



Ennis Economic Development Corporation, Inc.

(A Component Unit of The City of Ennis, Texas)

**Independent Auditor's Report and
Financial Statements**

**For the Fiscal Year Ended
September 30, 2023**



Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
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For the Fiscal Year Ended September 30, 2023

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Independent Auditor's Report

Board of Directors
Ennis Economic Development Corporation, Inc.
Ennis, Texas

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Ennis Economic Development Corporation, Inc. (Corporation), a component unit of the City of Ennis, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Corporation as of September 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

FORVIS,LLP

**Dallas, Texas
March 27, 2024**

**Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023**

As management of the Ennis Economic Development Corporation, Inc. (Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2023.

Financial Highlights

The assets and deferred outflows or resources of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$9,062,461 (net position).

- The Corporation's total net position decreased by \$1,441,614. This decrease was primarily related to a capital contribution of assets to the City's Water and Sewer fund during 2023 for water and sewer infrastructure paid for by the Corporation.
- As of the close of the current fiscal year, the Corporation's general fund reported ending fund balance of \$6,328,495, an increase of \$262,535 from the prior year. This increase was due to an increase in investment earnings combined with the Corporation spending less on capital outlay during 2023.
- At the end of the current fiscal year, restricted and total fund balance in the General Fund was \$6,328,495.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents financial information on all of the Corporation's assets, deferred outflows of resources, and liabilities, with the difference between the three 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 Corporation is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation'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.

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and investment earnings (*governmental activities*). The sole governmental activity of the Corporation is economic development.

The government-wide financial statements can be found on pages 9-10 of this report.

**Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023**

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 Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Corporation are a governmental fund.

Governmental Fund. The *governmental fund* is 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 evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental fund* 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Corporation maintains one individual governmental fund. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balance* for the General fund which is considered to be a major fund.

The basic governmental fund financial statements can be found on pages 11-14 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 15-22 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 Corporation, assets and deferred outflows of resources exceeded liabilities by \$9,062,461, at the close of the most recent fiscal year.

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023

Ennis Economic Development Corporation, Inc.'s Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 6,394,454	\$ 6,397,980
Capital assets	<u>7,854,438</u>	<u>9,903,893</u>
Total assets	<u>14,248,892</u>	<u>16,301,873</u>
Total deferred outflows of resources	<u>\$ 49,733</u>	<u>\$ 79,980</u>
Current liabilities	\$ 77,789	\$ 346,296
Other liabilities	<u>5,158,375</u>	<u>5,531,482</u>
Total liabilities	<u>\$ 5,236,164</u>	<u>\$ 5,877,778</u>
Net position		
Net investment in capital assets	\$ 2,745,796	\$ 4,452,391
Restricted for economic development	<u>6,316,665</u>	<u>6,051,684</u>
Total net position	<u>\$ 9,062,461</u>	<u>\$ 10,504,075</u>

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023

The Corporation uses capital assets to provide service to potential businesses. Accordingly, these assets are not available for future spending. Although the Corporation's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$6,316,665 is restricted for economic development.

Analysis of the Corporation's Operations. The following table provides a summary of the Corporation's operations for the year ended September 30, 2023. Governmental activities decreased the Corporation's net position by \$1,441,614 primarily related to a capital contribution of assets to the City's Water and Sewer fund during 2023 for water and sewer infrastructure paid for by the Corporation.

Ennis Economic Development Corporation, Inc.'s Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues		
General revenues		
Sales taxes	\$ 3,450,083	\$ 3,593,696
Investment earnings	160,283	21,371
Miscellaneous	17,600	158,926
	<u>3,627,966</u>	<u>3,773,993</u>
Expenses		
Economic development	4,700,344	2,187,164
Interest and fiscal charges	369,236	363,215
	<u>5,069,580</u>	<u>2,550,379</u>
Increase in Net Position	(1,441,614)	1,223,614
Net Position – Beginning	<u>10,504,075</u>	<u>9,280,461</u>
Net Position – Ending	<u>\$ 9,062,461</u>	<u>\$ 10,504,075</u>

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Corporation's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements.

**Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023**

As of the end of the current fiscal year, the Corporation's general fund reported ending fund balance of \$6,328,495, an increase of \$262,535 in comparison with the prior year due to an increase in investment earnings combined with the Corporation spending less on capital outlay during 2023.

Final Budget Compared to Actual Results. General fund actual revenues of \$3,627,966 exceeded budgeted revenues of \$3,171,000 by \$456,966. Budgeted expenditures of \$5,921,317 exceeded actual general fund expenditures of \$2,650,889. This \$3,270,428 variance was the result of budgeted economic development incentives not being awarded.

Capital and Lease Assets and Debt Administration

Capital and Lease Assets. The Corporation's investment in capital and lease assets for its governmental activities as of September 30, 2023, amounts to \$7,854,438 (net of accumulated depreciation and amortization). This investment in capital and lease assets includes land, construction in progress, building and improvements, and machinery and equipment.

Capital and Lease Assets at Year-End Net of Accumulated Depreciation and Amortization

	Governmental Activities	
	2023	2022
Land	\$ 3,467,796	\$ 3,467,796
Construction in progress	-	1,837,461
Building and improvements	4,274,896	4,441,621
Lease buildings	38,221	57,332
Machinery and equipment	73,525	99,683
	<hr/>	<hr/>
Total	<u>\$ 7,854,438</u>	<u>\$ 9,903,893</u>

Additional information on the Corporation's capital and lease assets can be found in *Note 5* on page 19 of this report.

Long-term Debt. At the end of the current fiscal year, the Corporation had a total debt outstanding of \$2,350,430. This amount is backed by sales tax revenues. In addition, the Corporation also had \$2,759,458 in capital appreciation bonds at September 30, 2023.

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended September 30, 2023

Outstanding Long-Term Debt at Year End Bonds Payable

	Governmental Activities	
	2023	2022
Sales tax revenue bonds	\$ 2,350,430	\$ 2,965,430
Accretion on Capital Appreciation Bonds	2,759,458	2,504,082
Total	<u>\$ 5,109,888</u>	<u>\$ 5,469,512</u>

The Corporation's Sales Tax Revenue Bonds ratings are listed below.

Standard & Poor's

Sales Tax Revenue Bonds AA

Additional information on the Corporation's long term-debt can be found in *Note 6* on pages 20 -22 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic development activities will continue to be focused on strategic investments that promote "growth and prosperity" that creates long term economic vitality, prosperity, and quality of life our Citizens expect.

The fundamental purpose of economic development is to make strategic investments in projects, programs, and activities that create "new value" for the City and its Citizens. The primary focus and funding priorities are for those that create new and expanded business development, create jobs, and a better "quality of life" defined as shopping, dining and entertainment venues.

The Corporation's "scope of operations" includes Industrial Development, Downtown Revitalization, Retail/Commercial Development, Workforce Development, Kaufman Development, and Lake Bardwell Development. The Corporation uses the 2015 Comprehensive Master Plan, the 2016 Downtown Master Plan, the 2018 Community Improvement Plan, and the Economic Development Teams Goals and Objectives as the roadmap for future growth and prosperity.

The Corporation expects to continue investing in Historic Preservation Grants, Improvement Grants, constructing one or more segments of Sonoma Trail, and other catalyst projects that create or retain primary jobs and new or expanded business development.

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 107 N. Sherman Street, Ennis, Texas 75119.

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Statement of Net Position
September 30, 2023

Assets

Cash	\$ 5,822,980
Receivables	571,474
Capital and lease assets	
Non-depreciable	3,467,796
Depreciable (net)	<u>4,386,642</u>
Total assets	<u>14,248,892</u>

Deferred Outflows of Resources

Deferred charge on refunding	<u>49,733</u>
Total deferred outflows of resources	<u>49,733</u>

Liabilities

Accounts payable	65,959
Accrued interest payable	11,830
Noncurrent liabilities	
Due within one year	643,486
Due in more than one year	<u>4,514,889</u>
Total liabilities	<u>5,236,164</u>

Net Position

Net investment in capital assets	2,745,796
Restricted for economic development	<u>6,316,665</u>
Total net position	<u>\$ 9,062,461</u>

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Balance Sheet – General Fund
September 30, 2023

Assets

Cash	\$ 5,822,980
Receivables	<u>571,474</u>
Total assets	<u>\$ 6,394,454</u>

Liabilities

Accounts payable	<u>\$ 65,959</u>
Total liabilities	<u>65,959</u>

Fund Balances

Restricted for Economic Development	<u>6,328,495</u>
Total fund balance	<u>6,328,495</u>
Total liabilities and fund balance	<u>\$ 6,394,454</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. \$ 7,854,438

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental fund balance sheet. (11,830)

Long-term liabilities and related deferred outflows of resources are not payable in the current period and, therefore, are not reported in the statements.

Deferred charge on refunding	\$ 49,733	
Due within one year	(643,486)	
Due in more than one year	<u>(4,514,889)</u>	<u>(5,108,642)</u>
Net position of governmental activities		<u>\$ 9,062,461</u>

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund
For the Fiscal Year Ended September 30, 2023

Revenues	
Sales taxes	\$ 3,450,083
Investment earnings	160,283
Miscellaneous	<u>17,600</u>
Total revenues	<u>3,627,966</u>
Expenditures	
Current	
Economic development	2,650,889
Debt service	
Principal retirement	629,011
Interest and fiscal charges	<u>85,531</u>
Total expenditures	<u>3,365,431</u>
Deficiency of revenues under expenditures	<u>262,535</u>
Net Change in Fund Balance	262,535
Fund Balance, Beginning of Year	<u>6,065,960</u>
Fund Balance, End of Year	<u><u>\$ 6,328,495</u></u>

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
the General Fund to the Statement of Activities
For the Fiscal Year Ended September 30, 2023

Net Change in Fund Balance \$ 262,535

Amounts reported for governmental activities in the statement of activities are different because:

The net effect of a capital contribution of assets to the City's Water and Sewer water and sewer infrastructure paid for by the Corporation to decrease net position. (1,837,462)

Depreciation/amortization expense on capital and lease assets is reported in government-wide statement of activities and changes in net position, but they require the use of current financial resources. Therefore, expense is not reported as expenditure in governmental funds. (211,993)

The issuance of long-term debt (e.g., bonds payable) 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.

Bond principal retirement	\$ 615,000	
Change in capital appreciation bonds	(255,376)	
Principal payments on leases	14,011	
Amortization of bond discount	(528)	
Amortization of deferred charge on refunding	(30,247)	
	342,860	

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. 2,446

Change in Net Position \$ (1,441,614)

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 3,150,000	\$ 3,150,000	\$ 3,450,083	\$ 300,083
Investment earnings	21,000	21,000	160,283	139,283
Miscellaneous	-	-	17,600	17,600
Total revenues	<u>3,171,000</u>	<u>3,171,000</u>	<u>3,627,966</u>	<u>456,966</u>
Expenditures				
Current				
Economic development	5,781,440	4,096,317	2,650,889	1,445,428
Capital outlay	-	1,825,000	-	1,825,000
Total economic development	<u>5,781,440</u>	<u>5,921,317</u>	<u>2,650,889</u>	<u>3,270,428</u>
Debt service				
Principal retirement	615,000	615,000	629,011	(14,011)
Interest and fiscal charges	85,657	85,657	85,531	(126)
Total debt service expenditures	<u>700,657</u>	<u>700,657</u>	<u>714,542</u>	<u>(14,137)</u>
Net Change in Fund Balance	(3,311,097)	(3,450,974)	262,535	3,713,257
Fund Balance, Beginning of Year	<u>6,065,960</u>	<u>6,065,960</u>	<u>6,065,960</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,754,863</u>	<u>\$ 2,614,986</u>	<u>\$ 6,328,495</u>	<u>\$ 3,713,257</u>

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Ennis Economic Development Corporation, Inc. (Corporation) was incorporated June 11, 1996, to promote the City of Ennis, Texas (City), assist developing companies, help create jobs in the City area, and administer the one-half cent sales tax for economic development. The accompanying financial statements present the Corporation.

The Corporation applies the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official's accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will, and the primary recipient of services. The Corporation presently has no component units included within its reporting entity. For financial reporting purposes, the Corporation is a discretely presented component unit of the City of Ennis, Texas.

Payments Between the Component Unit and City

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component unit is reported as external transactions—that is, as revenues and expenses/expenditures. Payments from the Corporation to the City are to repay the City for administrative services and other development projects (*Note 7*).

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. *Governmental activities* are supported by taxes and other nonexchange transactions.

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 the governmental fund. Separate financial statements are provided for the governmental fund. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Corporation's fund. The emphasis of fund financial statements is on the major governmental fund.

The Corporation reports the following major governmental fund:

The *general fund* is the Corporation's primary operating fund. It accounts for all financial resources of the general government. There are no other funds of the Corporation.

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.

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. 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 government 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 are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund. Issuance of long-term debt is reported as other financing sources.

Sales taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. 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 Corporation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Budgetary and Compliance Information

Budgetary Basis of Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is the fund level.

Compliance with Finance Related Legal and Contractual Provisions

The Corporation has no material violations of finance related legal and contractual provisions.

Ennis Economic Development Corporation, Inc.
(A Component Unit of the City of Ennis, Texas)
Notes to Financial Statements
September 30, 2023

Note 3: Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance

Cash

The Corporation's cash is considered to be cash on hand and demand deposits.

Capital and Lease Assets

Capital and lease assets, which include property, plant, and equipment are reported in the governmental activities columns in the government-wide financial statements. Capital and lease assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Donated capital assets are recorded at their acquisition value at the date of donation.

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

Capital Asset Class	Lives
Building	30
Improvements	10
Machinery and equipment	5-30

Deferred Outflows 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. The Corporation only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. 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.

Long-term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities. 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, the governmental fund recognizes 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.

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Lease Liability

The Corporation is a lessee for noncancellable leases of buildings. The Corporation recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Corporation recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Corporation measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life for lease term, whichever is shorter.

Key estimates and judgments related to leases include how the Corporation determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Corporation is reasonably certain to exercise.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Net Position Flow Assumption

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

Net investment in capital assets. This amount consists of capital and leased assets net of accumulated depreciation/amortization 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.

It is the Corporation's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

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Note 4: Adoption of New Accounting Standard

During fiscal year 2023, the Corporation adopted the following GASB standards:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the Corporation.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities. The adoption of this standard had no impact on the Corporation.

Note 5: Detailed Notes on All Activities and Fund

Cash Deposits with Financial Institutions and Investments

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or 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. At year-end, the Corporation's bank balance was \$5,965,524. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$5,715,524 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 \$5,950,358.

Capital and Lease Assets

Capital and lease asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,467,796	\$ -	\$ -	\$ -	\$ 3,467,796
Construction in progress	1,837,461	-	(1,837,461)	-	-
Total capital assets not being depreciated	5,305,257	-	(1,837,461)	-	3,467,796
Capital and lease assets being depreciated/amortized					
Building	5,001,733	-	-	-	5,001,733
Lease buildings	76,443	-	-	-	76,443
Improvements	343,429	-	-	-	343,429
Machinery and equipment	178,157	-	-	-	178,157
Total capital and lease assets being depreciated/amortized	5,599,762	-	-	-	5,599,762
Less accumulated depreciation/amortization for					
Building	(560,113)	(166,724)	-	-	(726,837)
Lease buildings	(19,111)	(19,111)	-	-	(38,222)
Improvements	(343,429)	-	-	-	(343,429)
Machinery and equipment	(78,474)	(26,158)	-	-	(104,632)
Total accumulated depreciation/amortization	(1,001,127)	(211,993)	-	-	(1,213,120)
Total capital and lease assets being depreciated/amortized, net	4,598,635	(211,993)	-	-	4,386,642
Governmental activities capital and lease assets, net	\$ 9,903,892	\$ (211,993)	\$ (1,837,461)	\$ -	\$ 7,854,438

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Economic Development Agreements

On May 1, 2018, the Corporation entered into an economic development agreement with DA Ennis 45 Partners, LP (DA Ennis). Under the agreement, the Corporation shall pay DA Ennis a grant of \$450,000 paid as four separate grants after specific project performance requirements are met by DA Ennis. The project includes the investment of approximately \$12,000,000 to develop approximately 6.7 acres of land and the construction and operation of multiple retail developments. If DA Ennis is unable to comply with requirements of this grant the Corporation shall have the right to terminate incentive payments. As of September 30, 2023, the Corporation has made payments of \$325,000 under this agreement.

Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation 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 Corporation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 6: Long-term Liabilities

Sales Tax Revenue Bonds

Revenue bonds currently outstanding are as follows:

Purpose	Issue Amount	Maturity Date	Interest Rate	Year End Balances
1999 Issue	\$ 3,290,430	08/01/34	8.45%	\$ 455,430
2014 Refunding	2,745,000	08/01/34	1.55-4.50%	1,435,000
2019 Refunding	2,240,000	08/01/24	2.03%	460,000
				<u>\$ 2,350,430</u>

The following is a summary of pledged revenues of the Corporation for the year ended September 30, 2023:

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue Will Not Be Available For Other Purposes
.5% sales and use tax	\$ 3,450,083	\$ 695,981	20.2%	\$ 7,192,229	Until 2034

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Capital Appreciation Bonds

In 1999, the Corporation issued capital appreciation bonds which are shown in the Changes in Long-term Liabilities table on the following page. The capital appreciation bonds are a municipal security, on which the interest on principal accrues and compounds until maturity on August 1, 2034, at which time, a single payment is made of \$7,534,570 representing the face value of the bond and all accrued interest.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Governmental Activities	
	Sales Tax Revenue Bonds	
	Principal	Interest
2024	\$ 625,000	\$ 70,981
2025	169,410	70,981
2026	169,280	528,877
2027	169,435	528,092
2028	165,160	527,715
2029 - 2033	866,650	2,603,673
2034 - 2038	185,495	511,480
	<u>\$ 2,350,430</u>	<u>\$ 4,841,799</u>

Lease Liability

The Corporation leases property from various third parties to conduct its operations, the terms of which expire 2024 through 2027. The measurement of the lease liability is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2023, the value of the lease liability was \$54,293. Incremental borrowing rates of 5.75 percent to 5.80 percent were used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was \$76,443 and had accumulated amortization of \$38,222.

The future principal and interest payments for lease liabilities as of September 30, 2023, are as follows:

Economic Development Corporation			
Year Ending September 30,	Principal	Interest	Total Payments
2024	\$ 18,486	\$ 16,440	\$ 34,926
2025	25,007	13,784	38,791
2026	<u>10,800</u>	<u>1,573</u>	<u>12,373</u>
Totals	<u>\$ 54,293</u>	<u>\$ 31,797</u>	<u>\$ 86,090</u>

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Changes in Long-term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2023, are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Sales tax revenue bonds	\$ 2,965,430	\$ -	\$ (615,000)	\$ 2,350,430	\$ 625,000
Accretion on Capital Appreciation Bonds	2,504,082	255,376	-	2,759,458	-
Less deferred amounts					
For issuance discount	(6,334)	-	528	(5,806)	-
Lease liability	68,304	-	(14,011)	54,293	18,486
	<u>5,531,482</u>	<u>255,376</u>	<u>(628,483)</u>	<u>5,158,375</u>	<u>643,486</u>
Total bonds payable					
	<u>5,531,482</u>	<u>255,376</u>	<u>(628,483)</u>	<u>5,158,375</u>	<u>643,486</u>
Governmental activities long-term liabilities	<u>\$ 5,531,482</u>	<u>\$ 255,376</u>	<u>\$ (628,483)</u>	<u>\$ 5,158,375</u>	<u>\$ 643,486</u>

Sales tax revenue bonds issued for governmental activity purposes will be liquidated by the General fund.

Note 7: Related Party Transactions

The significant transactions between the Corporation and primary government during the year ended September 30, 2023, consisted of a reimbursement for personnel costs in the amount of \$1,390,439.