

ENNIS INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2017**

ENNIS INDEPENDENT SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ennis Independent School District
Ennis, TX

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows 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 33, 46 and 47) and Pension information (pages 34-35) 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. Such 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 22, 2017, 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* in considering Ennis Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. THOMAS SMITH" followed by a stylized flourish and "P.C.".

Dallas, Texas
December 22, 2017

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, 2017. 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 \$23,647,537 at August 31, 2017, compared to \$23,387,907 at August 31, 2016. The decrease in total net assets of \$259,630 compared to the increase in the prior fiscal year totaling \$658,660.

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	\$	(42,853,988)
Accreted Interest		(4,897,997)
Depreciation expense		(4,763,099)
Refunding of outstanding bonds		(114,735)
Amortization of premiums and deferred charges		114,735
Capital asset additions		3,206,185
Repayment of debt		6,250,000
Ending balance	<u>\$</u>	<u>(43,058,899)</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 \$9.4 million from operating activities. This was used for the repayment of the current year debt obligations of \$6,250,000 and the purchase of new capital assets totaling \$3,206,185. The District recognized an increase of \$388,428 in cash and investments resulting in an ending balance of \$26,966,599 which approximates the total of restricted and unrestricted net position.

The District's total revenues increased by 2.98%, or a total of \$1,840,961. A significant portion, 45%, of the District's revenues comes from taxes. Tax collections and total tax levy increased approximately 6.6% from prior year. State revenues decreased by approximately 3.4% and federal revenues increased approximately 4.7%. 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 \$64,663,193. This is up approximately 4.5% 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 \$30.5 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 \$25,298,187, as compared to the year ending August 31, 2016 fund balance of \$24,652,358. The \$645,829 increase in fund balance results from an increase in the fund balance in the General Fund (prior to transfers) of \$2,518,461 and net decreases in other governmental funds of \$1,872,632.

The District's General Fund balance of \$17,855,740 reported on page 5 differs from the General Fund's budgetary fund balance of \$17,006,020 reported in the budgetary comparison schedule on page 33. This is principally due to instruction and facility cost savings.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the District had approximately \$155 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 \$124,045,579 in bond principal outstanding versus \$128,763,005 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 2018 budget and tax rates. One of those factors is the net taxable value which had an increase of approximately 4% from 2016 net taxable values. The District's 2017-2018 refined average daily attendance is expected to remain steady or have a slight increase. The District budgeted based on numbers from 2016-2017 with no increase.

These factors as well as others were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are approximately \$47 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 2017, the District set aside \$3.7 million for renovation of the current Ag facilities, converting a current gymnasium into a multipurpose indoor facility and for technology infrastructure upgrades. As of August 31, 2017, \$1.8 million remained of those funds. 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 decreased from .5% to .4958% 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 remain about the same by the close of 2018.

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 2017	Governmental Activities 2016
Current and other assets	\$ 31,383,728	\$ 29,911,799
Capital assets, net	155,634,894	157,191,808
Total assets	187,018,622	187,103,607
Deferred outflows of resources	23,190,632	19,604,800
Total assets and deferred outflows of resources	210,209,254	206,708,407
Long-term liabilities	223,421,330	218,908,689
Other liabilities	9,821,794	10,418,740
Total liabilities	233,243,124	229,327,429
Deferred inflows of resources	613,667	768,885
Total liabilities and deferred inflows of resources	233,856,791	230,096,314
Net Position:		
Net investment in capital assets	(43,058,899)	(42,853,988)
Restricted	7,558,961	5,686,798
Unrestricted	11,852,401	13,779,283
Total net position	\$ (23,647,537)	\$ (23,387,907)

Table II
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	9,263,663	8,174,369
General revenues:		
Maintenance and operations taxes	19,551,904	18,158,726
Debt service taxes	9,377,088	8,962,603
Grants and contributions not restricted to specific functions	25,064,976	26,290,924
Investment earnings	290,753	153,072
Miscellaneous	855,179	822,908
Total revenue	64,403,563	62,562,602
Expenses:		
11 Instruction	32,862,995	32,140,814
12 Instructional resources and media services	851,488	840,111
13 Curriculum and staff development	540,637	587,299
21 Instructional leadership	1,285,109	634,295
23 School leadership	2,662,353	2,521,661
31 Guidance, counseling and evaluation services	1,672,663	1,595,490
32 Social work services	40,626	37,356
33 Health services	619,951	592,654
34 Student (pupil) transportation	1,536,447	1,591,535
35 Food services	4,046,573	3,891,767
36 Co-curricular/extracurricular activities	2,077,719	1,931,574
41 General administration	1,882,369	1,797,859
51 Plant maintenance and operations	5,515,166	5,088,155
52 Security and monitoring services	293,380	283,701
53 Data processing services	590,451	574,904
61 Community services	41,450	39,938
72 Debt service - Interest on long term debt	7,927,822	7,601,075
73 Debt service - Bond issuance cost and fees	215,994	153,754
81 Facilities acquisition and construction	-	-
93 Payments to fiscal agent/member districts of SSA	-	-
Total expenses	64,663,193	61,903,942
Increase (decrease) in net position	(259,630)	658,660
Beginning net position	(23,387,907)	(24,046,567)
Ending net position	\$ (23,647,537)	\$ (23,387,907)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 263,271
1120 Current Investments	26,703,328
1220 Property Taxes Receivable (Delinquent)	1,040,369
1230 Allowance for Uncollectible Taxes	(10,000)
1240 Due from Other Governments	2,545,287
1290 Other Receivables, net	445,771
1300 Inventories	25,237
1410 Prepayments	370,465
Capital Assets:	
1510 Land	5,600,696
1520 Buildings, Net	146,426,953
1530 Furniture and Equipment, Net	2,975,009
1580 Construction in Progress	632,236
1000 Total Assets	187,018,622
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	18,970,667
1705 Deferred Outflow Related to TRS	4,219,965
1700 Total Deferred Outflows of Resources	23,190,632
LIABILITIES	
2110 Accounts Payable	909,022
2120 Short Term Debt Payable	4,785,000
2160 Accrued Wages Payable	2,483,730
2180 Due to Other Governments	65,231
2200 Accrued Expenses	71,374
2300 Unearned Revenue	1,507,437
Noncurrent Liabilities	
2502 Due in More Than One Year	212,879,460
2540 Net Pension Liability (District's Share)	10,541,870
2000 Total Liabilities	233,243,124
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	613,667
2600 Total Deferred Inflows of Resources	613,667
NET POSITION	
3200 Net Investment in Capital Assets	(43,058,899)
3820 Restricted for Federal and State Programs	893,381
3850 Restricted for Debt Service	2,446,118
3860 Restricted for Capital Projects	3,823,760
3890 Restricted for Other Purposes	395,702
3900 Unrestricted	11,852,401
3000 Total Net Position	\$ (23,647,537)

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, 2017

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 32,862,995	\$ -	\$ 3,526,739	\$ (29,336,256)
12 Instructional Resources and Media Services	851,488	-	32,426	(819,062)
13 Curriculum and Staff Development	540,637	-	114,528	(426,109)
21 Instructional Leadership	1,285,109	-	549,868	(735,241)
23 School Leadership	2,662,353	-	122,400	(2,539,953)
31 Guidance, Counseling and Evaluation Services	1,672,663	-	426,508	(1,246,155)
32 Social Work Services	40,626	-	2,658	(37,968)
33 Health Services	619,951	-	28,863	(591,088)
34 Student (Pupil) Transportation	1,536,447	-	47,321	(1,489,126)
35 Food Services	4,046,573	-	3,794,367	(252,206)
36 Extracurricular Activities	2,077,719	-	447,090	(1,630,629)
41 General Administration	1,882,369	-	70,443	(1,811,926)
51 Facilities Maintenance and Operations	5,515,166	-	17,237	(5,497,929)
52 Security and Monitoring Services	293,380	-	13,936	(279,444)
53 Data Processing Services	590,451	-	27,829	(562,622)
61 Community Services	41,450	-	41,450	-
72 Debt Service - Interest on Long Term Debt	7,927,822	-	-	(7,927,822)
73 Debt Service - Bond Issuance Cost and Fees	215,994	-	-	(215,994)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 64,663,193	\$ -	\$ 9,263,663	(55,399,530)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	19,551,904
DT	Property Taxes, Levied for Debt Service	9,377,088
GC	Grants and Contributions not Restricted	25,064,976
IE	Investment Earnings	290,753
MI	Miscellaneous Local and Intermediate Revenue	855,179
TR	Total General Revenues	55,139,900
CN	Change in Net Position	(259,630)
NB	Net Position - Beginning	(23,387,907)
NE	Net Position--Ending	\$ (23,647,537)

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, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 137,044	\$ -	\$ 103,341	\$ 240,385
1120	Investments - Current	19,535,587	2,434,401	4,733,340	26,703,328
1220	Property Taxes - Delinquent	704,508	335,861	-	1,040,369
1230	Allowance for Uncollectible Taxes (Credit)	(6,772)	(3,228)	-	(10,000)
1240	Receivables from Other Governments	1,706,148	6,489	832,650	2,545,287
1260	Due from Other Funds	489,027	44,580	-	533,607
1290	Other Receivables	39,599	-	406,172	445,771
1300	Inventories	-	-	25,237	25,237
1410	Prepayments	370,465	-	-	370,465
1000	Total Assets	\$ 22,975,606	\$ 2,818,103	\$ 6,100,740	\$ 31,894,449
LIABILITIES					
2110	Accounts Payable	\$ 479,059	\$ -	\$ 429,091	\$ 908,150
2160	Accrued Wages Payable	2,311,762	-	168,332	2,480,094
2170	Due to Other Funds	44,580	-	489,027	533,607
2180	Due to Other Governments	32,368	32,863	-	65,231
2200	Accrued Expenditures	55,012	-	16,362	71,374
2300	Unearned Revenues	2,197,085	339,122	1,599	2,537,806
2000	Total Liabilities	5,119,866	371,985	1,104,411	6,596,262
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	25,237	25,237
3430	Prepaid Items	370,465	-	-	370,465
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	893,381	893,381
3470	Capital Acquisition and Contractual Obligation	-	-	3,823,760	3,823,760
3480	Retirement of Long-Term Debt	-	2,446,118	-	2,446,118
Committed Fund Balance:					
3510	Construction	5,710,625	-	-	5,710,625
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	253,951	253,951
3600	Unassigned Fund Balance	11,774,650	-	-	11,774,650
3000	Total Fund Balances	17,855,740	2,446,118	4,996,329	25,298,187
4000	Total Liabilities and Fund Balances	\$ 22,975,606	\$ 2,818,103	\$ 6,100,740	\$ 31,894,449

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, 2017

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	25,298,187
1 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.		18,378
2 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 \$250,518,122 and the accumulated depreciation was (\$93,326,314). 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.		(42,853,988)
3 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 2017 capital outlays and debt principal payments is to decrease net position.		4,558,188
4 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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$4,219,965, a Deferred Resource Inflow in the amount of \$613,667 and a net pension liability in the amount of \$10,541,870. The impact of this on Net Position is a decrease of 6,935,572.		(6,935,572)
5 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,763,099)
6 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.		1,030,369
19 Net Position of Governmental Activities	\$	(23,647,537)

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, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,457,329	\$ 9,544,385	\$ 1,293,285	\$ 31,294,999
5800 State Program Revenues	25,337,603	328,225	590,583	26,256,411
5900 Federal Program Revenues	1,134,013	-	5,578,361	6,712,374
5020 Total Revenues	46,928,945	9,872,610	7,462,229	64,263,784
EXPENDITURES:				
Current:				
0011 Instruction	26,864,536	-	2,250,098	29,114,634
0012 Instructional Resources and Media Services	837,649	-	-	837,649
0013 Curriculum and Instructional Staff Development	527,095	-	101,917	629,012
0021 Instructional Leadership	770,521	-	514,329	1,284,850
0023 School Leadership	2,486,621	-	-	2,486,621
0031 Guidance, Counseling and Evaluation Services	1,282,321	-	366,586	1,648,907
0032 Social Work Services	40,626	-	-	40,626
0033 Health Services	603,116	-	-	603,116
0034 Student (Pupil) Transportation	1,758,924	-	-	1,758,924
0035 Food Services	-	-	3,798,408	3,798,408
0036 Extracurricular Activities	1,256,210	-	407,745	1,663,955
0041 General Administration	1,703,230	-	11,286	1,714,516
0051 Facilities Maintenance and Operations	5,116,362	-	-	5,116,362
0052 Security and Monitoring Services	286,795	-	-	286,795
0053 Data Processing Services	758,542	-	-	758,542
0061 Community Services	-	-	41,450	41,450
Debt Service:				
0071 Principal on Long Term Debt	-	6,250,000	-	6,250,000
0072 Interest on Long Term Debt	-	3,250,000	-	3,250,000
0073 Bond Issuance Cost and Fees	-	215,994	-	215,994
Capital Outlay:				
0081 Facilities Acquisition and Construction	117,936	-	2,219,833	2,337,769
6030 Total Expenditures	44,410,484	9,715,994	9,711,652	63,838,130
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,518,461	156,616	(2,249,423)	425,654
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	34,183,749	-	34,183,749
7915 Transfers In	-	-	3,782,022	3,782,022
7916 Premium or Discount on Issuance of Bonds	-	24,398,781	-	24,398,781
8911 Transfers Out (Use)	(3,782,022)	-	-	(3,782,022)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(58,362,355)	-	(58,362,355)
7080 Total Other Financing Sources (Uses)	(3,782,022)	220,175	3,782,022	220,175
1200 Net Change in Fund Balances	(1,263,561)	376,791	1,532,599	645,829
0100 Fund Balance - September 1 (Beginning)	19,119,301	2,069,327	3,463,730	24,652,358
3000 Fund Balance - August 31 (Ending)	\$ 17,855,740	\$ 2,446,118	\$ 4,996,329	\$ 25,298,187

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	645,829
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.		(5,732)
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 2017 capital outlays and debt principal payments is to decrease net position.		4,558,188
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.		(4,763,099)
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.		(36,222)
Current year changes due to GASB 68 increased revenues in the amount of \$66,636 but also increased expenditures in the amount of \$725,230. The net effect on the change in the ending net position was a decrease in the amount of \$658,594.		(658,594)
Change in Net Position of Governmental Activities	\$	(259,630)

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

PROPRIETARY FUNDS

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Governmental Activities -	
	Internal Service Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	22,886
Total Assets		22,886
LIABILITIES		
Current Liabilities:		
Accounts Payable		819
Accrued Wages Payable		3,636
Accrued Expenses		53
Total Liabilities		4,508
NET POSITION		
Unrestricted Net Position		18,378
Total Net Position	\$	18,378

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

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 105,386
State Program Revenues	3,979
Total Operating Revenues	109,365
OPERATING EXPENSES:	
Payroll Costs	68,428
Professional and Contracted Services	25,871
Supplies and Materials	20,798
Total Operating Expenses	115,097
Operating Income (Loss)	(5,732)
Total Net Position - September 1 (Beginning)	24,110
Total Net Position - August 31 (Ending)	\$ 18,378

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, 2017

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 105,386
Cash Received from State Program Revenue	3,979
Cash Payments to Employees for Services	(65,912)
Cash Payments for Suppliers	(21,038)
Cash Payments for Other Operating Expenses	(25,871)
Net Cash Used for Operating Activities	<u>(3,456)</u>
Net Decrease in Cash and Cash Equivalents	(3,456)
Cash and Cash Equivalents at Beginning of Year	<u>26,342</u>
Cash and Cash Equivalents at End of Year	<u>\$ 22,886</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (5,732)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(240)
Increase (decrease) in Accrued Wages Payable	<u>2,516</u>
Net Cash Used for Operating Activities	<u>\$ (3,456)</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, 2017

	Agency Funds
<hr/>	
ASSETS	
Investments - Current	\$ 251,585
Total Assets	<u>\$ 251,585</u>
LIABILITIES	
Due to Student Groups	\$ 251,585
Total Liabilities	<u>\$ 251,585</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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 Financial Statements
Year Ended August 31, 2017

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, 2017:

	<u>General Fund</u>	<u>Debt Service</u>
General Fund Debt Service		
From Property Taxes	\$ 697,736	\$ 332,633
Other Deferred Revenue:		
Other items	-	-
Foundation Aid	<u>1,499,349</u>	<u>6,489</u>
Total Deferred Revenues	\$ <u>2,197,085</u>	\$ <u>339,122</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 Financial Statements
Year Ended August 31, 2017

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	220,329,751	(70,708,302)	149,621,449	
Vehicles & equipment	24,587,675	(22,618,012)	1,969,663	
Construction in process	<u>-</u>	<u>-</u>	<u>-</u>	
Change in net position				\$ 157,191,808
 <u>Long-term liabilities * at the beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds payable			(197,639,494)	
Deferred charges on refunding			14,780,972	
Premiums on issuance			<u>(17,187,274)</u>	
Change in net position				<u>(200,045,796)</u>
 Net adjustment to net position				 \$ <u>(42,853,988)</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 Financial Statements
Year Ended August 31, 2017

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	\$ 844,777		
Construction in progress	632,236		
Vehicles	497,549		
Equipment	<u>1,231,623</u>		
Total capital outlay	3,206,185	\$ 3,206,185	\$ 3,206,185
Bond principal payments	6,250,000	6,250,000	6,250,000
Accretion of interest	(4,897,997)	<u>(4,897,997)</u>	<u>(4,897,997)</u>
Adjustment to net position		\$ <u>4,558,188</u>	\$ <u>4,558,188</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	\$ 312,764	\$ 312,764	
Taxes collected from prior year levies	(348,986)	(348,986)	
Uncollected taxes (assumed collectible) from current year levy	302,764		\$ 302,764
Uncollected taxes (assumed collectible) from prior year levy	727,605		727,605
Miscellaneous net charges from refunding transactions	-	-	-
Total		\$ <u>(36,222)</u>	\$ <u>1,030,369</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 Financial Statements
Year Ended August 31, 2017

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, 2017, 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

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

A. Deposits, Securities and Investments - continued

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 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 \$3,522,260 occurred during the month of March 2017.
 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, 2017, 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 the TexPool Investment Pool, the MBIA Texas CLASS, and the TexasTERM portfolios at year-end were all AAAM (Standard & Poor's).

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

A. Deposits, Securities and Investments – continued

- 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.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2017, 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, 2017 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 7,610,240	\$ 7,610,240
MBIA Texas CLASS	10,960,089	10,960,089
TexasTERM	1,575,739	1,575,739
Money market accouts	2,837,477	2,837,477
Certificates of deposit	<u>3,719,783</u>	<u>3,719,783</u>
Total investments	\$ <u>26,703,328</u>	\$ <u>26,703,328</u>

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

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.

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, 2017 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	\$ 1,706,148	\$ -	\$ -	\$ 1,706,148
Special Revenue	61,203	771,447	-	832,650
Debt Service Funds	<u>6,489</u>	<u>-</u>	<u>-</u>	<u>6,489</u>
Total	<u>\$ 1,773,840</u>	<u>\$ 771,447</u>	<u>\$ -</u>	<u>\$ 2,545,287</u>

E. Inter-fund Receivables and Payables

Inter-fund balances at August 31, 2017 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Special Revenue Funds	\$ 489,027	\$ -
Debt Service Fund	-	44,580
Special Revenue Funds:		
General Fund	-	489,027
Debt Service Fund:		
General Fund	<u>44,580</u>	<u>-</u>
Total	<u>\$ 533,607</u>	<u>\$ 533,607</u>

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

F. Changes in General Fixed Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/ Retirement</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 5,600,696	\$ -	\$ -	\$ 5,600,696
Buildings and improvements	220,329,751	844,777	-	221,174,528
Vehicles	5,244,582	497,549	-	5,742,131
Equipment	19,343,093	1,231,623	-	20,574,716
Construction in progress	-	632,236	-	632,236
Total	<u>\$250,518,122</u>	<u>\$ 3,206,185</u>	<u>\$ -</u>	<u>\$253,724,307</u>
Less accumulated depreciation for:				
Buildings and improvements	(70,708,302)	(4,039,273)	-	(74,747,575)
Vehicles and equipment	(22,618,012)	(723,826)	-	(23,341,838)
Total accumulated depreciation	<u>(93,326,314)</u>	<u>(4,763,099) *</u>	<u>-</u>	<u>(98,089,413)</u>
Governmental activities capital assets, net	<u>\$ 157,191,808</u>	<u>\$ (1,556,914)</u>	<u>\$ -</u>	<u>\$ 155,634,894</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,273,124
Instructional leadership	5,415
School leadership	125,631
Guidance, counseling and Evaluation services	2,996
Student transportation	205,079
Food services	254,826
Co-curricular activities	399,259
General administration	30,999
Plant maintenance and operations	453,823
Security and monitoring services	11,947
Total depreciation expense	<u>\$ 4,763,099</u>

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, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation debt	\$128,763,005	\$34,183,749	\$(38,901,175)	\$124,045,579	\$ 3,731,239
Accreted interest	<u>68,876,489</u>	<u>4,792,557</u>	<u>(1,532,876)</u>	<u>72,136,170</u>	<u>1,053,761</u>
Total	<u>\$197,639,494</u>	<u>\$38,976,306</u>	<u>\$(40,434,051)</u>	<u>\$196,181,749</u>	<u>\$ 4,785,000</u>

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 Financial Statements
Year Ended August 31, 2017

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>	
2018	\$ 3,731,239	\$ 5,701,033	\$ 9,432,272
2019	4,760,658	4,986,092	9,746,750
2020	5,614,044	4,775,706	10,389,750
2021	6,809,431	4,510,319	11,319,750
2022	8,605,701	3,644,049	12,249,750
2023-2027	46,238,672	25,159,078	71,397,750
2028-2032	22,449,408	56,704,342	79,153,750
2033-2037	14,080,099	67,754,401	81,834,500
2038-2040	<u>11,756,327</u>	<u>22,261,673</u>	<u>34,018,000</u>
Total	\$<u>124,045,579</u>	\$<u>195,496,693</u>	\$<u>319,542,272</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%	2018-2038	\$ 2,276,808	\$ 8,718,192	\$ 10,995,000
Series 2010 Refunding Bonds	.069% -4.73%	2018-2030	4,303,437	7,481,563	11,785,000
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%	2018-2037	68,039,483	94,267,517	162,307,000
Series 2016 Refunding Bonds	3.02%-5.00%	2018-2037	11,487,102	11,261,148	22,748,250
Series 2016 Refunding Bonds	3.54%-5.00%	2018-2038	<u>34,183,749</u>	<u>60,203,273</u>	<u>94,387,022</u>
Total Bonds			\$<u>124,045,579</u>	\$<u>195,496,693</u>	\$<u>319,542,272</u>

The 2008, 2010, 2013, 2015, 2016 and 2017 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 \$21,482,711 at August 31, 2017.

H. Debt Issuance and Defeased Debt

In 2016, the District issued \$34,183,749 in Unlimited Tax Refunding Bonds to advance refund \$34,184,051 of outstanding 2008 series building bonds along with applicable accreted interest. The net proceeds received from the issuance of the bonds of \$58,362,355 (\$34,183,749 par amount of the bonds plus \$24,398,781 of premium paid on the bonds less \$220,175 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 2008 series bonds. As a result, those bonds were considered to be defeased and the liability for those bonds was removed from long-term debt.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

H. Debt Issuance and Defeased Debt - continued

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 \$12,768,526.

In prior years, the District has defeased other bond series in advance refunding transactions which have since been fully redeemed. As of August 31, 2017, only the Series 2008 bond refunded in the current year remain outstanding. These bonds, which mature at various dates between the 2030 and 2037 fiscal years, have a total maturity value of \$56,870,000. However, the bonds contain a call provision which can be exercised at August 15, 2018.

I. Health Care Coverage

During the year ended August 31, 2017, 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.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

J. Pension Plan Obligations - continued

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.

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>2017</u>	<u>2016</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$ 865,471	
2017 Member Contributions	\$ 2,121,761	
2017 NECE On-behalf Contributions	\$ 1,268,125	

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

J. Pension Plan Obligations – continued

Contributions - continued

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.
- 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

J. Pension Plan Obligations - continued

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

(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, 2016 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	-		1.0%
Total	100%		8.7%

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

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

J. Pension Plan Obligations – continued

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 2016 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:	\$16,315,264	\$10,541,870	\$5,644,865

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

At August 31, 2016, the District reported a liability of \$10,541,870 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	\$ 10,541,870
State's proportionate share that is associated with District	<u>18,044,416</u>
Total	<u>\$ 28,586,286</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016 the District's proportion of the collective net pension liability was 0.000278970% which was an increase of 0.000013316% from its proportion measured as of August 31, 2015.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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, 2017, the District recognized pension expense of \$1,805,583,128 and revenue of \$1,805,583,128 for support provided by the State.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

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, 2017, 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:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ 165,295	\$ 314,774
Changes in actuarial assumptions	321,297	292,207
Difference between projected and actual investment earnings	892,664	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	1,897,421	6,686
Contributions paid to TRS subsequent to the measurement date	<u>943,288</u>	<u>-</u>
Total	<u>\$4,219,965</u>	<u>\$ 613,667</u>

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, 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.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2017

K. Retiree Health Plan- continued

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 2015, 2016, and 2017. 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.

Contributions made by the State, The District and its active employees for the years ended August 31, 2017, 2016, and 2015 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Covered Payroll	\$30,011,252	\$29,468,885	\$30,132,208
Contributions made by State	300,115	294,689	301,323
District required and actual contributions	165,065	162,078	165,705
Employee contributions	195,075	191,549	195,075
Medicare Part D	25,759	25,787	23,313

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, 2017 and 2016 were \$245,372 and \$229,676. 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, 2017

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	\$ 19,874,899	\$ 20,371,076	\$ 20,457,329	\$ 86,253
5800	State Program Revenues	25,440,031	25,536,185	25,337,603	(198,582)
5900	Federal Program Revenues	1,000,000	1,134,013	1,134,013	-
5020	Total Revenues	46,314,930	47,041,274	46,928,945	(112,329)
EXPENDITURES:					
Current:					
0011	Instruction	27,854,720	27,392,083	26,864,536	527,547
0012	Instructional Resources and Media Services	887,184	839,542	837,649	1,893
0013	Curriculum and Instructional Staff Development	693,615	534,712	527,095	7,617
0021	Instructional Leadership	516,108	777,514	770,521	6,993
0023	School Leadership	2,515,344	2,515,344	2,486,621	28,723
0031	Guidance, Counseling and Evaluation Services	1,895,207	1,294,600	1,282,321	12,279
0032	Social Work Services	40,591	40,627	40,626	1
0033	Health Services	623,283	607,802	603,116	4,686
0034	Student (Pupil) Transportation	1,730,198	1,830,198	1,758,924	71,274
0036	Extracurricular Activities	1,263,615	1,290,456	1,256,210	34,246
0041	General Administration	1,818,221	1,760,049	1,703,230	56,819
0051	Facilities Maintenance and Operations	5,436,783	5,261,783	5,116,362	145,421
0052	Security and Monitoring Services	309,322	291,431	286,795	4,636
0053	Data Processing Services	730,739	761,391	758,542	2,849
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	175,000	117,936	57,064
6030	Total Expenditures	46,314,930	45,372,532	44,410,484	962,048
1100	Excess of Revenues Over Expenditures	-	1,668,742	2,518,461	849,719
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(3,782,023)	(3,782,022)	1
1200	Net Change in Fund Balances	-	(2,113,281)	(1,263,561)	849,720
0100	Fund Balance - September 1 (Beginning)	19,119,301	19,119,301	19,119,301	-
3000	Fund Balance - August 31 (Ending)	\$ 19,119,301	\$ 17,006,020	\$ 17,855,740	\$ 849,720

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, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.00027897%	0.000292286%	0.000192243%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,541,870	\$ 10,331,921	\$ 5,135,076
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	18,044,416	18,893,642	16,588,022
Total	<u>\$ 28,586,286</u>	<u>\$ 29,225,563</u>	<u>\$ 21,723,098</u>
District's Covered-Employee Payroll	\$ 30,011,252	\$ 29,468,885	\$ 30,132,208
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.13%	35.06%	17.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three 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 2017

	2017	2016	2015
Contractually Required Contribution	\$ 943,288	\$ 826,252	\$ 865,471
Contribution in Relation to the Contractually Required Contribution	943,288	826,252	865,471
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 30,011,252	\$ 29,468,885	\$ 30,132,208
Contributions as a Percentage of Covered-Employee Payroll	3.14%	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 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

OTHER SUPPLEMENTARY INFORMATION

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

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
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1120	-	-	-	-
1240	17,708	11,880	271,831	225,673
1290	-	-	-	-
1300	-	-	-	-
1000	<u>\$ 17,708</u>	<u>\$ 11,880</u>	<u>\$ 271,831</u>	<u>\$ 225,673</u>
LIABILITIES				
2110	\$ 810	\$ -	\$ -	\$ -
2160	4,923	-	69,735	66,225
2170	11,470	11,880	195,150	152,725
2200	505	-	6,946	6,723
2300	-	-	-	-
2000	<u>17,708</u>	<u>11,880</u>	<u>271,831</u>	<u>225,673</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3470	-	-	-	-
Assigned Fund Balance:				
3590	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 17,708</u>	<u>\$ 11,880</u>	<u>\$ 271,831</u>	<u>\$ 225,673</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	410 State Textbook Fund	429 Other State Special Revenue Funds
\$ -	\$ 102,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	510,905	-	-	-	-	-	-
-	165,370	8,193	37,964	32,828	-	33,495	27,708
-	406,172	-	-	-	-	-	-
-	25,237	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,210,089</u>	<u>\$ 8,193</u>	<u>\$ 37,964</u>	<u>\$ 32,828</u>	<u>\$ -</u>	<u>\$ 33,495</u>	<u>\$ 27,708</u>
\$ -	\$ 276,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,950
-	7,455	-	16,032	3,962	-	-	-
-	5,595	8,193	20,301	28,460	-	33,495	21,758
-	151	-	1,631	406	-	-	-
-	1,599	-	-	-	-	-	-
-	291,471	8,193	37,964	32,828	-	33,495	27,708
-	25,237	-	-	-	-	-	-
-	893,381	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	918,618	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,210,089</u>	<u>\$ 8,193</u>	<u>\$ 37,964</u>	<u>\$ 32,828</u>	<u>\$ -</u>	<u>\$ 33,495</u>	<u>\$ 27,708</u>

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	697 Capital Projects 2008 Bond	698 Capital Improvements	
ASSETS					
1110	Cash and Cash Equivalents	\$ 936	\$ 103,341	\$ -	\$ -
1120	Investments - Current	254,493	765,398	-	1,801,959
1240	Receivables from Other Governments	-	832,650	-	-
1290	Other Receivables	-	406,172	-	-
1300	Inventories	-	25,237	-	-
1000	Total Assets	<u>\$ 255,429</u>	<u>\$ 2,132,798</u>	<u>\$ -</u>	<u>\$ 1,801,959</u>
LIABILITIES					
2110	Accounts Payable	\$ 1,478	\$ 284,909	\$ -	\$ -
2160	Accrued Wages Payable	-	168,332	-	-
2170	Due to Other Funds	-	489,027	-	-
2200	Accrued Expenditures	-	16,362	-	-
2300	Unearned Revenues	-	1,599	-	-
2000	Total Liabilities	<u>1,478</u>	<u>960,229</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	25,237	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	893,381	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	1,801,959
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	253,951	253,951	-	-
3000	Total Fund Balances	<u>253,951</u>	<u>1,172,569</u>	<u>-</u>	<u>1,801,959</u>
4000	Total Liabilities and Fund Balances	<u>\$ 255,429</u>	<u>\$ 2,132,798</u>	<u>\$ -</u>	<u>\$ 1,801,959</u>

699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 103,341
2,165,983	3,967,942	4,733,340
-	-	832,650
-	-	406,172
-	-	25,237
<u>\$ 2,165,983</u>	<u>\$ 3,967,942</u>	<u>\$ 6,100,740</u>
\$ 144,182	\$ 144,182	\$ 429,091
-	-	168,332
-	-	489,027
-	-	16,362
-	-	1,599
<u>144,182</u>	<u>144,182</u>	<u>1,104,411</u>
-	-	25,237
-	-	893,381
2,021,801	3,823,760	3,823,760
-	-	253,951
<u>2,021,801</u>	<u>3,823,760</u>	<u>4,996,329</u>
<u>\$ 2,165,983</u>	<u>\$ 3,967,942</u>	<u>\$ 6,100,740</u>

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

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
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	75,623	22,856	1,195,990	994,469
5020 Total Revenues	75,623	22,856	1,195,990	994,469
EXPENDITURES:				
Current:				
0011 Instruction	75,623	16,864	712,706	495,652
0013 Curriculum and Instructional Staff Development	-	1,120	67,562	600
0021 Instructional Leadership	-	4,872	379,382	130,075
0031 Guidance, Counseling and Evaluation Services	-	-	-	366,236
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	1,594
0041 General Administration	-	-	-	-
0061 Community Services	-	-	36,340	312
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	75,623	22,856	1,195,990	994,469
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

225	240	244	255	263	289	410	429
IDEA - Part B Preschool	National Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Other Federal Special Revenue Funds	State Textbook Fund	Other State Special Revenue Funds
\$ -	\$ 839,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	33,690	-	-	-	-	324,320	232,380
12,522	2,904,423	77,856	217,633	71,164	5,825	-	-
12,522	3,777,280	77,856	217,633	71,164	5,825	324,320	232,380
12,172	-	77,856	217,633	63,989	5,825	324,320	202,297
-	-	-	-	2,377	-	-	30,083
-	-	-	-	-	-	-	-
350	-	-	-	-	-	-	-
-	3,798,408	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,798	-	-	-
-	-	-	-	-	-	-	-
12,522	3,798,408	77,856	217,633	71,164	5,825	324,320	232,380
-	(21,128)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(21,128)	-	-	-	-	-	-
-	939,746	-	-	-	-	-	-
\$ -	\$ 918,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	697 Capital Projects 2008 Bond	698 Capital Improvements
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 454,051	\$ 1,293,218	\$ 67	\$ -
5800 State Program Revenues	193	590,583	-	-
5900 Federal Program Revenues	-	5,578,361	-	-
5020 Total Revenues	454,244	7,462,162	67	-
EXPENDITURES:				
Current:				
0011 Instruction	45,161	2,250,098	-	-
0013 Curriculum and Instructional Staff Development	175	101,917	-	-
0021 Instructional Leadership	-	514,329	-	-
0031 Guidance, Counseling and Evaluation Services	-	366,586	-	-
0035 Food Services	-	3,798,408	-	-
0036 Extracurricular Activities	406,151	407,745	-	-
0041 General Administration	11,286	11,286	-	-
0061 Community Services	-	41,450	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	21,690	437,922
6030 Total Expenditures	462,773	7,491,819	21,690	437,922
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,529)	(29,657)	(21,623)	(437,922)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	(8,529)	(29,657)	(21,623)	(437,922)
0100 Fund Balance - September 1 (Beginning)	262,480	1,202,226	21,623	2,239,881
3000 Fund Balance - August 31 (Ending)	\$ 253,951	\$ 1,172,569	-	\$ 1,801,959

699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 67	\$ 1,293,285
-	-	590,583
-	-	5,578,361
-	67	7,462,229
-	-	2,250,098
-	-	101,917
-	-	514,329
-	-	366,586
-	-	3,798,408
-	-	407,745
-	-	11,286
-	-	41,450
1,760,221	2,219,833	2,219,833
1,760,221	2,219,833	9,711,652
(1,760,221)	(2,219,766)	(2,249,423)
3,782,022	3,782,022	3,782,022
2,021,801	1,562,256	1,532,599
-	2,261,504	3,463,730
\$ 2,021,801	\$ 3,823,760	\$ 4,996,329

REQUIRED TEA SCHEDULES

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ 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	1.040000	0.500000	1,812,886,833
2017 (School year under audit)	1.040000	0.500000	1,905,270,892
1000 TOTALS			

	(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$	259,865	\$ -	\$ 13,806	\$ 2,591	\$ (43,540)	\$ 199,928
	32,961	-	2,913	1,232	(1,342)	27,474
	34,278	-	5,029	2,273	816	27,792
	41,384	-	5,986	2,878	810	33,330
	50,703	-	9,856	4,739	17,896	54,004
	67,423	-	14,621	7,029	17,068	62,841
	88,908	-	21,169	10,178	12,778	70,339
	150,325	-	41,641	20,020	15,084	103,748
	350,744	-	140,543	67,569	5,517	148,149
	-	28,950,538	19,308,303	9,282,838	(46,633)	312,764
\$	<u>1,076,591</u>	\$ <u>28,950,538</u>	\$ <u>19,563,867</u>	\$ <u>9,401,347</u>	\$ <u>(21,546)</u>	\$ <u>1,040,369</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, 2017

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	\$ 427,000	\$ 817,701	\$ 839,167	\$ 21,466
5800	State Program Revenues	-	-	33,690	33,690
5900	Federal Program Revenues	2,720,000	2,740,479	2,904,423	163,944
5020	Total Revenues	3,147,000	3,558,180	3,777,280	219,100
EXPENDITURES:					
0035	Food Services	3,397,000	3,852,145	3,798,408	53,737
6030	Total Expenditures	3,397,000	3,852,145	3,798,408	53,737
1200	Net Change in Fund Balances	(250,000)	(293,965)	(21,128)	272,837
0100	Fund Balance - September 1 (Beginning)	939,746	939,746	939,746	-
3000	Fund Balance - August 31 (Ending)	\$ 689,746	\$ 645,781	\$ 918,618	\$ 272,837

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, 2017

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	\$ 9,396,747	\$ 9,520,411	\$ 9,544,385	\$ 23,974
5800	State Program Revenues	222,512	233,208	328,225	95,017
5020	Total Revenues	9,619,259	9,753,619	9,872,610	118,991
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	9,505,000	6,250,000	6,250,000	-
0072	Interest on Long Term Debt	-	3,250,000	3,250,000	-
0073	Bond Issuance Cost and Fees	-	215,995	215,994	1
6030	Total Expenditures	9,505,000	9,715,995	9,715,994	1
1100	Excess of Revenues Over Expenditures	114,259	37,624	156,616	118,992
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	34,183,749	34,183,749	-
7916	Premium or Discount on Issuance of Bonds	-	24,398,781	24,398,781	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(58,362,355)	(58,362,355)	-
7080	Total Other Financing Sources (Uses)	-	220,175	220,175	-
1200	Net Change in Fund Balances	114,259	257,799	376,791	118,992
0100	Fund Balance - September 1 (Beginning)	2,069,327	2,069,327	2,069,327	-
3000	Fund Balance - August 31 (Ending)	\$ 2,183,586	\$ 2,327,126	\$ 2,446,118	\$ 118,992

**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, 2017, 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 22, 2017.

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.

A handwritten signature in black ink that reads "Tom Smith & Company, P.C.". The signature is written in a cursive style with a large, stylized initial "T" and "S".

Dallas, Texas
December 22, 2017

FEDERAL AWARDS SECTION

**INDEPENDENT AUDITOR' 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, 2017. 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, 2017.

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.

A handwritten signature in black ink that reads "Judd, Thomas, Smith & Company, P.C." The signature is written in a cursive, slightly slanted style.

Dallas, Texas
December 22, 2017

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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:

Child Nutrition Cluster

10.553 and 10.555

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, 2017

There were no prior year audit findings.

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title X, Part C -Homeless Children	84.196	176150057950	\$ 22,856
Title III, Part A - English Language Acquisition	84.365A	17671001057950	71,164
Total Passed Through Region 10 Education Service Center			94,020
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101070903	1,195,990
*IDEA - Part B, Formula	84.027	176600010709036000	994,469
*IDEA - Part B, Preschool	84.173	1766100107090360000	12,522
Total Special Education Cluster (IDEA)			1,006,991
Career and Technical - Basic Grant	84.048	17420006070903	77,856
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	1769450101070903	217,633
Other Federally Funded Special Revenue Funds	34.369	69551202	5,825
Total Passed Through State Department of Education			2,504,295
TOTAL U.S. DEPARTMENT OF EDUCATION			2,598,315
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	3282.63	75,623
Total Passed Through State Department of Education			75,623
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			75,623
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	880,421
*National School Lunch Program - Cash Assistance	10.555	71301201	1,719,144
*National School Lunch Prog. - Non-Cash Assistance	10.555		177,323
Total CFDA Number 10.555			1,896,467
Total Child Nutrition Cluster			2,776,888
Child & Adult Care Food Program - Cash Assistance	10.558		127,535
Total Passed Through the State Department of Agriculture			2,904,423
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,904,423
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,578,361

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes on Accounting Policies for Federal Awards
Year Ended August 31, 2017

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	\$ 5,578,361
SHARS revenue	<u>1,134,013</u>
Total federal program revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-3)	\$ <u>6,712,374</u>

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SCHOOLS FIRST QUESTIONNAIRE

Ennis Independent School District

Fiscal Year 2017

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?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	72136170
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	10541870
SF13	Pension Expense (6147) at fiscal year-end.	