

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

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2019

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2019

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	15-27



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., a component unit of the City of Ennis, Texas, as of and for the year ended September 30, 2019, 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, 2019, 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
March 23, 2020

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, 2019.

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 \$5,035,234 (net position). Of this amount, \$3,962,359 (unrestricted net position) may be used to meet the Corporation's ongoing obligations.
- The Corporation's total net position decreased by \$192,990.
- As of the close of the current fiscal year, the Corporation's general fund reported ending fund balance of \$6,506,778. Over 86% of this amount, \$5,607,770 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 \$5,607,770 or 230% 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 15-27 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 \$5,035,234, at the close of the most recent fiscal year.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.'S NET POSITION

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and other assets	\$ 7,685,635	\$ 7,571,407	\$ 7,685,635	\$ 7,571,407
Capital assets	4,923,044	4,904,188	4,923,044	4,904,188
Total assets	<u>12,608,679</u>	<u>12,475,595</u>	<u>12,608,679</u>	<u>12,475,595</u>
 Total deferred outflows of resource	 136,202	 159,545	 136,202	 159,545
 Long term liabilities	 4,645,754	 5,159,876	 4,645,754	 5,159,876
Other liabilities	3,063,893	2,247,040	3,063,893	2,247,040
Total liabilities	<u>7,709,647</u>	<u>7,406,916</u>	<u>7,709,647</u>	<u>7,406,916</u>
 Net position:				
Net investment in capital assets	277,290	(255,688)	277,290	(255,688)
Restricted	795,585	797,518	795,585	797,518
Unrestricted	3,962,359	4,686,394	3,962,359	4,686,394
Total net position	<u>\$ 5,035,234</u>	<u>\$ 5,228,224</u>	<u>\$ 5,035,234</u>	<u>\$ 5,228,224</u>

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 (15.80%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$3,962,359 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, 2019. Governmental activities decreased the Corporation's net position by \$192,990.

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

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 288	\$ -	\$ 288	\$ -
General revenues:				
Sales taxes	1,799,130	1,815,493	1,799,130	1,815,493
Investment earnings	114,339	43,920	114,339	43,920
Miscellaneous	296	2,892	296	2,892
Gain (loss) on sale of capital assets	-	800	-	800
Total revenues	<u>1,914,053</u>	<u>1,863,105</u>	<u>1,914,053</u>	<u>1,863,105</u>
Expenses:				
Economic development	1,685,932	1,812,209	1,685,932	1,812,209
Interest and fiscal charges	421,111	427,724	421,111	427,724
Total expenses	<u>2,107,043</u>	<u>2,239,933</u>	<u>2,107,043</u>	<u>2,239,933</u>
Increase in net position	(192,990)	(376,828)	(192,990)	(376,828)
Net position - beginning	5,228,224	5,605,052	5,228,224	5,605,052
Net position - ending	<u>\$ 5,035,234</u>	<u>\$ 5,228,224</u>	<u>\$ 5,035,234</u>	<u>\$ 5,228,224</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 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 \$6,506,778, a decrease of \$522,857 in comparison with the prior year. Of this total amount \$5,607,770 constitutes *unassigned fund balance*. The remainder of the fund balance is *restricted* to indicate that it is restricted for particular purposes (\$899,008).

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 \$5,607,770 while total fund balance reached \$6,506,778. 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 230% of total general fund expenditures, while total fund balance represents 267% of that same amount.

The fund balance of the Corporation's general fund decreased \$522,857 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:

- \$510,154 increase for economic development projects

Final budget compared to actual results. General fund actual revenues of \$1,914,053 exceeded budgeted revenues of \$1,805,600 by \$108,453. Budgeted expenditures of \$7,686,524 exceeded actual general fund expenditures of \$2,436,910. This \$5,249,614 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, 2019 amounts to \$4,923,044 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements.

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

- Construction in progress additions of approximately \$38,000.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Total	
	2019	2018	2019	2018
Land	\$ 4,053,432	\$ 4,053,432	\$ 4,053,432	\$ 4,053,432
Construction in progress	361,697	323,912	361,697	323,912
Building	507,915	526,844	507,915	526,844
Total	<u>\$ 4,923,044</u>	<u>\$ 4,904,188</u>	<u>\$ 4,923,044</u>	<u>\$ 4,904,188</u>

Additional information on the Corporation's capital assets can be found in note 2.B on pages 21-23 of this report.

Long-term debt. At the end of the current fiscal year, the Corporation had a total debt outstanding of \$4,655,430. This amount is backed by sales tax revenues.

Outstanding Long-Term Debt at Year End Bonds Payable

	Governmental Activities		Total	
	2019	2018	2019	2018
Sales tax revenue bonds	\$ 4,655,430	\$ 5,170,430	\$ 4,655,430	\$ 5,170,430
Total	<u>\$ 4,655,430</u>	<u>\$ 5,170,430</u>	<u>\$ 4,655,430</u>	<u>\$ 5,170,430</u>

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

	<u>Standard & Poor's</u>
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

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 road-map for future growth and prosperity.

The Corporation expects to continue investing in Historic Preservation Grants, Façade 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.

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, 2019

	Governmental Activities	Total
ASSETS		
Cash	\$ 6,786,627	\$ 6,786,627
Restricted cash	899,008	899,008
Capital assets:		
Non-depreciable	4,415,129	4,415,129
Depreciable (net)	507,915	507,915
Total Assets	12,608,679	12,608,679
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	136,202	136,202
Total Deferred Outflows of Resources	136,202	136,202
LIABILITIES		
Accounts payable	175,884	175,884
Due to other governments	1,002,973	1,002,973
Accrued interest payable	1,781,613	1,781,613
Liabilities payable from restricted assets:		
Accrued interest	103,423	103,423
Noncurrent liabilities:		
Due within one year	535,000	535,000
Due in more than one year	4,110,754	4,110,754
Total Liabilities	7,709,647	7,709,647
NET POSITION		
Net investment in capital assets	277,290	277,290
Restricted for:		
Debt service	795,585	795,585
Unrestricted	3,962,359	3,962,359
Total Net Position	\$ 5,035,234	\$ 5,035,234

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, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>	
<u>Function/Program:</u>					
Primary government:					
Governmental Activities:					
Economic development	\$ 1,685,932	\$ 288	\$ (1,685,644)	\$ (1,685,644)	
Interest and fiscal charges	421,111	-	(421,111)	(421,111)	
Total governmental activities	<u>2,107,043</u>	<u>288</u>	<u>(2,106,755)</u>	<u>(2,106,755)</u>	
Total primary government	<u>\$ 2,107,043</u>	<u>\$ 288</u>	<u>(2,106,755)</u>	<u>(2,106,755)</u>	
General revenues:					
Sales taxes			1,799,130	1,799,130	
Investment earnings			114,339	114,339	
Miscellaneous			296	296	
Total general revenues			<u>1,913,765</u>	<u>1,913,765</u>	
Change in net position			(192,990)	(192,990)	
Net position - beginning			<u>5,228,224</u>	<u>5,228,224</u>	
Net position - ending			<u>\$ 5,035,234</u>	<u>\$ 5,035,234</u>	

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019

	General	Totals Governmental Funds
ASSETS		
Cash	\$ 6,786,627	\$ 6,786,627
Restricted cash - debt service	899,008	899,008
Total assets	\$ 7,685,635	\$ 7,685,635
LIABILITIES		
Accounts payable	\$ 175,884	\$ 175,884
Due to other governments	1,002,973	1,002,973
Total Liabilities	1,178,857	1,178,857
FUND BALANCES		
Restricted:		
Debt service	899,008	899,008
Unassigned		
Total Fund Balance	5,607,770	5,607,770
Total Fund Balance	6,506,778	6,506,778
Total liabilities and fund balances	\$ 7,685,635	

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.		4,923,044
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.		(1,885,036)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$ 136,202	
Due within one year	(535,000)	
Due in more than one year	(4,110,754)	(4,509,552)
Net position of governmental activities (page 9)		\$ 5,035,234

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, 2019

	General	Totals Governmental Funds
REVENUES		
Sales taxes	\$ 1,799,130	\$ 1,799,130
Revenues from use of money	114,339	114,339
Other	296	296
Contributions	288	288
Total revenues	1,914,053	1,914,053
EXPENDITURES		
Current:		
Economic development	1,704,790	1,704,790
Debt service:		
Principal retirement	515,000	515,000
Interest and fiscal charges	217,120	217,120
Total expenditures	2,436,910	2,436,910
Net change in fund balances	(522,857)	(522,857)
Fund balances - beginning	7,029,635	7,029,635
Fund balances - ending	\$ 6,506,778	\$ 6,506,778

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, 2019

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)	\$ (522,857)
--	--------------

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.	37,785
---	--------

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.	(18,929)
--	----------

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	\$ 515,000	
Amortization of bond discount	(878)	
Amortization of deferred charge on refunding	(23,346)	490,776

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.	(179,765)
--	-----------

Change in net position of governmental activities (page 10)	\$ (192,990)
---	--------------

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales taxes	\$ 1,761,100	\$ 1,761,100	\$ 1,799,130	\$ 38,030
Revenues from use of money	40,000	40,000	114,339	74,339
Other	4,500	4,500	296	(4,204)
Contributions	-	-	288	288
Total revenues	1,805,600	1,805,600	1,914,053	108,453
EXPENDITURES				
Current:				
Economic Development:				
Administrative services	385,000	385,000	385,000	-
Economic development	200,000	200,000	158,540	(41,460)
Property and facilities maintenance	225,000	225,000	177,631	(47,369)
Advertising and marketing	50,000	50,000	53,236	3,236
Downtown revitalization	65,000	65,000	72,073	7,073
Historic preservation grants	1,000,000	1,000,000	75,000	(925,000)
Downtown facade grants	75,000	75,000	7,500	(67,500)
Farmers market	25,000	25,000	28,438	3,438
Lights of Ennis	30,000	30,000	31,489	1,489
Project Puppy Patch	75,000	75,000	-	(75,000)
Keep Ennis beautiful	-	-	7,566	7,566
Kaufman revitalization grants	35,000	35,000	-	(35,000)
Kaufman facade grants	75,000	75,000	8,055	(66,945)
Project JT Evans	450,000	450,000	-	(450,000)
Project Welcome Center	1,500,000	1,500,000	82,873	(1,417,127)
Project Snoopy	-	250,000	38,500	(211,500)
Project Electricity	40,000	40,000	5,826	(34,174)
Project Demolition III	25,000	25,000	31,086	6,086
Project Merryart	175,000	175,000	175,000	-
Project Price Distributing	-	-	75,000	75,000
Project Buc-ee's	-	75,000	75,726	726
Project Columbia	-	35,154	35,154	-
Project Splash Pad	-	150,000	150,000	-
Future airport development	2,000,000	2,000,000	-	(2,000,000)
Miscellaneous services	15,000	15,000	31,097	16,097
Total economic development	6,445,000	6,955,154	1,704,790	(5,250,364)
Debt service				
Principal retirement	515,000	515,000	515,000	-
Interest and fiscal charges	216,370	216,370	217,120	750
Total expenditures	7,176,370	7,686,524	2,436,910	(5,249,614)
Net change in fund balance	(5,370,770)	(5,880,924)	(522,857)	5,358,067
Fund balances - beginning	5,370,770	5,880,924	7,029,635	1,148,711
Fund balances - ending	\$ -	\$ -	\$ 6,506,778	\$ 6,506,778

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

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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 administrative services and other development projects (note 2.F).

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, 2019

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, 2019

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 outflows 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 \$5,000 and an estimated useful life in excess of one year.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows 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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows 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, 2019

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 \$7,685,635. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$7,435,635 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 \$8,459,000.

B. Capital assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental activities:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,053,432	\$ -	\$ -	\$ 4,053,432
Construction in progress	323,912	37,785	-	361,697
Total capital assets not being depreciated	<u>4,377,344</u>	<u>37,785</u>	<u>-</u>	<u>4,415,129</u>
Capital assets being depreciated:				
Building	567,855	-	-	567,855
Improvements	343,429	-	-	343,429
Total capital assets being depreciated	<u>911,284</u>	<u>-</u>	<u>-</u>	<u>911,284</u>
Less accumulated depreciation for:				
Building	(41,011)	(18,929)	-	(59,940)
Improvements	(343,429)	-	-	(343,429)
Total accumulated depreciation	<u>(384,440)</u>	<u>(18,929)</u>	<u>-</u>	<u>(403,369)</u>
Total capital assets being depreciated, net	<u>526,844</u>	<u>(18,929)</u>	<u>-</u>	<u>507,915</u>
Governmental activities capital assets, net	<u>\$ 4,904,188</u>	<u>\$ 18,856</u>	<u>\$ -</u>	<u>\$ 4,923,044</u>

The Corporation has an active construction project as of September 30, 2019 for a building. At year end the Corporation's commitment with the contractor is as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Building	<u>\$ 228,555</u>	<u>\$ 24,295</u>

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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

B. Capital assets (continued)

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.

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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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

B. Capital assets (continued)

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.

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.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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

C. Economic development agreements

On May 20, 2016, the Corporation entered into an economic development agreement and land sales agreement with Schirm USA, Inc. (Schirm) to sale land to Schirm. Under the agreements Schirm agrees to expand its current manufacturing facility with a minimum cost of \$1,500,000. In the event Schirm fails to construct and maintain such facility, Schirm agrees to resell the property to the Corporation in the amount of the original purchase price without interest.

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 three years 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. If Novelinks is unable to comply with requirements of this grant the Corporation shall have the right to demand repayment of the incentives. As of September 30, 2019, the Corporation has made payment of \$175,000 under this agreement.

On May 12, 2017, the Corporation entered into a land sale agreement and an economic development agreement with Price Distributing Company (Price) to sale land to and reimburse Price for costs associated with the installation of infrastructure improvements through the payment of grants in an amount not to exceed \$75,000. Under the agreements Price agrees to complete a minimum of \$4,000,000 of capital improvements not later than one year from the effective date of the agreement. If Price fails to construct the improvements by the construction deadline, Price will pay liquidated damages of (a) any portion of the \$75,000 grant made to Price, and (b) \$25,000. In addition, Price agrees to create and employ 40 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, 2019, the Corporation has made payment of \$75,000 under this agreement.

On May 1, 2018, the Corporation entered into an economic development agreement with a 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, 2019, the Corporation has not made any payments under this agreement.

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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

C. Economic development agreements (continued)

On October 18, 2018, the Corporation entered into an economic development agreement with Columbia Packing Company (Columbia) to reimburse Columbia for costs associated with the construction and site improvements for a facility through the payment of a grant in an amount not to exceed \$35,154. Under the agreement Columbia agrees to complete a minimum of \$7,000,000 of capital improvements not later than one year from the effective date of the agreement. In addition Columbia agrees to create and employ 5 full time jobs within three years of the completion of the improvements and to maintain those jobs for three years after the effective date. If Columbia is unable to comply with requirements of this grant, the Corporation shall have the right to demand repayment of the incentive. As of September 30, 2019, the Corporation has made payment of \$35,154 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	2,160,000
2014 Refunding	2,745,000	08/01/34	1.55-4.50	2,040,000
				<u>\$ 4,655,430</u>

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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:

Year Ending September 30	Governmental Activities	
	Sales Tax Revenue Bonds	
	Principal	Interest
2020	\$ 535,000	\$ 194,080
2021	555,000	169,618
2022	585,000	143,598
2023	615,000	115,908
2024	640,000	86,581
2025-2029	844,455	2,638,959
2030-2034	880,975	2,588,695
	\$ 4,655,430	\$ 5,937,439

Changes in long-term liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2019 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 5,170,430	\$ -	\$ (515,000)	\$ 4,655,430	\$ 535,000
Less deferred amounts:					
For issuance discount	(10,554)	-	878	(9,676)	-
Total bonds payable	5,159,876	-	(514,122)	4,645,754	535,000
Governmental activity					
Long-term liabilities	\$ 5,159,876	\$ -	\$ (514,122)	\$ 4,645,754	\$ 535,000

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:

ENNIS ECONOMIC DEVELOPMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019

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

E. Long-term liabilities (continued)

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:

<u>Bond Issue</u>	<u>Fund</u>	<u>Requirements at 09/30/2019</u>	<u>Actual Cash</u>	<u>Excess or (Deficiency)</u>
1999, 2008 and 2014	I & S	\$ 187,323	\$ 187,323	\$ -
1999, 2008 and 2014	Reserve	711,685	711,685	-
		<u>\$ 899,008</u>	<u>\$ 899,008</u>	<u>\$ -</u>

F. Related party transactions

The significant transactions between the component unit and primary government during the year ended September 30, 2019 consisted of a reimbursement for personnel costs in the amount of \$385,000. The Corporation also contributed \$225,000 towards the cost of projects being undertaken by the City.

G. Subsequent events

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

- Historic preservation grants in the amount of \$46,000.
- Facade grants in the amount of \$52,500.
- Economic development agreements in the amount of \$300,000.
- Issuance of Ennis Economic Development Corporation, Inc. Sales Tax Revenue Refunding Bonds, Taxable Series 2019 in the amount of \$2,240,000