

REQUEST FOR AGENDA PLACEMENT FORM

Submission Deadline - Tuesday, 12:00 PM before Court Dates

SUBMITTED BY: J. R. Kirkpatrick

TODAY'S DATE: 03/28/2017

DEPARTMENT:

X Auditor

SIGNATURE OF DEPARTMENT HEAD:

X _____

REQUESTED AGENDA DATE:

X 04/24/17

SPECIFIC AGENDA WORDING:

Presentation of the 2016 Comprehensive Annual Financial Report.

PERSON(S) TO PRESENT ITEM:

Wade Whitlow with Kennemer, Masters & Lunsford

SUPPORT MATERIAL: (Must enclose supporting documentation)

TIME:

10 minutes

ACTION ITEM: _____

WORKSHOP: _____

(Anticipated number of minutes needed to discuss item) **CONSENT:** _____

EXECUTIVE: _____

STAFF NOTICE:

COUNTY ATTORNEY: _____ **ISS DEPARTMENT:** _____

AUDITOR: _____ **PURCHASING DEPARTMENT:** _____

PERSONNEL: _____ **PUBLIC WORKS:** _____

BUDGET COORDINATOR: _____ **OTHER:** _____

*****This Section to be Completed by County Judge's Office*****

ASSIGNED AGENDA DATE: _____

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE _____

COURT MEMBER APPROVAL _____

Date _____



Contacts

Jim Sabonis
Managing Director
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.953.4195
Fax: 214.953.4050
jim.sabonis@hilltopsecurities.com

Andre Ayala
Director
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.953.4184
Fax: 214.953.4050
andre.ayala@hilltopsecurities.com

Jorge Delgado
Assistant Vice President
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.859.1714
Fax: 214.953.4050
jorge.delgado@hilltopsecurities.com



General Obligation Refunding Bonds, Series 2017
Transaction Summary

Johnson County, Texas

Results of Competitive Bid Process

Johnson County, Texas



Bids Received on April 19, 2017

| | <u>Bidder</u> | <u>True Interest Cost%</u> |
|----|-----------------------------------|----------------------------|
| 1 | First National Bank | 1.269% |
| 2 | Broadway National Bank | 1.310% |
| 3 | Vectra Bank, a division of ZB, NA | 1.520% |
| 4 | JP Morgan Chase Bank NA | 1.520% |
| 5 | The Independent Bankers Bank | 1.590% |
| 6 | BB&T | 1.610% |
| 7 | BOKE, NA DBA Bank of Texas | 1.660% |
| 8 | Hancock Whitney Bank | 1.680% |
| 9 | Pinnacle Public Finance | 1.790% |
| 10 | First Financial Bank | 1.950% |



General Obligation Refunding Bonds, Series 2017

Johnson County, Texas



Summary Refunding Statistics

| | Projected as of 3/11/2017 | Actual as of 4/19/2017 |
|---|---------------------------|------------------------|
| Par Amount | \$6,435,000 | \$6,425,000 |
| Bonds Refunded (Series 2007) | \$6,285,000 | \$6,285,000 |
| True Interest Cost | 1.600% ⁽¹⁾ | 1.269% ⁽²⁾ |
| Gross Savings | \$200,513 | \$252,185 |
| Gross Debt Service Savings as a % of Refunded Bonds | 3.19% | 4.01% |
| Average Annual Savings (FY 18-20) | \$66,305 | \$84,016 |
| PV Savings | \$192,158 | \$243,486 |
| PV Savings as a % of Refunded Bonds | 3.05% | 3.87% |

(1) Budgeted interest rates as of March 13, 2017.
 (2) First National Bank Bid as of April 19, 2017



Preliminary Cash Flows

Johnson County, Texas



First National Bank Bid

| A | B | C | D | E | F | G |
|---------------------------|--|---|---------------------------------|--|---|--|
| Fiscal Year Ending 30-Sep | Estimated Growth Factor ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | General Obligation Debt Service | Less: Refunded D/S Savings ⁽³⁾⁽⁴⁾ | Projected General Obligation Debt Service | I&S Tax Rate Equivalent ⁽⁵⁾ |
| 2017 | | \$ 10,447,204,534 | \$ 3,770,666 | \$ 136 | \$ 3,770,529 | \$ 0.0287 |
| 2018 | 0.00% | 10,447,204,534 | 3,771,767 | 86,566 | 3,685,201 | 0.0360 |
| 2019 | 0.00% | 10,447,204,534 | 3,771,695 | 81,818 | 3,689,877 | 0.0360 |
| 2020 | 0.00% | 10,447,204,534 | 3,771,342 | 83,665 | 3,687,677 | 0.0360 |
| 2021 | 0.00% | 10,447,204,534 | 3,771,433 | - | 3,771,433 | 0.0368 |
| 2022 | 0.00% | 10,447,204,534 | 1,746,859 | - | 1,746,859 | 0.0171 |
| 2023 | 0.00% | 10,447,204,534 | 1,746,011 | - | 1,746,011 | 0.0171 |
| 2024 | 0.00% | 10,447,204,534 | 1,747,454 | - | 1,747,454 | 0.0171 |
| 2025 | 0.00% | 10,447,204,534 | 1,745,869 | - | 1,745,869 | 0.0171 |
| 2026 | 0.00% | 10,447,204,534 | 1,745,926 | - | 1,745,926 | 0.0171 |
| 2027 | 0.00% | 10,447,204,534 | 1,747,369 | - | 1,747,369 | 0.0171 |
| 2028 | 0.00% | 10,447,204,534 | 1,745,190 | - | 1,745,190 | 0.0170 |
| 2029 | 0.00% | 10,447,204,534 | 1,744,145 | - | 1,744,145 | 0.0170 |
| 2030 | 0.00% | 10,447,204,534 | 1,744,143 | - | 1,744,143 | 0.0170 |
| 2031 | 0.00% | 10,447,204,534 | 1,747,823 | - | 1,747,823 | 0.0171 |
| 2032 | 0.00% | 10,447,204,534 | 1,745,616 | - | 1,745,616 | 0.0170 |
| 2033 | 0.00% | 10,447,204,534 | 1,745,285 | - | 1,745,285 | 0.0170 |
| 2034 | 0.00% | 10,447,204,534 | 1,746,600 | - | 1,746,600 | 0.0171 |
| 2035 | 0.00% | 10,447,204,534 | 1,744,445 | - | 1,744,445 | 0.0170 |
| | | | \$ 43,299,639 | \$ 252,186 | \$ 43,047,453 | |

Assumptions:

- (1) Assumes 0% growth in TAV for purposes of illustration.
- (2) Fiscal Year 2017 Certified Totals as reported by the Johnson County Appraisal District.
- (3) Assumes First National Bank Bid as of April 19, 2017.
- (4) Gross savings discounted at the All-in True Interest Cost to obtain Present Value savings which are estimated at \$243,486 or 3.87% of the refunded par amount.
- (5) FY 2017 represents existing I&S tax rate.



Schedule of Events

Johnson County, Texas



| Date | Event |
|--|--|
| Monday, 03/13/17 | Presentation of Plan of Finance Commissioners Court Considers and approves Plan of Finance and directs Staff and consultants to move forward |
| Wednesday, 03/15/17 | Draft of Term Sheet distributed for comments |
| Wednesday, 03/22/17 | Deadline to provide comments to draft Term Sheet |
| Thursday, 03/23/17 | Distribution of FINAL Term Sheet and disclosure information to Placement Agent |
| 4/4/17 - 4/18/17 | <i>Marketing of the GO Refunding Bond</i> |
| Wednesday, 04/19/17 | Proposals due to financial advisor no later than 4pm CDT |
| Pricing of GO Refunding Bonds, Series 2017 | |
| Monday, 04/24/17 | Commissioners Court approves an Ordinance authorizing the issuance of the General Obligation Refunding Bonds, Series 2017 |
| <i>Before Closing</i> | <i>Attorney General Approves Issue</i> |
| Wednesday, 05/24/17 | Closing of debt issue and delivery of funds to Escrow Agent |
| Wednesday, 05/31/17 | Redemption of GO Rfg Bds, S2007 |
| Tuesday, 08/15/17 | 1st Principal and Interest Payment on Refunding Bonds |

**Key Actions to be taken by Commissioners Court
Key Actions to be taken by County Auditor**

*Preliminary, subject to change.





Contacts

Jim Sabonis
Managing Director
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.953.4195
Fax: 214.953.4050
jim.sabonis@hilltopsecurities.com

Andre Ayala
Director
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.953.4184
Fax: 214.953.4050
andre.ayala@hilltopsecurities.com

Jorge Delgado
Assistant Vice President
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214.859.1714
Fax: 214.953.4050
jorge.delgado@hilltopsecurities.com



General Obligation Refunding Bonds, Series 2017
Transaction Summary

April 24, 2017

Johnson County, Texas

Results of Competitive Bid Process

Johnson County, Texas



Bids Received on April 19, 2017

| | <u>Bidder</u> | <u>True Interest Cost%</u> |
|----|-----------------------------------|----------------------------|
| 1 | First National Bank | <u>1.269%</u> |
| 2 | Broadway National Bank | 1.310% |
| 3 | Vectra Bank, a division of ZB, NA | 1.520% |
| 4 | JP Morgan Chase Bank NA | 1.520% |
| 5 | The Independent Bankers Bank | 1.590% |
| 6 | BB&T | 1.610% |
| 7 | BOKF, NA DBA Bank of Texas | 1.660% |
| 8 | Hancock Whitney Bank | 1.680% |
| 9 | Pinnacle Public Finance | 1.790% |
| 10 | First Financial Bank | 1.950% |

JOHNSON COUNTY, TEXAS

General Obligation Refunding Bonds, Series 2017

Johnson County, Texas



Summary Refunding Statistics

| | Projected as of 3/11/2017 | Actual as of 4/19/2017 |
|--|------------------------------|---------------------------|
| Par Amount | \$6,435,000 | \$6,425,000 |
| Bonds Refunded (Series 2007) | \$6,285,000 | \$6,285,000 |
| True Interest Cost | 1.600% ⁽¹⁾ | 1.269% ⁽²⁾ |
| Gross Savings | \$200,513 | \$252,185 |
| Gross Debt Service Savings as a % of Refunded Bonds | 3.19% | 4.01% |
| Average Annual Savings (FY 18-20) | \$66,305 | \$84,016 |
| PV Savings | \$192,158 | \$243,486 |
| PV Savings as a % of Refunded Bonds | 3.05% | 3.87% |

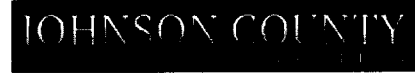
(1) Budgeted interest rates as of March 13, 2017.

(2) First National Bank Bid as of April 19, 2017

JOHNSON COUNTY, TEXAS

Preliminary Cash Flows

Johnson County, Texas



First National Bank Bid

| <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> | <u>F</u> | <u>G</u> |
|---------------------------|--|---|---------------------------------|--|---|--|
| Fiscal Year Ending 30-Sep | Estimated Growth Factor ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | General Obligation Debt Service | Less: Refunded D/S Savings ⁽³⁾⁽⁴⁾ | Projected General Obligation Debt Service | I&S Tax Rate Equivalent ⁽⁵⁾ |
| 2017 | | \$ 10,447,204,534 | \$ 3,770,866 | \$ 136 | \$ 3,770,529 | \$ 0.0287 |
| 2018 | 0.00% | 10,447,204,534 | 3,771,767 | 86,566 | 3,685,201 | 0.0360 |
| 2019 | 0.00% | 10,447,204,534 | 3,771,695 | 81,818 | 3,689,877 | 0.0360 |
| 2020 | 0.00% | 10,447,204,534 | 3,771,342 | 83,665 | 3,687,677 | 0.0360 |
| 2021 | 0.00% | 10,447,204,534 | 3,771,433 | - | 3,771,433 | 0.0368 |
| 2022 | 0.00% | 10,447,204,534 | 1,746,859 | - | 1,746,859 | 0.0171 |
| 2023 | 0.00% | 10,447,204,534 | 1,746,011 | - | 1,746,011 | 0.0171 |
| 2024 | 0.00% | 10,447,204,534 | 1,747,454 | - | 1,747,454 | 0.0171 |
| 2025 | 0.00% | 10,447,204,534 | 1,745,869 | - | 1,745,869 | 0.0171 |
| 2026 | 0.00% | 10,447,204,534 | 1,745,926 | - | 1,745,926 | 0.0171 |
| 2027 | 0.00% | 10,447,204,534 | 1,747,369 | - | 1,747,369 | 0.0171 |
| 2028 | 0.00% | 10,447,204,534 | 1,745,190 | - | 1,745,190 | 0.0170 |
| 2029 | 0.00% | 10,447,204,534 | 1,744,145 | - | 1,744,145 | 0.0170 |
| 2030 | 0.00% | 10,447,204,534 | 1,744,143 | - | 1,744,143 | 0.0170 |
| 2031 | 0.00% | 10,447,204,534 | 1,747,823 | - | 1,747,823 | 0.0171 |
| 2032 | 0.00% | 10,447,204,534 | 1,745,616 | - | 1,745,616 | 0.0170 |
| 2033 | 0.00% | 10,447,204,534 | 1,745,285 | - | 1,745,285 | 0.0170 |
| 2034 | 0.00% | 10,447,204,534 | 1,746,600 | - | 1,746,600 | 0.0171 |
| 2035 | 0.00% | 10,447,204,534 | 1,744,445 | - | 1,744,445 | 0.0170 |
| | | | \$ 43,299,639 | \$ 252,186 | \$ 43,047,453 | |

Assumptions:

- (1) Assumes 0% growth in TAV for purposes of illustration.
- (2) Fiscal Year 2017 Certified Totals as reported by the Johnson County Appraisal District.
- (3) Assumes First National Bank Bid as of April 19, 2017.
- (4) Gross savings discounted at the All-in True Interest Cost to obtain Present Value savings which are estimated at \$243,486 or 3.87% of the refunded par amount.
- (5) FY 2017 represents existing I&S tax rate.

JOHNSON COUNTY, TEXAS

Schedule of Events

Johnson County, Texas



| Date | Event |
|-----------------------|--|
| Monday, 03/13/17 | Presentation of Plan of Finance Commissioners Court Considers and approves Plan of Finance and directs Staff and consultants to move forward |
| Wednesday, 03/15/17 | Draft of Term Sheet distributed for comments |
| Wednesday, 03/22/17 | Deadline to provide comments to draft Term Sheet |
| Thursday, 03/23/17 | Distribution of FINAL Term Sheet and disclosure information to Placement Agent |
| 4/4/17 - 4/18/17 | <i>Marketing of the GO Refunding Bond</i> |
| Wednesday, 04/19/17 | Proposals due to financial advisor no later than 4pm CDT Pricing of GO Refunding Bonds, Series 2017 |
| Monday, 04/24/17 | Commissioners Court approves an Ordinance authorizing the issuance of the General Obligation Refunding Bonds, Series 2017 |
| <i>Before Closing</i> | <i>Attorney General Approves Issue</i> |
| Wednesday, 05/24/17 | Closing of debt issue and delivery of funds to Escrow Agent |
| Wednesday, 05/31/17 | Redemption of GO Rfg Bds, S2007 |
| Tuesday, 08/15/17 | 1st Principal and Interest Payment on Refunding Bonds |

Key Actions to be taken by Commissioners Court

Key Actions to be taken by County Auditor

*Preliminary, subject to change.

JOHNSON COUNTY, TEXAS



TABLE OF CONTENTS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par .

| Report | Page |
|--|------|
| Sources and Uses of Funds | 1 |
| Savings | 2 |
| Summary of Refunding Results | 3 |
| Bond Summary Statistics | 4 |
| Bond Pricing | 6 |
| Summary of Bonds Refunded | 7 |
| Bond Debt Service | 8 |
| Prior Bond Debt Service | 9 |
| Escrow Requirements | 10 |
| Escrow Cost | 11 |
| Escrow Sufficiency | 12 |
| Escrow Statistics | 13 |
| Form 8038 Statistics | 14 |
| Proof of Arbitrage Yield | 16 |

SOURCES AND USES OF FUNDS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

Dated Date 05/24/2017
Delivery Date 05/24/2017

Sources:

| | |
|----------------|--------------|
| Bond Proceeds: | |
| Par Amount | 6,425,000.00 |
| | 6,425,000.00 |

Uses:

| | |
|----------------------------|--------------|
| Refunding Escrow Deposits: | |
| Cash Deposit | 6,360,661.18 |
| Cost of Issuance: | |
| Other Cost of Issuance | 64,338.82 |
| | 6,425,000.00 |

Note: Final

SAVINGS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Date | Prior Debt Service | Refunding Debt Service | Savings |
|------------|--------------------|------------------------|------------|
| 09/30/2017 | 128,481.25 | 128,344.98 | 136.27 |
| 09/30/2018 | 2,099,362.50 | 2,012,796.33 | 86,566.17 |
| 09/30/2019 | 2,228,917.50 | 2,147,099.08 | 81,818.42 |
| 09/30/2020 | 2,363,036.25 | 2,279,371.43 | 83,664.82 |
| | 6,819,797.50 | 6,567,611.82 | 252,185.68 |

Savings Summary

| | |
|------------------------------|------------|
| Savings PV date | 05/24/2017 |
| Savings PV rate | 1.856038% |
| PV of savings from cash flow | 243,486.47 |
| Net PV Savings | 243,486.47 |

SUMMARY OF REFUNDING RESULTS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| | |
|--|--------------|
| Dated Date | 05/24/2017 |
| Delivery Date | 05/24/2017 |
| Arbitrage yield | 1.269288% |
| Escrow yield | 0.000000% |
| Value of Negative Arbitrage | |
| Bond Par Amount | 6,425,000.00 |
| True Interest Cost | 1.269288% |
| Net Interest Cost | 1.269000% |
| All-In TIC | 1.856038% |
| Average Coupon | 1.269000% |
| Average Life | 1.749 |
| Par amount of refunded bonds | 6,285,000.00 |
| Average coupon of refunded bonds | 4.115884% |
| Average life of refunded bonds | 1.794 |
| PV of prior debt to 05/24/2017 @ 1.856038% | 6,604,147.65 |
| Net PV Savings | 243,486.47 |
| Percentage savings of refunded bonds | 3.874089% |

Note: Final

BOND SUMMARY STATISTICS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| | |
|---------------------------------|---------------|
| Dated Date | 05/24/2017 |
| Delivery Date | 05/24/2017 |
| First Coupon | 08/15/2017 |
| Last Maturity | 02/15/2020 |
| Arbitrage Yield | 1.269288% |
| True Interest Cost (TIC) | 1.269288% |
| Net Interest Cost (NIC) | 1.269000% |
| All-In TIC | 1.856038% |
| Average Coupon | 1.269000% |
| Average Life (years) | 1.749 |
| Duration of Issue (years) | 1.731 |
| Par Amount | 6,425,000.00 |
| Bond Proceeds | 6,425,000.00 |
| Total Interest | 142,611.82 |
| Net Interest | 142,611.82 |
| Bond Years from Dated Date | 11,238,125.00 |
| Bond Years from Delivery Date | 11,238,125.00 |
| Total Debt Service | 6,567,611.82 |
| Maximum Annual Debt Service | 2,279,371.43 |
| Average Annual Debt Service | 2,410,132.78 |
| Underwriter's Fees (per \$1000) | |
| Average Takedown | |
| Other Fee | |
| Total Underwriter's Discount | |
| Bid Price | 100.000000 |

| Bond Component | Par Value | Price | Average Coupon | Average Life |
|----------------|--------------|---------|----------------|--------------|
| Bond Component | 6,425,000.00 | 100.000 | 1.269% | 1.749 |
| | 6,425,000.00 | | | 1.749 |

BOND SUMMARY STATISTICS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| | TIC | All-In TIC | Arbitrage Yield |
|----------------------------|--------------|---------------|--------------------|
| Par Value | 6,425,000.00 | 6,425,000.00 | 6,425,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | | | |
| - Underwriter's Discount | | | |
| - Cost of Issuance Expense | | -64,338.82 | |
| - Other Amounts | | | |
| Target Value | 6,425,000.00 | 6,360,661.18 | 6,425,000.00 |
| Target Date | 05/24/2017 | 05/24/2017 | 05/24/2017 |
| Yield | 1.269288% | 1.856038% | 1.269288% |

Note: Final

BOND PRICING

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Bond Component | Maturity Date | Amount | Rate | Yield | Price |
|-----------------|---------------|-----------|--------|--------|---------|
| Bond Component: | | | | | |
| | 08/15/2017 | 110,000 | 1.269% | 1.269% | 100.000 |
| | 02/15/2018 | 1,945,000 | 1.269% | 1.269% | 100.000 |
| | 02/15/2019 | 2,105,000 | 1.269% | 1.269% | 100.000 |
| | 02/15/2020 | 2,265,000 | 1.269% | 1.269% | 100.000 |
| | | 6,425,000 | | | |

| | | |
|-------------------------|--------------|-------------|
| Dated Date | 05/24/2017 | |
| Delivery Date | 05/24/2017 | |
| First Coupon | 08/15/2017 | |
| Par Amount | 6,425,000.00 | |
| Original Issue Discount | | |
| Production | 6,425,000.00 | 100.000000% |
| Underwriter's Discount | | |
| Purchase Price | 6,425,000.00 | 100.000000% |
| Accrued Interest | | |
| Net Proceeds | 6,425,000.00 | |

Note: Final

SUMMARY OF BONDS REFUNDED

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Bond | Maturity Date | Interest Rate | Par Amount | Call Date | Call Price |
|--|---------------|---------------|--------------|------------|------------|
| General Obligation Refunding Bonds, Series 2007: | | | | | |
| SERIAL | 02/15/2018 | 4.000% | 1,880,000.00 | 05/31/2017 | 100.000 |
| | 02/15/2019 | 4.100% | 2,090,000.00 | 05/31/2017 | 100.000 |
| | 02/15/2020 | 4.150% | 2,315,000.00 | 05/31/2017 | 100.000 |
| | | | 6,285,000.00 | | |

Note: Final

BOND DEBT SERVICE

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Period Ending | Principal | Interest | Debt Service | Annual Debt Service |
|---------------|-----------|------------|--------------|---------------------|
| 08/15/2017 | 110,000 | 18,344.98 | 128,344.98 | |
| 09/30/2017 | | | | 128,344.98 |
| 02/15/2018 | 1,945,000 | 40,068.68 | 1,985,068.68 | |
| 08/15/2018 | | 27,727.65 | 27,727.65 | |
| 09/30/2018 | | | | 2,012,796.33 |
| 02/15/2019 | 2,105,000 | 27,727.65 | 2,132,727.65 | |
| 08/15/2019 | | 14,371.43 | 14,371.43 | |
| 09/30/2019 | | | | 2,147,099.08 |
| 02/15/2020 | 2,265,000 | 14,371.43 | 2,279,371.43 | |
| 09/30/2020 | | | | 2,279,371.43 |
| | 6,425,000 | 142,611.82 | 6,567,611.82 | 6,567,611.82 |

Note: Final

PRIOR BOND DEBT SERVICE

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Period Ending | Principal | Interest | Debt Service | Annual Debt Service |
|---------------|-----------|------------|--------------|---------------------|
| 08/15/2017 | | 128,481.25 | 128,481.25 | |
| 09/30/2017 | | | | 128,481.25 |
| 02/15/2018 | 1,880,000 | 128,481.25 | 2,008,481.25 | |
| 08/15/2018 | | 90,881.25 | 90,881.25 | |
| 09/30/2018 | | | | 2,099,362.50 |
| 02/15/2019 | 2,090,000 | 90,881.25 | 2,180,881.25 | |
| 08/15/2019 | | 48,036.25 | 48,036.25 | |
| 09/30/2019 | | | | 2,228,917.50 |
| 02/15/2020 | 2,315,000 | 48,036.25 | 2,363,036.25 | |
| 09/30/2020 | | | | 2,363,036.25 |
| | 6,285,000 | 534,797.50 | 6,819,797.50 | 6,819,797.50 |

Note: Final

ESCROW REQUIREMENTS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Period Ending | Interest | Principal Redeemed | Total |
|------------------|-----------|-----------------------|--------------|
| 05/31/2017 | 75,661.18 | 6,285,000.00 | 6,360,661.18 |
| | 75,661.18 | 6,285,000.00 | 6,360,661.18 |

Note: Final

ESCROW COST

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Purchase Date | Cost of Securities | Cash Deposit | Total Escrow Cost |
|---------------|--------------------|--------------|-------------------|
| 05/24/2017 | | 6,360,661.18 | 6,360,661.18 |
| | 0 | 6,360,661.18 | 6,360,661.18 |

Note: Final

ESCROW SUFFICIENCY

Johnson County, Texas
 General Obligation Refunding Bonds, Series 2017
 Purchaser: First National Bank, Texas
 Callable Anytime @ Par

| Date | Escrow Requirement | Net Escrow Receipts | Excess Receipts | Excess Balance |
|------------|--------------------|---------------------|-----------------|----------------|
| 05/24/2017 | | 6,360,661.18 | 6,360,661.18 | 6,360,661.18 |
| 05/31/2017 | 6,360,661.18 | | -6,360,661.18 | |
| | 6,360,661.18 | 6,360,661.18 | 0.00 | |

Note: Final

ESCROW STATISTICS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Total Escrow Cost | Modified Duration (years) | PV of 1 bp change | Yield to Receipt Date | Yield to Disbursement Date | Perfect Escrow Cost | Value of Negative Arbitrage | Cost of Dead Time |
|---|---------------------------|-------------------|-----------------------|----------------------------|---------------------|-----------------------------|-------------------|
| Global Proceeds Escrow: 6,360,661.18 | | | | | 6,359,096.48 | | 1,564.70 |
| 6,360,661.18 | | 0.00 | | | 6,359,096.48 | 0.00 | 1,564.70 |

Delivery date 05/24/2017
Arbitrage yield 1.269288%

Note: Final

FORM 8038 STATISTICS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

Dated Date 05/24/2017
Delivery Date 05/24/2017

| Bond Component | Date | Principal | Coupon | Price | Issue Price | Redemption at Maturity |
|-----------------|------------|--------------|--------|---------|--------------|------------------------|
| Bond Component: | | | | | | |
| | 08/15/2017 | 110,000.00 | 1.269% | 100.000 | 110,000.00 | 110,000.00 |
| | 02/15/2018 | 1,945,000.00 | 1.269% | 100.000 | 1,945,000.00 | 1,945,000.00 |
| | 02/15/2019 | 2,105,000.00 | 1.269% | 100.000 | 2,105,000.00 | 2,105,000.00 |
| | 02/15/2020 | 2,265,000.00 | 1.269% | 100.000 | 2,265,000.00 | 2,265,000.00 |
| | | 6,425,000.00 | | | 6,425,000.00 | 6,425,000.00 |

| | Maturity Date | Interest Rate | Issue Price | Stated Redemption at Maturity | Weighted Average Maturity | Yield |
|----------------|---------------|---------------|--------------|-------------------------------|---------------------------|---------|
| Final Maturity | 02/15/2020 | 1.269% | 2,265,000.00 | 2,265,000.00 | | |
| Entire Issue | | | 6,425,000.00 | 6,425,000.00 | 1.7491 | 1.2693% |

| | |
|---|--------------|
| Proceeds used for accrued interest | 0.00 |
| Proceeds used for bond issuance costs (including underwriters' discount) | 64,338.82 |
| Proceeds used for credit enhancement | 0.00 |
| Proceeds allocated to reasonably required reserve or replacement fund | 0.00 |
| Proceeds used to currently refund prior issues | 6,360,661.18 |
| Proceeds used to advance refund prior issues | 0.00 |
| Remaining weighted average maturity of the bonds to be currently refunded | 1.7932 |
| Remaining weighted average maturity of the bonds to be advance refunded | 0.0000 |

Note: Final

FORM 8038 STATISTICS

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

Refunded Bonds

| Bond Component | Date | Principal | Coupon | Price | Issue Price |
|--|------------|--------------|--------|--------|--------------|
| General Obligation Refunding Bonds, Series 2007: | | | | | |
| SERIAL | 02/15/2018 | 1,880,000.00 | 4.000% | 99.211 | 1,865,166.80 |
| SERIAL | 02/15/2019 | 2,090,000.00 | 4.100% | 99.159 | 2,072,423.10 |
| SERIAL | 02/15/2020 | 2,315,000.00 | 4.150% | 98.913 | 2,289,835.95 |
| | | 6,285,000.00 | | | 6,227,425.85 |

| | Last Call Date | Issue Date | Remaining Weighted Average Maturity |
|---|----------------|------------|-------------------------------------|
| General Obligation Refunding Bonds, Series 2007 | 05/31/2017 | 03/21/2007 | 1.7932 |
| All Refunded Issues | 05/31/2017 | | 1.7932 |

Note: Final

PROOF OF ARBITRAGE YIELD

Johnson County, Texas
General Obligation Refunding Bonds, Series 2017
Purchaser: First National Bank, Texas
Callable Anytime @ Par

| Date | Debt Service | Present Value to 05/24/2017 @ 1.2692880462% |
|------------|--------------|---|
| 08/15/2017 | 128,344.98 | 127,980.12 |
| 02/15/2018 | 1,985,068.68 | 1,966,942.39 |
| 08/15/2018 | 27,727.65 | 27,301.19 |
| 02/15/2019 | 2,132,727.65 | 2,086,682.98 |
| 08/15/2019 | 14,371.43 | 13,972.48 |
| 02/15/2020 | 2,279,371.43 | 2,202,120.83 |
| | 6,567,611.82 | 6,425,000.00 |

Proceeds Summary

| | |
|------------------------------|--------------|
| Delivery date | 05/24/2017 |
| Par Value | 6,425,000.00 |
| Target for yield calculation | 6,425,000.00 |

Note: Final

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Communication with Those Charged With Governance

March 23, 2017

To the Honorable County Judge and
Members of Commissioners Court
of Johnson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Texas (the "County") for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the *Texas Single Audit Circular*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

- Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Further, management's estimate of the useful lives of capital assets is based on historical results, and an analysis of the condition of the County's capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

The Honorable County Judge and
Members of Commissioners Court
of Johnson County, Texas
March 23, 2017
Page 2

Significant Audit Findings – Continued

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The Honorable County Judge and
Members of Commissioners Court
of Johnson County, Texas
March 23, 2017
Page 3

Other Matters – Continued

We were engaged to report on the combining and individual fund statements and the schedule of expenditures of state awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the County Judge and Members of Commissioners' Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kennemer, Masters & Lunsford, LLC

Kennemer, Masters & Lunsford, LLC