

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
(A Component Unit of the City of Ennis, Texas)

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2016

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	14
Notes to the Financial Statements	15-28



YELDELL, WILSON, WOOD & REEVE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA
Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ennis Economic Development Corporation, Inc.

We have audited the accompanying financial statements of the governmental activities and general fund of the Ennis Economic Development Corporation, Inc., component unit of the City of Ennis, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Corporation'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Ennis Economic Development Corporation, Inc., as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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.

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

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

Ennis, Texas
January 19, 2017

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.

P.O. Box 220 • Ennis, Texas 75120 • (972) 878-1234 • FAX (972) 875-9086

<http://www.ennis-texas.com>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Ennis Economic Development Corporation, Inc., 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, 2016.

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 \$6,269,727 (net position). Of this amount, \$6,241,981 (unrestricted net position) may be used to meet the Corporation's ongoing obligations.
- The Corporation's total net position increased by \$346,411.
- As of the close of the current fiscal year, the Corporation's general fund reported ending fund balance of \$8,808,288. Over 60% of this amount, \$5,314,770 is unassigned and available for use within the Corporation's designation and policies.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$5,314,770 or 212% of the total general fund expenditures.

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.

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. All of the funds of the Corporation are governmental 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 evaluating 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 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 balances* 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 15-28 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 \$6,269,727, at the close of the most recent fiscal year.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.'S NET POSITION

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and other assets	\$ 8,808,288	\$ 10,052,117	\$ 8,808,288	\$ 10,052,117
Capital assets	4,765,731	3,602,682	4,765,731	3,602,682
Total assets	<u>13,574,019</u>	<u>13,654,799</u>	<u>13,574,019</u>	<u>13,654,799</u>
 Total deferred outflows of resource	 206,232	 229,575	 206,232	 229,575
 Long term liabilities	 6,123,116	 6,713,991	 6,123,116	 6,713,991
Other liabilities	1,387,408	1,247,067	1,387,408	1,247,067
Total liabilities	<u>7,510,524</u>	<u>7,961,058</u>	<u>7,510,524</u>	<u>7,961,058</u>
 Net position:				
Net investment in capital assets	(1,357,385)	(3,111,309)	(1,357,385)	(3,111,309)
Restricted	1,385,131	1,381,798	1,385,131	1,381,798
Unrestricted	6,241,981	7,652,827	6,241,981	7,652,827
Total net position	<u>\$ 6,269,727</u>	<u>\$ 5,923,316</u>	<u>\$ 6,269,727</u>	<u>\$ 5,923,316</u>

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

The Corporation uses capital assets to provide service to potential businesses. Accordingly, these assets are not available for future spending. Although the Corporation's 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.

An additional portion of the Corporation's net position (22.09%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$6,241,981 is unrestricted and may be used to meet the Corporation's ongoing obligations.

Analysis of the Corporation's Operations. The following table provides a summary of the Corporation's operations for the year ended September 30, 2016. Governmental activities increased the Corporation's net position by \$346,411.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.'S CHANGES IN NET POSITION

	Governmental Activities		Total	
	2016	2015	2016	2015
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 100	\$ 17,589	\$ 100	\$ 17,589
General revenues:				
Sales taxes	1,694,512	1,510,781	1,694,512	1,510,781
Investment earnings	42,291	57,481	42,291	57,481
Miscellaneous	14,319	9,485	14,319	9,485
Loss on sale of capital assets	(33,446)	-	(33,446)	-
Total revenues	<u>1,717,776</u>	<u>1,595,336</u>	<u>1,717,776</u>	<u>1,595,336</u>
Expenses:				
Economic development	933,652	1,210,615	933,652	1,210,615
Interest and fiscal charges	437,713	518,311	437,713	518,311
Total expenses	<u>1,371,365</u>	<u>1,728,926</u>	<u>1,371,365</u>	<u>1,728,926</u>
Increase in net position	346,411	(133,590)	346,411	(133,590)
Net position - beginning, as restated	5,923,316	6,056,906	5,923,316	6,056,906
Net position - ending	<u>\$ 6,269,727</u>	<u>\$ 5,923,316</u>	<u>\$ 6,269,727</u>	<u>\$ 5,923,316</u>

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

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 funds* 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Corporation itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Directors.

As of the end of the current fiscal year, the Corporation's general fund reported ending fund balances of \$8,808,288, a decrease of \$688,144 in comparison with the prior year. Of this total amount \$5,314,770 constitutes *unassigned fund balance*. The remainder of the fund balance is either *restricted or assigned* to indicate that it is 1) restricted for particular purposes (\$1,493,518) or 2) assigned for particular purposes (\$2,000,000).

The general fund is the chief operating fund of the Corporation. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,314,770 while total fund balance reached \$8,808,288. 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 fund expenditures. Unassigned fund balance represents 212% of total general fund expenditures, while total fund balance represents 351% of that same amount.

The fund balance of the Corporation's general fund decreased \$688,144 during the current fiscal year.

General Fund Budgetary Highlights

Original budget compared to final budget. Approximate differences between the original budget and final amended budget can be briefly summarized as follows:

- \$30,000 increase in personnel costs
- \$1,175,000 increase in various economic development projects

Final budget compared to actual results. General fund actual revenues of \$1,751,222 exceeded budgeted revenues of \$1,611,500 by \$139,722. Budgeted expenditures of \$4,883,000 exceeded actual general fund expenditures of \$2,512,521. This \$2,370,479 variance in expenditures was the result of budgeted economic development grants not being awarded by the end of the year.

Capital Assets and Debt Administration

Capital assets. The Corporation's investment in capital assets for its governmental activities as of September 30, 2016 amounts to \$4,765,731 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	Governmental Activities		Total	
	2016	2015	2016	2015
Land	\$ 3,664,236	\$ 3,602,682	\$ 3,664,236	\$ 3,602,682
Building	1,101,495	555,685	1,101,495	555,685
Total	\$ 4,765,731	\$ 4,158,367	\$ 4,765,731	\$ 4,158,367

Additional information on the Corporation's capital assets can be found in note 2.B on pages 21-24 of this report.

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

- Purchase of a land of approximately \$168,000
- Sale and contribution of land of approximately \$107,000
- Purchase of a building of approximately \$568,000

Long-term debt. At the end of the current fiscal year, the Corporation had a total debt outstanding of \$6,135,430. This amount is backed by sales tax revenues.

**Outstanding Long-Term Debt at Year End
Bonds and Note Payable**

	Governmental Activities		Total	
	2016	2015	2016	2015
Sales tax revenue bonds	\$ 6,135,430	\$ 6,590,430	\$ 6,135,430	\$ 6,590,430
Note payable	-	136,755	-	136,755
Total	\$ 6,135,430	\$ 6,727,185	\$ 6,135,430	\$ 6,727,185

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

	Standard & Poor's
Sales Tax Revenue Bonds	AA

The Corporation's bonds are insured thus holding a AA (insured) credit rating from Standard & Poor's.

Additional information on the Corporation's long term-debt can be found in note 2.E on pages 25 -27 of this report.

Economic Factors and Next Year's Budgets and Rates

Focusing economic development activities and strategic investment on "growth" is crucial to the 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 has expanded its "scope of operations" to include, Industrial Development, Downtown Revitalization, Retail / Commercial Development, Residential Development and Workforce Development. The Corporation uses the 2015 Comprehensive Master Plan and the 2016 Downtown Master Plan as the road-map for future growth and prosperity.

The Corporation expects the successful completion of numerous Historic Preservation Grants, Façade Improvement Grants, a new Minnie McDowal Park, a new Welcome Center as well as catalyst projects for retail development.

Request 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, 115 W. Brown Street, Ennis, Texas 75119.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Total
ASSETS		
Cash	\$ 6,525,728	\$ 6,525,728
Due from other governments	789,042	789,042
Restricted cash	1,493,518	1,493,518
Capital assets:		
Non-depreciable	3,664,236	3,664,236
Depreciable (net)	1,101,495	1,101,495
Total Assets	13,574,019	13,574,019
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	206,232	206,232
Total Deferred Outflows of Resources	206,232	206,232
LIABILITIES		
Accrued interest payable	1,279,021	1,279,021
Liabilities payable from restricted assets:		
Accrued interest	108,387	108,387
Noncurrent liabilities:		
Due within one year	475,000	475,000
Due in more than one year	5,648,116	5,648,116
Total Liabilities	7,510,524	7,510,524
NET POSITION		
Net investment in capital assets	(1,357,385)	(1,357,385)
Restricted for:		
Debt service	790,851	790,851
Capital projects	594,280	594,280
Unrestricted	6,241,981	6,241,981
Total Net Position	\$ 6,269,727	\$ 6,269,727

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2016

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Governmental Activities</u>	<u>Total</u>
Function/Program:				
Primary government:				
Governmental Activities:				
Economic development	\$ 933,652	\$ 100	\$ (933,552)	\$ (933,552)
Interest and fiscal charges	437,713	-	(437,713)	(437,713)
Total governmental activities	<u>1,371,365</u>	<u>100</u>	<u>(1,371,265)</u>	<u>(1,371,265)</u>
Total primary government	<u>\$ 1,371,365</u>	<u>\$ 100</u>	<u>(1,371,265)</u>	<u>(1,371,265)</u>
General revenues:				
Sales taxes			1,694,512	1,694,512
Investment earnings			42,291	42,291
Miscellaneous			14,319	14,319
Loss on sale of capital assets			(33,446)	(33,446)
Total general revenues			<u>1,717,676</u>	<u>1,717,676</u>
Change in net position			346,411	346,411
Net position - beginning, as restated			<u>5,923,316</u>	<u>5,923,316</u>
Net position - ending			<u>\$ 6,269,727</u>	<u>\$ 6,269,727</u>

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Totals Governmental Funds
ASSETS		
Cash	\$ 6,525,728	\$ 6,525,728
Due from other government	789,042	789,042
Restricted cash - debt service	899,238	899,238
Restricted cash - capital projects	594,280	594,280
Total assets	\$ 8,808,288	\$ 8,808,288
LIABILITIES		
	\$ -	\$ -
FUND BALANCES		
Restricted:		
Debt service	899,238	899,238
Capital projects	594,280	594,280
Assigned:		
Capital projects	2,000,000	2,000,000
Unassigned		
	5,314,770	5,314,770
Total Fund Balance	8,808,288	8,808,288
Total liabilities and fund balances	\$ 8,808,288	

Amounts reported for governmental activities in the statement of net position (page 9) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,765,731
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(1,387,408)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$ 206,232	
Due within one year	(475,000)	
Due in more than one year	(5,648,116)	(5,916,884)
Net position of governmental activities (page 9)		\$ 6,269,727

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	General	Totals Governmental Funds
REVENUES		
Sales taxes	\$ 1,694,512	\$ 1,694,512
Revenues from use of money	42,291	42,291
Other	14,319	14,319
Contributions	100	100
Total revenues	1,751,222	1,751,222
EXPENDITURES		
Current:		
Economic development	1,647,610	1,647,610
Debt service:		
Principal retirement	591,755	591,755
Interest and fiscal charges	273,156	273,156
Total expenditures	2,512,521	2,512,521
Excess (deficiency) of revenues over (under) expenditures	(761,299)	(761,299)
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	73,155	73,155
Total other financing sources (uses)	73,155	73,155
Net change in fund balances	(688,144)	(688,144)
Fund balances - beginning	9,496,432	9,496,432
Fund balances - ending	\$ 8,808,288	\$ 8,808,288

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
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, 2016

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net Change in Fund Balances - total governmental funds (page 12)	\$ (688,144)
--	--------------

Governmental funds report capital outlays 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 year.	736,010
---	---------

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.	(22,045)
--	----------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(106,601)
--	-----------

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	\$ 455,000	
Amortization of bond discount	(880)	
Amortization of deferred charge on refunding	(23,343)	
Note principal retirement	136,755	567,532

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.	(140,341)
--	-----------

Change in net position of governmental activities (page 10)	\$ 346,411
---	------------

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales taxes	\$1,556,500	\$1,556,500	\$ 1,694,512	\$ 138,012
Revenues from use of money	40,000	40,000	42,291	2,291
Other	15,000	15,000	14,319	(681)
Contributions	-	-	100	100
Total revenues	<u>1,611,500</u>	<u>1,611,500</u>	<u>1,751,222</u>	<u>139,722</u>
EXPENDITURES				
Current:				
Economic Development:				
Personnel cost	190,000	220,000	220,000	-
Service contract - I-45 Secondary Access Road	115,800	115,800	116,000	200
Lights of Ennis	30,000	30,000	31,012	1,012
Farmers Market	25,000	25,000	28,062	3,062
Downtown façade grants	100,000	100,000	31,656	(68,344)
Kaufman façade grants	50,000	50,000	-	(50,000)
Downtown revitalization	50,000	50,000	48,616	(1,384)
Industrial park maintenance	200,000	200,000	32,097	(167,903)
Historic preservation grants	1,000,000	1,000,000	101,430	(898,570)
Economic development activities	50,000	50,000	77,762	27,762
Project Downtown TIRZ	-	35,000	24,210	(10,790)
Project Firebird	-	250,000	117,772	(132,228)
Project Lionheart	-	40,000	28,385	(11,615)
Project Lions Claw II	-	175,000	-	(175,000)
Project Merryart	-	175,000	-	(175,000)
Project Minnie McDowal Park	-	250,000	34,119	(215,881)
Project Retail	-	25,000	20,422	(4,578)
Project Viking	-	225,000	56	(224,944)
Property acquisition	1,000,000	1,000,000	736,011	(263,989)
Total economic development	<u>2,810,800</u>	<u>4,015,800</u>	<u>1,647,610</u>	<u>(2,368,190)</u>
Debt service				
Principal retirement	595,000	595,000	591,755	(3,245)
Interest and fiscal charges	272,200	272,200	273,156	956
Total expenditures	<u>3,678,000</u>	<u>4,883,000</u>	<u>2,512,521</u>	<u>(2,370,479)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,066,500)</u>	<u>(3,271,500)</u>	<u>(761,299)</u>	<u>2,510,201</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	73,155	73,155
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>73,155</u>	<u>73,155</u>
Net change in fund balance	(2,066,500)	(3,271,500)	(688,144)	2,583,356
Fund balances - beginning	9,349,608	9,349,608	9,496,432	146,824
Fund balances - ending	<u>\$7,283,108</u>	<u>\$6,078,108</u>	<u>\$ 8,808,288</u>	<u>\$ 2,730,180</u>

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

B. Reporting entity

The Ennis Economic Development Corporation (the "Corporation") was incorporated June 11, 1996 to promote the 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 officials 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 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 an agreement and service contract (note 2.E).

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. Separate financial statements are provided for governmental funds. 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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the Corporation's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column in the fund financial statements.

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, except those required to be accounted for in another fund.

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.

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 governmental funds. Issuance of long-term debt are 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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgetary and compliance information

1. Budgetary basis of accounting

Annual budgets are 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.

2. Compliance with finance related legal and contractual provisions

The Corporation has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

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

1. Cash and cash equivalents

The Corporation's cash is considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

The Corporation is authorized by its governing board to invest in 1) obligations of the United States of America, its agencies and instrumentalities; 2) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States; 3) fully insured or collateralized certificates of deposits which are guaranteed or insured by the Federal Deposit Insurance Corporation; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; 5) fully collateralized direct repurchase agreements; 6) Texas Local Government Investment Pools as defined by section 2256.016 of the Public Funds Investment Act; 7) no-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission; and 8) other instruments as specifically authorized by the Public Funds Investment Act. Investments are reported at fair value.

3. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of one year.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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:

<u>Capital asset class</u>	<u>Lives</u>
Building	30
Improvements	10

4. 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 government 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.

5. 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, 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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. 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:

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 Corporation 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. 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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Assigned fund balance—amounts the Corporation intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors 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 Corporation 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 Corporation'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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. 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 \$8,019,246. Of the bank balance, \$511,287 was covered by federal depository insurance and the remaining balance, \$7,507,959 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 \$9,588,000.

B. Capital assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,602,682	\$ 168,155	\$ (106,601)	\$ 3,664,236
Total capital assets not being depreciated	<u>3,602,682</u>	<u>168,155</u>	<u>(106,601)</u>	<u>3,664,236</u>
Capital assets being depreciated:				
Building	566,704	567,855	-	1,134,559
Improvements	343,429	-	-	343,429
Total capital assets being depreciated	<u>910,133</u>	<u>567,855</u>	<u>-</u>	<u>1,477,988</u>
Less accumulated depreciation for:				
Building	(11,019)	(22,045)	-	(33,064)
Improvements	(343,429)	-	-	(343,429)
Total accumulated depreciation	<u>(354,448)</u>	<u>(22,045)</u>	<u>-</u>	<u>(376,493)</u>
Total capital assets being depreciated, net	<u>555,685</u>	<u>545,810</u>	<u>-</u>	<u>1,101,495</u>
Governmental activities capital assets, net	<u>\$ 4,158,367</u>	<u>\$ 713,965</u>	<u>\$ (106,601)</u>	<u>\$ 4,765,731</u>

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

B. Capital assets (continued)

On October 9, 1998, the Corporation entered into a letter of agreement with Sterilite Corporation (Sterilite) whereby the Corporation conveyed 100 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, Sterilite agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

The conditional advance of land and cash valued at \$2,500,000 shall not be repaid by Sterilite in the event Sterilite maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year Sterilite maintains its facility at the levels described in the letter of agreement, Sterilite shall receive one-twentieth of the advance-combined amount credited to Sterilite.

To further secure the obligations of Sterilite, Sterilite granted and conveyed to the Corporation a second lien on real property and improvements with an agreed value of \$2,500,000. The Corporation agrees to release the second lien upon the expiration of ten years provided Sterilite has performed according to the letter of agreement.

On May 13, 2002, the Corporation entered into a letter of agreement with Lowe's Home Centers, Inc. (Lowe's) whereby the Corporation conveyed 41 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, Lowe's agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

The conditional advance of land valued at \$1,009,625 shall not be reimbursed by Lowe's in the event Lowe's maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year Lowe's maintains its facility at the levels described in the letter of agreement, Lowe's obligation for any land cost reimbursement shall be reduced by one-twentieth.

On January 23, 2003, the Corporation entered into a letter of agreement with CVS Texas Distribution, L.P. (CVS) whereby the Corporation conveyed 61.8 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, CVS agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

B. Capital assets (continued)

The conditional advance of land valued at \$800,000 shall not be reimbursed by CVS in the event CVS maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year CVS maintains its facility at the levels described in the letter of agreement, CVS's obligation for any land cost reimbursement shall be reduced by one-twentieth.

On August 2, 2004, the Corporation entered into a letter of agreement with Koyo Steering Systems of Texas, L.P. (Koyo) whereby the Corporation conveyed 41.98 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, Koyo agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

The conditional advance of land valued at \$1,049,500 shall not be reimbursed by Koyo in the event Koyo maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year Koyo maintains its facility at the levels described in the letter of agreement, Koyo's obligation for any land cost reimbursement shall be reduced by one-twentieth.

On June 5, 2005, the Corporation entered into a letter of agreement with ASMO Manufacturing, Inc. (ASMO) whereby the Corporation conveyed 23.0155 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, ASMO agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

The conditional advance of land valued at \$805,543 shall not be reimbursed by ASMO in the event ASMO maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year ASMO maintains its facility at the levels described in the letter of agreement, ASMO's obligation for any land cost reimbursement shall be reduced by one-twentieth.

On August 9, 2006, the Corporation entered into a letter of agreement with Alliance Data Systems, Inc. (ADS) whereby the Corporation conveyed 15.570 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, ADS agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

B. Capital assets (continued)

The conditional advance of land valued at \$622,800 shall not be reimbursed by ADS in the event ADS maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year ADS maintains its facility at the levels described in the letter of agreement, ADS's obligation for any land cost reimbursement shall be reduced by one-twentieth.

On February 3, 2015, the Corporation entered into a letter of agreement with Dakota Utility Contractors, Inc. (Dakota) whereby the Corporation conveyed 17.5 acres of land in consideration of certain promises, agreements and covenants as outlined in the letter of agreement. As part of the letter of agreement, Dakota agreed to invest in private infrastructure and employ a minimum number of individuals for a period of twenty years from the opening date of its facilities in Ennis, Texas.

The conditional advance of land valued at \$545,508 shall not be reimbursed by Dakota in the event Dakota maintains its Ennis, Texas facility at the levels described in the letter of agreement for a period of twenty years from the date of opening its facility in Ennis, Texas. Each year Dakota maintains its facility at the levels described in the letter of agreement, Dakota's obligation for any land cost reimbursement shall be reduced by one-twentieth.

C. Economic development agreements

On November 3, 2015, the Corporation entered into an economic development agreement with Sterilite Corporation (Sterilite) to reimburse Sterilite for certain authorized public improvements through the payment of grants in an amount not to exceed \$250,000. Under the agreement, Sterilite must make a private capital investment of \$17,000,000 towards expansion within three years of the effective date of the agreement and create and maintain an average of 40 new full time equivalent jobs for a period of three years from the date of commencement of operations. As of September 30, 2016, the Corporation has made payments of \$117,772 under this agreement.

On January 20, 2016, the Corporation entered into an economic development agreement with Cenvo Corporation (Cenvo) to reimburse Cenvo for costs associated with the installation of new manufacturing equipment and factory infrastructure improvements through the payment of grants in an amount not to exceed \$225,000. Under the agreement Cenvo agrees to complete a minimum of \$2,250,000 of capital improvements not later than one year from the effective date of the agreement and complete an additional \$5,000,000 not later than three years after the effective date. In addition Cenvo agrees to create, employ and maintain 40 full time jobs within three years of the completion of the improvements and to maintain those jobs for five years after the effective date. As of September 30, 2016, the Corporation has not made any payments under this agreement.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

C. Economic development agreements (continued)

On April 12, 2016, the Corporation entered into an economic development agreement with Ennis Steel Industries, Inc. (Ennis Steel) to reimburse Ennis Steel for costs associated with the installation of infrastructure improvements through the payment of grants in an amount not to exceed \$175,000. Under the agreement Ennis Steel agrees to complete a minimum of \$2,900,000 of capital improvements not later than one year from the effective date of the agreement. In addition Ennis Steel agrees to create, employ and maintain 10 full time jobs for three years after the completion of improvements. As of September 30, 2016, the Corporation has not made any payments under this agreement.

On September 30, 2016, the Corporation entered into an economic development agreement with Novelinks, LLC. (Novelinks) to reimburse Novelinks for costs associated with the installation of infrastructure improvements through the payment of grants in an amount not to exceed \$175,000. Under the agreement Novelinks agrees to complete a minimum of \$2,500,000 of capital improvements not later than one year from the effective date of the agreement. In addition Novelinks agrees to create and employ 20 full time jobs within one year of the completion of the improvements and to maintain those jobs for three years after the effective date. As of September 30, 2016, the Corporation has not made any payments under this agreement.

D. 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.

E. Long-term liabilities

Sales Tax Revenue Bonds

Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
1999	\$ 3,290,430	08/01/34	8.45%	\$ 455,430
2008 Refunding	5,460,000	08/01/24	4.90-5.25	3,210,000
2014 Refunding	2,745,000	08/01/34	1.55-4.50	2,470,000
				<u>\$ 6,135,430</u>

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

E. Long-term liabilities (continued)

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Sales Tax Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 475,000	\$ 255,465
2018	490,000	236,880
2019	515,000	216,370
2020	535,000	194,080
2021	555,000	169,618
2022-2026	2,178,690	1,402,772
2027-2031	847,275	2,627,335
2032-2034	539,465	1,543,630
	<u>\$ 6,135,430</u>	<u>\$ 6,646,150</u>

Service Contract

The Corporation entered into a service contract with City of Ennis, Texas whereby the Corporation agrees to pay to the City a portion of the debt service for the City's Series 1998 Certificates of Obligation. Under the contract the City is required to provide \$80,000 in annual debt service and the Corporation will be required to serve the remainder of the annual debt. The payments are subject to Corporation's annual budgeting and are subject to the requirements for the Corporation's bond resolutions authorizing the Corporation's bonds. Actual payments made by the Corporation to the City for the year ended September 30, 2016 were \$116,000.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

E. Long-term liabilities (continued)

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2016 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 6,590,430	\$ -	\$ (455,000)	\$ 6,135,430	\$ 475,000
Less deferred amounts:					
For issuance discount	(13,194)	-	880	(12,314)	-
Total bonds payable	<u>6,577,236</u>	<u>-</u>	<u>(454,120)</u>	<u>6,123,116</u>	<u>475,000</u>
Note payable	<u>136,755</u>	<u>-</u>	<u>(136,755)</u>	<u>-</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u><u>\$ 6,713,991</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (590,875)</u></u>	<u><u>\$ 6,123,116</u></u>	<u><u>\$ 475,000</u></u>

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

Among other provisions, the resolutions authorizing issuance of the Corporation's bonds provided certain requirements as follows:

1. Interest and Sinking Fund

This section requires monthly transfers from the operating fund to the interest and sinking fund in the amount equal to 1/6 of next maturing interest plus 1/12 of next maturing principal for debt service payments.

2. Reserve Fund

This section requires maintaining a reserve fund in the amount of the average annual debt service requirements on the outstanding bonds of the Corporation.

Summary of bond debt service requirements:

Bond Issue	Fund	Requirements at 09/30/2016	Actual Cash	Excess or (Deficiency)
1999, 2008 and 2014	I & S	\$ 187,553	\$ 187,553	\$ -
1999, 2008 and 2014	Reserve	711,685	711,685	-
		<u><u>\$ 899,238</u></u>	<u><u>\$ 899,238</u></u>	<u><u>\$ -</u></u>

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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

F. Related party transactions

The significant transactions between the component unit and primary government during the year ended September 30, 2016 consisted of note payable payment in the amount of \$136,756, service contract payment in the amount of \$116,000 (see note 2.E), and a reimbursement for personnel costs in the amount of \$220,000. The Corporation also contributed \$116,070 towards the cost of construction projects being undertaken by the City.

G. Subsequent events

Subsequent to year end, the Corporation approved the following item:

- Purchase of property in the amount of \$195,000.

H. Prior Period Adjustment

Corrections have been made to the governmental activities' beginning net position in the government-wide financial statements due to errors in the recording of financial transactions in the prior period, resulting in and understatement of assets and net position, and an overstatement of expenses in the prior year. The changes to the beginning net position as of October 1, 2015 are summarized as follows:

	Government-wide
	Governmental Activities
As previously reported, October 1, 2015	\$ 5,532,922
Correct understatement of non-depreciable assets	390,394
Restated, October 1, 2015	\$ 5,923,316
Effect of restatement on operations for the year ending September 31, 2015:	\$ 390,394