

**ENNIS INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2016**

ENNIS INDEPENDENT SCHOOL DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Ennis Independent School District  
Ennis, TX 75119

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ennis Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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, each major fund, and the aggregate remaining fund information of Ennis Independent School District as of August 31, 2016, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity 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 (pages iv through viii) and budgetary comparison information (pages 35, 48 and 49) and Pension information (pages 36-37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

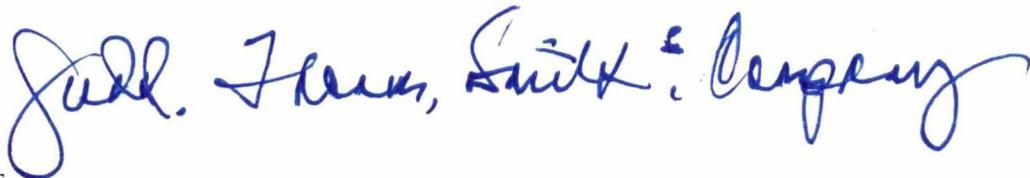
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Dallas, Texas  
December 16, 2016

FINANCIAL SECTION

## ENNIS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Ennis Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with our transmittal letter, the independent auditors' report, and the District's Basic Financial Statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (Exhibits C-1 and C-3) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements (for Fiduciary funds) provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled Required TEA Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

The analysis of the District's overall financial position and operations is illustrated on Exhibit A-1 on the Statement of Net Position, and on Exhibit B-1, the Statement of Activities. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District, and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements (Exhibits A-1 and B-1) report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one

indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

The Statement of Net Position and the Statement of Activities are comprised of governmental activities. The District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities. The District has no business-type activities.

### Reporting the District's Most Significant Funds

The fund financial statements begin on page 3 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District uses exclusively Governmental-type funds (as opposed to Business-type funds). The District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### The District as Trustee

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 10. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities; both tables can be found on page viii of this analysis.

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is made up of three major components: net investment in capital assets, restricted, and unrestricted. In the case of the District, liabilities exceeded assets by \$23,387,907 at August 31, 2016, compared to \$24,046,567 at August 31, 2015. The increase in total net assets of \$658,660 is comparable to the increase in the prior fiscal year totaling \$653,567 before recording of the change in account principal related to pensions in the amount of \$6,305,454.

The major factors contributing to the decrease in net position invested in capital assets net of related debt was current year accretion of interest, depreciation expense, capital additions, and repayment of long term debt. Accreted interest is the change in the current value of an original-issue discount bond. Since the interest is compounded each year until it is paid, the bond is sold at a discount from par. Each year a portion of the future obligation to pay the compounded interest is recognized as an expense. The compounded interest is calculated as the change in present value of the bond versus the present value from the previous year. The cash requirements for the repayment of the principal, current interest and compounded interest remain unchanged as a result of this calculation. Those requirements are listed in the footnotes to these financial statements. Depreciation expense is only recorded for purposes of the government wide financial statement presentation and does not represent an outflow of cash as the cash was paid when the asset was acquired. Capital additions and repayments of long term debt are not shown as an outflow of net position.

Listed below is a detail of the changes in net investment in capital assets:

Beginning balance	\$	(40,821,885)
Accreted Interest		(4,622,869)
Depreciation expense		(4,605,589)
Refunding of outstanding bonds		(80,431)
Amortization of premiums and deferred charges		80,511
Capital asset additions		971,275
Repayment of debt		6,225,000
Ending balance	\$	<u>(42,853,988)</u>

The negative balance in net investment in capital assets results from the fact that the book balance of the capital assets (purchase costs less accumulated depreciation to date) is less than the book balance of capital debt (outstanding principal plus accreted interest to date). The overall deficit balance in net position is largely a result of the fact that necessary tax revenues for debt service have yet to be assessed and recognized for financial statement purposes. Future tax revenues will be recognized annually as the capital debt nears maturity and will require payment.

After the removal of all current year expenditures which do not result in a current year use of cash resources, the District generated approximately \$5.6 million from operating activities. This was used for the repayment of the current year debt obligations of \$6,225,000 and the purchase of new capital assets totaling \$971,275. The District recognized an increase of \$4,226,966 in cash and investments resulting in an ending balance of \$26,578,171 which approximates the total of restricted and unrestricted net position.

The District's total revenues increased by 4.8%, or a total of \$2,848,950. A significant portion, 45%, of the District's revenues comes from taxes. Tax collections and total tax levy decreased approximately .5% from prior year. State revenues increased by approximately 5.3% and federal revenues decreased approximately 2.1%. Investment earnings increased slightly throughout the year.

The total cost of all governmental activities, including accreted interest and depreciation expense, for the current year was \$59,443,671. This is down approximately 6% from the prior year. As shown in the Statement of Activities on page 2, the amount that our taxpayers ultimately financed for these activities through District taxes and net position was only approximately \$28.2 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 3) reported a combined fund balance of \$20,991,084, as compared to the year ending August 31, 2014 fund balance of \$20,395,755. The \$595,329 increase in fund balance results from an increase in the fund balance in the General Fund (prior to transfers) of \$903,474 and net decreases in other governmental funds of \$308,145.

The District's General Fund balance of \$15,434,391 reported on page 5 differs from the General Fund's budgetary fund balance of \$14,792,600 reported in the budgetary comparison schedule on page 28. This is principally due to instruction and facility cost savings.

## Capital Asset and Debt Administration

### Capital Assets

At the end of 2016, the District had approximately \$157 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, food service, athletics, administration, and maintenance. Additional information on capital assets is contained in Note V, Section F of the Notes to the Financial Statements.

### Debt

At year-end, the District had \$128,763,005 in bond principal outstanding versus \$133,431,173 last year. Additional information on debt can be found in Note V, Section G of the Notes to the Financial Statements.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates. One of those factors is the net taxable value which had an increase of approximately 34.6% from 2015 net taxable values. The District's 2016-2017 refined average daily attendance is expected to remain steady or have a slight increase. The District budgeted based on numbers from 2015-2016 with no increase.

These factors as well as others were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund budget are approximately \$46.3 million. The District will use its revenues to finance programs we currently offer. The District set aside \$3 million of the General Fund fund balance in fiscal year 2015 to fund building improvements. Approximately \$2 million of that remains for additional improvements. In fiscal year end 2016, the District increased Committed Fund Balance by an additional \$3 million. These funds will be used for renovations. Salaries comprise approximately 80% of the General Fund expenditure budget. The Maintenance and Operations (M&O) tax rate is at the maximum allowed by the State without a rollback election. The District will not be able to further increase the M & O rate without going to the voters for approval under current legislation. The Interest and Sinking (I&S) tax rate remained the same and will be used to cover the debt payments as a result of the issued bonds.

If these estimates are realized, the District's budgetary General Fund balance is expected to slightly increase by the close of 2017.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Ennis Independent School District, 303 W. Knox, Ennis, TX 75119.

Ennis Independent School District

Table I  
Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Current and other assets	\$ 29,911,799	\$ 26,044,640
Capital assets, net	<u>157,191,808</u>	<u>160,826,122</u>
Total assets	<u>187,103,607</u>	<u>186,870,762</u>
Deferred outflows of resources	<u>19,604,800</u>	<u>14,952,085</u>
Total assets and deferred outflows of resources	<u>206,708,407</u>	<u>201,822,847</u>
Long-term liabilities	218,908,689	214,713,380
Other liabilities	<u>10,418,740</u>	<u>9,585,199</u>
Total liabilities	<u>229,327,429</u>	<u>224,298,579</u>
Deferred inflows of resources	<u>768,885</u>	<u>1,570,835</u>
Total liabilities and deferred inflows of resources	<u>230,096,314</u>	<u>225,869,414</u>
Net Position:		
Net investment in capital assets	(42,853,988)	(40,821,885)
Restricted	5,686,798	5,451,314
Unrestricted	<u>13,779,283</u>	<u>11,324,004</u>
Total net position	<u>\$ (23,387,907)</u>	<u>\$ (24,046,567)</u>

Table II  
Changes in Net Position

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	8,174,369	7,818,026
General revenues:		
Maintenance and operations taxes	18,158,726	18,184,239
Debt service taxes	8,962,603	8,712,311
Grants and contributions not restricted to specific functions	26,290,924	23,415,570
Investment earnings	153,072	192,760
Miscellaneous	<u>822,908</u>	<u>1,390,746</u>
Total revenue	<u>62,562,602</u>	<u>59,713,652</u>
Expenses:		
11 Instruction	32,140,814	31,910,935
12 Instructional resources and media services	840,111	830,661
13 Curriculum and staff development	587,299	676,469
21 Instructional leadership	634,295	633,643
23 School leadership	2,521,661	2,499,469
31 Guidance, counseling and evaluation services	1,595,490	1,711,079
32 Social work services	37,356	40,720
33 Health services	592,654	610,752
34 Student (pupil) transportation	1,591,535	1,434,837
35 Food services	3,891,767	3,368,227
36 Cocurricular/extracurricular activities	1,931,574	1,947,381
41 General administration	1,797,859	1,744,962
51 Plant maintenance and operations	5,088,155	4,717,656
52 Security and monitoring services	283,701	273,801
53 Data processing services	574,904	533,135
61 Community services	39,938	38,316
72 Debt service - Interest on long term debt	7,601,075	5,703,660
73 Debt service - Bond issuance cost and fees	153,754	384,382
81 Facilities acquisition and construction	-	-
93 Payments to fiscal agent/member districts of SSA	-	-
Total expenses	<u>61,903,942</u>	<u>59,060,085</u>
Increase in net position	658,660	653,567
Change in accounting principle	-	(6,305,454)
Beginning net position	<u>(24,046,567)</u>	<u>(18,394,680)</u>
Ending net position	<u>\$ (23,387,907)</u>	<u>\$ (24,046,567)</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 226,758
1120 Current Investments	26,351,413
1220 Property Taxes Receivable (Delinquent)	1,076,591
1230 Allowance for Uncollectible Taxes	(10,000)
1240 Due from Other Governments	1,748,513
1290 Other Receivables, net	50,864
1300 Inventories	51,439
1410 Prepayments	416,221
Capital Assets:	
1510 Land	5,600,696
1520 Buildings, Net	149,621,449
1530 Furniture and Equipment, Net	1,969,663
1000 Total Assets	187,103,607
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	14,780,972
1705 Deferred Outflow Related to TRS	4,823,828
1700 Total Deferred Outflows of Resources	19,604,800
<b>LIABILITIES</b>	
2110 Accounts Payable	756,448
2120 Short Term Debt Payable	6,250,000
2150 Payroll Deductions & Withholdings	244,269
2160 Accrued Wages Payable	1,921,932
2180 Due to Other Governments	29,403
2200 Accrued Expenses	44,802
2300 Unearned Revenue	1,171,886
Noncurrent Liabilities	
2502 Due in More Than One Year	208,576,768
2540 Net Pension Liability (District's Share)	10,331,921
2000 Total Liabilities	229,327,429
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	768,885
2600 Total Deferred Inflows of Resources	768,885
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(42,853,988)
3820 Restricted for Federal and State Programs	888,307
3850 Restricted for Debt Service	2,069,327
3860 Restricted for Capital Projects	2,261,504
3890 Restricted for Other Purposes	467,660
3900 Unrestricted	13,779,283
3000 Total Net Position	\$ (23,387,907)

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 32,140,814	\$ -	\$ 3,272,067	\$ (28,868,747)
12 Instructional Resources and Media Services	840,111	-	32,828	(807,283)
13 Curriculum and Staff Development	587,299	-	56,796	(530,503)
21 Instructional Leadership	634,295	-	165,501	(468,794)
23 School Leadership	2,521,661	-	118,158	(2,403,503)
31 Guidance, Counseling and Evaluation Services	1,595,490	-	341,844	(1,253,646)
32 Social Work Services	37,356	-	1,999	(35,357)
33 Health Services	592,654	-	31,835	(560,819)
34 Student (Pupil) Transportation	1,591,535	-	51,865	(1,539,670)
35 Food Services	3,891,767	-	3,524,379	(367,388)
36 Extracurricular Activities	1,931,574	-	400,944	(1,530,630)
41 General Administration	1,797,859	-	74,041	(1,723,818)
51 Facilities Maintenance and Operations	5,088,155	-	20,642	(5,067,513)
52 Security and Monitoring Services	283,701	-	12,950	(270,751)
53 Data Processing Services	574,904	-	28,582	(546,322)
61 Community Services	39,938	-	39,938	-
72 Debt Service - Interest on Long Term Debt	7,601,075	-	-	(7,601,075)
73 Debt Service - Bond Issuance Cost and Fees	153,754	-	-	(153,754)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 61,903,942</u>	<u>\$ -</u>	<u>\$ 8,174,369</u>	<u>(53,729,573)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes		18,158,726	
DT	Property Taxes, Levied for Debt Service		8,962,603	
GC	Grants and Contributions not Restricted		26,290,924	
IE	Investment Earnings		153,072	
MI	Miscellaneous Local and Intermediate Revenue		822,908	
TR	Total General Revenues		<u>54,388,233</u>	
CN	Change in Net Position		658,660	
NB	Net Position - Beginning		<u>(24,046,567)</u>	
NE	Net Position--Ending		<u>\$ (23,387,907)</u>	

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data	10	50		Total	
Control	General	Debt Service	Other	Governmental	
Codes	Fund	Fund	Funds	Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 349,906	\$ -	\$ (149,490)	\$ 200,416
1120	Investments - Current	22,773,937	2,005,587	1,571,889	26,351,413
1220	Property Taxes - Delinquent	727,048	349,543	-	1,076,591
1230	Allowance for Uncollectible Taxes (Credit)	(6,753)	(3,247)	-	(10,000)
1240	Receivables from Other Governments	1,338,999	6,394	403,120	1,748,513
1260	Due from Other Funds	223,150	93,143	2,147,039	2,463,332
1290	Other Receivables	50,686	-	-	50,686
1300	Inventories	-	-	51,439	51,439
1410	Prepayments	416,221	-	-	416,221
1000	Total Assets	<u>\$ 25,873,194</u>	<u>\$ 2,451,420</u>	<u>\$ 4,023,997</u>	<u>\$ 32,348,611</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 548,890	\$ -	\$ 206,446	\$ 755,336
2150	Payroll Deductions and Withholdings Payable	244,269	-	-	244,269
2160	Accrued Wages Payable	1,801,821	-	118,991	1,920,812
2170	Due to Other Funds	2,240,181	-	222,973	2,463,154
2180	Due to Other Governments	-	29,403	-	29,403
2200	Accrued Expenditures	34,544	-	10,258	44,802
2300	Unearned Revenues	1,884,188	352,690	1,599	2,238,477
2000	Total Liabilities	<u>6,753,893</u>	<u>382,093</u>	<u>560,267</u>	<u>7,696,253</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	51,439	51,439
3430	Prepaid Items	416,221	-	-	416,221
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	888,307	888,307
3470	Capital Acquisition and Contractual Obligation	-	-	2,261,504	2,261,504
3480	Retirement of Long-Term Debt	-	2,069,327	-	2,069,327
Committed Fund Balance:					
3510	Construction	9,492,647	-	-	9,492,647
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	262,480	262,480
3600	Unassigned Fund Balance	9,210,433	-	-	9,210,433
3000	Total Fund Balances	<u>19,119,301</u>	<u>2,069,327</u>	<u>3,463,730</u>	<u>24,652,358</u>
4000	Total Liabilities and Fund Balances	<u>\$ 25,873,194</u>	<u>\$ 2,451,420</u>	<u>\$ 4,023,997</u>	<u>\$ 32,348,611</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	24,652,358
<b>1</b> The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		24,110
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$249,546,847 and the accumulated depreciation was (\$88,720,725). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(40,821,885)
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		2,573,406
<b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 10,331,921, a Deferred Resource Inflow related to TRS in the amount of \$768,885 and a Deferred Resource Outflow related to TRS in the amount of \$4,823,828. This amounted to a decrease in Net Position in the amount of \$6,276,978.		(6,276,978)
<b>5</b> The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,605,589)
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,066,671
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>(23,387,907)</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 19,450,783	\$ 9,123,597	\$ 874,718	\$ 29,449,098
5800 State Program Revenues	26,366,896	647,159	189,186	27,203,241
5900 Federal Program Revenues	1,050,904	-	5,357,404	6,408,308
5020 Total Revenues	<u>46,868,583</u>	<u>9,770,756</u>	<u>6,421,308</u>	<u>63,060,647</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	26,461,675	-	2,007,914	28,469,589
0012 Instructional Resources and Media Services	840,111	-	-	840,111
0013 Curriculum and Instructional Staff Development	602,785	-	35,799	638,584
0021 Instructional Leadership	507,763	-	142,777	650,540
0023 School Leadership	2,394,240	-	-	2,394,240
0031 Guidance, Counseling and Evaluation Services	1,317,164	-	278,326	1,595,490
0032 Social Work Services	37,356	-	-	37,356
0033 Health Services	589,658	-	-	589,658
0034 Student (Pupil) Transportation	1,781,713	-	-	1,781,713
0035 Food Services	-	-	3,671,346	3,671,346
0036 Extracurricular Activities	1,166,214	-	366,101	1,532,315
0041 General Administration	1,603,990	-	18,306	1,622,296
0051 Facilities Maintenance and Operations	4,998,506	-	-	4,998,506
0052 Security and Monitoring Services	283,701	-	-	283,701
0053 Data Processing Services	598,797	-	-	598,797
0061 Community Services	-	-	39,938	39,938
Debt Service:				
0071 Principal on Long Term Debt	-	6,225,000	-	6,225,000
0072 Interest on Long Term Debt	-	3,058,717	-	3,058,717
0073 Bond Issuance Cost and Fees	-	153,754	-	153,754
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	298,153	298,153
6030 Total Expenditures	<u>43,183,673</u>	<u>9,437,471</u>	<u>6,858,660</u>	<u>59,479,804</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,684,910</u>	<u>333,285</u>	<u>(437,352)</u>	<u>3,580,843</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	12,092,102	-	12,092,102
7916 Premium or Discount on Issuance of Bonds	-	4,090,678	-	4,090,678
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(16,102,349)	-	(16,102,349)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>80,431</u>	<u>-</u>	<u>80,431</u>
1200 Net Change in Fund Balances	3,684,910	413,716	(437,352)	3,661,274
0100 Fund Balance - September 1 (Beginning)	15,434,391	1,655,611	3,901,082	20,991,084
3000 Fund Balance - August 31 (Ending)	<u>\$ 19,119,301</u>	<u>\$ 2,069,327</u>	<u>\$ 3,463,730</u>	<u>\$ 24,652,358</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	3,661,274
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		7,477
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to decrease net position.		2,573,406
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(4,605,589)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(610,053)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$826,252. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$1,999,036 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$804,929. This caused a net decrease in the change in net position of \$1,194,107. The impact of all of these is to decrease the change in net position by \$367,855.		(367,855)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>682,125</b>

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

PROPRIETARY FUNDS

ENNIS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 108,108
State Program Revenues	3,980
Total Operating Revenues	<u>112,088</u>
OPERATING EXPENSES:	
Payroll Costs	58,957
Professional and Contracted Services	20,798
Supplies and Materials	24,856
Total Operating Expenses	<u>104,611</u>
Operating Income	7,477
Total Net Position - September 1 (Beginning)	<u>16,633</u>
Total Net Position - August 31 (Ending)	<u>\$ 24,110</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 108,108
Cash Received from State Program Revenues	3,980
Cash Payments for Other Operating Expenses	(20,798)
Net Cash Provided by Operating Activities	<u>91,290</u>
Net Increase in Cash and Cash Equivalents	4,908
Cash and Cash Equivalents at Beginning of Year	<u>21,434</u>
Cash and Cash Equivalents at End of Year	<u>\$ 26,342</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 7,477
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(2,597)
Increase (decrease) in Accrued Wages Payable	28
Net Cash Provided by Operating Activities	<u>\$ 4,908</u>

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

FIDUCIARY FUND (AND SIMILAR COMPONENT UNITS)  
FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

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	Agency Funds
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ASSETS	
Cash and Cash Equivalents	\$ 239,893
Total Assets	<u>\$ 239,893</u>
LIABILITIES	
Accounts Payable	\$ 1,023
Due to Other Funds	177
Due to Student Groups	238,693
Total Liabilities	<u>\$ 239,893</u>

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

# ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

## I. Summary of Significant Accounting Policies

### A. Reporting Entity

The Board of School Trustees, a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Ennis Independent School District (the "District"). Because members of the Board of Trustees are elected by the public, they have the authority to make decisions, appoint administrators and managers, significantly influence operations, and have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

### B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Ennis Independent School District non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. Business-type activities include operations that rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "Grants and Contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

B. Government-wide and Fund Financial Statements, continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District reports the following major governmental funds:

The General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

1. Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. Debt Service Funds - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. Capital Projects Funds - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. Permanent Funds - The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no permanent funds.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

D. Fund Accounting, continued

Proprietary Funds:

5. Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise fund.
6. Internal Service Funds - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has one internal service fund for printing.

Fiduciary Funds:

7. Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
8. Pension (and Other Employee Benefit) Trust Funds - These funds are used to account for local pension and other employee benefit funds that are provided by the District, in lieu of or in addition to, the Teacher Retirement System of Texas. The District has no pension trust funds.
9. Investment Trust Fund - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no investment trust funds.
10. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds.

E. Other Accounting Policies

1. For purposes of the Statement of Cash Flows for proprietary and similar fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

E. Other Accounting Policies, continued

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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.

4. Capital assets, which include land, buildings, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Buses	15
Office Equipment	7
Vehicles	5
Computer Equipment	3

5. In the Government-Wide Financial Statements net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, Net of Related Debt -- the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

E. Other Accounting Policies, continued

proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted -- the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law for Federal and State Programs, Debt Service, Capital Projects.

Unrestricted -- the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Food Service or Net Assets Restricted for Debt Service.

In the Governmental Fund Financial Statements the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

E. Other Accounting Policies, continued

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Finance. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (the "TEA") in the *Financial Accountability System Resource Guide* (the "Resource Guide"). The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
8. The Resource Guide provides that Texas school districts record net tax levies initially as deferred revenue and convert those deferrals to realized revenue when the taxes are collected. The District had the following deferred revenues for major funds (reported on the Balance Sheet as Unearned and Unavailable Revenues) at August 31, 2016:

	General Fund	Debt Service
General Fund Debt Service		
From Property Taxes	\$ 720,295	\$ 346,296
Other Deferred Revenue:		
Other items	82,517	
Foundation Aid	<u>1,081,376</u>	<u>6,394</u>
Total Deferred Revenues	\$ <u>1,884,188</u>	\$ <u>352,690</u>

9. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31 and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. This year all encumbrances were paid and none carried over to following year.
10. In accordance with Texas Education Code, Chapter 44, subchapter A, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses the code structure presented in the Accounting Code of the Resource Guide. Mandatory codes are recorded in the order provided in that section.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 5,600,696	\$ -	\$ 5,600,696	
Buildings	220,078,672	(66,641,520)	153,437,152	
Vehicles & equipment	23,867,479	(22,079,205)	1,788,274	
Construction in process	-	-	-	
Change in net position				\$ 160,826,122
<u>Long-term liabilities at the beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds payable			(201,648,007)	
Change in net position				(201,648,007)
Net adjustment to net position				\$ <u>(40,821,885)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities, continued

	<u>Amount</u>	(Exhibit C-4) <u>Adjustments to Changes in Net Position</u>	(Exhibit C-2) <u>Adjustments to Net Position</u>
Current year capital outlay			
Buildings & improvements	\$ 251,079		
Vehicles	488,968		
Equipment	<u>231,228</u>		
Total capital outlay	971,275	\$ 971,275	\$ 971,275
Bond principal payments	6,225,000	6,225,000	6,225,000
Accretion of interest	(4,622,869)	<u>(4,622,869)</u>	<u>(4,622,869)</u>
Adjustment to net position		\$ <u>2,573,406</u>	\$ <u>2,573,406</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	(Exhibit C-4) <u>Adjustments to Changes in Net Position</u>	(Exhibit C-2) <u>Adjustments to Net Position</u>
Adjustments to revenue and deferred revenue			
Current year taxes not collected	\$ 350,744	\$ 350,744	
Taxes collected from prior year levies	(960,877)	(960,877)	
Uncollected taxes (assumed collectible) from current year levy	340,744		\$ 340,744
Uncollected taxes (assumed collectible) from prior year levy	725,847		725,847
Miscellaneous net charges from refunding transactions	80	<u>80</u>	<u>80</u>
Total		\$ <u>(610,053)</u>	\$ <u>1,066,671</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures.

The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

## ENNIS INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements Year Ended August 31, 2016

#### A. Budgetary Data, continued

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

#### IV. Detailed Notes on All Funds and Account Groups

##### A. Deposits, Securities and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust, with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits - The District's cash deposits at August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in District's name. The deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.
2. Investments - The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

A. Deposits, Securities and Investments - continued

of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investments contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The entire balance on the date of highest deposit should be either collateralized with securities held by the District’s agent or covered by FDIC insurance. Thus, the District’s deposits should not be exposed to custodial credit risk. The following is disclosed regarding coverage of cash deposit balances on the date of highest deposit:
  1. Name of the bank: Citizens National Bank - Ennis, TX
  2. The largest combined balances of cash, savings, and time deposits accounts amounted to \$3,508,225 occurred during the month of March 2016.
  3. The combined balances above on that date did not exceed the collateral and FDIC insurance.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2016, the District held investments in bank certificates of deposit and in public fund investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District’s investments in certificates of deposit are with the District’s depository bank and are collateralized with securities held by the District’s agent.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District invests only in investment pools that are rated AAA or AAAM and certificates of deposit. The credit quality rating for TexPool Investment Pool at year-end was AAAM (Standard & Poor’s). The credit quality rating for MBIA Texas CLASS at year-end was AAAM (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The maturity date of the certificates of deposit ranged from 12 months to 18 months at the time of purchase. The weighted average maturity for the District’s investment in external investment pools is less than 60 days.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

A. Deposits, Securities and Investments – continued

- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2016, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District invests only in investment pools and certificates of deposit at the District’s depository bank, which are collateralized by securities held by the District’s agent. Investment pools are excluded from the 5 percent disclosure requirement. Investments in certificates of deposit with Citizens National Bank represented 33.3 percent of total investments.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rules 2a7 of the Investment Company Act of 1940.

The District's temporary investments at August 31, 2016 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 5,400,515	\$ 5,400,515
MBIA	12,168,999	12,168,999
Certificates of deposit	<u>8,781,899</u>	<u>8,781,899</u>
Total investments	\$ <u>26,351,413</u>	\$ <u>26,351,413</u>

B. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal year.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the district is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Non Grant</u>	<u>Total</u>
General	\$ 1,338,999	\$ -	\$ -	\$ 1,338,999
Special Revenue	800	402,320	-	403,120
Debt Service Funds	<u>6,394</u>	<u>-</u>	<u>-</u>	<u>6,394</u>
Total	<u>\$ 1,346,193</u>	<u>\$ 402,320</u>	<u>\$ -</u>	<u>\$ 1,748,513</u>

E. Inter-fund Receivables and Payables

Inter-fund balances at August 31, 2016 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Special Revenue Funds	\$ 222,973	\$ -
Debt Service Fund	-	93,143
Capital Project Fund	-	2,147,039
Fiduciary Fund	177	-
Special Revenue Funds:		
General Fund	-	222,973
Capital Project Funds:		
General Fund	2,147,039	-
Debt Service Fund:		
General Fund	93,143	-
Fiduciary Fund:		
General Fund	<u>-</u>	<u>177</u>
Total	<u>\$ 2,463,332</u>	<u>\$ 2,463,332</u>

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

F. Changes in General Fixed Assets

	Beginning Balance	Additions	Reclass/ Retirement	Ending Balance
Governmental activities:				
Land	\$ 5,600,696	\$ -	\$ -	\$ 5,600,696
Buildings and improvements	220,078,672	251,079	-	220,329,751
Vehicles	4,755,614	488,968	-	5,244,582
Equipment	19,111,865	231,228	-	19,343,093
Total	\$249,546,847	\$ 971,275	\$ -	\$250,518,122
Less accumulated depreciation for:				
Buildings and improvements	(66,641,520)	(4,066,782)	-	(70,708,302)
Vehicles and equipment	(22,079,205)	(538,807)	-	(22,618,012)
Total accumulated depreciation	(88,720,725)	(4,605,589) *	-	(93,326,314)
Governmental activities capital assets, net	\$ 160,826,122	\$ (3,634,314)	\$ -	\$ 157,191,808

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,470,891
Instructional leadership	5,415
School leadership	127,421
Guidance, counseling and Evaluation services	2,996
Student transportation	178,646
Food services	258,408
Co-curricular activities	399,259
General administration	70,952
Plant maintenance and operations	79,654
Security and monitoring services	11,947
Total depreciation expense	\$ 4,605,589

G. Bonds

Ennis Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2 - 12 to enable investors to analyze the financial condition and operations of Ennis Independent School District.

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation debt	\$133,431,173	\$12,092,102	\$(16,760,720)	\$128,763,005	\$ 4,717,124
Accreted interest	65,810,529	4,622,869	(1,556,909)	68,876,489	1,532,876
Total	\$199,241,702	\$16,714,971	\$(18,317,179)	\$197,639,494	\$ 6,250,000

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates on the bonds range from .69% to 5.88%.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

G. Bonds – continued

Presented below is a summary of general obligation bond payment requirements to maturity:

<u>Year ended August 31,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 4,717,124	\$ 4,782,876	\$ 9,500,000
2018	4,828,995	4,774,255	9,603,250
2019	4,924,006	4,777,994	9,702,000
2020	7,026,422	4,739,578	11,766,000
2021	8,155,919	4,585,081	12,741,000
2022-2026	49,928,529	27,723,471	77,652,000
2027-2031	21,622,439	60,264,311	81,886,750
2032-2036	16,943,584	65,763,666	82,707,250
2037-2040	<u>10,615,987</u>	<u>40,011,013</u>	<u>50,627,000</u>
Total	<u>\$128,763,005</u>	<u>\$ 217,422,245</u>	<u>\$ 346,185,250</u>

<u>Issue</u>	<u>Rate</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008 Building Bonds	3.39% -5.88%	2017-2038	\$ 38,097,772	\$ 86,847,228	\$124,945,000
Series 2010 Refunding Bonds	.069% -4.73%	2016-2030	4,348,648	8,231,352	12,580,000
Series 2013 Refunding Bonds	4.29% -4.32%	2039-2040	3,755,000	13,565,000	17,320,000
Series 2015 Refunding Bonds	3.16% -5.00%	2017-2037	70,469,483	96,972,017	167,441,500
Series 2016 Refunding Bonds	3.02% -5.00%	2017-2037	<u>12,092,102</u>	<u>99,676,517</u>	<u>23,898,750</u>
Total Bonds			\$128,763,005	\$217,422,245	\$346,185,250

The 2008, 2010, 2013, 2015 and 2016 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature at various dates from 2017 to 2040. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

The long-term portion of outstanding bonds recorded on the Statement of Net Position includes unamortized issuance premiums on bonds totaling \$17,187,274 at August 31, 2016.

H. Debt Issuance and Defeased Debt

In 2016, the District issued \$12,092,102 in Unlimited Tax Refunding Bonds to advance refund \$12,092,178 of outstanding 2006 series building and refunding bonds along with applicable accreted interest. The net proceeds received from the issuance of the bonds of \$16,102,349 (\$12,092,102 par amount of the bonds plus \$4,090,678 of premium paid on the bonds less \$80,431 of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. and State and Local Government Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2006 series bonds. As a result, those bonds were considered to be defeased and the liability for those bonds was removed from long-term debt.

The refunding was undertaken to reduce the District's annual debt service obligations and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,606,227.

In prior years, the District has defeased other bond series in advance refunding transactions. As of August 31, 2016, all defeased bonds have been redeemed and therefore no bonds remain outstanding.

## ENNIS INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements Year Ended August 31, 2016

#### I. Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered under the TRS Active Care health care plan. The District enrolled in TRS Active Care, the statewide health coverage program for public education employees, effective September 1, 2002. The District contributes \$170 per employee on a monthly basis to be used toward health insurance premiums; employees, at their option, may authorize payroll withholdings to pay premiums for dependents.

#### J. Pension Plan Obligations

##### Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

##### Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

J. Pension Plan Obligations - continued

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions	\$ 865,471	
2015 Member Contributions	\$ 2,018,859	
2015 NECE On-behalf Contributions	\$ 1,583,128	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

J. Pension Plan Obligations – continued

Contributions - continued

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

J. Pension Plan Obligations - continued

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	—		<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

\* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$16,188,173	\$10,331,921	\$5,454,027

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2016

J. Pension Plan Obligations - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, the District reported a liability of \$10,331,921 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 10,331,921
State's proportionate share that is associated with District	<u>18,893,642</u>
Total	<u>\$ 29,225,563</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the District's proportion of the collective net pension liability was 0.000292286% which was an increase of 0.000100043% from its proportion measured as of August 31, 2014.

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2016

### J. Pension Plan Obligations – continued

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

##### *Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

##### *Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2015, the District recognized pension expense of \$1,583,128 and revenue of \$1,583,128 for support provided by the State.

**ENNIS INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements  
Year Ended August 31, 2016

J. Pension Plan Obligations – continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

At August 31, 2015, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 66,048	\$ 397,065
Changes in actuarial assumptions	277,599	368,598
Difference between projected and actual investment earnings	1,367,405	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	2,286,524	3,222
Contributions paid to TRS subsequent to the measurement date	<u>826,252</u>	<u>-</u>
Total	<u>\$4,823,828</u>	<u>\$ 768,885</u>

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense (Income)</u>
2015	\$ (255,874)
2016	570,378
2017	570,378
2018	962,750
2019	322,500
Thereafter	<u>232,306</u>
Total	<u>\$ 4,054,943</u>

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2016

### K. Retiree Health Plan

#### Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas.

TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

#### Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2015, and 2016. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2014, 2015, and 2016, the State's contributions to TRS-Care were \$298,536, \$301,323, and \$294,689 respectively, the active member contributions were \$194,048, \$195,860, and \$191,549 respectively, and the school district's contributions were \$164,195, \$165,705, and \$162,078 respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2016 is estimated by TRS at \$25,787.

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2016

### L. Teacher Employee Recruitment and Retention Program (TERRP)

Plan Description – Ennis Independent School District contributes to the Teacher Employee Recruitment and Retention Program Plan. The Plan is a defined contribution retirement plan and is completely funded by the employer. The Plan's annual financial report and other required disclosure information are available by writing the record keeper: JEM Resource Partners, 4201 Bee Caves Rd C-101, Austin, TX 78746.

Funding Policy – Under the plan provisions, the District contributes as a base match the lesser of 50% of an Employee's contribution to a 403(b) or 457 or 2% of the Employee's base salary if the Employee has less than 8 absences. In addition to the base match, Employees are eligible for an attendance match. An Employee with zero absences will receive an attendance match of the lesser 50% of the Employee's contribution to a 403(b) or 457 plan or 2% of the Employee's base salary. An Employee with less than three absences will receive an attendance match of 25% of the Employee's contribution to a 403(b) or 457 plan up to 1% of the Employee's base salary. District contributions for the years ending August 31, 2016 and 2015 were \$229,676 and \$300,516. Plan members are 100% vested after five years of employment, 75% vested after four years of employment, and 50% vested after three years of employment. Plan members are not vested in years one or two. The vesting schedule is waived and Participants become fully vested in their account balance for the following reasons:

Retirement (must qualify for TRS benefit), total disability (as defined by TRS) or death.

REQUIRED SUPPLEMENTARY INFORMATION

ENNIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 19,203,568	\$ 19,331,500	\$ 19,450,783	\$ 119,283
5800	State Program Revenues	26,043,444	26,064,333	26,366,896	302,563
5900	Federal Program Revenues	1,774,163	1,050,904	1,050,904	-
5020	Total Revenues	47,021,175	46,446,737	46,868,583	421,846
EXPENDITURES:					
Current:					
0011	Instruction	28,546,728	26,597,666	26,461,675	135,991
0012	Instructional Resources and Media Services	864,826	846,735	840,111	6,624
0013	Curriculum and Instructional Staff Development	735,023	608,974	602,785	6,189
0021	Instructional Leadership	673,160	520,040	507,763	12,277
0023	School Leadership	2,493,680	2,423,395	2,394,240	29,155
0031	Guidance, Counseling and Evaluation Services	1,604,198	1,324,150	1,317,164	6,986
0032	Social Work Services	42,337	38,356	37,356	1,000
0033	Health Services	680,195	596,849	589,658	7,191
0034	Student (Pupil) Transportation	1,936,577	1,803,472	1,781,713	21,759
0036	Extracurricular Activities	1,265,048	1,171,610	1,166,214	5,396
0041	General Administration	1,831,195	1,623,533	1,603,990	19,543
0051	Facilities Maintenance and Operations	5,403,678	5,027,620	4,998,506	29,114
0052	Security and Monitoring Services	300,539	287,456	283,701	3,755
0053	Data Processing Services	643,991	600,142	598,797	1,345
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	140,046	-	140,046
6030	Total Expenditures	47,021,175	43,610,044	43,183,673	426,371
1200	Net Change in Fund Balances	-	2,836,693	3,684,910	848,217
0100	Fund Balance - September 1 (Beginning)	15,434,391	15,434,391	15,434,391	-
3000	Fund Balance - August 31 (Ending)	\$ 15,434,391	\$ 18,271,084	\$ 19,119,301	\$ 848,217

ENNIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-6

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.000292286%	0.000192243%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,331,921	\$ 5,135,076
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,561,721	16,588,022
Total	\$ 18,893,642	\$ 21,723,098
District's Covered-Employee Payroll	\$ 29,468,885	\$ 30,132,208
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.06%	17.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.32%	76.36%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ENNIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-7

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 826,252	\$ 865,471
Contribution in Relation to the Contractually Required Contribution	826,252	865,471
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 29,468,885	\$ 30,132,208
Contributions as a Percentage of Covered-Employee Payroll	2.80%	2.87%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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OTHER SUPPLEMENTARY INFORMATION

ENNIS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	205	206	211	224
	Head Start	ESEA Title X, Pt.C Homeless	ESEA I, A Improving Basic Program	IDEA - Part B Formula
<b>ASSETS</b>				
1110	\$ -	\$ -	\$ -	\$ 54,637
1120	-	-	-	-
1240	8,581	5,462	191,383	-
1260	-	-	-	-
1300	-	-	-	-
1000	<u>\$ 8,581</u>	<u>\$ 5,462</u>	<u>\$ 191,383</u>	<u>\$ 54,637</u>
<b>LIABILITIES</b>				
2110	\$ -	\$ -	\$ -	\$ 1
2160	910	-	47,054	49,914
2170	7,582	5,462	140,548	-
2200	89	-	3,781	4,722
2300	-	-	-	-
2000	<u>8,581</u>	<u>5,462</u>	<u>191,383</u>	<u>54,637</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3470	-	-	-	-
Assigned Fund Balance:				
3590	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 8,581</u>	<u>\$ 5,462</u>	<u>\$ 191,383</u>	<u>\$ 54,637</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ 20,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,947
-	954,576	-	-	-	-	-	-
870	113,415	10,948	33,605	38,056	-	-	-
-	-	-	-	-	-	-	-
-	51,439	-	-	-	-	-	-
<u>\$ 870</u>	<u>\$ 1,139,592</u>	<u>\$ 10,948</u>	<u>\$ 33,605</u>	<u>\$ 38,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,947</u>
\$ -	\$ 189,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,947
-	4,299	-	13,987	2,827	-	-	-
870	3,921	10,948	18,304	34,953	-	-	-
-	76	-	1,314	276	-	-	-
-	1,599	-	-	-	-	-	-
<u>870</u>	<u>199,846</u>	<u>10,948</u>	<u>33,605</u>	<u>38,056</u>	<u>-</u>	<u>-</u>	<u>14,947</u>
-	51,439	-	-	-	-	-	-
-	888,307	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>939,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 870</u>	<u>\$ 1,139,592</u>	<u>\$ 10,948</u>	<u>\$ 33,605</u>	<u>\$ 38,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,947</u>

ENNIS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	697 Capital Projects 2008 Bond	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (239,236)	\$ (149,490)	\$ -
1120	Investments - Current	-	502,848	1,457,424	48,072
1240	Receivables from Other Governments	800	-	403,120	-
1260	Due from Other Funds	-	-	-	(26,449)
1300	Inventories	-	-	51,439	-
1000	Total Assets	<u>\$ 800</u>	<u>\$ 263,612</u>	<u>\$ 1,762,493</u>	<u>\$ 21,623</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 700	\$ 847	\$ 206,446	\$ -
2160	Accrued Wages Payable	-	-	118,991	-
2170	Due to Other Funds	100	285	222,973	-
2200	Accrued Expenditures	-	-	10,258	-
2300	Unearned Revenues	-	-	1,599	-
2000	Total Liabilities	<u>800</u>	<u>1,132</u>	<u>560,267</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	51,439	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	888,307	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	21,623
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	262,480	262,480	-
3000	Total Fund Balances	<u>-</u>	<u>262,480</u>	<u>1,202,226</u>	<u>21,623</u>
4000	Total Liabilities and Fund Balances	<u>\$ 800</u>	<u>\$ 263,612</u>	<u>\$ 1,762,493</u>	<u>\$ 21,623</u>

698 Capital Improvements	699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ (149,490)
-	66,393	114,465	1,571,889
-	-	-	403,120
2,239,881	(66,393)	2,147,039	2,147,039
-	-	-	51,439
<u>\$ 2,239,881</u>	<u>\$ -</u>	<u>\$ 2,261,504</u>	<u>\$ 4,023,997</u>
\$ -	\$ -	\$ -	\$ 206,446
-	-	-	118,991
-	-	-	222,973
-	-	-	10,258
-	-	-	1,599
<u>-</u>	<u>-</u>	<u>-</u>	<u>560,267</u>
-	-	-	51,439
-	-	-	888,307
2,239,881	-	2,261,504	2,261,504
-	-	-	262,480
<u>2,239,881</u>	<u>-</u>	<u>2,261,504</u>	<u>3,463,730</u>
<u>\$ 2,239,881</u>	<u>\$ -</u>	<u>\$ 2,261,504</u>	<u>\$ 4,023,997</u>

ENNIS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	63,306	19,176	1,018,363	820,493
5020 Total Revenues	<u>63,306</u>	<u>19,176</u>	<u>1,018,363</u>	<u>820,493</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	63,201	12,432	954,039	418,810
0013 Curriculum and Instructional Staff Development	105	2,348	14,480	2,096
0021 Instructional Leadership	-	4,396	13,312	125,069
0031 Guidance, Counseling and Evaluation Services	-	-	-	273,784
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	734
0041 General Administration	-	-	-	-
0061 Community Services	-	-	36,532	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>63,306</u>	<u>19,176</u>	<u>1,018,363</u>	<u>820,493</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ 429,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	30,117	-	-	-	-	1,800	155,527
11,394	3,051,561	72,154	221,569	72,710	6,678	-	-
<u>11,394</u>	<u>3,511,173</u>	<u>72,154</u>	<u>221,569</u>	<u>72,710</u>	<u>6,678</u>	<u>1,800</u>	<u>155,527</u>
5,868	-	72,154	221,569	56,401	6,678	-	155,527
984	-	-	-	12,903	-	1,800	-
-	-	-	-	-	-	-	-
4,542	-	-	-	-	-	-	-
-	3,671,346	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,406	-	-	-
-	-	-	-	-	-	-	-
<u>11,394</u>	<u>3,671,346</u>	<u>72,154</u>	<u>221,569</u>	<u>72,710</u>	<u>6,678</u>	<u>1,800</u>	<u>155,527</u>
-	(160,173)	-	-	-	-	-	-
-	1,099,919	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 939,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ENNIS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	697 Capital Projects 2008 Bond
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 444,903	\$ 874,398	\$ 137
5800 State Program Revenues	1,500	242	189,186	-
5900 Federal Program Revenues	-	-	5,357,404	-
5020 Total Revenues	<u>1,500</u>	<u>445,145</u>	<u>6,420,988</u>	<u>137</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	700	40,535	2,007,914	-
0013 Curriculum and Instructional Staff Development	800	283	35,799	-
0021 Instructional Leadership	-	-	142,777	-
0031 Guidance, Counseling and Evaluation Services	-	-	278,326	-
0035 Food Services	-	-	3,671,346	-
0036 Extracurricular Activities	-	365,367	366,101	-
0041 General Administration	-	18,306	18,306	-
0061 Community Services	-	-	39,938	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	101,886
6030 Total Expenditures	<u>1,500</u>	<u>424,491</u>	<u>6,560,507</u>	<u>101,886</u>
1200 Net Change in Fund Balance	-	20,654	(139,519)	(101,749)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>241,826</u>	<u>1,341,745</u>	<u>123,372</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 262,480</u>	<u>\$ 1,202,226</u>	<u>\$ 21,623</u>

698 Capital Improvements	699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 183	\$ 320	\$ 874,718
-	-	-	189,186
-	-	-	5,357,404
-	183	320	6,421,308
-	-	-	2,007,914
-	-	-	35,799
-	-	-	142,777
-	-	-	278,326
-	-	-	3,671,346
-	-	-	366,101
-	-	-	18,306
-	-	-	39,938
117,371	78,896	298,153	298,153
117,371	78,896	298,153	6,858,660
(117,371)	(78,713)	(297,833)	(437,352)
2,357,252	78,713	2,559,337	3,901,082
<u>\$ 2,239,881</u>	<u>\$ -</u>	<u>\$ 2,261,504</u>	<u>\$ 3,463,730</u>

REQUIRED TEA SCHEDULES

ENNIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 1,484,679,108
2008	1.030000	0.370000	1,561,191,643
2009	1.040000	0.440000	1,743,357,926
2010	1.040000	0.470000	1,708,602,317
2011	1.040000	0.500000	1,725,726,510
2012	1.040000	0.500000	1,753,464,940
2013	1.040000	0.500000	1,763,054,156
2014	1.040000	0.500000	1,786,202,458
2015	1.040000	0.500000	1,771,832,606
2016 (School year under audit)	1.040000	0.500000	1,812,886,833
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 636,975	\$ -	\$ 18,230	\$ 2,630	\$ (385,962)	\$ 230,153
52,766	-	2,302	827	(19,925)	29,712
72,496	-	3,910	1,654	(33,971)	32,961
69,123	-	5,073	2,293	(27,479)	34,278
72,576	-	9,276	4,460	(17,456)	41,384
85,919	-	16,567	7,965	(10,684)	50,703
116,588	-	31,161	14,981	(3,023)	67,423
193,328	-	66,959	32,192	(5,269)	88,908
386,953	-	157,265	75,608	(3,755)	150,325
-	27,687,701	18,421,580	8,856,529	(58,848)	350,744
<u>\$ 1,686,724</u>	<u>\$ 27,687,701</u>	<u>\$ 18,732,323</u>	<u>\$ 8,999,139</u>	<u>\$ (566,372)</u>	<u>\$ 1,076,591</u>

ENNIS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 475,400	\$ 475,400	\$ 429,495	\$ (45,905)
5800 State Program Revenues	-	-	30,117	30,117
5900 Federal Program Revenues	2,650,000	2,740,479	3,051,561	311,082
5020 Total Revenues	3,125,400	3,215,879	3,511,173	295,294
EXPENDITURES:				
0035 Food Services	3,200,400	3,680,400	3,671,346	9,054
6030 Total Expenditures	3,200,400	3,680,400	3,671,346	9,054
1200 Net Change in Fund Balances	(75,000)	(464,521)	(160,173)	304,348
0100 Fund Balance - September 1 (Beginning)	1,099,919	1,099,919	1,099,919	-
3000 Fund Balance - August 31 (Ending)	\$ 1,024,919	\$ 635,398	\$ 939,746	\$ 304,348

ENNIS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 9,050,524	\$ 9,099,812	\$ 9,123,597	\$ 23,785
5800 State Program Revenues	426,667	574,540	647,159	72,619
5020 Total Revenues	9,477,191	9,674,352	9,770,756	96,404
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	4,836,901	6,225,000	6,225,000	-
0072 Interest on Long Term Debt	4,514,399	3,058,717	3,058,717	-
0073 Bond Issuance Cost and Fees	5,000	153,754	153,754	-
6030 Total Expenditures	9,356,300	9,437,471	9,437,471	-
1100 Excess of Revenues Over Expenditures	120,891	236,881	333,285	96,404
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	-	12,092,102	12,092,102
7916 Premium or Discount on Issuance of Bonds	-	-	4,090,678	4,090,678
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(16,102,349)	(16,102,349)
7080 Total Other Financing Sources (Uses)	-	-	80,431	80,431
1200 Net Change in Fund Balances	120,891	236,881	413,716	176,835
0100 Fund Balance - September 1 (Beginning)	1,655,611	1,655,611	1,655,611	-
3000 Fund Balance - August 31 (Ending)	\$ 1,776,502	\$ 1,892,492	\$ 2,069,327	\$ 176,835

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Ennis Independent School District  
Ennis, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ennis Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Ennis Independent School District's basic financial statements, and have issued our report thereon dated December 16, 2016.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

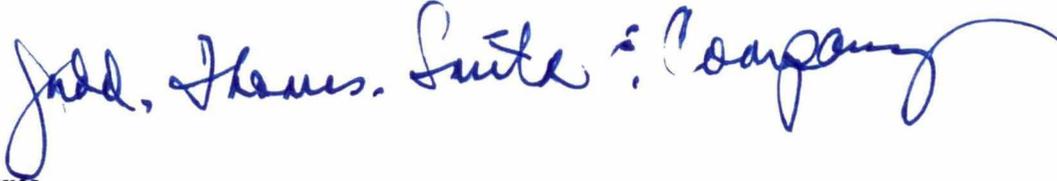
#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dallas, Texas  
December 16, 2016

FEDERAL AWARDS SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of School Trustees  
Ennis Independent School District  
Ennis, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Ennis Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Dallas, Texas  
December 16, 2016

**ENNIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**PART I - SUMMARY OF THE AUDITORS' RESULTS:**

**Financial Statement Section**

1. The auditors' report expresses an unmodified opinion on the financial statements of Ennis Independent School District.
2. No material weaknesses relating to internal control over financial reporting were identified in the audit of the financial statements.
3. No significant deficiencies that are not considered material weaknesses relating to internal control over financial reporting were identified in the audit of the financial statements.
4. No instances of noncompliance material to the financial statements of Ennis Independent School District were disclosed during the audit.

**Federal Awards Section**

1. No material weaknesses relating to internal control over major federal programs were identified in the audit of the financial statements.
2. No significant deficiencies that are not considered material weaknesses relating to internal control over major federal programs were identified in the audit of the financial statements.
3. The auditors' report on compliance for major programs expresses an unqualified opinion.
4. The audit did not disclose any audit findings required to be reported upon.
5. The programs tested as major programs include:

ESEA, Title I, Part A - Improving Basic Programs	84.010A
Special Education Cluster	84.027 and 84.173

6. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
7. The auditee qualified as a low-risk auditee.

**PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

There were no findings which are required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

ENNIS INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

There were no prior year audit findings.

ENNIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title X, Part C -Homeless Children	84.196	166150057950	\$ 19,176
Title III, Part A - English Language Acquisition	84.365A	16671001057950	72,710
Total Passed Through Region 10 Education Service Center			\$ 91,886
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101070903	\$ 1,018,363
*IDEA - Part B, Formula	84.027	166600010709036000	820,493
*IDEA - Part B, Preschool	84.173	1666100107090360000	11,394
Total Special Education Cluster (IDEA)			831,887
Career and Technical - Basic Grant	84.048	16420006070903	72,154
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	1669450101070903	221,569
Other Federally Funded Special Revenue Funds	84.369	69551202	6,678
Total Passed Through State Department of Education			\$ 2,150,651
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$ 2,242,537
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	3282.63	\$ 63,306
Total Passed Through State Department of Education			\$ 63,306
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 63,306
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 1,011,458
*National School Lunch Program - Cash Assistance	10.555	71301201	1,825,525
*National School Lunch Prog. - Non-Cash Assistance	10.555		214,578
Total CFDA Number 10.555			2,040,103
Total Child Nutrition Cluster			3,051,561
Total Passed Through the State Department of Agriculture			\$ 3,051,561
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			\$ 3,051,561
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 5,357,404

\*Clustered Programs

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes on Accounting Policies for Federal Awards  
Year Ended August 31, 2016

1. The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds - are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Fund, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement – Provisional 6/97.
4. Reconciliation of Federal Program Revenues and Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 5,357,404
SHARS revenue	<u>1,050,904</u>
Total federal program revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-3)	\$ <u>6,408,308</u>

SCHOOLS FIRST QUESTIONNAIRE

Ennis Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	68,876,489
SF11	Net Pension Assets (1920) at fiscal year-end.	-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	10,331,921
SF13	Pension Expense (6147) at fiscal year-end.	367,855