

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

Annual Financial Report

For the Fiscal Year Ended September 30, 2021

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**For the Fiscal Year Ended September 30, 2021**

**Table of Contents**

**Financial Section**

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis (Unaudited).....	3
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position .....	10
Statement of Activities .....	11
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Fund .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund .....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	15
Notes to Financial Statements .....	16

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ennis Economic Development Corporation, Inc. (Corporation), a component unit of the City of Ennis, Texas, as of and for the year ended September 30, 2021, 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 Corporation'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 Corporation'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 the major fund of the Corporation, as of September 30, 2021, 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 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.

***BKD, LLP***

Dallas, Texas  
March 30, 2022

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

As management of the Ennis Economic Development Corporation, Inc. (Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2021.

**Financial Highlights**

- The assets and deferred outflows or resources of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$9,280,461 (net position).
- The Corporation's total net position increased by \$669,590. This increase was primarily related to increased sales tax revenue during 2021.
- As of the close of the current fiscal year, the Corporation's general fund reported ending fund balance of \$6,812,470, an increase of \$527,442 from the prior year. This increase was primarily related to increased sales tax revenue during 2021.
- At the end of the current fiscal year, restricted and total fund balance was \$6,812,470.

**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.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

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 10-11 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. The funds of the Corporation is a governmental fund.

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

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

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

The basic governmental fund financial statements can be found on pages 12-15 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 16-23 of this report.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows of resources exceeded liabilities by \$9,280,461, at the close of the most recent fiscal year.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

**Ennis Economic Development Corporation, Inc.'s Net Position**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 6,844,827	\$ 6,370,218
Capital assets	<u>8,201,982</u>	<u>8,394,864</u>
Total assets	<u>15,046,809</u>	<u>14,765,082</u>
Total deferred outflows of resources	<u>\$ 110,227</u>	<u>\$ 140,474</u>
Current liabilities	\$ 48,991	\$ 6,190,640
Other liabilities	<u>5,827,584</u>	<u>104,045</u>
Total liabilities	<u>\$ 5,876,575</u>	<u>\$ 6,294,685</u>
Net position		
Net investment in capital assets	\$ 2,484,625	\$ 2,344,698
Restricted for economic development	<u>6,795,836</u>	<u>6,266,173</u>
Total net position	<u>\$ 9,280,461</u>	<u>\$ 8,610,871</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 net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$6,795,836 is restricted for economic development.

***Analysis of the Corporation's Operations.*** The following table provides a summary of the Corporation's operations for the year ended September 30, 2021. Governmental activities increased the Corporation's net position by \$669,590 primarily due to increased sales tax revenue during 2021.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ -	\$ 58,291
Capital grants and contributions	-	4,072,181
General revenues		
Sales taxes	3,083,684	1,974,434
Investment earnings	29,603	73,873
Miscellaneous	159,602	102
Gain on sale of capital assets	-	1,598,278
Total revenues	3,272,889	7,777,159
<b>Expenses</b>		
Economic development	2,245,248	3,823,947
Interest and fiscal charges	358,051	377,575
Total expenses	2,603,299	4,201,522
<b>Increase in Net Position</b>	669,590	3,575,637
<b>Net Position – Beginning</b>	8,610,871	5,035,234
<b>Net Position – Ending</b>	\$ 9,280,461	\$ 8,610,871

**Financial Analysis of Governmental Funds**

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

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



**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

As of the end of the current fiscal year, the Corporation's general fund reported ending fund balance of \$6,812,470, an increase of \$527,442 in comparison with the prior year due to increased sales tax revenue during 2021.

**Final Budget Compared to Actual Results.** General fund actual revenues of \$3,272,889 exceeded budgeted revenues of \$1,855,450 by \$1,417,440. Budgeted expenditures of \$5,471,000 exceeded actual general fund expenditures of \$2,052,366. This \$3,418,634 variance was the result of budgeted economic development grants not being awarded and a delayed capital project, Sonoma Trail Extension, not taking place.

**Capital Assets and Debt Administration**

**Capital Assets.** The Corporation's investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$8,201,982 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements.

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 3,467,796	\$ 3,467,796
Building and improvements	4,734,186	4,927,068
Total	\$ 8,201,982	\$ 8,394,864

Additional information on the Corporation's capital assets can be found in *Note 4* on pages 22-23 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Corporation had a total debt outstanding of \$3,565,430. This amount is backed by sales tax revenues. In addition, the Corporation also had \$2,269,016 in capital appreciation bonds at September 30, 2021.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Management's Discussion and Analysis (Unaudited)**

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Sales tax revenue bonds	\$ 3,565,430	\$ 4,145,430
Total	\$ 3,565,430	\$ 4,145,430

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

<u>Standard &amp; 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 5* on pages 21 -22 of this report.

**Economic Factors and Next Year's Budgets and Rates**

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

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

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

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

**Ennis Economic Development Corporation, Inc.  
(A Component Unit of the City of Ennis, Texas)  
Management's Discussion and Analysis (Unaudited)**

**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, 107 N. Sherman Street, Ennis, Texas 75119.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Statement of Net Position**  
**September 30, 2021**

**Assets**

Cash	\$ 6,378,451
Receivables	466,376
Capital assets	
Non-depreciable	3,467,796
Depreciable (net)	<u>4,734,186</u>
Total assets	<u>15,046,809</u>

**Deferred Outflows of Resources**

Deferred charge on refunding	<u>110,227</u>
Total deferred outflows of resources	<u>110,227</u>

**Liabilities**

Accounts payable	32,357
Accrued interest payable	16,634
Noncurrent liabilities	
Due within one year	600,000
Due in more than one year	<u>5,227,584</u>
Total liabilities	<u>5,876,575</u>

**Net Position**

Net investment in capital assets	2,484,625
Restricted for economic development	<u>6,795,836</u>
Total net position	<u>\$ 9,280,461</u>

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Statement of Activities**

**For the Fiscal Year Ended September 30, 2021**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Grants and</u>	<u>Grants and</u>	<u>Change in Net</u>
		<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Primary Government</b>				
Governmental activities				
Economic development	\$ 2,245,248	\$ -	\$ -	\$ (2,245,248)
Interest and fiscal charges	<u>358,051</u>	<u>-</u>	<u>-</u>	<u>(358,051)</u>
Total governmental activities	<u>2,603,299</u>	<u>-</u>	<u>-</u>	<u>(2,603,299)</u>
Total primary government	<u>\$ 2,603,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,603,299)</u>
		General revenues		
		Sales taxes		3,083,684
		Investment earnings		29,603
		Miscellaneous		<u>159,602</u>
		Total general revenues		<u>3,272,889</u>
		<b>Change in Net Position</b>		669,590
		<b>Net Position, Beginning of Year</b>		<u>8,610,871</u>
		<b>Net Position, End of Year</b>		<u>\$ 9,280,461</u>

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Balance Sheet**  
**Governmental Fund**  
**September 30, 2021**

**Assets**

Cash	\$ 6,378,451	
Receivables	466,376	
Total assets	\$ 6,844,827	

**Liabilities**

Accounts payable	\$ 32,357	
Total liabilities	32,357	

**Fund Balances**

Restricted for Economic Development	6,812,470	
Total fund balance	6,812,470	
Total liabilities and fund balance	\$ 6,844,827	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		\$ 8,201,982
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental fund balance sheet.		(16,634)
Long-term liabilities and related deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements.		
Deferred charge on refunding	\$ 110,227	
Due within one year	(600,000)	
Due in more than one year	(5,227,584)	(5,717,357)
Net position of governmental activities		\$ 9,280,461

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Governmental Fund**  
**For the Fiscal Year Ended September 30, 2021**

<b>Revenues</b>	
Sales taxes	\$ 3,083,684
Investment income	29,603
Other	<u>159,602</u>
Total revenues	<u>3,272,889</u>
<b>Expenditures</b>	
Current	
Economic development	2,052,366
Debt service	
Principal retirement	580,000
Interest and fiscal charges	<u>113,081</u>
Total expenditures	<u>2,745,447</u>
<b>Net Change in Fund Balance</b>	527,442
<b>Fund Balance, Beginning of Year</b>	<u>6,285,028</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 6,812,470</u></u>

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of the Governmental Fund to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2021**

**Net Change in Fund Balance** \$ 527,442

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

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. (192,882)

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	\$ 580,000	
Change in capital appreciation bonds	(216,417)	
Amortization of bond discount	(527)	
Amortization of deferred charge on refunding	(30,247)	
	332,809	332,809

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 2,221

**Change in Net Position** \$ 669,590



**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget**  
**and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales taxes	\$ 1,745,450	\$ 1,745,450	\$ 3,083,684	\$ 1,338,235
Interest income	110,000	110,000	29,603	(80,397)
Other	-	-	159,602	159,602
	<u>1,855,450</u>	<u>1,855,450</u>	<u>3,272,889</u>	<u>1,417,440</u>
<b>Expenditures</b>				
Current				
Economic development	<u>5,471,000</u>	<u>5,471,000</u>	<u>2,052,366</u>	<u>3,418,634</u>
	<u>5,471,000</u>	<u>5,471,000</u>	<u>2,052,366</u>	<u>3,418,634</u>
Debt service				
Principal retirement	580,000	580,000	580,000	-
Interest and fiscal charges	<u>113,131</u>	<u>113,131</u>	<u>113,081</u>	<u>50</u>
	<u>693,131</u>	<u>693,131</u>	<u>693,081</u>	<u>50</u>
<b>Net Change in Fund Balance</b>	(4,308,682)	(4,308,682)	527,442	(2,001,245)
<b>Fund Balance, Beginning of Year</b>	<u>6,285,028</u>	<u>6,285,028</u>	<u>6,285,028</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,976,347</u>	<u>\$ 1,976,347</u>	<u>\$ 6,812,470</u>	<u>\$ (2,001,245)</u>

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Notes to the Basic Financial Statements**  
**September 30, 2021**

**Note 1: Summary of Significant Accounting Policies**

***Reporting Entity***

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

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

***Payments Between the Component Unit and City***

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component unit is reported as external transactions—that is, as revenues and expenses/expenditures. Payments from the Corporation to the City are to repay the City for administrative services and other development projects (*Note 5*).

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are supported by taxes and other nonexchange transactions.

***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Notes to the Basic Financial Statements**

**September 30, 2021**

***Basis of Presentation - Fund Financial Statements***

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

The Corporation reports the following major governmental fund:

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

***Measurement Focus and Basis of Accounting***

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

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

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

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

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**  
**Notes to the Basic Financial Statements**  
**September 30, 2021**

**Note 2: Budgetary and Compliance Information**

***Budgetary Basis of Accounting***

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

***Compliance with Finance Related Legal and Contractual Provisions***

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

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

***Cash***

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

***Capital Assets***

Capital assets, which include property, plant, and equipment 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.

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

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

<b>Capital Asset Class</b>	<b>Lives</b>
Building	30
Improvements	10
Machinery and equipment	5-30

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Notes to the Basic Financial Statements**

**September 30, 2021**

***Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred *outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Long-term Obligations***

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

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

***Net Position Flow Assumption***

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

*Net investment in capital assets* - This amount consists of capital 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.

**Ennis Economic Development Corporation, Inc.**  
**(A Component Unit of the City of Ennis, Texas)**

**Notes to the Basic Financial Statements**  
**September 30, 2021**

**Note 4: Detailed Notes on All Activities and Fund**

***Cash Deposits with Financial Institutions and Investments***

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the Corporation's bank balance was \$6,378,451. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$6,128,451 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 \$6,302,025.

***Capital Assets***

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 3,467,796	\$ -	\$ -	\$ -	\$ 3,467,796
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>3,467,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,467,796</u>
Capital assets being depreciated					
Building	5,001,733	-	-	-	5,001,733
Improvements	343,429	-	-	-	343,429
Machinery and equipment	178,157	-	-	-	178,157
Total capital assets being depreciated	<u>5,523,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,523,319</u>
Less accumulated depreciation for					
Building	(226,664)	(166,724)	-	-	(393,388)
Improvements	(343,429)	-	-	-	(343,429)
Machinery and equipment	(26,158)	(26,158)	-	-	(52,316)
Total accumulated depreciation	<u>(596,251)</u>	<u>(192,882)</u>	<u>-</u>	<u>-</u>	<u>(789,133)</u>
Total capital assets being depreciated, net	<u>4,927,068</u>	<u>(192,882)</u>	<u>-</u>	<u>-</u>	<u>4,734,186</u>
Governmental activities capital assets, net	<u>\$ 8,394,864</u>	<u>\$ (192,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,201,982</u>

**Ennis Economic Development Corporation, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2021**

***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 May 1, 2018, the Corporation entered into an economic development agreement with DA Ennis 45 Partners, LP (DA Ennis). Under the agreement, the Corporation shall pay DA Ennis a grant of \$450,000 paid as four separate grants after specific project performance requirements are met by DA Ennis. The project includes the investment of approximately \$12,000,000 to develop approximately 6.7 acres of land and the construction and operation of multiple retail developments. If DA Ennis is unable to comply with requirements of this grant the Corporation shall have the right to terminate incentive payments. As of September 30, 2021, the Corporation has made payments of \$325,000 under this agreement.

***Risk Management***

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

**Note 5: Long-term Liabilities**

***Sales Tax Revenue Bonds***

Revenue bonds currently outstanding are as follows:

<b>Purpose</b>	<b>Issue Amount</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Year-end Balances</b>
1999 Issue	\$ 3,290,430	08/01/34	8.45%	\$ 455,430
2014 Refunding	2,745,000	08/01/34	1.55-4.50%	1,750,000
2019 Refunding	2,240,000	08/01/24	2.03%	1,360,000
				<u>\$ 3,565,430</u>

**Ennis Economic Development Corporation, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Capital Appreciation Bonds**

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

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

<b>Year Ending September 30</b>	<b>Governmental Activities Sales Tax Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 600,000	\$ 99,806
2023	615,000	85,657
2024	625,000	70,981
2025	169,410	527,810
2026	169,280	528,877
2027-2031	847,275	2,627,335
2032-2034	<u>539,465</u>	<u>1,543,630</u>
	<u>\$ 3,565,430</u>	<u>\$ 5,484,096</u>

**Changes in Long-term Liabilities**

Changes in the government's long-term liabilities for the year ended September 30, 2021, are as follows:

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Sales tax revenue bonds	\$ 4,145,430	\$ -	\$ (580,000)	\$ 3,565,430	\$ 600,000
Accretion on Capital Appreciation Bonds	2,052,599	216,417	-	2,269,016	-
Less deferred amounts For issuance discount	<u>(7,389)</u>	<u>-</u>	<u>527</u>	<u>(6,862)</u>	<u>-</u>
Total bonds payable	<u>6,190,640</u>	<u>216,417</u>	<u>(579,473)</u>	<u>5,827,584</u>	<u>600,000</u>
Governmental activities long-term liabilities	<u>\$ 6,190,640</u>	<u>\$ 216,417</u>	<u>\$ (579,473)</u>	<u>\$ 5,827,584</u>	<u>\$ 600,000</u>

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



**Ennis Economic Development Corporation, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2021**

**Note 6: Related Party Transactions**

The significant transactions between the Corporation and primary government during the year ended September 30, 2021, consisted of a reimbursement for personnel costs in the amount of \$371,000. The Corporation also reimbursed the City \$184,184 towards the cost of issuing Economic Stimulus grants undertaken by the City.