obligation and Combination Tax and Revenue Certificates of Obligation ratings are listed below.

	Moody's	Standard's & Poor's
General Obligation Bonds	A3	AA
Certificates of Obligation	A3	AA

Additional information on the City's long term-debt can be found in Note 2.M on pages 54-62 of this report.

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2019 budget, the General Fund revenues are budgeted to increase by \$17,679 or 0.25% from the fiscal year 2018 budget. General property taxes make up about \$1,883,144 or 26.8% of anticipated general fund revenues. Property values show an increase of \$23,431,543 or 6.98% over the prior year primarily as a result of the overall improvement in the local economy, home values, and an increase in the number of new homes and businesses, including KLLM and Sonic, and Pizza Hut. This increase is part of a trend the City has experienced over the last five years, strengthening what the City identifies as a turn-around in appraised values locally. The City Council adopted the tax rate of \$0.8986509 per \$100 assessed valuation which is a decrease to the prior year's rate. The debt service portion of the tax rate decreased by \$0.0284065, from \$0.3920213 to \$0.3636148 per \$100 of net assessed valuation. The maintenance and operations portion of the tax rate increased by \$0.0276888, from \$0.5073473 to \$0.5350361 per \$100 assessed valuation.

Sales tax, currently the largest revenue source for the General Fund, is budgeted at \$2,267,350 or 32% of anticipated General Fund revenue. Wal-Mart, along with continued construction and opening of several new retail outlets along the King's Fort business corridor continues to positively impact sales tax revenue.

Other major revenue sources include \$2,718,439 from water sales, \$1,620,000 from sewer services, and \$643,015 from franchise agreements. In fiscal year 2019, water rates were increased by 5%. The increase is a direct pass through of increased costs from the City's water supplier, North Texas Municipal Water District. For the average residential customer, this represents a \$3.83 increase to their monthly water utility bill. Wastewater and Storm Drainage fees were not increased.

The fiscal year 2019 budget adopted by the City Council includes an increase of \$36,385 or 0.52% in the expenditures in the General Fund operating budget and an increase of \$76,531 or 1.7% in the business-type fund operating budget when compared to previous year's budget. The 2019 budget includes a 4% COLA adjustment for the entire organization, Funding Chapter 380 Agreements including KLLM, a 3-year lease of two (2) Police Patrol Vehicles, a full-time Human Resources (HR) Coordinator, \$150,000 Street Maintenance/Rehab, Texas Municipal Retirement System COLA Consumer Price Index participation at 50% (Repeating), CDBG Grant Match of \$131,000, increased bulk water purchases from North Texas Municipal Water District, and required sanitary sewer improvements mandated by the Texas Commission on Environmental Quality (TCEQ), a 6.5% utility fund franchise fee.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3003 S. Washington, Kaufman, Texas 75142.

BASIC FINANCIAL STATEMENTS

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kaufman Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 6,792,495	\$ 1,764,796	\$ 8,557,291	\$ 660,314
Receivables (net of allowance for uncollectibles)	762,267	617,835	1,380,102	130,000
Intergovernmental receivables	10,239,035	-	10,239,035	-
Due from component unit	1,453,324	-	1,453,324	-
Due from primary government	-	-	-	128,685
Inventories	-	30,212	30,212	-
Prepaid items	60,990	2,802	63,792	3,204
Restricted cash and cash equivalents	255,000	6,587,088	6,842,088	-
Capital assets:				
Non-depreciable	14,192,316	2,032,795	16,225,111	603,745
Depreciable (net of accumulated depreciation)	14,128,481	10,390,027	24,518,508	11,075
Total Assets	<u>47,883,908</u>	<u>21,425,555</u>	<u>69,309,463</u>	<u>1,537,023</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	118,721	118,721	-
Deferred outflows of resources related to pension	306,344	117,633	423,977	-
Deferred outflows of resources related to OPEB	12,725	4,712	17,437	-
Total Deferred Outflows of Resources	<u>319,069</u>	<u>241,066</u>	<u>560,135</u>	<u>-</u>
LIABILITIES				
Accounts payable	864,982	198,132	1,063,114	5,452
Accrued payroll payable	112,953	37,137	150,090	-
Accrued interest payable	123,519	35,029	158,548	-
Customer deposits payable	-	117,908	117,908	-
Due to component unit	128,685	-	128,685	-
Liabilities payable from restricted assets	-	229,315	229,315	-
Noncurrent liabilities:				
Due within one year	1,558,772	562,808	2,121,580	353,324
Due in more than one year	30,391,288	9,503,161	39,894,449	1,100,000
Total Liabilities	<u>33,180,199</u>	<u>10,683,490</u>	<u>43,863,689</u>	<u>1,458,776</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on refunding	53,726	-	53,726	-
Deferred inflows of resources related to pension	240,318	90,134	330,452	-
Total Deferred Inflows of Resources	<u>294,044</u>	<u>90,134</u>	<u>384,178</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	17,491,826	9,487,320	26,979,146	614,820
Restricted for:				
Infrastructure improvements	-	52,351	52,351	-
Public safety	432,128	-	432,128	-
Public works	354,768	-	354,768	-
Parks and recreation	23,517	-	23,517	-
Debt service	380,806	181,779	562,585	-
Unrestricted (deficit)	(3,954,311)	1,171,547	(2,782,764)	(536,573)
Total Net Position (deficit)	<u>\$ 14,728,734</u>	<u>\$ 10,892,997</u>	<u>\$ 25,621,731</u>	<u>\$ 78,247</u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2018

	Net (Expense) Revenue and Changes in Net Position										Component Unit Kaufman	
	Program Revenues			Primary Government								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Economic Development Corporation				
Function/Programs:												
Primary government:												
Governmental activities:												
General government	\$ 1,203,419	\$ 255,191	\$ 412,543	\$ -	\$ (535,685)	\$ -	\$ (535,685)	\$ -				
Public safety	3,538,527	243,904	1,785	-	(3,292,838)	-	(3,292,838)	-				
Public works	1,491,850	307,105	-	10,957,809	9,773,064	-	9,773,064	-				
Public services and operations	613,769	-	-	-	(613,769)	-	(613,769)	-				
Parks and recreation	593,384	1,225	2,997	39,821	(549,341)	-	(549,341)	-				
Interest on long-term debt	699,605	-	-	-	(699,605)	-	(699,605)	-				
Total governmental activities	<u>8,140,554</u>	<u>807,425</u>	<u>417,325</u>	<u>10,997,630</u>	<u>4,081,826</u>	<u>-</u>	<u>4,081,826</u>	<u>-</u>				
Business-type activities:												
Utility	4,771,558	4,282,739	-	202,065	-	(286,754)	(286,754)	-				
Drainage	103,555	204,023	-	-	-	100,468	100,468	-				
Total business-type activities	<u>4,875,113</u>	<u>4,486,762</u>	<u>-</u>	<u>202,065</u>	<u>-</u>	<u>(186,286)</u>	<u>(186,286)</u>	<u>-</u>				
Total primary government	<u>\$ 13,015,667</u>	<u>\$ 5,294,187</u>	<u>\$ 417,325</u>	<u>\$ 11,199,695</u>	<u>4,081,826</u>	<u>(186,286)</u>	<u>3,895,540</u>	<u>-</u>				
27 Component unit:												
Kaufman Economic Development Corporation	\$ 629,459	\$ -	\$ -	\$ -								
Total component unit	<u>\$ 629,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u></u>	<u></u>	<u></u>	<u></u>				
General revenues:												
Property taxes				3,015,217	-	3,015,217	-					
Sales taxes				2,314,065	-	2,314,065		771,355				
Franchise taxes				425,109	-	425,109	-					
Hotel occupancy taxes				43,746	-	43,746	-					
Alcoholic beverage taxes				12,114	-	12,114	-					
Investment earnings				11,134	13,376	24,510	396					
Gain on sale of capital asset				-	-	-		87,213				
Miscellaneous				98,122	1,013	99,135	-					
Transfers				57,656	(57,656)	-	-					
Total general revenues				<u>5,977,163</u>	<u>(43,267)</u>	<u>5,933,896</u>	<u>858,964</u>					
Change in net position				10,058,989	(229,553)	9,829,436	229,505					
Net position (deficit) - beginning, as restated				<u>4,669,745</u>	<u>11,122,550</u>	<u>15,792,295</u>	<u>(151,258)</u>					
Net position (deficit) - ending				<u>\$ 14,728,734</u>	<u>\$ 10,892,997</u>	<u>\$ 25,621,731</u>	<u>\$ 78,247</u>					

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,690,059	\$ 385,644	\$ 3,625,191	\$ 1,091,601	\$ 6,792,495
Receivables (net of allowance for uncollectibles)	677,228	70,259	-	14,780	762,267
Intergovernmental receivables	-	9,681,199	303,235	254,601	10,239,035
Due from component unit	1,453,324	-	-	-	1,453,324
Prepaid items	60,990	-	-	-	60,990
Restricted cash and cash equivalents	-	-	255,000	-	255,000
Total assets	<u>\$ 3,881,601</u>	<u>\$ 10,137,102</u>	<u>\$ 4,183,426</u>	<u>\$ 1,360,982</u>	<u>\$ 19,563,111</u>
LIABILITIES					
Accounts payable	\$ 213,207	\$ 109	\$ 348,986	\$ 302,680	\$ 864,982
Accrued payroll payable	112,953	-	-	-	112,953
Due to component unit	128,685	-	-	-	128,685
Total liabilities	<u>454,845</u>	<u>109</u>	<u>348,986</u>	<u>302,680</u>	<u>1,106,620</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	97,050	74,988	-	-	172,038
Unavailable revenue-grants	-	-	303,235	254,601	557,836
Total deferred inflows of resources	<u>97,050</u>	<u>74,988</u>	<u>303,235</u>	<u>254,601</u>	<u>729,874</u>
FUND BALANCES					
Nonspendable:					
Long-term receivable	1,453,324	9,681,199	-	-	11,134,523
Prepaid items	60,990	-	-	-	60,990
Restricted:					
Capital projects	-	-	3,531,205	-	3,531,205
Public safety	-	-	-	432,128	432,128
Public works	-	-	-	354,768	354,768
Public service and operations	-	-	-	23,517	23,517
Debt service	-	380,806	-	-	380,806
Assigned:					
Capital outlay	34,526	-	-	-	34,526
Unassigned					
Total fund balances	<u>1,780,866</u>	<u>-</u>	<u>-</u>	<u>(6,712)</u>	<u>1,774,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,881,601</u>	<u>\$ 10,137,102</u>	<u>\$ 4,183,426</u>	<u>\$ 1,360,982</u>	<u>\$ 19,563,111</u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2018

Amounts reported for governmental activities in the statement of net position (page 26) are different because:

Total fund balances - governmental funds (page 28)	\$ 17,726,617
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,320,797
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	729,874
Deferred outflows of resources are not reported in the governmental funds:	
Deferred outflows of resources related to pension	\$ 306,344
Deferred outflows of resources related to OPEB	<u>12,725</u>
	319,069
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(123,519)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Due within one year	(1,558,772)
Due in more than one year	<u>(30,391,288)</u>
	(31,950,060)
Deferred inflows of resources are not reported in the governmental funds:	
Deferred charges on refunding	(53,726)
Deferred inflows of resources related to pension	<u>(240,318)</u>
	(294,044)
Net position of governmental activities (page 26)	<u><u>\$ 14,728,734</u></u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2018

	General	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,633,444	\$ 1,329,609	\$ -	\$ -	\$ 2,963,053
Sales taxes	2,314,065	-	-	-	2,314,065
Franchise taxes	425,109	-	-	-	425,109
Hotel occupancy taxes	-	-	-	43,746	43,746
Alcoholic beverage taxes	12,114	-	-	-	12,114
Licenses and permits	255,191	-	-	-	255,191
Fines and forfeitures	115,043	-	-	128,862	243,905
Charges for services	308,330	-	-	-	308,330
Investment earnings	2,912	-	5,529	2,692	11,133
Miscellaneous	54,429	-	-	43,691	98,120
Intergovernmental	403,390	-	2,690,045	10,939	3,104,374
Contributions and donations	42,818	-	-	-	42,818
Total revenues	<u>5,566,845</u>	<u>1,329,609</u>	<u>2,695,574</u>	<u>229,930</u>	<u>9,821,958</u>
EXPENDITURES					
Current:					
General government	947,625	-	-	29,521	977,146
Public safety	2,443,010	-	-	859,809	3,302,819
Public works	698,911	-	-	-	698,911
Public services and operations	455,322	-	-	42,212	497,534
Parks and recreation	418,815	-	-	-	418,815
Debt service:					
Principal retirement	451,727	1,242,631	-	-	1,694,358
Interest and fiscal charges	36,896	756,937	-	-	793,833
Capital outlay:					
Public works	-	-	8,127,008	-	8,127,008
Total expenditures	<u>5,452,306</u>	<u>1,999,568</u>	<u>8,127,008</u>	<u>931,542</u>	<u>16,510,424</u>
Excess (deficiency) of revenues over (under) expenditures	<u>114,539</u>	<u>(669,959)</u>	<u>(5,431,434)</u>	<u>(701,612)</u>	<u>(6,688,466)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	900,225	783,344	130,587	416,116	2,230,272
Transfers out	(1,199,460)	(683,344)	-	(289,812)	(2,172,616)
Total other financing sources (uses)	<u>(299,235)</u>	<u>100,000</u>	<u>130,587</u>	<u>126,304</u>	<u>57,656</u>
Net change in fund balances	(184,696)	(569,959)	(5,300,847)	(575,308)	(6,630,810)
Fund balances-beginning	<u>3,514,402</u>	<u>10,631,964</u>	<u>8,832,052</u>	<u>1,379,009</u>	<u>24,357,427</u>
Fund balances-ending	<u>\$ 3,329,706</u>	<u>\$ 10,062,005</u>	<u>\$ 3,531,205</u>	<u>\$ 803,701</u>	<u>\$ 17,726,617</u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2018

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net Change in Fund Balances - total governmental funds (page 30)	\$ (6,630,810)
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Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. 8,901,194

The net effect of various miscellaneous transactions involving capital assets (i.e., asset retirements/disposals) is to increase net position.

Capital contributions	\$ 7,709,928
Asset retirements/disposals	<u>(2,826)</u>
	\$ 7,707,102

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (709,030)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Certificates of obligation retirement	85,000
General obligation bonds retirement	284,600
Pass through bond retirement	310,000
Amortization of bond premiums/discounts	(782)
Amortization of deferred charge on refunding	14,994
Note payable retirement	503,031
Tax anticipation note retirement	60,000
Development agreement payable retirement	339,000
Capital lease retirement	<u>112,727</u>
	1,708,570

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest. 80,013

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 610,002

Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual pension and OPEB amounts.

Deferred outflows/inflows of resources related to pension	(500,478)
Deferred outflows/inflows of resources related to pension OPEB	<u>8,513</u>
	(491,965)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	3,765
Net pension liability	(1,100,203)
OPEB liability	<u>(19,649)</u>
	(1,116,087)

Change in net position of governmental activities (page 27)	<u>\$ 10,058,989</u>
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The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities - Enterprise		
			Total Enterprise Funds
	Utility	Nonmajor Enterprise Fund	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,557,123	\$ 207,673	\$ 1,764,796
Restricted cash and cash equivalents	200,727	1,638	202,365
Receivables (net of allowance for uncollectibles)	600,498	17,337	617,835
Inventories	30,212	-	30,212
Prepaid items	2,802	-	2,802
Total current assets	<u>2,391,362</u>	<u>226,648</u>	<u>2,618,010</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	5,248,236	1,136,487	6,384,723
Capital assets (net, where applicable of accumulated depreciation)	12,199,124	223,698	12,422,822
Total noncurrent assets	<u>17,447,360</u>	<u>1,360,185</u>	<u>18,807,545</u>
Total assets	<u>19,838,722</u>	<u>1,586,833</u>	<u>21,425,555</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	118,721	-	118,721
Deferred outflows of resources related to pension	111,024	6,609	117,633
Deferred outflows of resources related to OPEB	4,452	260	4,712
Total deferred outflows of resources	<u>234,197</u>	<u>6,869</u>	<u>241,066</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	190,509	7,623	198,132
Accrued payroll payable	34,480	2,657	37,137
Compensated absences	22,685	1,982	24,667
Customer deposits payable	117,908	-	117,908
Bonds payable	488,600	-	488,600
Capital lease payable	34,541	-	34,541
Development agreement payable	15,000	-	15,000
Accrued interest payable	29,493	5,536	35,029
Current liabilities payable from restricted assets:			
Accounts payable	200,727	1,638	202,365
Retainage payable	26,950	-	26,950
Total current liabilities	<u>1,160,893</u>	<u>19,436</u>	<u>1,180,329</u>
Noncurrent Liabilities:			
Bonds payable	7,423,846	1,243,868	8,667,714
Capital lease payable	72,065	-	72,065
Development agreement payable	120,000	-	120,000
Net pension liability	563,441	32,853	596,294
OPEB liability	44,491	2,597	47,088
Total noncurrent liabilities	<u>8,223,843</u>	<u>1,279,318</u>	<u>9,503,161</u>
Total liabilities	<u>9,384,736</u>	<u>1,298,754</u>	<u>10,683,490</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	87,119	3,015	90,134
Total deferred inflows of resources	<u>87,119</u>	<u>3,015</u>	<u>90,134</u>
NET POSITION			
Net investment in capital assets	9,378,626	108,694	9,487,320
Restricted for infrastructure improvements	52,351	-	52,351
Restricted for debt service	181,779	-	181,779
Unrestricted	988,308	183,239	1,171,547
Total net position	<u>\$ 10,601,064</u>	<u>\$ 291,933</u>	<u>\$10,892,997</u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018

	Business-type Activities - Enterprise		
	Utility	Nonmajor Enterprise Fund	Total Enterprise Funds
Operating revenues:			
Water revenue	\$ 2,619,698	\$ -	\$ 2,619,698
Sewer revenue	1,586,921	-	1,586,921
Drainage revenue	-	204,023	204,023
Rental	25,143	-	25,143
Miscellaneous	50,977	-	50,977
Total operating revenues	<u>4,282,739</u>	<u>204,023</u>	<u>4,486,762</u>
Operating expenses:			
Personnel services	1,493,942	100,495	1,594,437
Supplies and materials	75,625	-	75,625
Maintenance and repair	336,034	3,060	339,094
Contractual services	1,681,526	-	1,681,526
Depreciation and amortization	935,607	-	935,607
Total operating expenses	<u>4,522,734</u>	<u>103,555</u>	<u>4,626,289</u>
Operating income (loss)	<u>(239,995)</u>	<u>100,468</u>	<u>(139,527)</u>
Nonoperating revenue (expenses):			
Investment earnings	13,376	-	13,376
Insurance proceeds	1,013	-	1,013
Interest expense	(188,713)	(5,861)	(194,574)
Bond issuance costs	(29,056)	(25,194)	(54,250)
Total nonoperating revenue (expenses)	<u>(203,380)</u>	<u>(31,055)</u>	<u>(234,435)</u>
Income (loss) before contributions and transfers	<u>(443,375)</u>	<u>69,413</u>	<u>(373,962)</u>
Capital contributions	202,065	-	202,065
Transfer in	203,585	84,075	287,660
Transfer out	(345,316)	-	(345,316)
Change in net position	<u>(383,041)</u>	<u>153,488</u>	<u>(229,553)</u>
Net position-beginning, as restated	<u>10,984,105</u>	<u>138,445</u>	<u>11,122,550</u>
Net position-ending	<u><u>\$ 10,601,064</u></u>	<u><u>\$ 291,933</u></u>	<u><u>\$ 10,892,997</u></u>

The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers
Payments to suppliers and service providers
Payments to employees for salaries and benefits
Net cash provided by (used for) operating activities

Business-type Activities - Enterprise		
Utility	Nonmajor Enterprise Fund	Total Enterprise Funds
\$ 4,231,790	\$ 201,526	\$ 4,433,316
(2,043,047)	(789)	(2,043,836)
(920,222)	(69,337)	(989,559)
<u>1,268,521</u>	<u>131,400</u>	<u>1,399,921</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from other funds
Transfers to other funds
Net cash provided by (used for) noncapital financing activities

203,585	84,075	287,660
(345,316)	-	(345,316)
<u>(141,731)</u>	<u>84,075</u>	<u>(57,656)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets
Capital contributions
Insurance proceeds
Proceeds from sale of bonds
Bond issuance costs
Principal paid on bond maturities
Interest and fiscal charges paid on bonds
Principal paid on development agreement
Principal paid on leased assets
Interest paid on leased assets
Net cash provided by (used for) capital and related financing activities

(1,438,395)	(168,862)	(1,607,257)
58,350	-	58,350
1,013	-	1,013
1,434,488	1,243,893	2,678,381
(29,056)	(25,194)	(54,250)
(420,400)	-	(420,400)
(174,466)	(350)	(174,816)
(126,201)	-	(126,201)
(33,585)	-	(33,585)
(3,996)	-	(3,996)
<u>(732,248)</u>	<u>1,049,487</u>	<u>317,239</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments
Net cash provided by investing activities
Net increase (decrease) in cash and cash equivalents

13,376	-	13,376
<u>13,376</u>	<u>-</u>	<u>13,376</u>
407,918	1,264,962	1,672,880

Cash and cash equivalents October 1 (including \$5,257,991 reported in restricted accounts)

6,598,168	80,836	6,679,004
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Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

\$ (239,995)	\$ 100,468	\$ (139,527)
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Depreciation and amortization	935,607	-	935,607
(Increase) decrease in accounts receivable	(54,018)	(2,497)	(56,515)
(Increase) decrease in inventory	(5,645)	-	(5,645)
(Increase) decrease in prepaid items	433	-	433
(Increase) decrease in pension related deferred outflows/inflows	175,259	9,011	184,270
(Increase) decrease in OPEB related deferred outflows/inflows	(2,977)	(173)	(3,150)
Increase (decrease) in accounts payable	55,350	2,271	57,621
Increase (decrease) in accrued payroll payable	1,675	(460)	1,215
Increase (decrease) in compensated absences	(580)	282	(298)
Increase (decrease) in customer deposits	3,069	-	3,069
Increase (decrease) in net pension liability	393,470	22,096	415,566
Increase (decrease) in net OPEB liability	6,873	402	7,275
Total adjustments	<u>1,508,516</u>	<u>30,932</u>	<u>1,539,448</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,268,521</u></u>	<u><u>\$ 131,400</u></u>	<u><u>\$ 1,399,921</u></u>

Schedule of non-cash transactions:

Capital assets purchased on account

\$ 227,677	\$ 1,638
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The notes to financial statements are an integral part of this statement.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Kaufman, Texas (the “City”) was incorporated in 1853, and operates under a Council-Manager form of government. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

Discretely presented component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and they provides services to the citizens of Kaufman and the surrounding area as opposed to only the primary government. To emphasize that it is separate from the City, it is reported in a separate column in the financial statements.

The *Kaufman Economic Development Corporation* (the “Corporation”) is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation’s board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Separately issued financial reports are available for the Corporation. This report may be obtained by contacting the following office.

City of Kaufman
3003 S. Washington
Kaufman, Texas 75142

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Economic Development Corporation is considered to be a major component unit and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

The *capital improvements fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major enterprise fund:

The *utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of one year or less from the date of acquisition.

2. *Investments*

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool , like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. *Restricted assets*

Certain proceeds of the City's enterprise funds general obligation bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "infrastructure improvements" account is used to segregate resources from impact fees for infrastructure improvements.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	10-50
Improvements	7-30
Machinery and equipment	5-15
Infrastructure	30-50

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's OPEB plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (3) a deferred outflow of resources for the difference between expected and actual experience data used by the actuary, (4) a deferred outflow of resources related to the changes in actuarial assumptions of the City's defined benefit pension plan, and (5) deferred charge on refunding. Deferred outflows for changes in actuarial assumptions is attributed to OPEB expense over a total of 5.71 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 3.44 years, including the current year. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 1.73 years. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) the difference between expected and actual experience data used by the actuary, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan, and (3) deferred charge on refunding. This deferred inflow of resources is attributed to pension expense over a total of 1.73 years, including the current year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund balance flow assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

It is the long-term goal of the City to maintain a minimum unassigned fund balance in the General Fund equal to three months of the annually budgeted expenditures. The City will appropriate one percent (1%) of each year's General Fund budgeted expenditures until the identified goal is met.

10. Deficit fund equity

As of September 30, 2018, the Public Improvements District fund, a nonmajor governmental fund, has a deficit net position of \$6,712.

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

2. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Kaufman County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Kaufman County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility and nonmajor enterprise funds are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

5. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

H. New GASB pronouncement

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statements No. 45 and 57 for OPEB. The standard requires government employers to recognize a total OPEB liability in the Statement of Net Position. OPEB expense is tied to the change in total OPEB liability from year to year. OPEB expense is put in each employer's Statement of Changes in Net Position ("Operating Statement") in the government-wide financial statements. OPEB costs may be deferred and amortized over a number of years.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2018. At year end, the bank balance of the City's deposits was \$14,356,033. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance, \$14,356,033, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$17,121,000.

B. Investments

Public funds of the City may be invested in 1) obligations of the United States of America, its agencies and instrumentalities; 2) certificates of deposit; 3) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities; 4) money market mutual funds; and 5) local government investment pools.

The State Treasurer's Investment Pool (TexPool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

Investment Type	Fair Value
TexPool	<u>\$ 384,986</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2018, the City's investment in TexPool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments (continued)

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

C. Restricted assets

The balances of the restricted asset accounts in the Utility fund are as follows:

	Utility	Nonmajor Enterprise	Total
Revenue bond current debt service account	\$ 181,779	\$ -	\$ 181,779
Revenue bond construction	5,214,833	1,138,125	6,352,958
Infrastructure improvements	52,351	-	52,351
	<u>\$ 5,448,963</u>	<u>\$ 1,138,125</u>	<u>\$ 6,587,088</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, nonmajor governmental, utility, and nonmajor enterprise funds, including the applicable allowances for uncollectible accounts:

Receivables:	General	Debt Service	Nonmajor Governmental	Utility	Nonmajor Enterprise	Total
Taxes	\$ 697,375	\$ 80,380	\$ -	\$ -	\$ -	\$ 777,755
Accounts	28,122	-	-	646,526	18,823	693,471
Other	30	-	14,780	-	-	14,810
Gross receivables	725,527	80,380	14,780	646,526	18,823	1,486,036
Less: allowance for uncollectibles	(48,299)	(10,121)	-	(46,028)	(1,486)	(105,934)
Net total receivables	\$ 677,228	\$ 70,259	\$ 14,780	\$ 600,498	\$ 17,337	\$ 1,380,102

E. Intergovernmental Receivables

The Texas Department of Transportation ("TxDOT") has entered into a contract with the City to reimburse the City for a portion of the costs associated with the State Highway 34 re-alignment project ("SH34"). The maximum amount to be reimbursed totals \$11,047,887. The City issued debt in the amount of \$8,250,000 to fund these highway improvements. After completion of the work, the State of Texas shall be responsible for the maintenance of the state highway system, therefore, the costs associated with the SH34 have been expensed rather than capitalized by the City. The balance due as of September 30, 2018 was \$9,681,199.

Kaufman County ("County") has entered into a contract with the City to reimburse the City for costs associated with the County Road 151 utility and road improvements. Under the agreement, the County agreed to reimburse the City for construction costs. The balance due as of September 30, 2018 was \$303,235.

F. Kaufman Economic Development Corporation Receivables

On May 19, 2015, the City entered into an agreement with the Kaufman Economic Development Corporation (Corporation) to provide for the construction of the State Highway 34 re-alignment. Under the agreement the Corporation agrees to pay \$100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2018 totaled \$1,200,000.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Kaufman Economic Development Corporation Receivables (continued)

The Corporation also entered into an agreement with the City to pay the City up to 3/4 of eligible costs related to public improvements of the City's 380 developer agreement with Texas Opportunities, L.P., plus interest on the balance of the amount due to the developer, up to \$245,967 per year for five years. The payments under the agreement commence on the first date of the eleventh month following the date the certificate of occupancy is issued to the developer. Actual payments made to the City as of September 30, 2018 totaled to \$1,140,492. Future payment remaining totals \$253,324 as of fiscal year end.

G. Capital assets

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 953,524	\$ 639,585	\$ -	\$ 1,593,109
Construction in progress	3,892,548	8,706,659	-	12,599,207
Total capital assets not being depreciated	4,846,072	9,346,244	-	14,192,316
Capital assets being depreciated:				
Buildings	3,586,051	25,549	-	3,611,600
Machinery and equipment	2,829,978	167,406	(17,943)	2,979,441
Infrastructure	6,613,064	7,071,923	-	13,684,987
Totals capital assets being depreciated	13,029,093	7,264,878	(17,943)	20,276,028
Less accumulated depreciation for:				
Buildings	(1,241,353)	(122,175)	-	(1,363,528)
Machinery and equipment	(1,727,067)	(168,832)	15,117	(1,880,782)
Infrastructure	(2,485,214)	(418,023)	-	(2,903,237)
Total accumulated depreciation	(5,453,634)	(709,030)	15,117	(6,147,547)
Total capital assets, being depreciated, net	7,575,459	6,555,848	(2,826)	14,128,481
Governmental activities capital assets, net	\$ 12,421,531	\$ 15,902,092	\$ (2,826)	\$ 28,320,797

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

General government	\$ 12,541
Public safety	118,345
Public works	423,050
Parks and recreational	155,094
Total depreciation expense - governmental activities	\$ 709,030

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 549,375	\$ -	\$ -	\$ 549,375
Construction in progress	212,700	1,591,420	(320,700)	1,483,420
Total capital assets not being depreciated	<u>762,075</u>	<u>1,591,420</u>	<u>(320,700)</u>	<u>2,032,795</u>
Capital assets being depreciated:				
Buildings	7,968,972	-	-	7,968,972
Improvements	14,671,740	476,257	-	15,147,997
Machinery and equipment	1,445,659	13,653	-	1,459,312
Total capital assets being depreciated	<u>24,086,371</u>	<u>489,910</u>	<u>-</u>	<u>24,576,281</u>
Less accumulated depreciation for:				
Buildings	(5,652,405)	(217,349)	-	(5,869,754)
Improvements	(6,882,899)	(576,670)	-	(7,459,569)
Machinery and equipment	(715,342)	(141,589)	-	(856,931)
Total accumulated depreciation	<u>(13,250,646)</u>	<u>(935,608)</u>	<u>-</u>	<u>(14,186,254)</u>
Total capital assets being depreciated, net	10,835,725	(445,698)	-	10,390,027
Business-type capital assets, net	<u>\$ 11,597,800</u>	<u>\$ 1,145,722</u>	<u>\$ (320,700)</u>	<u>\$ 12,422,822</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:

Utility \$ 935,608

H. Construction commitments

The City has active construction projects as of September 30, 2018. The projects include street improvements, municipal facility construction, water and sewer improvements, and drainage improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street improvements	\$ 1,308,412	\$ 5,064,364
Municipal facility	6,689,906	707
Water and sewer improvements	539,000	1,001,156
Drainage improvements	210,954	1,161,213
	<u>\$ 8,748,272</u>	<u>\$ 7,227,440</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Construction commitments (continued)

The street improvements and municipal facility projects are commitments of the City's Capital Improvement and Grants funds. The projects are being funded by general obligation bonds, certificates of obligation, and grant proceeds.

The water and sewer improvements and drainage improvements are commitments of the City's Utility fund and Drainage fund. The projects are being funded by general obligation bonds, certificates of obligation, and grant proceeds.

I. Other significant commitments

The City entered into a contract with the North Texas Municipal Water District on July 24, 2014. The City agreed to take or pay for at least 440,188,000 gallons of water annually. The rate paid for the fiscal year ended September 30, 2018 was 2.83 cents per thousand gallons. The contract shall continue in force and effect for twenty years.

Actual payments for the year ended September 30, 2018 were \$1,301,769.

The City created a tax increment reinvestment zone (the "Zone") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the Zone. On April 24, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (Public Improvements TIF Agreement) the Company is to design and construct public improvements in the Zone. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. As of September 30, 2018 the unreimbursed costs due the Company totaled \$7,042,403.

On December 18, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (TIF Purchase Agreement) the Company has agreed to sell to the City a 4.51 acre tract of real property located within the Zone. Payments shall be made to the Company through the use of tax increment reinvestment zone funds. As of September 30, 2018 the unreimbursed costs due the Company totaled \$638,004.

On December 18, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (Developer Reimbursement Agreement) the Company has agree to develop and construct a subdivision within the Zone. Following completion of the subdivision the City shall reimburse the Developer for approved project costs through the use of tax increment reinvestment zone funds. As of September 30, 2018 the unreimbursed costs due the Company totaled \$0.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

Under the terms of the agreements, disbursement of tax increment reinvestment zone funds shall be made for the following purposes and in the following priority: (1) to reimburse the City for administrative costs; (2) to reimburse the Developer under the Public Improvements TIF Agreement; (3) to pay the Developer under the TIF Purchase Agreement; and (4) to reimburse the Developer under the Developer Reimbursement Agreement.

The City entered into a contract with Kaufman County to operate and maintain a consolidated county-wide public health and safety communication facility. Population from census data is used to calculate the City's annual projected cost. The term of the agreement extends to September 30, 2018 but shall continue in full force and effect thereafter, provided the City may withdraw on one year notice. Actual payments for the year ended September 30, 2018 were \$110,000.

J. Tax abatements

The City has two programs through which tax abatements are provided:

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements up to one-hundred percent of property tax on the value of the property improvement with a duration of up to ten years, may be established upon property within the City or the extra-territorial jurisdiction of the City. The threshold criteria used for the abatement include adding a minimum of ten full-time employees and adding at least \$1,000,000 to the tax rolls. The City recaptures any and all property tax revenue lost as a result of the agreement if the owner of the property fails to complete, make, and maintain the threshold criteria. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, which is not to exceed ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner.

Tax Abatement Program	Amount Abated
Tax Abatement Act	<u><u>\$ 13,941</u></u>

On August 9, 2016, the City entered into a performance agreement to make annual grant payments equal to eighty percent of the ad valorem property tax paid by KLLM Transport Services, LLC., for a period of ten years to relocate their transportation business to the City of Kaufman. The incentive period began for the tax year 2017. The abatement amount totaled \$131,597 for the fiscal year ended September 30, 2018.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

L. Lease obligations

1. Capital lease (as lessee)

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 2.49-2.85%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 741,353	\$ 140,191
Less: accumulated depreciation	(246,758)	(48,448)
Total	\$ 494,595	\$ 91,743

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Capital Lease Obligations			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 77,635	\$ 7,507	\$ 34,541	\$ 3,038
2019	79,686	5,456	35,527	2,054
2020	81,796	3,346	36,538	1,044
2021	47,394	1,180	-	-
	\$ 286,511	\$ 17,489	\$ 106,606	\$ 6,136

M. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2018 are as follows:

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2014	\$ 1,045,000	2/15/2034	2.0-4.0	\$ 885,000
2016B	1,250,000	2/15/2036	2.75-4.0	1,175,000
Total				\$ 2,060,000

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011	\$ 880,000	2/15/2027	2.0-3.0	\$ 645,000
2016A	3,990,000	2/15/2036	2.0-3.0	3,690,000
2016B	880,000	2/15/2036	2.75-4.0	825,000
2018	1,430,000	2/15/2038	3.25-5.0	1,430,000
2018	1,240,000	2/15/2038	3.25-5.0	1,240,000
Total				\$ 7,830,000

The debt service requirements for the City's certificates of obligation are as follows:

Year Ending September 30	Certificates of Obligation			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 90,000	\$ 65,920	\$ 295,000	\$ 233,497
2020	90,000	63,220	315,000	226,980
2021	90,000	60,408	330,000	217,555
2022	95,000	57,270	335,000	207,780
2023	100,000	54,095	395,000	196,630
2024-2028	560,000	222,187	2,125,000	790,325
2029-2033	695,000	121,703	2,140,000	475,619
2034-2038	340,000	15,302	1,895,000	127,890
	\$ 2,060,000	\$ 660,105	\$ 7,830,000	\$ 2,476,276

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2018 are as follows:

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011 - Refunding	\$ 1,275,000	2/15/2022	2.0-2.5	\$ 479,400
2016 - Refunding	275,000	2/15/2022	1.5-2.15	185,000
2016	1,000,000	2/15/2036	2.75	975,000
2017	3,200,000	2/15/2037	3.7	3,175,000
2017A	6,630,000	2/15/2057	2.375	6,590,000
Total				\$ 11,404,400

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011 - Refunding	\$ 600,000	2/15/2022	3.0	\$ 225,600
2016 - Refunding	1,180,000	2/15/2027	1.5-2.15	955,000
Total				\$ 1,180,600

The debt service requirements for the City's general obligation bonds are as follows:

Year Ending September 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 316,400	\$ 312,259	\$ 193,600	\$ 22,406
2020	350,400	304,724	169,600	18,800
2021	358,800	295,140	176,200	15,090
2022	363,800	285,771	171,200	11,360
2023	290,000	276,697	125,000	8,270
2024-2028	1,590,000	1,246,743	345,000	10,510
2029-2033	1,980,000	981,683	-	-
2034-2038	2,195,000	620,441	-	-
2039-2043	875,000	419,806	-	-
2044-2048	985,000	309,112	-	-
2049-2053	1,110,000	185,201	-	-
2054-2057	990,000	47,732	-	-
	\$ 11,404,400	\$ 5,285,309	\$ 1,180,600	\$ 86,436

Pass-Through Toll Revenue and Limited Tax Bonds

The City issues pass-through toll revenue and limited tax bonds to provide funds for the design, development, construction and relocation of SH 34. Pass-through toll revenue and limited tax bonds have been issued for the governmental activities. Pass-through toll revenue and limited tax bonds outstanding at September 30, 2018 are as follows:

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2014	\$ 8,255,000	8/15/2036	2.0-4.0	\$ 7,640,000

The debt service requirements for the City's pass through bonds are as follows:

Year Ending September 30	Pass Through Bonds	
	Governmental Activities	
	Principal	Interest
2018	\$ 315,000	\$ 257,606
2019	325,000	251,306
2020	330,000	244,806
2021	340,000	236,556
2022	345,000	228,056
2023-2027	1,895,000	977,006
2028-2032	2,020,000	643,756
2033-2036	2,070,000	185,000
	\$ 7,640,000	\$ 3,024,092

Notes Payable

Notes payable currently outstanding and reported as a liability of the City's governmental activities are:

The City received a loan from State Infrastructure Bank for \$4,500,000 to fund the City's portion of the State Highway 34 re-alignment project in July 2014. The loan will be repaid in 17 annual installments, with the first principal payment due in July 2018. Interest payments are to be made annually beginning July 2015 at an interest rate of 3%.

The City entered into an agreement with Kaufman County ("County") to help pay for the State Highway 34 re-alignment project. The City is to be reimbursed by the Texas Department of Transportation ("TxDOT") for 80% of the cost of the project and has agreed to reimburse the County 39.99% of the amount received from TxDOT. The balance due at September 30, 2018 was \$3,871,457.

The payment of this note will not begin until the project is completed and traffic flows on the roadway. The monies from TxDOT will be based on the number of vehicles that use the roadway; therefore, the payment amount to the County will be calculated on the monies received. At this time, there is not a timeline of payments to be expected to be made by TxDOT or the City.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

The debt service requirements for the City's notes payable are as follows:

Year Ending September 30	Notes Payable **	
	Governmental Activities	
	Principal	Interest
2019	\$ 236,656	\$ 128,107
2020	243,755	121,007
2021	251,068	113,695
2022	258,600	106,163
2023	266,358	98,405
2024-2028	1,456,554	367,259
2029-2033	1,557,247	135,268
	<u>\$ 4,270,238</u>	<u>\$ 1,069,904</u>

** Does not include note payable in the amount of \$3,871,457 that does not have a repayment schedule.

Tax Anticipation Note

Tax anticipation note payable currently outstanding and reported as a liability of the City's governmental activities consist of:

The Tax Anticipation Note, Series 2015, with an interest rate of 2.00 percent, was issued on December 22, 2015, for \$365,000, and matures on February 15, 2022. The proceeds were utilized for the public purpose of paying costs of constructing, installing and equipping municipal park improvements, acquiring computer equipment and software for the Development Services department and vehicles and equipment for the Public Works and Police Departments, renovation to existing municipal buildings including City Hall and Police building and Fire Department building, street and road improvements and improvements, storm drainage improvements, extensions and additions to the City's waterworks and sewer system (the "Project"), and to pay the costs of issuance incurred in connection with the issuance of the Note.

The debt service requirements for the City's tax anticipation note payable is as follows:

Year Ending September 30	Tax Anticipation Note	
	Governmental Activities	
	Principal	Interest
2019	\$ 60,000	\$ 4,300
2020	60,000	3,100
2021	60,000	1,900
2022	65,000	650
	<u>\$ 245,000</u>	<u>\$ 9,950</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Development Agreements Payable

Development agreement payable currently outstanding and reported as a liability of the City's governmental activities consist of:

A development agreement with Texas Opportunities, L.P. ("Developer") whereby the Developer constructed certain public improvements in the City of Kaufman, including roadways and utilities on the Developer's property, which will result in economic development in the City, thereby increasing property values and tax revenue for the City. The cost to the Developer for these improvements totaled \$1,695,000. The City is to reimburse the Developer for these actual costs of construction. Payments are to begin on the payable to the Developer in April 2015 and will be repaid over a period of five years.

The development agreement payable currently outstanding and reported as a liability of the City's governmental activities at September 30, 2018 totaled \$339,000. The amount due within one year totals \$339,000.

Development agreements payable currently outstanding and reported as a liability of the City's business-type activities consist of:

A Chapter 380 Partnership Agreement with the First Baptist Church of Kaufman for the construction of public improvements to the City's water system. Under the agreement the City agreed to reimburse the Church \$150,000 for construction of these improvements over ten years. Payments will commence on the first day of the first month following the first anniversary date of the issuance of the first certificate of occupancy and continue for a total of ten years.

The development agreements payable currently outstanding and reported as a liability of the City's business-type activities at September 30, 2018 totaled \$135,000. The amount due within one year totals \$15,000.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

The debt service requirements for the City's development agreements payable are as follows:

Year Ending September 30	Development Agreements Payable**			Business- Type Activities Principal	
	Governmental Activities		Principal		
	Principal	Interest			
2019	\$ 339,000	\$ 17,798	\$ 15,000		
2020	-	-	15,000		
2021	-	-	15,000		
2022	-	-	15,000		
2023	-	-	15,000		
2024-2027	-	-	60,000		
	\$ 339,000	\$ 17,798	\$ 135,000		

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Fund and nonmajor enterprise fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Other Post-Employment Benefit Liability (OPEB)

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Changes in Long-term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 2,145,000	\$ -	\$ (85,000)	\$ 2,060,000	\$ 90,000
General obligation bonds	11,689,000	-	(284,600)	11,404,400	316,400
Pass through bonds	7,950,000	-	(310,000)	7,640,000	315,000
Less deferred amounts:					
For issuance discounts	(33,152)	-	1,814	(31,338)	-
For issuance premium	3,909	-	(1,032)	2,877	-
Total bonds payable	21,754,757	-	(678,818)	21,075,939	721,400
Notes payable	8,644,726	-	(503,031)	8,141,695	236,656
Tax anticipation note	305,000	-	(60,000)	245,000	60,000
Development agreements payable	678,000	-	(339,000)	339,000	339,000
Capital leases	399,238	-	(112,727)	286,511	77,635
Compensated absences	127,846	116,987	(120,752)	124,081	124,081
Net pension liability	510,448	1,100,203	-	1,610,651	-
OPEB liability	107,534	19,649	-	127,183	-
Governmental activity					
Long-term liabilities	<u>\$ 32,527,549</u>	<u>\$ 1,236,839</u>	<u>\$ (1,814,328)</u>	<u>\$ 31,950,060</u>	<u>\$ 1,558,772</u>

Certificates of obligation, general obligation bonds, pass through bonds, notes payable and tax anticipation note payable issued for governmental activity purposes are liquidated by the debt service fund. Governmental developer agreements payable, capital lease obligations, compensated absences, net pension liability and OPEB liability will be liquidated by the general fund. Vacation leave is expected to be taken during the year following its accumulation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 5,395,000	\$ 2,670,000	\$ (235,000)	\$ 7,830,000	\$ 295,000
General obligation bonds	1,366,000	-	(185,400)	1,180,600	193,600
Less deferred amounts:					
For issuance premiums	145,690	8,382	(8,358)	145,714	-
Total bonds payable	6,906,690	2,678,382	(428,758)	9,156,314	488,600
Development agreement payable	404,916	-	(269,916)	135,000	15,000
Capital lease	140,191	-	(33,585)	106,606	34,541
Compensated absences	24,967	18,871	(19,171)	24,667	24,667
Net pension liability	180,728	415,566	-	596,294	-
OPEB liability	39,813	7,275	-	47,088	-
Business-type activity					
Long-term liabilities	<u>\$ 7,697,305</u>	<u>\$ 3,120,094</u>	<u>\$ (751,430)</u>	<u>\$ 10,065,969</u>	<u>\$ 562,808</u>

Certificate of obligation, general obligation bonds, development agreements payable, capital lease obligations, compensated absences, net pension liability and OPEB liability issued for business-type activities are repaid from the utility fund.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

N. Interfund transfers

The composition of interfund transfers as of September 30, 2018 is as follows:

Transfer out:	Transfer In							Total
	General	Debt Service	Capital Improvements	Nonmajor Governmental	Utility	Nonmajor Enterprise		
General	\$ -	\$ 783,344	\$ -	\$ 416,116	\$ -	\$ -	\$ -	\$ 1,199,460
Debt Service	683,344	-	-	-	-	-	-	683,344
Nonmajor								
Governmental	2,152	-	-	-	203,585	84,075	289,812	
Utility	214,729	-	130,587	-	-	-	-	345,316
Total	<u>\$ 900,225</u>	<u>\$ 783,344</u>	<u>\$ 130,587</u>	<u>\$ 416,116</u>	<u>\$ 203,585</u>	<u>\$ 84,075</u>	<u>\$ 2,517,932</u>	

Transfers are primarily used to move debt proceeds to the General Fund. Repayments of a long-term receivable received by the General Fund were transferred to the Debt Service and Grants funds. Transfers from the Utility Fund to the General Fund for administrative services.

O. Discretely presented component units

1. Kaufman Economic Development Corporation (Corporation)

Cash deposits with financial institutions

At year-end, the Corporation's bank balance was \$666,021. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$416,021 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$1,297,000.

Loan Receivable

The Corporation has an outstanding loan receivable at zero percent interest totaling \$130,000 at fiscal year end due from a Company as part of an economic development agreement. The loan shall be repaid by the Company by making \$10,000 per year payments to the Corporation each year for fifteen years. Management feels that collectability of the loan is certain. Accordingly, no allowance for doubtful accounts has been recorded for the loan receivable.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Discretely presented component units (continued)

Capital assets

Capital asset activity for the Corporation for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 615,300	\$ -	\$ (11,555)	\$ 603,745
Total capital assets not being depreciated	<u>615,300</u>	<u>-</u>	<u>(11,555)</u>	<u>603,745</u>
Capital assets being depreciated:				
Infrastructure	25,453	-	-	25,453
Machinery and equipment	9,278	-	-	9,278
Totals capital assets being depreciated	<u>34,731</u>	<u>-</u>	<u>-</u>	<u>34,731</u>
Less accumulated depreciation				
Infrastructure	(12,681)	(1,697)	-	(14,378)
Machinery and equipment	(9,278)	-	-	(9,278)
Total accumulated depreciation	<u>(21,959)</u>	<u>(1,697)</u>	<u>-</u>	<u>(23,656)</u>
Total capital assets being depreciated, net	<u>12,772</u>	<u>(1,697)</u>	<u>-</u>	<u>11,075</u>
Corporation capital assets, net	<u><u>\$ 628,072</u></u>	<u><u>\$ (1,697)</u></u>	<u><u>\$ (11,555)</u></u>	<u><u>\$ 614,820</u></u>

Commitments

On August 11, 2015, the Corporation amended an agreement with a Company to grant them up to \$79,000 for certain infrastructure relocations due to the Highway 34 By-pass project. Part of the agreement stipulates that the Company is required to retain a minimum of 100 jobs at their Kaufman plant for ten years with numbers verified annually by the Texas Workforce Commission. The agreement also contains a claw back provision, should the Company drop below 100 employees in any year, the Company will be required to pay back a prorated amount of the grant the following year. Actual payments for the year ended September 30, 2018 were \$69,352.

On September 18, 2017, the Corporation entered into a strategic plan implementation agreement with the Kaufman Chamber of Commerce (Chamber). The Chamber agrees to pursue the strategies outlined by the strategic plan approved by the Corporation. The agreement will remain in effect for two years at a monthly payment of \$1,000. Actual payments for the year ended September 30, 2018 were \$9,000.

On January 1, 2018, the Corporation entered into an office space and support agreement with the Kaufman Chamber of Commerce (Chamber). The Chamber agrees to provide a range of economic development services to the Corporation that includes staff, office support systems, local phone, DSL and wireless service, and office space. The agreement will remain in effect for three years at a monthly payment of \$727. Actual payments for the year ended September 30, 2018 were \$10,485.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Discretely presented component units (continued)

On February 1, 2018, the Corporation entered into staffing agreement with the Kaufman Chamber of Commerce (Chamber). The Chamber agrees to provide the services of its Chief Executive Officer on a part time basis to provide a full range of economic development services to the Corporation. The agreement will remain in effect until September 30, 2019 at a monthly payment of \$3,500. Actual payments for the year ended September 30, 2018 were \$28,000.

Long-term liabilities

Economic Development agreements

On April 23, 2012, the City of Kaufman, Texas entered into a 380 development agreement with a developer. Under the agreement, the City agrees to reimburse the developer for certain eligible costs related to public improvements. Under an agreement with the City, beginning April 1, 2015 and continuing annually thereafter, the Corporation has agreed to pay the City three-fourths of the City's annual obligation each year for a total of five payments. The funds to be repaid at September 30, 2018 totaled \$253,324. The amount due within one year totals \$253,324.

On May 19, 2015, the Corporation entered into an agreement with the City of Kaufman, Texas to provide for the construction of the Highway 34 by-pass project. Under the agreement the Corporation agrees to pay \$100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2018 totaled \$1,200,000. The amount due within one year totals \$100,000.

Changes in long-term liabilities

	Beginning Balance		Additions		Reductions	Ending Balance	Due Within One Year
Corporation							
Economic development agreements	\$ 1,829,509	\$	-	\$ (376,185)	\$ 1,453,324	\$ 353,324	-
Compensated absences	8,137		-	(8,137)		-	-
Long-term liabilities	<u>\$ 1,837,646</u>	<u>\$</u>	<u>-</u>	<u>\$ (384,322)</u>	<u>\$ 1,453,324</u>	<u>\$ 353,324</u>	<u>-</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Discretely presented component units (continued)

Year Ending September 30	Component Unit	
	Economic Development Agreement	Economic Development Agreement
	Principal	Principal
2019	\$ 253,324	\$ 100,000
2020	-	100,000
2021	-	100,000
2022	-	100,000
2023	-	100,000
2024-2028	-	500,000
2029-2030	-	200,000
	\$ 253,324	\$ 1,200,000

P. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Q. Subsequent events

Subsequent to year end, the City approved construction contracts in the amount of \$342,582 for drainage construction and a change order of \$136,215 for the downtown streetscape project.

R. Prior period adjustment

The implementation of GASB Statement No. 75 discussed in note 1. I. resulted in a restatement of beginning net position for the governmental activities and business-type activities in the government-wide financial statements and to the beginning net position in the fund financial statements. Prospectively applying this change results in the adjustment below.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

R. Prior period adjustment (continued)

Corrections have been made to the beginning net position in the government-wide and fund financial statements due to an error in classification and recording of a financial transaction in the prior period, resulting in an overstatement/understatement of deferred outflows of resources, overstatement/understatement of liabilities, overstatement/understatement of deferred inflows of resources, overstatement/understatement of net position, and an overstatement/understatement of expenses of the prior year. The change to the beginning net position as of October 1, 2016 is summarized as follows:

	Government-wide Financial Statements		Fund Financial Statements	
	Governmental Activities		Utility Fund	Nonmajor Enterprise Fund
	Business-type Activities			
As previously reported, October 1, 2017	\$ 4,773,067	\$ 11,160,801	\$ 11,022,096	\$ 138,705
Overstatement (understatement) of net pension liability	-	-	(10,757)	10,757
Overstatement (understatement) of changes in actuarial assumptions	-	-	2,119	(2,119)
Overstatement (understatement) of pension contributions after measurement date	-	-	3,075	(3,075)
Overstatement (understatement) of difference in projected and actual earnings on pension assets	-	-	7,331	(7,331)
Overstatement (understatement) of difference in expected and actual pension experience	-	-	79	(79)
Deferral for OPEB contributions made after the measurement date	4,212	1,562	1,475	87
Recording of total OPEB liability as of September 30, 2017	(107,534)	(39,813)	(37,618)	(2,195)
Restated, October 1, 2017	<u>\$ 4,669,745</u>	<u>\$ 11,122,550</u>	<u>\$ 10,987,800</u>	<u>\$ 134,750</u>
Effect of restatement on operations for the year ending September 30, 2017	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>10,757</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Kaufman, Texas participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan Provisions	
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2008R
Increase benefits to retirees:	
Rate (%) ⁽¹⁾	70
Year effective	2018
Military service credit effective date	10-01
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	6-97
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits Provided (continued)

(¹) For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	52
Active employees	62
	<hr/> 161

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Kaufman, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Kaufman, Texas were 9.01% and 9.33% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$279,762, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

Actuarial assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 11,679,061	\$ 10,987,885	\$ 691,176
Changes for the year:			
Service cost	466,908	-	466,908
Interest	919,527	-	919,527
Change of benefit terms	1,959,761	-	1,959,761
Difference between expected and actual experience	177,714	-	177,714
Contributions - employer	-	277,314	(277,314)
Contributions - employee	-	215,449	(215,449)
Net investment income	-	1,523,670	(1,523,670)
Benefit payments, including refunds of employee contributions	(499,294)	(499,294)	-
Administrative expense	-	(7,892)	7,892
Other changes	-	(400)	400
Net Changes	\$ 3,024,616	\$ 1,508,847	\$ 1,515,769
Balance at 12/31/2017	\$ 14,703,677	\$ 12,496,732	\$ 2,206,945

Sensitivity of the net pension liability to changes in the discount rate -

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 4,306,619	\$ 2,206,945	\$ 485,306

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrss.com.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$19,686.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$2,480,279.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	Governmental Activities	Business-Type Activities
Changes in actuarial assumptions	\$ 33,813	\$ 17,299
Contributions subsequent to the measurement date	145,788	53,974
Differences between expected and actual economic experience	126,743	46,360
Total	\$ 306,344	\$ 117,633

	Deferred Inflow of Resources	
	Governmental Activities	Business-Type Activities
Differences between expected and actual economic experience	\$ 441	\$ 1,127
Difference between projected and actual investment earnings	239,877	89,007
Total	\$ 240,318	\$ 90,134

\$199,762 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2018	\$ 129,743
2019	54,315
2020	(133,899)
2021	(156,396)
Total	<u>\$ (106,237)</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e. , no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

C. Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	5
Active employees	62
	94

D. Total OPEB liability

The City's total OPEB liability of \$174,271 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50%, including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	\$ 147,347
Changes for the year:	
Service cost	8,310
Interest	5,709
Changes in assumptions or other inputs	13,828
Benefit payments**	(923)
Net Changes	\$ 26,924
Balance at 12/31/2017	\$ 174,271

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$ 209,424	\$ 174,271	\$ 146,587

CITY OF KAUFMAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$19,541. At September 30, 2018, the City reported deferred outflows of resources and related to OPEB from the following sources:

	Deferred Outflows of Resources	
	Governmental Activities	Business-Type Activities
Changes of assumptions	\$ 8,492	\$ 3,145
City contributions subsequent to the measurement date	4,233	1,567
Total	\$ 12,725	\$ 4,712

\$5,800 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>		
2018	\$ 2,422	
2019	2,422	
2020	2,422	
2021	2,422	
2022	1,718	
Thereafter	230	
Total	<u>\$ 11,636</u>	

F. Payable to the OPEB Plan

At September 30, 2018, the City reported a payable of \$380 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	
REVENUES						
Property taxes	\$ 1,619,257	\$ 1,631,150	\$ 1,633,444	\$ 623	\$ 1,634,067	\$ 2,917
Sales taxes	2,114,884	2,285,515	2,314,065	(28,550)	2,285,515	-
Franchise taxes	438,420	431,207	425,109	(6,309)	418,800	(12,407)
Alcoholic beverage taxes	8,500	9,700	12,114	-	12,114	2,414
Licenses and permits	426,772	298,435	255,191	-	255,191	(43,244)
Fines and forfeitures	211,153	123,753	115,043	(640)	114,403	(9,350)
Charges for services	298,700	307,900	308,330	(1,811)	306,519	(1,381)
Investment earnings	2,160	2,400	2,912	-	2,912	512
Miscellaneous	81,365	59,100	54,429	-	54,429	(4,671)
Intergovernmental	1,461,609	1,463,000	403,390	1,059,529	1,462,919	(81)
Contributions and donations	1,350	43,401	42,818	-	42,818	(583)
Total revenues	<u>6,664,170</u>	<u>6,655,561</u>	<u>5,566,845</u>	<u>1,022,842</u>	<u>6,589,687</u>	<u>(65,874)</u>
EXPENDITURES						
Current:						
General government	1,019,366	993,766	947,625	-	947,625	(46,141)
Public safety	2,626,780	2,494,595	2,443,010	(4,930)	2,438,080	(56,515)
Public works	769,065	731,324	698,911	-	698,911	(32,413)
Public services and operations	429,045	525,065	455,322	-	455,322	(69,743)
Parks and recreation	382,831	447,065	418,815	-	418,815	(28,250)
Debt service:						
Principal retirement	451,653	448,997	451,727	(2,730)	448,997	-
Interest and fiscal charges	39,413	39,628	36,896	2,732	39,628	-
Total expenditures	<u>5,718,153</u>	<u>5,680,440</u>	<u>5,452,306</u>	<u>(4,928)</u>	<u>5,447,378</u>	<u>(233,062)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>946,017</u>	<u>975,121</u>	<u>114,539</u>	<u>1,022,842</u>	<u>1,142,309</u>	<u>167,188</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	224,035	217,808	900,225	(683,343)	216,882	(926)
Transfers out	(1,235,344)	(1,239,461)	(1,199,460)	-	(1,199,460)	40,001
Total other financing sources (uses)	<u>(1,011,309)</u>	<u>(1,021,653)</u>	<u>(299,235)</u>	<u>(683,343)</u>	<u>(982,578)</u>	<u>39,075</u>
Net change in fund balances	<u>\$ (65,292)</u>	<u>\$ (46,532)</u>	<u>\$ (184,696)</u>	<u>\$ 339,499</u>	<u>\$ 159,731</u>	<u>\$ 206,263</u>

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF KAUFMAN, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 Last 10 Calendar Years (will ultimately be displayed)

	2014	2015	2016	2017
Total pension liability				
Service Cost	\$ 405,637	\$ 491,919	\$ 499,848	\$ 466,908
Interest (on the Total Pension Liability)	777,889	732,140	730,703	919,527
Changes of benefit terms	-	(1,159,659)	(691,158)	1,959,761
Difference between expected and actual experience	(330,714)	(8,006)	96,318	177,714
Changes of assumptions	-	261,150	-	-
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)
Net Change in Total Pension Liability	474,750	(84,091)	189,496	3,024,616
Total Pension Liability - Beginning	11,098,906	11,573,656	11,573,656	11,679,061
Total Pension Liability - Ending (a)	\$ 11,573,656	\$ 11,489,565	\$ 11,763,152	\$ 14,703,677
Plan Fiduciary Net Position				
Contributions - Employer	\$ 399,817	\$ 431,985	\$ 311,064	\$ 277,314
Contributions - Employee	187,080	202,674	214,527	215,449
Net Investment Income	529,502	14,738	691,376	1,523,670
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)
Administrative Expense	(5,527)	(8,976)	(7,805)	(7,892)
Other	(454)	(443)	(420)	(400)
Net Change in Plan Fiduciary Net Position	732,356	238,343	762,527	1,508,847
Plan Fiduciary Net Position - Beginning	9,254,659	9,987,015	9,987,015	10,987,885
Plan Fiduciary Net Position - Ending (b)	\$ 9,987,015	\$ 10,225,358	\$ 10,749,542	\$ 12,496,732
Net Pension Liability - Ending (a) - (b)	\$ 1,586,641	\$ 1,264,207	\$ 1,013,610	\$ 2,206,945
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.29%	89.00%	91.38%	84.99%
Covered Payroll	2,672,571	2,895,343	3,064,670	3,077,841
Net Pension Liability as a Percentage of Covered Payroll	59.37%	43.66%	33.07%	71.70%

Notes to Schedule:

N/A

CITY OF KAUFMAN, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 387,392	\$ 347,168	\$ 285,723	\$ 279,762
Contributions in relation to the actuarially determined contribution	387,392	347,168	285,723	279,762
Contribution deficiency (excess)	-	-	-	-
Covered payroll	2,558,729	3,029,037	3,061,302	3,028,970
Contributions as a percentage of covered payroll	15.14%	11.46%	9.33%	9.24%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes 1) Granted 70% ad hoc COLA

CITY OF KAUFMAN, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2017
Total OPEB liability	
Service Cost	\$ 8,310
Interest (on the Total OPEB Liability)	5,709
Changes of assumptions and other inputs	13,828
Benefit payments	<u>(923)</u>
Net Change in Total OPEB Liability	26,924
Total OPEB Liability - Beginning	147,347
Total OPEB Liability - Ending	<u>\$ 174,271</u>
 Covered Payroll	 3,077,841
 OPEB Liability as a Percentage of Covered Payroll	 5.66%

Notes to Schedule:

Note 1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note 2 - The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in note 5.D to the financial statements.

Note 3 - Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Hotel/Motel Fund - This fund is used to account for the Hotel/Motel Occupancy Tax levied on all hotels and motels in the City. Funds are used for attracting and promoting tourism and the convention and hotel industry as authorized by statute.

Law Enforcement Fund - This fund is used to account for seized property to be used for official purposes as provided by Article 59.06 Texas Code of Criminal Procedure.

Court Technology Fund - This fund is used to accounts for monies received to purchase technological enhancements for the municipal court.

Court Security Fund - This fund is used to accounts for monies received to secure the municipal court.

Grants Fund - This fund is used to account for grants received from the federal, state and local governments for the enhancement of public safety activities.

Impact Fees Fund - This fund is used to account for revenues from impact fees assessed to be used for infrastructure improvements.

Tax Increment Reinvestment Zone Fund - This fund is used to account for funds received and expended within the City's Tax Increment Reinvestment Zone.

Public Improvements District Fund - This fund is used to account for funds received and expended within the City's Public Improvements District.

CITY OF KAUFMAN, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2018

	Hotel/ Motel	Law Enforcement	Court Technology	Court Security	Grants	Impact Fees	Tax Increment Reinvestment Zone	Public Improvements District	Totals
ASSETS									
Cash and cash equivalents	\$ 13,071	\$ 143,190	\$ 2,984	\$ 38,512	\$539,076	\$354,768	\$ -	\$ -	\$1,091,601
Receivables	14,780	-	-	-	-	-	-	-	14,780
Intergovernmental receivables	-	-	-	-	254,601	-	-	-	254,601
Total assets	<u>\$ 27,851</u>	<u>\$ 143,190</u>	<u>\$ 2,984</u>	<u>\$ 38,512</u>	<u>\$793,677</u>	<u>\$354,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,360,982</u>
LIABILITIES									
Accounts payable	\$ 4,334	\$ 4,160	\$ 441	\$ -	\$287,033	\$ -	\$ -	\$ 6,712	\$ 302,680
Total liabilities	<u>4,334</u>	<u>4,160</u>	<u>441</u>	<u>-</u>	<u>287,033</u>	<u>-</u>	<u>-</u>	<u>6,712</u>	<u>302,680</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-grants	-	-	-	-	254,601	-	-	-	254,601
	-	-	-	-	<u>254,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,601</u>
FUND BALANCE									
Restricted:	-	139,030	2,543	38,512	252,043	-	-	-	432,128
	-	-	-	-	-	354,768	-	-	354,768
	23,517	-	-	-	-	-	-	-	23,517
Unassigned:	-	-	-	-	-	-	-	(6,712)	(6,712)
	23,517	139,030	2,543	38,512	252,043	354,768	-	(6,712)	803,701
Total liabilities and fund balances	<u>\$ 27,851</u>	<u>\$ 143,190</u>	<u>\$ 2,984</u>	<u>\$ 38,512</u>	<u>\$793,677</u>	<u>\$354,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,360,982</u>

CITY OF KAUFMAN, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2018

	Hotel/ Motel	Law Enforcement	Court Technology	Court Security	Grants	Impact Fees	Tax Increment Reinvestment Zone	Public Improvements District	Totals
REVENUES									
Hotel occupancy taxes	\$ 43,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,746
Fines and forfeitures	-	123,835	2,874	2,153	-	-	-	-	128,862
Interest	-	-	-	-	-	2,692	-	-	2,692
Miscellaneous	-	-	-	-	-	43,691	-	-	43,691
Intergovernmental	-	-	-	-	1,785	-	9,154	-	10,939
Total revenues	<u>43,746</u>	<u>123,835</u>	<u>2,874</u>	<u>2,153</u>	<u>1,785</u>	<u>46,383</u>	<u>9,154</u>	<u>-</u>	<u>229,930</u>
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	29,521	-	29,521
Public safety	-	20,453	5,837	-	833,519	-	-	-	859,809
Public services and operations	35,500	-	-	-	-	-	-	6,712	42,212
Total expenditures	<u>35,500</u>	<u>20,453</u>	<u>5,837</u>	<u>-</u>	<u>833,519</u>	<u>-</u>	<u>29,521</u>	<u>6,712</u>	<u>931,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,246</u>	<u>103,382</u>	<u>(2,963)</u>	<u>2,153</u>	<u>(831,734)</u>	<u>46,383</u>	<u>(20,367)</u>	<u>(6,712)</u>	<u>(701,612)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	400,000	-	16,116	-	416,116
Transfers out	-	-	-	(2,153)	(287,659)	-	-	-	(289,812)
Total other financing sources (uses)	-	-	-	(2,153)	112,341	-	16,116	-	126,304
Net change in fund balances	8,246	103,382	(2,963)	-	(719,393)	46,383	(4,251)	(6,712)	(575,308)
Fund balances-beginning	<u>15,271</u>	<u>35,648</u>	<u>5,506</u>	<u>38,512</u>	<u>971,436</u>	<u>308,385</u>	<u>4,251</u>	<u>-</u>	<u>1,379,009</u>
Fund balances (deficit)-ending	<u>\$ 23,517</u>	<u>\$ 139,030</u>	<u>\$ 2,543</u>	<u>\$ 38,512</u>	<u>\$ 252,043</u>	<u>\$ 354,768</u>	<u>\$ -</u>	<u>\$ (6,712)</u>	<u>\$ 803,701</u>

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Fiscal Year Ended September 30, 2018

	Original and Final Budgeted Final	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
REVENUES					
Property taxes	\$ 1,289,761	\$ 1,329,609	\$ 289	\$ 1,329,898	\$ 40,137
Investment earnings	200	-	-	-	(200)
Total revenues	<u>1,289,961</u>	<u>1,329,609</u>	<u>289</u>	<u>1,329,898</u>	<u>39,937</u>
EXPENDITURES					
Debt service:					
Principal retirement	1,238,725	1,242,631	-	1,242,631	3,906
Interest and fiscal charges	834,381	756,937	-	756,937	(77,444)
Total expenditures	<u>2,073,106</u>	<u>1,999,568</u>	<u>-</u>	<u>1,999,568</u>	<u>(73,538)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(783,145)</u>	<u>(669,959)</u>	<u>289</u>	<u>(669,670)</u>	<u>113,475</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	783,344	783,344	-	783,344	-
Transfers out	(5,930,000)	(683,344)	(4,226,656)	(4,910,000)	1,020,000
General obligation bonds issued	5,930,000	-	4,910,000	4,910,000	(1,020,000)
Total other financing sources (uses)	<u>783,344</u>	<u>100,000</u>	<u>683,344</u>	<u>783,344</u>	<u>-</u>
Net change in fund balances	199	(569,959)	683,633	113,674	113,475
Fund balances-beginning	-	10,631,964	-	10,631,964	10,631,964
Fund balances-ending	<u>\$ 199</u>	<u>\$ 10,062,005</u>	<u>\$ 683,633</u>	<u>\$ 10,745,638</u>	<u>\$ 10,745,439</u>

Proprietary Funds

Enterprise Funds

Utility Fund - This fund is used to account for the water and sewer utility operations.

CITY OF KAUFMAN, TEXAS
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - UTILITY
For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual GAAP Basis	Adjustments		Actual Budget Basis	Variance with Final Budget
	Original	Final		Budget Basis	Budget Basis		
OPERATING REVENUES							
Water revenue	\$ 2,769,640	\$ 2,866,116	\$ 2,619,698	\$ 13,482	\$ 2,633,180	\$ (232,936)	
Sewer revenue	1,758,673	1,581,833	1,586,921	14,570	1,601,491	19,658	
Rental	28,995	28,995	25,143	-	25,143	(3,852)	
Miscellaneous	44,000	71,300	50,977	-	50,977	(20,323)	
Total operating revenues	<u>4,601,308</u>	<u>4,548,244</u>	<u>4,282,739</u>	<u>28,052</u>	<u>4,310,791</u>	<u>(237,453)</u>	
OPERATING EXPENSES							
Personnel services	1,041,809	1,037,248	1,493,942	(572,045)	921,897	(115,351)	
Supplies and materials	122,850	122,050	75,625	24,641	100,266	(21,784)	
Maintenance and repair	2,302,643	1,214,151	336,034	1,478,750	1,814,784	600,633	
Contractual services	1,870,396	1,866,849	1,681,526	-	1,681,526	(185,323)	
Total operating expenses before depreciation	<u>5,337,698</u>	<u>4,240,298</u>	<u>3,587,127</u>	<u>931,346</u>	<u>4,518,473</u>	<u>278,175</u>	
Depreciation	-	-	935,607	(935,607)	-	-	
Total operating expenses	<u>5,337,698</u>	<u>4,240,298</u>	<u>4,522,734</u>	<u>(4,261)</u>	<u>4,518,473</u>	<u>278,175</u>	
Operating income (loss)	<u>\$ (736,390)</u>	<u>\$ 307,946</u>	<u>\$ (239,995)</u>	<u>\$ 32,313</u>	<u>\$ (207,682)</u>	<u>\$ (515,628)</u>	

STATISTICAL SECTION

This part of the City of Kaufman, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	92-96
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	97-100
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	101-104
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	105-106
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	107-109

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KAUFMAN, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accural basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 2,159,116	\$ 2,100,017	\$ 2,280,578	\$ 2,469,014	\$ 2,846,779	\$ 788,591	\$ 4,133,424	\$ 4,190,990	\$ 5,037,515	\$ 17,491,826
Restricted	43,570	45,261	355,713	369,700	647,308	11,514,811	1,455,330	267,446	1,646,430	1,191,219
Unrestricted (deficit)	2,943,548	2,894,313	2,479,843	2,432,807	2,368,657	1,652,765	692,891	(1,235,329)	(1,910,878)	(3,954,311)
Total governmental activities net position	<u>\$ 5,146,234</u>	<u>\$ 5,039,591</u>	<u>\$ 5,116,134</u>	<u>\$ 5,271,521</u>	<u>\$ 5,862,744</u>	<u>\$ 13,956,167</u>	<u>\$ 6,281,645</u>	<u>\$ 3,223,107</u>	<u>\$ 4,773,067</u>	<u>\$ 14,728,734</u>
Business-type activities										
Net investment in capital assets	\$ 8,170,514	\$ 8,167,062	\$ 8,536,149	\$ 7,358,938	\$ 8,180,720	\$ 8,148,142	\$ 9,277,027	\$ 9,156,309	\$ 9,247,153	\$ 9,487,320
Restricted	333,897	321,019	246,088	176,116	183,269	189,208	221,555	270,622	290,212	234,130
Unrestricted	1,500,064	1,444,279	1,302,882	2,526,400	1,766,054	1,691,884	1,023,920	1,479,868	1,623,436	1,171,547
Total business-type activities net position	<u>\$ 10,004,475</u>	<u>\$ 9,932,360</u>	<u>\$ 10,085,119</u>	<u>\$ 10,061,454</u>	<u>\$ 10,130,043</u>	<u>\$ 10,029,234</u>	<u>\$ 10,522,502</u>	<u>\$ 10,906,799</u>	<u>\$ 11,160,801</u>	<u>\$ 10,892,997</u>
Primary government										
Net investment in capital assets	\$ 10,329,630	\$ 10,267,079	\$ 10,816,727	\$ 9,827,952	\$ 11,027,499	\$ 8,936,733	\$ 13,410,451	\$ 13,347,299	\$ 14,284,668	\$ 26,979,146
Restricted	377,467	366,280	601,801	545,816	830,577	11,704,019	1,676,885	538,068	1,936,642	1,425,349
Unrestricted (deficit)	4,443,612	4,338,592	3,782,725	4,959,207	4,134,711	3,344,649	1,716,811	244,539	(287,442)	(2,782,764)
Total primary government net position	<u>\$ 15,150,709</u>	<u>\$ 14,971,951</u>	<u>\$ 15,201,253</u>	<u>\$ 15,332,975</u>	<u>\$ 15,992,787</u>	<u>\$ 23,985,401</u>	<u>\$ 16,804,147</u>	<u>\$ 14,129,906</u>	<u>\$ 15,933,868</u>	<u>\$ 25,621,731</u>

Source: Comprehensive Annual Financial Report

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Note 1: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Note 2: The City implemented GASB Statement No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF KAUFMAN, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 803,190	\$ 617,346	\$ 713,661	\$ 785,132	\$ 752,655	\$ 1,038,186	\$ 890,648	\$ 795,430	\$ 889,202	\$ 1,203,419
Public safety	2,092,090	2,136,890	1,952,397	2,012,451	2,185,030	2,173,310	2,183,520	1,965,831	2,369,520	3,538,527
Public works	802,630	649,766	642,185	664,620	617,511	3,721,180	11,557,777	5,152,645	998,534	1,491,850
Public services and operations	-	-	269,726	300,000	296,982	373,393	435,194	336,920	324,759	613,769
Parks and recreational	321,217	408,849	325,739	314,967	297,587	379,839	322,998	466,463	503,986	593,384
Interest on long-term debt	98,130	93,137	83,546	48,569	44,454	167,236	620,218	571,583	645,093	699,605
Total governmental activities expenses	<u>4,117,257</u>	<u>3,905,988</u>	<u>3,987,254</u>	<u>4,125,739</u>	<u>4,194,219</u>	<u>7,853,144</u>	<u>16,010,355</u>	<u>9,288,872</u>	<u>5,731,094</u>	<u>8,140,554</u>
Business-type Activities:										
Utilities	2,827,764	2,991,423	3,023,158	3,124,159	3,205,722	3,260,804	3,515,919	3,767,304	3,816,367	4,771,558
Drainage	-	-	-	-	-	-	-	118,100	71,999	103,555
Total business-type activities expenses	<u>2,827,764</u>	<u>2,991,423</u>	<u>3,023,158</u>	<u>3,124,159</u>	<u>3,205,722</u>	<u>3,260,804</u>	<u>3,515,919</u>	<u>3,885,404</u>	<u>3,888,366</u>	<u>4,875,113</u>
Total primary government expenses	<u><u>\$ 6,945,021</u></u>	<u><u>\$ 6,897,411</u></u>	<u><u>\$ 7,010,412</u></u>	<u><u>\$ 7,249,898</u></u>	<u><u>\$ 7,399,941</u></u>	<u><u>\$ 11,113,948</u></u>	<u><u>\$ 19,526,274</u></u>	<u><u>\$ 13,174,276</u></u>	<u><u>\$ 9,619,460</u></u>	<u><u>\$ 13,015,667</u></u>
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 104,309	\$ 106,942	\$ 314,635	\$ 324,060	\$ 597,204	\$ 508,092	\$ 403,294	\$ 265,178	\$ 288,218	\$ 255,191
Public safety	221,431	216,152	206,375	330,417	157,387	231,171	274,775	219,331	195,061	243,904
Public works	46,413	18,722	-	-	-	-	32,865	265,714	295,618	307,105
Public services and operations	-	-	55,310	52,826	57,610	43,181	47,557	-	-	-
Parks and recreational	3,460	3,353	3,523	2,871	767	1,560	725	1,105	1,870	1,225
Operating grants and contributions	204,767	9,003	29,373	2,575	39,601	11,084,663	7,928,705	32,720	48,395	417,325
Capital grants and contributions	88,480	117,223	75,700	199,433	401,341	100,000	1,529,071	742,919	1,401,852	10,997,630
Total Governmental Activities Program Revenues	<u>668,860</u>	<u>471,395</u>	<u>684,916</u>	<u>912,182</u>	<u>1,253,910</u>	<u>11,968,667</u>	<u>10,216,992</u>	<u>1,526,967</u>	<u>2,231,014</u>	<u>12,222,380</u>
Business-type Activities:										
Charges for services:										
Utilities	2,488,509	2,547,465	3,095,161	2,944,416	3,245,608	3,129,605	3,242,295	3,953,166	3,886,217	4,282,739
Drainage	-	-	-	-	-	-	-	131,043	197,761	204,023
Operating grants and contributions	-	-	-	-	-	-	-	-	20,191	-
Capital grants and contributions	258,056	185,916	147,753	-	-	-	420,000	177,372	33,813	202,065
Total Business-type Activities Program Revenues	<u>\$ 2,746,565</u>	<u>\$ 2,733,381</u>	<u>\$ 3,242,914</u>	<u>\$ 2,944,416</u>	<u>\$ 3,245,608</u>	<u>\$ 3,129,605</u>	<u>\$ 3,662,295</u>	<u>\$ 4,261,581</u>	<u>\$ 4,137,982</u>	<u>\$ 4,688,827</u>
Total Primary Government Program Revenues	<u><u>\$ 3,415,425</u></u>	<u><u>\$ 3,204,776</u></u>	<u><u>\$ 3,927,830</u></u>	<u><u>\$ 3,856,598</u></u>	<u><u>\$ 4,499,518</u></u>	<u><u>\$ 15,098,272</u></u>	<u><u>\$ 13,879,287</u></u>	<u><u>\$ 5,788,548</u></u>	<u><u>\$ 6,368,996</u></u>	<u><u>\$ 16,911,207</u></u>
NET (EXPENSE)/REVENUE										
Governmental Activities:										
	<u><u>\$ (3,448,397)</u></u>	<u><u>\$ (3,434,593)</u></u>	<u><u>\$ (3,302,338)</u></u>	<u><u>\$ (3,213,557)</u></u>	<u><u>\$ (2,940,309)</u></u>	<u><u>\$ 4,115,523</u></u>	<u><u>\$ (5,793,363)</u></u>	<u><u>\$ (7,761,905)</u></u>	<u><u>\$ (3,500,080)</u></u>	<u><u>\$ 4,081,826</u></u>
Business-type Activities:										
	<u><u>(81,199)</u></u>	<u><u>(258,042)</u></u>	<u><u>219,756</u></u>	<u><u>(179,743)</u></u>	<u><u>39,886</u></u>	<u><u>(131,199)</u></u>	<u><u>146,376</u></u>	<u><u>376,177</u></u>	<u><u>249,616</u></u>	<u><u>(186,286)</u></u>
Total Primary Government Program Net Expenses	<u><u>\$ (3,529,596)</u></u>	<u><u>\$ (3,692,635)</u></u>	<u><u>\$ (3,082,582)</u></u>	<u><u>\$ (3,393,300)</u></u>	<u><u>\$ (2,900,423)</u></u>	<u><u>\$ 3,984,324</u></u>	<u><u>\$ (5,646,987)</u></u>	<u><u>\$ (7,385,728)</u></u>	<u><u>\$ (3,250,464)</u></u>	<u><u>\$ 3,895,540</u></u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
IN NET POSITION										
Governmental Activities:										
Property taxes	\$ 1,776,057	\$ 1,768,186	\$ 1,777,109	\$ 1,772,204	\$ 1,743,664	\$ 1,807,255	\$ 1,990,159	\$ 2,114,025	\$ 2,370,809	\$ 3,015,217
Sales taxes	1,089,696	1,104,987	1,104,523	1,193,154	1,351,409	1,594,892	1,842,273	2,022,782	2,070,430	2,314,065
Franchise taxes	426,761	385,293	483,935	399,268	374,933	417,416	397,783	403,640	425,130	425,109
Hotel occupancy taxes	38,575	36,046	35,819	21,780	28,802	31,387	20,196	33,420	31,825	43,746
Alcoholic beverage taxes	4,581	7,744	8,044	5,267	3,567	5,802	6,914	8,042	8,028	12,114
Investment earnings	30,236	11,263	5,477	4,346	4,107	12,446	17,360	6,170	5,214	11,134
Donations	-	-	5,774	-	-	-	-	-	-	-
Gain on sale of capital assets	-	9,497	-	-	-	-	-	20,487	-	-
Miscellaneous	57,092	66,146	75,566	40,045	33,149	56,364	54,397	91,801	115,475	98,122
Transfers	(169,576)	(61,212)	(34,328)	173,051	18,902	25,338	(284,430)	3,000	23,129	57,656
Total Governmental Activities	3,253,422	3,327,950	3,461,919	3,609,115	3,558,533	3,950,900	4,044,652	4,703,367	5,050,040	5,977,163
Business-type Activities:										
Investment earnings	21,147	7,167	5,230	18,195	14,311	12,725	12,278	11,120	11,985	13,376
Gain on sale of capital assets	-	-	-	-	-	-	-	-	14,679	-
Miscellaneous	99,449	117,548	6,077	3,286	33,296	43,002	74,786	-	851	1,013
Transfers	169,576	61,212	34,328	(173,051)	(18,902)	(25,338)	284,430	(3,000)	(23,129)	(57,656)
Total Business-type Activities	290,172	185,927	45,635	(151,570)	28,705	30,389	371,494	8,120	4,386	(43,267)
Total Primary Government	\$ 3,543,594	\$ 3,513,877	\$ 3,507,554	\$ 3,457,545	\$ 3,587,238	\$ 3,981,289	\$ 4,416,146	\$ 4,711,487	\$ 5,054,426	\$ 5,933,896
CHANGE IN NET POSITION										
Governmental activities	\$ (194,975)	\$ (106,643)	\$ 159,581	\$ 395,558	\$ 618,224	\$ 8,066,423	\$ (1,748,711)	\$ (3,058,538)	\$ 1,549,960	\$ 10,058,989
Business-type activities	208,973	(72,115)	265,391	(331,313)	68,591	(100,810)	517,870	384,297	254,002	(229,553)
Total primary government	\$ 13,998	\$ (178,758)	\$ 424,972	\$ 64,245	\$ 686,815	\$ 7,965,613	\$ (1,230,841)	\$ (2,674,241)	\$ 1,803,962	\$ 9,829,436

Source: Comprehensive Annual Financial Report

Note 1: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

Note 2: The City implemented GASB Statement No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF KAUFMAN, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	\$ -	\$ -	\$ 18,981	\$ 2,923	\$ 13,868	\$ 18,400	\$ 2,673,050	\$ 2,239,392	\$ 1,889,981	\$ 1,514,314
Restricted	226,910	227,546	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	96,818	96,985	100,476	34,526
Unassigned	1,876,268	1,951,777	2,029,082	1,968,406	1,841,869	1,539,800	928,996	1,399,264	1,523,945	1,780,866
Total general fund	\$ 2,103,178	\$ 2,179,323	\$ 2,048,063	\$ 1,971,329	\$ 1,855,737	\$ 1,558,200	\$ 3,698,864	\$ 3,735,641	\$ 3,514,402	\$ 3,329,706
All other governmental funds										
Nonspendable	\$ 150	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,681,199
Restricted	38,428	39,360	355,563	370,023	674,773	10,028,450	17,169,746	14,093,161	20,843,025	4,722,424
Assigned	809,998	730,348	480,263	555,578	694,585	1,031,484	439,247	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(6,712)
Total all other governmental funds	\$ 848,576	\$ 769,708	\$ 835,976	\$ 925,601	\$ 1,369,358	\$ 11,059,934	\$ 17,608,993	\$ 14,093,161	\$ 20,843,025	\$ 14,396,911

Source: Comprehensive Annual Financial Report

CITY OF KAUFMAN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Property taxes	\$ 1,788,426	\$ 1,757,609	\$ 1,804,279	\$ 1,759,924	\$ 1,752,725	\$ 1,815,219	\$ 1,941,275	\$ 2,160,878	\$ 2,323,203	\$ 2,963,053
Sales taxes	1,089,696	1,104,987	1,104,523	1,193,154	1,351,409	1,594,892	1,842,273	2,022,782	2,070,430	2,314,065
Franchise fees	426,761	385,293	483,935	399,268	374,933	417,416	397,783	403,640	425,130	425,109
Hotel occupancy taxes	38,575	36,046	35,819	21,780	28,802	31,387	29,799	33,420	31,825	43,746
Alcoholic beverage taxes	4,581	7,744	8,044	5,267	3,567	5,802	6,914	8,042	8,028	12,114
Licenses and permits	84,966	83,755	87,478	95,864	122,192	108,529	171,781	265,178	288,218	255,191
Fines and forfeitures	213,302	207,236	217,618	345,313	176,882	207,263	264,801	219,332	195,063	243,905
Charges for current services	51,751	53,564	268,845	253,656	260,414	267,302	252,951	266,819	297,488	308,330
Impact fees	-	-	1,520	2,839	251,714	165,161	32,864	-	-	-
Grants	-	-	-	-	1,341	2,755	4,366	-	-	-
Investment earnings	30,236	11,263	5,477	4,346	4,106	12,447	17,360	6,166	5,213	11,133
Miscellaneous	193,209	123,488	105,073	59,540	400,000	100,000	55,927	91,806	115,474	98,120
Intergovernmental	82,562	69,500	80,876	40,045	33,149	56,365	16,093,021	774,130	1,022,142	3,104,374
Contributions and donations	-	-	5,774	623	4,548	2,372	1,256	1,510	2,263	42,818
Total revenues	4,004,065	3,840,485	4,209,261	4,181,619	4,765,782	4,786,910	21,112,371	6,253,703	6,784,477	9,821,958
EXPENDITURES										
Current:										
General government	697,209	496,204	684,238	737,287	731,811	1,037,749	875,001	847,136	892,264	977,146
Public safety	2,012,422	2,153,242	1,830,633	1,831,677	1,961,215	2,010,423	2,235,392	2,452,185	2,565,841	3,302,819
Public works	518,957	498,463	528,899	551,452	503,324	3,492,612	11,287,061	4,948,322	676,340	698,911
Public services and operations	-	-	268,517	301,051	297,551	373,629	329,880	412,349	318,491	497,534
Parks and recreational	262,422	258,227	208,609	198,975	181,909	245,390	297,773	2,036,212	385,809	418,815
Debt service:										
Principal retirement	116,353	124,287	128,171	155,863	152,554	195,346	602,711	618,456	1,326,415	1,694,358
Interest and fiscal charges	94,319	89,732	84,826	40,585	49,405	136,088	556,638	530,831	573,135	793,833
Bond issuance charges	-	-	-	-	-	-	-	57,936	55,169	-
Capital outlay	198,797	171,188	392,505	345,515	578,747	2,290,910	427,720	466,551	3,475,387	8,127,008
Total expenditures	3,900,479	3,791,343	4,126,398	4,162,405	4,456,516	9,782,147	16,612,176	12,369,978	10,268,851	16,510,424
Excess (deficiency) of revenues over (under) expenditures	103,586	49,142	82,863	19,214	309,266	(4,995,237)	4,500,195	(6,116,275)	(3,484,374)	(6,688,466)
OTHER FINANCING SOURCES (USES)										
Transfers in	500,861	177,019	-	173,051	18,902	14,019,214	2,623,944	3,074,491	575,559	2,230,272
Transfers out	(670,437)	(238,231)	(34,329)	-	-	(13,994,489)	(2,908,374)	(3,071,491)	(552,430)	(2,172,616)
Certificates of obligation issued	-	-	-	-	-	1,045,000	-	1,250,000	-	-
General obligation bonds issued	-	-	-	-	-	-	-	1,000,000	9,830,000	-
Refunding bonds issued	-	-	-	-	-	-	-	275,000	-	-
Tax anticipation note issued	-	-	-	-	-	-	-	365,000	-	-
Pass through bonds issued	-	-	-	-	-	8,255,000	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(277,515)	-	-
Premium on bonds issued	-	-	-	-	-	-	-	1,248	-	-
Note payable issued	-	-	-	-	-	4,500,000	4,438,669	-	-	-
Capital lease proceeds	-	-	-	-	-	527,799	-	-	136,423	-
Sale of capital assets	-	9,497	-	12,502	-	35,750	35,289	20,487	23,447	-
Total other financing sources (uses)	(169,576)	(51,715)	(34,329)	185,553	18,902	14,388,274	4,189,528	2,637,220	10,012,999	57,656
Net change in fund balances	\$ (65,990)	\$ (2,573)	\$ 48,534	\$ 204,767	\$ 328,168	\$ 9,393,037	\$ 8,689,723	\$ (3,479,055)	\$ 6,528,625	\$ (6,630,810)
Debt service as a percentage of noncapital expenditures	5.66%	5.91%	5.70%	5.15%	5.21%	4.42%	7.16%	11.38%	30.10%	32.70%

Source: Comprehensive Annual Financial Report

CITY OF KAUFMAN, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended September 30	Estimated Actual Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Taxable Assessed Value as a Percentage of Estimated Actual Value	Estimated Actual Taxable Value	Total Direct Rate
	Real Property	Personal Property					
97	2009	\$ 336,438,937	\$ 45,102,890	\$ 285,833,854	74.92%	\$ 381,541,827	\$0.60880
	2010	336,596,364	36,768,460	273,108,143	73.15%	373,364,824	0.63710
	2011	333,616,219	38,556,450	271,661,747	72.99%	372,172,669	0.64040
	2012	326,261,068	39,926,850	266,447,193	72.76%	366,187,918	0.64539
	2013	323,747,199	41,637,470	266,141,469	72.84%	365,384,669	0.65249
	2014	328,703,417	45,524,420	274,606,710	73.38%	374,227,837	0.65249
	2015	338,385,382	47,963,990	282,369,877	73.09%	386,349,372	0.70249
	2016	365,457,870	60,754,710	296,046,435	69.46%	426,212,580	0.70249
	2017	375,220,983	60,500,840	300,752,888	69.02%	435,721,823	0.77726
	2018	389,763,658	79,031,250	335,717,210	71.61%	468,794,908	0.89937

Source: City Administration Office.

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.
 Tax rates are per \$100 of assessed value.

CITY OF KAUFMAN, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Kaufman			Overlapping Rates			Total Direct and Overlapping Rates	
	Operating /		Total Direct	Kaufman		Kaufman County		
	General Rate	Obligation		Independent	School District			
2009	\$ 0.53530	\$ 0.07350	\$ 0.60880	\$ 1.30000	\$ 0.55280	\$ 2.46160		
2010	0.55900	0.07810	0.63710	1.30000	0.55650	2.49360		
2011	0.56200	0.07840	0.64040	1.30000	0.50770	2.44810		
2012	0.56659	0.07880	0.64539	1.30000	0.49910	2.44449		
2013	0.57698	0.07551	0.65249	1.30000	0.55650	2.50899		
2014	0.57896	0.07353	0.65249	1.30000	0.55650	2.50899		
2015	0.49769	0.20480	0.70249	1.30000	0.57620	2.57869		
2016	0.50735	0.19514	0.70249	1.46000	0.57620	2.73869		
2017	0.50735	0.26991	0.77726	1.53000	0.58870	2.89596		
2018	0.50735	0.39202	0.89937	1.55000	0.58870	3.03807		

Source: City Administration Office

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Kaufman, Texas.

CITY OF KAUFMAN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Taxpayer	2018 ¹		2009 ²			
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
ITS Equipment Leasing & Maintenance LLC	\$ 16,308,320	1	4.86%	\$ 4,128,670	3	1.44%
Wal-Mart Real Estate Business Trust	8,396,582	2	2.50%	-	-	-
Falcon Steel Inc.	6,182,800	3	1.84%	3,321,980	5	1.16%
Wal-Mart Stores	6,075,920	4	1.81%	-	-	-
BWR Apartments LP	4,819,880	5	1.44%	-	-	-
Brookshire Grocery C.	4,250,940	6	1.27%	4,176,050	2	1.46%
Tables Manufacturing Inc.	3,688,086	7	1.10%	3,452,640	4	1.21%
Kolder Inc.	3,197,430	8	0.95%	2,700,000	6	0.94%
Centro NP Noldings 12 SPE LLC	2,850,000	9	0.85%	-	-	-
Oncor Electric Delivery Co.	2,817,300	10	0.84%	2,064,940	9	0.72%
TCI Hunters Glen	-		-	5,453,890	1	1.91%
Abox Paperboard	-		-	4,128,670	3	1.44%
Centeramerica Capital Partnership	-		-	2,612,850	7	0.91%
2 M Properties LTD	-		-	2,234,700	8	0.78%
Kinplex Trust A	-		-	1,708,000	10	0.60%
Total	\$ 58,587,258		17.45%	\$ 35,982,390		12.59%

Source: ¹ www.kaufman-cad.net

² City Administration Office.

CITY OF KAUFMAN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date		
		Amount Collected	Percentage of Levy	Years	Amount Collected	Percentage of Levy		
100	2009	\$ 1,740,157	\$ 1,677,518	96.40 %	\$ 54,892	\$ 1,732,410	99.55 %	
	2010	1,774,744	1,678,366	94.57	90,964	1,769,330	99.69	
	2011	1,739,722	1,689,601	97.12	43,112	1,732,713	99.60	
	2012	1,733,400	1,687,208	97.34	37,835	1,725,043	99.52	
	2013	1,736,415	1,684,211	96.99	44,259	1,728,470	99.54	
	2014	1,769,535	1,742,183	98.45	18,119	1,760,302	99.48	
	2015	1,983,620	1,906,266	96.10	52,826	1,959,092	98.76	
	2016	2,081,279	2,040,636	98.05	22,108	2,062,744	99.11	
	2017	2,336,670	2,244,619	96.06	61,875	2,306,494	98.71	
	2018	3,086,895	2,939,233	95.22	-	2,939,233	95.22	

Source: Kaufman County Tax Office

CITY OF KAUFMAN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities									
	Certificates of Obligation	General Obligation Bonds	Pass Through Bonds	Notes Payable	Tax Anticipation Note	Development Agreement Payable	Capital Leases			
2009	\$ 2,143,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
2010	2,018,778	-	-	-	-	-	-			
2011	1,890,606	-	-	-	-	-	-			
2012	547,504	1,251,200	-	-	-	-	-			
2013	449,350	1,201,092	-	-	-	-	-			
2014	1,475,647	1,056,754	8,221,846	4,500,000	-	1,695,000	490,553			
2015	1,425,850	917,072	8,223,382	8,938,669	-	1,356,000	416,042			
2016	2,220,116	2,054,378	8,224,918	8,917,995	365,000	1,017,000	340,761			
2017	2,140,394	11,692,909	7,921,454	8,644,726	305,000	678,000	399,238			
2018	2,055,672	11,407,278	7,612,989	8,141,695	245,000	339,000	286,511			

Fiscal Year	Business- Activities					Total Primary Government	Percentage of Personal Income¹	Per Capita¹
	Certificates of Obligation	General Obligation Bonds	Development Agreement Payable	Capital Leases				
2009	\$ 2,516,935	\$ 2,205,000	\$ -	\$ -	\$ 6,865,000	3.12%	\$ 1,002	
2010	2,376,222	1,870,000	-	-	6,265,000	2.47%	895	
2011	2,232,393	1,520,000	399,263	-	6,042,262	2.45%	888	
2012	2,376,495	1,748,800	399,263	-	6,323,262	2.42%	907	
2013	2,201,650	1,358,179	399,263	60,772	5,670,306	2.12%	810	
2014	2,065,350	907,143	399,263	46,310	20,857,866	8.20%	2,980	
2015	1,916,150	436,107	549,263	31,557	24,210,092	9.36%	3,498	
2016	5,747,495	1,551,299	404,916	16,302	30,860,180	11.32%	4,312	
2017	5,534,902	1,371,788	404,916	140,191	39,233,518	14.13%	5,464	
2018	7,970,637	1,185,677	135,000	106,606	39,486,065	14.20%	5,393	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Personal income data and population data can be found in the Schedule of Demographic and Economic Statistics on page 105.

CITY OF KAUFMAN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING ¹
Last Ten Fiscal Years

Fiscal Year	Certificates of Obligation	General Obligation Bonds	Tax Anticipation Note	Development Agreement Payable	Less: Amounts Available in Debt Service Fund			Percentage of Estimated Actual Taxable Value² of Property	Per Capita³
					Total				
102	2009	\$ 4,660,000	\$ 2,205,000	\$ -	\$ 32,295	\$ 6,832,705		2.39%	\$ 997
	2010	4,395,000	1,870,000	-	33,029	6,231,971		2.28%	890
	2011	4,122,999	1,520,000	-	34,506	6,007,756		2.21%	883
	2012	2,923,999	3,000,000	-	38,201	6,285,061		2.36%	902
	2013	2,651,000	2,559,271	-	45,605	5,563,929		2.09%	795
	2014	3,540,997	1,963,897	-	45,195	5,858,962		2.13%	837
	2015	3,342,000	1,353,179	-	118,828	5,125,614		1.82%	740
	2016	7,967,611	3,605,677	365,000	769,916	12,583,385		4.25%	1,758
	2017	7,675,296	13,064,697	305,000	709,916	271,861	21,483,048	7.14%	2,992
	2018	10,026,309	12,592,955	245,000	380,000	380,806	22,863,458	6.81%	3,123

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ General Bonded Debt Outstanding does not include notes payable that will not be repaid with general government resources.

² See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 97 for property value data.

³ Population data can be found in the Schedule of Demographic and Economic Statistics on page 105.

CITY OF KAUFMAN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Amounts Applicable to Primary Government
Debt repaid with property taxes: Kaufman County	\$ 62,054,016	5.02%	\$ 3,115,112
Debt repaid with property taxes: School District	74,182,871	48.79%	<u>36,193,823</u>
Subtotal, overlapping debt			39,308,935
City of Kaufman, Texas direct debt			<u>30,088,145</u>
Total direct and overlapping debt			<u>\$ 69,397,080</u>

Source: Texas Municipal Reports

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the property taxes of the City of Kaufman, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxes should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county and school district's taxable assessed value that is within the city's boundaries and dividing it by the county and school district's total taxable assessed value.

CITY OF KAUFMAN, TEXAS
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Waterworks and Sewer System Revenue Bonds						Times Coverage
	Total Revenues¹	Less Operating Expenses²	Net Available Revenue	Debt Service			
				Principal	Interest		
2009	\$ 2,609,105	\$ 2,005,847	\$ 603,258	\$ 325,000	\$ 87,946		1.46
2010	2,672,180	2,101,132	571,048	335,000	77,295		1.39
2011	3,254,220	2,152,934	1,101,286	511,834	142,072		1.68
2012	2,945,309	2,258,624	686,685	570,446	150,266		0.95
2013	3,278,904	2,351,745	927,159	586,956	111,667		1.33
2014	3,172,607	2,464,632	707,975	635,030	91,330		0.97
2015	3,191,532	2,621,892	569,640	619,800	89,400		0.80
2016	3,942,046	2,670,799	1,271,247	154,363	154,349		4.12
2017	3,874,232	2,767,539	1,106,693	383,800	131,734		2.15
2018	4,269,363	3,587,127	682,236	420,400	188,713		1.12

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Includes operating and nonoperating revenues.

² Includes operating expenses minus depreciation.

CITY OF KAUFMAN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Estimated Population¹	Personal Income	Per Capita		School Enrollment³	Unemployment Rate⁴
			Personal Income²	Median Age²		
2009	6,850	\$ 219,761,700	\$ 32,082	*	3,728	8.3 %
2010	7,000	253,988,000	36,284	30.3	3,746	9.0
2011	6,805	246,912,620	36,284	** 30.3	3,820	9.0 **
2012	6,969	261,553,965	37,531	** 30.3	3,737	6.6
2013	7,000	266,903,000	38,129	32.0	3,752	6.5 ⁵
2014	7,000	254,275,000	36,325	32.0	3,798	6.8
2015	6,922	258,522,856	37,348	37.0	3,844	4.9
2016	7,156	272,686,536	38,106	34.0	3,851	3.6
2017	7,181	277,624,641	38,661	34.6	3,931	3.1
2018	7,322	278,074,916	37,978	35.6	4,002	3.2

Sources:

¹ North Central Texas Council of Governments

² U.S. Department of Commerce - Bureau of Economic Analysis

³ Kaufman Independent School District

⁴ Texas Workforce Commission

⁵ www.citydata.com

* Median age only available when released in census years.

** Estimated

CITY OF KAUFMAN, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Employer	2018			2009			Percentage of Total City Employment
	Employees	Rank	Percentage of Total City Employment	Employees	Rank		
Kaufman County	554	1	14.27%	538	1		12.55%
Kaufman ISD	524	2	13.50%	486	2		11.33%
Walmart	300	3	7.73%	-			-
Numo Manufacturing	208	4	5.36%	127	8		2.96%
Texas Health Presbyterian	200	5	5.15%	250	3		5.83%
Enertech	175	6	4.51%	-			-
Advanced Tabco / Tables Mfg. Inc.	170	7	4.38%	129	7		3.01%
Trinity Valley Electric Cooperative	157	8	4.05%	150	5		3.50%
Falcon Steel	143	9	3.68%	204	4		4.76%
Sunflower Nursing Home	105	10	2.71%	115	9		2.68%
Brookshire's Grocery Company	-		-	140	6		3.26%
Abox Packaging	-		-	115	10		2.68%
Total	<u>2,536</u>		<u>65.34%</u>	<u>2,254</u>			<u>52.57%</u>

Source: City Administration Office.

CITY OF KAUFMAN, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administrative Services										
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
City Secretary	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Secretary/Admin Assistant	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
Financial Services										
Finance	5.0	5.0	5.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0
Municipal Court	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police	24.0	24.0	26.0	26.0	26.0	25.0	25.0	25.0	24.0	24.0
Development Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Fire	4.0	4.0	4.0	4.0	4.0	6.0	6.0	6.0	6.0	6.0
Streets	10.0	10.0	10.0	10.0	10.0	12.0	10.0	10.0	12.0	12.0
Water and Sewer Systems	13.0	13.0	13.0	13.0	13.0	12.0	14.0	14.0	13.0	13.0
Total	64.0	64.0	66.0	66.0	66.0	69.0	69.0	68.0	68.0	68.0

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Source: City Administration Office.

CITY OF KAUFMAN, TEXAS
 OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
UCR - Reported Crimes	180	181	144	134	155	132	209	200	230	201
Number of Violations (Citations)	2,270	1,577	3,396	5,504	4,074	2,977	6,995	5,845	6,933	4,872
Judicial										
Municipal Court Fines	\$ 213,302	\$ 207,236	\$ 217,618	\$ 257,964	\$ 224,673	\$ 258,077	\$ 289,161	\$ 211,091	\$ 172,099	\$ 114,402
Fire										
Fire Calls	771	813	910	940	735	880	1,156	1,569	1,974	2,271
Fire Loss	\$ 280,000	\$ 216,411	\$ 309,100	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable	unavailable
Inspection										
Permits Issued (Units)	3	3	1	6	3	3	485	431	572	522
Permit Value	\$ 2,147,500	\$ 3,711,993	\$ 550,000	\$ 1,233,000	\$ 10,309,526	\$ 1,470,000	\$ 14,036,494	\$ 56,041,030	\$ 14,769,321	\$ 18,776,255
Streets										
Miles of Streets Maintained	35.31	35.31	35.31	35.36	35.31	35.81	35.81	35.81	35.81	37.31
801 Health										
Animals Impounded	450	316	282	276	269	245	226	279	164	203
Cultural and Recreational										
Parks										
Parks Maintained	5	5	5	5	5	5	5	5	5	5
Sanitation Service										
Refuse Customers	1,833	1,832	1,835	1,833	1,835	1,788	1,686	1,859	2,245	1,784
Water										
Number of Water Customers	2,481	2,470	2,480	2,463	2,451	2,447	2,374	2,551	2,480	2,651
Estimated Gallons Billed (in thousands)	343,707	320,810	420,491	427,433	341,270	324,422	299,781	328,672	289,399	261,916
Sewer										
Number of Wastewater Customers	2,351	2,347	2,345	2,126	2,142	2,108	2,111	2,190	2,104	1,974

Sources: Various city departments.

CITY OF KAUFMAN, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire Hydrants	257	265	265	300	300	312	362	364	456	456
Streets										
Miles of Streets	35.31	35.31	35.31	35.31	35.31	35.81	35.81	35.81	35.81	37.31
Cultural and Recreational										
Parks Maintained	5	5	5	5	5	5	5	5	5	5
Water										
Water Storage Capacity (gallons)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Sewer										
Sewer Plant Capacity (million gallons per day)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

Sources: Various city departments.