NEW ISSUE BOOK-ENTRY-ONLY Rating: S&P: "AA-"
(See "OTHER PERTINENT INFORMATION - Rating", herein)

OFFICIAL STATEMENT
Dated: December 4, 2018

In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein.

$9,835,000
CITY OF ENNIS, TEXAS
(Ellis County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: December 15, 2018 **Due: February 1, as shown on page ii**

The City of Ennis, Texas (the "City" or the "Issuer") $9,835,000 Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the City Commission, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and a limited pledge (not to exceed $1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from December 15, 2018 (the "Dated Date") as shown above and will be payable on August 1, 2019, and on each February 1 and August 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (a) acquiring, constructing, installing and equipping a municipal government building for municipal court facilities and for public safety facilities for the police department and the fire department, and the acquisition of land and interests in land and properties therefor; (b) and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with such projects and the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Certificates are offered for delivery, when, as and if issued and received by Robert W. Baird & Co., Inc. (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about January 3, 2019.

STATED MATURITY SCHEDULE
(Due February 1)
Base CUSIP – 293425[a]

Stated Maturity February 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[a]
2020	$ 315,000	5.000	2.000	C51
2021	330,000	5.000	2.100	C69
2022	345,000	5.000	2.200	C77
2023	365,000	5.000	2.300	C85
2024	385,000	5.000	2.400	C93
2025	405,000	5.000	2.500	D27
2026	425,000	5.000	2.600	D35
2027	445,000	5.000	2.700	D43
2028	470,000	5.000	2.800	D50
2029	485,000	3.000	3.000[b]	D68
2030	500,000	3.000	3.100[b]	D76
2031	520,000	3.125	3.200[b]	D84
2032	535,000	3.250	3.300[b]	D92
2033	555,000	3.375	3.400[b]	E26
2034	570,000	3.500	3.500[b]	E34
2035	590,000	3.500	3.600[b]	E42
2036	615,000	3.625	3.700[b]	E59
2037	635,000	3.750	3.750[b]	E67
2038	660,000	3.750	3.800[b]	E75
2039	685,000	3.750	3.850[b]	E83

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

(a) *CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.*

(b) *Yield is calculated to the first call date, February 1, 2028.*

CITY OF ENNIS, TEXAS
115 W. Brown Street
Ennis, Texas 75119
(972) 875-1234

ELECTED OFFICIALS

Name	Title	First Elected to Commission May	Term Expires May	Occupation
Angeline Juenemann	Mayor	2016	2021	Financial Advisor
Matt Walker	Mayor Pro Tem	2017	2020	Sales Manager
Rowdy Pruitt	Commissioner, Ward 1	2016	2021	Project Manager / Estimator
Marco Hernandez	Commissioner, Ward 2	2017	2020	Network Technician
Scott Hejny	Commissioner, Ward 3	2016	2019	Attorney
Shirley Watson	Commissioner, Ward 4	2017	2020	Part-time Administrator
Bill Honza	Commissioner, Ward 5	2016	2019	EISD Communications Officer

ADMINISTRATION

Name	Position	Length of Service With the City	Years in Municipal Government
Scott Dixon	City Manager	2.5 years	8 years
Benjamin Nibarger	Assistant City Manager	3 months	10 years
Stephen Barnes	Finance Director	2 months	16 years
Angie Wade	City Secretary	2.5 years	20 years
Marty Nelson	Economic Development Coordinator	5 years	5 years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	Yeldell, Wilson, Wood & Reeve, P.C. Ennis, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Mr. Stephen Barnes
Finance Director
City of Ennis
115 W. Brown Street
Ennis, Texas 75119
(972) 875-1234
sbarnes@ennistx.gov

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
(210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
(210) 832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

TABLE OF CONTENTS

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Ennis, Texas (the "City" or the "Issuer") is located in Ellis County and is a principal commercial center of Ellis County. The City is a political subdivision of the State of Texas and operates under a Commission-Manager form of government with a City Commission comprised of seven members including the Mayor. The Mayor and Mayor Pro Tem are elected at large for two-year staggered terms. The five Commissioners are elected by single member districts for two-year staggered terms. The City's 2010 census figure was 18,513, and the current 2018 estimated population is 20,324. (See Appendix B - "General Information Regarding the City of Ennis and Ellis County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, an ordinance (the "Ordinance") adopted by the City Commission, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and a limited pledge (not to exceed $1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after February 1, 2029, on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (a) acquiring, constructing, installing and equipping a municipal government building for municipal court facilities and for public safety facilities for the police department and the fire department, and the acquisition of land and interests in land and properties therefor; (b) and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with such projects and the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates An explanation of the significance of such rating may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Issuance of Additional Debt	The City anticipates issuing an estimated $15,000,000 of Certificates of Obligation ("Additional COs") for various General Fund Projects prior to September 30, 2019.
Payment Record	The City has never defaulted on its revenue bonds and has not defaulted on general obligation bonds since 1937 when all bonds were refunded at par with a reduction in interest rate.
Delivery	When issued, anticipated on or about January 3, 2019.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Ennis, Texas (the “City” or the “Issuer”) of its $9,835,000 Combination Tax and Revenue Certificates of Obligation, Series 2019 (the “Certificates”) identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State”). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the “Ordinance”) adopted by the City Commission authorizing the issuance of the Certificates, and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

THE CERTIFICATES

General

The Certificates will be dated December 15, 2018 (the "Dated Date"). The Certificates are stated to mature on February 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on August 1, 2019, and on each February 1 or August 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the “Paying Agent/Registrar” for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See “BOOK-ENTRY-ONLY SYSTEM” below for a more complete description of such System.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, the Ordinance and the City’s Home Rule Charter.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and a limited pledge (not to exceed $1,000) of the surplus revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”) remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City’s revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System (“Net Revenues”). (See “CITY APPLICATION OF THE PROPERTY TAX CODE” herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (a) acquiring, constructing, installing and equipping a municipal government building for municipal court facilities and for public safety facilities for the police department and the fire department, and the acquisition of land and interests in land and properties therefor; (b) and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with such projects and the Certificates.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after February 1, 2029 on February 1, 2028, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the Issuer has called for redemption will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The City has never defaulted on its revenue bonds and has not defaulted on general obligation bonds since 1937 when all bonds were refunded at par with a reduction in interest rate.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

In the Ordinance, the Issuer has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the registered owners of the Certificates, (ii) grant additional rights or security for the benefit of the registered owners of the Certificates, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the registered owners of the Certificates, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the registered owners of the Certificates.

The Ordinance further provides that the registered owners of the Certificates aggregating in principal amount a majority of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the registered owners of the Certificates in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal payable on any outstanding Certificates; (iv) modifying the terms of payment of principal of or interest on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Default and Remedies

The Ordinance provides that the following events constitute "Events of Default" with respect to the Certificates: (1) the failure by the City to pay the principal of or the interest on any Certificate when the same shall become due, or (2) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City. The Ordinance does not provide or specify remedies with regard to an Event of Default. Upon the occurrence of an Event of Default, the registered owners may seek a writ of mandamus to compel the City officials to carry out the legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, S.W. 3d (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, owners of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants.

Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on August 1, 2019, and on each February 1 and August 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar’s books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date (“Record Date”) for interest payable to the registered owner of a Certificate on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York (“DTC”). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Certificate or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as “Participants”. DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor, or the initial purchaser of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “PFIA”), in accordance with and investment policies approved by the City Commission. The City

Commission appoints the Finance Director as the "Investment officer" of the City. Both State law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which are guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAAm or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Commission detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Commission.

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Commission; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

State law does not require the Issuer to periodically mark its investments to market price, and the Issuer does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the Issuer's audited financial statements. Given the nature of its investments, the Issuer does not believe that the market value of its investments differs materially from book value.

As of September 30, 2018 (unaudited), the Issuer's investable funds were invested as shown below.

Fund and Investment Type	**Amount**	**Percentage of Portfolio**
Operating Checking Account	$16,329,120	71.38%
Local Checking / Money Market Accounts (General Fund)	6,200,450	27.26%
TexPool Money Market Accounts	309,981	1.36%
Total Investments	**$22,749,551**	**100.00%**

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Ennis, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Texas Senate, appoints the Board of Trustees, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Commission of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2-1
Updated service credits:	
Rate (%)	100T
Year effective	1998R
Increase benefits to retirees:	
Rate (%) (1)	70
Year effective	2001R
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	1-93
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

(1) For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.
T — Includes Transfer Credits.
R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms: At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving benefits	47
Active employees	178
	342

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Ennis were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ennis were 17.36% and 17.93% in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $1,827,529, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2016, and the Total Pension Liability ("TPL") used to calculate the Net Pension (Asset) Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension Plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

Discount Rate - The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Changes in the Net Pension Liability (NPL)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan fiduciary net position (b)	Net Pension (Asset) liability (a) – (b)
Balance at 12/31/2015	$ 60,615,574	$50,943,832	$ 9,671,742
Changes for the year:			
Service Cost	1,840,901	-	1,840,901
Interest	4,058,860	-	4,058,860
Difference between expected and actual Experience	57,172		57,172
Changes of assumptions			
Contributions – employer	-	1,781,293	(1,781,293)
Contributions - employee	-	695,429	(695,429)
Net investment income	-	3,443,016	(3,443,016)
Benefit payments, including refunds of employee contributions	(2,809,516)	(2,809,516)	-
Administrative expense	-	(38,883)	46,036
Other changes	-	(2,095)	2,095
Net Changes	$ 3,147,417	$ (3,069,244)	$ 78,173
Balance at 12/31/2016	**$ 63,762,991**	**$ 54,013,076**	**$ 9,749,915**

Sensitivity of the net pension liability to changes in the discount rate - The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	$ 18,610,432	$ 9,749,915	$ 2,447,798

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled $203,930.

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

For the year ended September 30, 2017, the City recognized a pension expense of $2,471,777.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 23
Contributions subsequent to the measurement date	1,338,589	-
Difference between projected and actual investment earnings	2,350,896	-
Differences between expected and actual economic experience	46,777	792,169
	$ 3,736,262	$ 792,192

$1,338,589 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30,2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2017	$571,801
2018	571,801
2019	505,262
2020	(48,580)
2021	5,197
Total	$1,605,481

OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $21,646, $18,419, and $17,286, respectively, which equaled the required contributions each year.

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Ellis County Appraisal District (the "Appraisal District") is responsible for appraising property within the City, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of five members, which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the City in establishing its tax roll and tax rate. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll. Article VIII, Section 21 of the Texas Constitution provides that, subject to any exception prescribed by general law, the total amount of property taxes imposed by a political subdivision in any year may not exceed the total amount of property taxes imposed in the preceding year unless a notice of intent to consider an increase in taxes is given and two public hearings on the proposed increase are held before the total taxes are increased. See "AD VALOREM TAX PROCEDURES - Effective Tax Rate and Rollback Tax Rate", herein.

Property Subject to Taxation by the Issuer

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Residence Homestead Exemptions: Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of person 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be increased or decreased in amount, or repealed altogether, either (i) by the governing body of the political subdivision, or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption; (ii) the surviving spouse was at least 55 years of age when the deceased spouse died; and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision may, at its option, grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Homestead Tax Limitation: Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or older or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead and to the surviving spouse living in such homestead if (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was disabled or was 55 or older when the deceased spouse died and (3) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following year. Once established such freeze cannot be repealed or rescinded.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs, or its successor, 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Following the approval by the voters at a November 7, 2017 statewide election (with an effective date of January 1, 2018), the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Agricultural/Open-Land Exemption: Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness Personal Property Exemption: Nonbusiness personal property, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Freeport Exemption: Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Goods in Transit: Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation of "goods-in-transit", which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing units rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligations of the contract by which the debt was created.

For a discussion of how the various exemptions described above are applied by the City, see "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

Tax Increment Reinvestment Zones and Tax Abatements: The City by action of the City Commission, may create one or more tax increment reinvestment zones ("TIRZs") within the City, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ to encourage development and redevelopment within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the City) of the taxes levied by the City against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the City.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development; provided, however, that no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Effective Tax Rate and Rollback Tax Rate

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides that the City Commission may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Commission has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service for the next year. Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate".

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the City is generally assessed as of January 1 of each year based upon the valuation of property within the City as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July[(a)]	12	6	18

____

[(a)] *After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances, taxes, which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.*

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to home-rule cities is applicable to the City, and limits the maximum ad valorem tax rate of the City to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City authorizes a maximum rate of $1.50 per $100 valuation for all city purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the Issuer are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the Issuer, having power to tax the property. The Issuer's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Issuer is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Issuer may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Issuer must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the City records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court

CITY APPLICATION OF THE PROPERTY TAX CODE

The City's property taxes are collected by Ellis County.

The City grants a 1% exemption to the market value of all residence homesteads with a minimum exemption of $5,000.

The City grants an additional exemption of $4,000 to the market value to persons 65 years or older.

The City taxes business personal property.

The Issuer does not permit split payments and does not allow discounts.

Pursuant to City action taken on December 18, 1989, the City elected to continue to tax Article VIII, Section 1-j property ("freeport property").

The City does not grant an exemption for "goods in transit".

The City has not adopted the tax freeze described above under "Homestead Tax Limitation".

The City adopted a Tax Increment Reinvestment Zone for the downtown business district on August 1, 2016.

The City adopted a Tax Increment Reinvestment Zone for the I45 Corridor on May 16, 2017.

The City has entered into tax abatement agreements with the businesses listed below and has adopted criteria therefor, which is a prerequisite to the execution of abatement agreements.

A. Depicted in the table below are active economic development agreements that abate or refund dollars based on property tax.

    a. Chapter 312 agreements are traditional property tax abatements (property tax not paid).

    b. Chapter 380 agreements are grants paid by the City based on a property tax refund calculation.

B. For the 2017 Tax Year:

    a. The amount of City property tax revenue abated or refunded annually is approximately $521,381.

    b. The amount of City property tax revenue collected annually is approximately $166,289.

Project			Investment		Property Tax		Incentives					
Year	TAD	Company Name	New Capital	Jobs	Abated/Refunded	Collected	Type	Source	Chapter	Terms / Value	Start - End	Purpose
2013	53	JTEKT Steering Systems of TX	$24,500,000	25	$130,463	$43,488	Tax Abatement	City of Ennis	**312**	75% - 7 Years	2014-2020	New Capital & Jobs
2014	54	Leggett & Platt 1	$10,000,000	40	$53,250	$17,750	Tax Abatement	City of Ennis	**312**	75% - 7 Years	2015-2021	New Capital & Jobs
2014	55	Ennis Steel 1	$8,200,000	25	$41,918	$16,302	Tax Abatement	City of Ennis	**312**	72% - 7 Years	2015-2021	New Capital & Jobs
2015	56	Sterilite Corp. of Texas	$17,000,000	40	$90,525	$30,175	Tax Abatement	City of Ennis	**312**	75% - 5 Years	2016-2020	New Capital & Jobs
2016	57	Leggett & Platt 2	$5,000,000	15	$23,075	$12,425	Tax Abatement	City of Ennis	**312**	65% - 5 Years	2017-2021	New Capital & Jobs
2017		Spyglass	$20,000,000	10	$106,500	$35,500	Tax Refund	City of Ennis	380	75% - 5 Years	2018-2022	New Capital & Jobs
2017		Polyguard	$500,000	15	$30,000	$0	Tax Refund	City of Ennis	380	$30k - 10 years	2018-2028	Retained Jobs and New HQ
2017		Forum Meat Company	$3,000,000	10	$10,650	$10,650	Tax Refund	City of Ennis	380	50% - 3 Years	2018-2020	New Capital & jobs
2017		Globe Products	$1,500,000	50	$35,000	$0	Tax Refund	City of Ennis	380	$35k - 10 years	2018-2028	New Capital & Retained Jobs
			$89,700,000	230	$521,381	$166,289						

C. The City has two additional programs that abate or refund monies based on property tax.

a. The Historic Landmark Tax Exemption applies to designated properties in the Downtown and Residential Historic Districts are eligible. The exemption applies to 25% of the property value, up to a maximum of $25,000. The maximum abatement is: $25,000*.0071 = $177.50 per property.

b. The Historic Reinvestment Tax Abatement Refund applies to designated "commercial" properties in the National Register Historic District. Eligible work includes: structural, electrical, plumbing, mechanical and exterior restoration. This program can refund up to 100% of City property taxes paid if matched with eligible work.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 34 of the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Certificates or other indebtedness. Net collections on a fiscal year basis are shown in Table 15 of Appendix A – Financial Information of the Issuer.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At an election held on November 7, 1995, the City's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes for the Ennis Economic Development Corporation in accordance with Chapters 501, 502 and 505, Texas Local Government Code, as amended (Type B economic development corporation). Levy of the additional sales tax began on April 1, 1996 and the City received its first payment in June 1996. Net collections on a fiscal year basis are shown in Table 15 entitled "MUNICIPAL SALES TAX" of Appendix A. **Such sales tax proceeds are not pledged for the payment of the Certificates.**

The City has not held an election regarding an additional sales tax for the purpose of reducing its ad valorem taxes or for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (Type A economic development corporation).

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the

Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE,

OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

Annual Reports

The City will provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under (i) "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER – Current Investments" in the body of this Official Statement, and (ii) Tables 1 through 13, 15 and 19 of “APPENDIX A – FINANCIAL INFORMATION OF THE ISSUER”. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2018. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of the City Attorney, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

Future Debt Issuance

The City anticipates issuing an estimated $15,000,000 of Certificates of Obligation for various General Fund Projects prior to September 30, 2019.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it represents the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Rating

S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Winning Bidder

On December 4, 2018, the Certificates were awarded to Robert W. Baird & Co., Inc. (the "Purchaser") through a competitive bid process. The initial reoffering yields were supplied to the City by the Purchaser. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately $116,876.68.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2017, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement was approved as to form and content and the use thereof in the offering of the Certificates was authorized, ratified and approved by the City Commission on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original statutes, documents and ordinances in all respects.

This Official Statement was approved by the City Commission of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF ENNIS, TEXAS

Angeline Juenemann
Mayor
City of Ennis, Texas

ATTEST:

Angie Wade
City Secretary
City of Ennis, Texas

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2018 Actual Appraised Value of Taxable Property (100% of Actual)[a]		$ 1,972,673,103
Less Exemptions/Losses:		
Local Over-65 and/or Disabled Homestead Exemptions	$ 4,924,446	
Local, Optional Percentage Homestead	14,589,482	
Disabled and Deceased Veterans' Exemptions	5,920,883	
Pollution Control	9,436,477	
Productivity Loss	42,922,813	
Abatement Loss	38,945,456	
Value Cap Loss (10%)	9,550,633	
Historical / Minimal Value & Other	2,493,742	
Totally Exempt Property	188,375,979	317,159,911
2018 Certified Net Taxable Assessed Valuation		$ 1,655,513,192

(a) *See "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

Source: Ellis Appraisal District.

GENERAL OBLIGATION BONDED DEBT PRINCIPAL — TABLE 2

General Obligation Debt Principal Outstanding: (As of October 31, 2018)	
Combination Tax and Revenue Certificates of Obligation, Series 2012	$ 200,000
General Obligation Refunding Bonds, Series 2012A	1,140,000
Combination Tax and Revenue Certificates of Obligation, Series 2014	5,235,000
General Obligation Refunding Bonds, Taxable Series 2014	6,740,000
Combination Tax and Revenue Certificates of Obligation, Series 2015	8,965,000
General Obligation Refunding Bonds, Series 2016	3,740,000
Combination Tax and Revenue Certificates of Obligation, Series 2016	2,995,000
General Obligation Refunding Bonds, Series 2017	4,310,000
Combination Tax and Revenue Certificates of Obligation, Series 2017	7,135,000
Combination Tax and Revenue Certificates of Obligation, Series 2018	2,590,000
Combination Tax and Revenue Certificates of Obligation, Series 2018A	4,500,000
Combination Tax and Revenue Certificates of Obligation, Series 2019 (the Certificates)	9,835,000
Total **Gross** General Obligation Debt Principal Outstanding (Following the Issuance of the Certificates):	$ 57,385,000
Less: Self-Supporting General Obligation Debt Principal [a]	
General Obligation Refunding Bonds, Series 2012A (Approx. 67.98% Utility Fund)	$ 775,000
Combination Tax and Revenue Certificates of Obligation, Series 2015 (Approx. 44.67% Utility Fund)	4,005,000
General Obligation Refunding Bonds, Series 2016 (Approx. 38.77% Utility Fund)	1,450,000
Combination Tax and Revenue Certificates of Obligation, Series 2016 (Approx 23.87% Utility Fund)	715,000
General Obligation Refunding Bonds, Series 2017 (61.25% Utility Fund)	2,640,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 (Approx 29.22% Utility Fund)	2,135,000
Combination Tax and Revenue Certificates of Obligation, Series 2018 (Approx 42.28% Utility Fund)	1,095,000
Combination Tax and Revenue Certificates of Obligation, Series 2018A (100% Utility Fund)	4,500,000
Combination Tax and Revenue Certificates of Obligation, Series 2019 (100% CCPD) (the Certificates)	9,835,000
Total Self-Supporting General Obligation Debt Principal	$ 27,150,000
Total **Net** General Obligation Debt Principal Outstanding (Following the Issuance of the Certificates):	$ 30,235,000
General Obligation Interest and Sinking Fund Balance as of September 30, 2018 (Unaudited)	$ 544,244
Ratio of Gross General Obligation Debt to 2018 Certified Net Taxable Assessed Valuation	3.47%
Ratio of Net General Obligation Debt to 2018 Certified Net Taxable Assessed Valuation	1.83%
2018 Certified Net Taxable Assessed Valuation	$ 1,655,513,192
Population: 1980 - 12,110; 1990 - 13,883; 2000 - 16,045; 2010 - 18,513; Current (Estimate) -	20,324
Per Capita 2018 Certified Net Assessed Valuation -	$ 81,456
Per Capita Gross General Obligation Debt Principal -	$ 2,824
Per Capita Net General Obligation Debt Principal -	$ 1,488

(a) *In the event the City changes its policy to pay this general obligation debt service from other revenue sources, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.*

DEVELOPMENT AGREEMENT PAYABLE

The City entered into a development agreement with PRHC-Ennis GP, Inc. (subsequently LifePoint Hospitals, Inc.) (the “Company”) for the construction, maintenance and operation of an acute municipal hospital. Under the terms of the development agreement the City purchased the constructed hospital from the Company. The purchase price paid at closing was reduced by an amount identified as rent under the terms of the development agreement and the terms of a lease agreement. This development agreement payable ($21,795,735) was recorded at closing and is reduced as rent revenue under the lease agreement as earned.

The development agreement payable currently outstanding and reported as a liability of the City’s governmental activities at September 30, 2017 totaled $16,301,397. The amount due within one year totals $544,893.

LEASE PURCHASE AGREEMENTS (Equipment)

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases ranges from 2.04% to 2.258%. As of September 30, 2017, the estimated future lease payments are as follows:

Fiscal	Governmental Activates		
Year Ended	Principal	Interest	Total
2018	$ 18,592	$ 158	$ 18,750
2019	80,483	7,519	88,002
2020	82,300	5,702	88,002
2021	84,158	3,844	88,002
2022	86,058	1,943	88,001
Total	$ 351,591	$ 19,166	$ 370,757

CONTRACTS WITH THE TRINITY RIVER AUTHORITY OF TEXAS

The City has entered into two water supply contracts with the Trinity River Authority of Texas (the "Authority") and is making contractual payments to Authority in compliance with those contracts.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year 30-Sep	Current Total Debt Service[(a)]	The Certificates Principal	The Certificates Interest	The Certificates Total	Combined Debt Service[(a)]	Less: Self-Supporting Debt Paid From WS Rev[(b)]	Less: Self-Supporting Debt Paid From CCPD [(c)]	Net General Obligation Debt Service[(d)]
2019	$ 6,278,002.74	$ -	$ 246,912.85	$ 246,912.85	$ 6,524,915.59	$ 2,256,705.00	$ 246,912.85	$ 4,021,297.74
2020	6,267,135.25	315,000.00	385,437.50	700,437.50	6,967,572.75	2,248,885.00	700,437.50	4,018,250.25
2021	5,107,833.75	330,000.00	369,312.50	699,312.50	5,807,146.25	1,865,524.00	699,312.50	3,242,309.75
2022	4,946,477.75	345,000.00	352,437.50	697,437.50	5,643,915.25	1,771,954.00	697,437.50	3,174,523.75
2023	3,644,595.25	365,000.00	334,687.50	699,687.50	4,344,282.75	943,788.00	699,687.50	2,700,807.25
2024	3,629,331.75	385,000.00	315,937.50	700,937.50	4,330,269.25	945,692.00	700,937.50	2,683,639.75
2025	3,644,418.25	405,000.00	296,187.50	701,187.50	4,345,605.75	946,222.00	701,187.50	2,698,196.25
2026	2,543,059.75	425,000.00	275,437.50	700,437.50	3,243,497.25	946,246.00	700,437.50	1,596,813.75
2027	2,413,800.75	445,000.00	253,687.50	698,687.50	3,112,488.25	819,959.00	698,687.50	1,593,841.75
2028	2,220,029.25	470,000.00	230,812.50	700,812.50	2,920,841.75	810,466.00	700,812.50	1,409,563.25
2029	2,231,844.75	485,000.00	211,787.50	696,787.50	2,928,632.25	819,956.00	696,787.50	1,411,888.75
2030	2,223,172.25	500,000.00	197,012.50	697,012.50	2,920,184.75	819,484.00	697,012.50	1,403,688.25
2031	2,230,280.25	520,000.00	181,387.50	701,387.50	2,931,667.75	822,742.00	701,387.50	1,407,538.25
2032	2,024,795.25	535,000.00	164,568.75	699,568.75	2,724,364.00	815,420.00	699,568.75	1,209,375.25
2033	2,021,167.50	555,000.00	146,509.38	701,509.38	2,722,676.88	817,218.00	701,509.38	1,203,949.50
2034	2,024,678.75	570,000.00	127,168.76	697,168.76	2,721,847.51	817,904.00	697,168.76	1,206,774.75
2035	1,604,354.00	590,000.00	106,868.76	696,868.76	2,301,222.76	822,973.00	696,868.76	781,381.00
2036	944,014.50	615,000.00	85,396.88	700,396.88	1,644,411.38	486,515.00	700,396.88	457,499.50
2037	939,577.00	635,000.00	62,343.75	697,343.75	1,636,920.75	485,802.00	697,343.75	453,775.00
2038	256,963.50	660,000.00	38,062.50	698,062.50	955,026.00	256,964.00	698,062.50	-
2039	-	685,000.00	12,843.75	697,843.75	697,843.75	-	697,843.75	-
	$ 57,195,532.24	$ 9,835,000.00	$ 4,394,800.38	$14,229,800.38	$ 71,425,332.62	$ 20,520,419.00	$14,229,800.38	$ 36,675,113.74

(a) *Includes all self-supporting debt.*

(b) *Includes only self-supporting debt paid from Water and Sewer System (the "System") revenues. See Table 2, page A-1 for self-supporting percentages.*

(c) *Includes the self-supporting debt paid by the Crime Control Prevention District ("CCPD"). See Table 2, page A-1 for self-supporting percentages.*

(d) *Excludes all self-supporting debt .*

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 5

2018 Net Taxable Assessed Valuation	$ 1,655,513,192
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-20)	$ 6,967,573
Indicated Maximum Interest and Sinking Fund Tax Rate at 97% Collections	$ 0.43389

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 6

2018 Net Taxable Assessed Valuation	$ 1,655,513,192
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-19)	$ 4,021,298
Indicated Maximum Interest and Sinking Fund Tax Rate at 97% Collections	$ 0.25042

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX		TABLE 7
Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2018 (Unaudited)	$	544,244
2018 Interest and Sinking Fund Tax Levy of $0.24000 at 97% Collections Produces		3,854,035
Total Available for Debt Service	$	4,398,279
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-19[(a)]		4,021,298
Estimated Surplus at Fiscal Year Ending 9-30-19[(b)]	$	376,981

[(a)] *Includes the Certificates and excludes self-supporting general obligation debt.*
[(b)] *Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.*

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT		TABLE 8
Net System Revenues Available, Fiscal Year End September 30, 2018	$	2,455,520
Transfer from Undesignated Utility Fund Reserve		-
Less: 2018 Annual Debt Service Requirements on Outstanding Revenue Bonds		-
Balance Available for Other Purposes	$	2,455,520
System General Obligation Debt for Fiscal Year Ended September 30, 2019	$	2,256,705
Percentage of System General Obligation Debt Self-Supporting		108.81%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 9**

	Principal Repayment Schedule			Obligations	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[(a)]	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2019	$ 5,060,000	$ -	$ 5,060,000	52,325,000	8.82%
2020	5,180,000	315,000	5,495,000	46,830,000	18.39%
2021	4,130,000	330,000	4,460,000	42,370,000	26.17%
2022	4,060,000	345,000	4,405,000	37,965,000	33.84%
2023	2,850,000	365,000	3,215,000	34,750,000	39.44%
2024	2,910,000	385,000	3,295,000	31,455,000	45.19%
2025	3,005,000	405,000	3,410,000	28,045,000	51.13%
2026	1,990,000	425,000	2,415,000	25,630,000	55.34%
2027	1,910,000	445,000	2,355,000	23,275,000	59.44%
2028	1,765,000	470,000	2,235,000	21,040,000	63.34%
2029	1,825,000	485,000	2,310,000	18,730,000	67.36%
2030	1,865,000	500,000	2,365,000	16,365,000	71.48%
2031	1,925,000	520,000	2,445,000	13,920,000	75.74%
2032	1,775,000	535,000	2,310,000	11,610,000	79.77%
2033	1,825,000	555,000	2,380,000	9,230,000	83.92%
2034	1,885,000	570,000	2,455,000	6,775,000	88.19%
2035	1,515,000	590,000	2,105,000	4,670,000	91.86%
2036	900,000	615,000	1,515,000	3,155,000	94.50%
2037	920,000	635,000	1,555,000	1,600,000	97.21%
2038	255,000	660,000	915,000	685,000	98.81%
2039	-	685,000	685,000	-	100.00%
	$ 47,550,000	$ 9,835,000	$ 57,385,000		

[(a)] *As of September 30, 2018. Includes self-supporting debt.*

CLASSIFICATION OF ASSESSED VALUATION[(a)] TABLE 10

Category	2018	% of Total	2017	% of Total	2016	% of Total	2015	% of Total	2014	% of Total
Real, Residential, Single-Family	$ 529,776,113	26.86%	$ 483,875,950	25.77%	$ 441,628,622	24.08%	$ 418,857,317	23.61%	$ 403,762,781	23.86%
Real, Residential, Multi-Family	49,426,991	2.51%	45,737,560	2.44%	43,253,960	2.36%	42,593,050	2.40%	42,006,906	2.48%
Real, Vacant Lots/Tracts	21,347,950	1.08%	19,589,510	1.04%	19,548,556	1.07%	19,602,209	1.11%	20,443,746	1.21%
Real, Acreage (Land Only)	45,960,324	2.33%	38,032,288	2.03%	37,065,329	2.02%	35,821,651	2.02%	34,135,115	2.02%
Real, Farm & Ranch Improvements	26,136,823	1.32%	21,878,373	1.17%	21,807,892	1.19%	21,365,753	1.20%	22,158,483	1.31%
Real, Commercial	252,120,477	12.78%	244,569,756	13.03%	222,383,133	12.13%	214,373,428	12.09%	184,250,677	10.89%
Real, Industrial	231,260,384	11.72%	232,647,274	12.39%	225,505,129	12.30%	229,966,120	12.96%	247,992,699	14.65%
Real & Tangible, Personal Utilities	33,584,862	1.70%	30,812,692	1.64%	28,936,750	1.58%	29,266,100	1.65%	27,780,430	1.64%
Tangible Personal, Commercial	204,286,987	10.36%	211,974,285	11.29%	198,249,012	10.81%	178,194,076	10.05%	92,901,107	5.49%
Tangible Personal, Industrial	377,876,283	19.16%	359,683,600	19.16%	405,928,028	22.13%	387,843,321	21.87%	420,551,017	24.85%
Tangible Personal, Mobile Homes	1,274,830	0.06%	1,338,790	0.07%	1,286,950	0.07%	947,070	0.05%	1,016,210	0.06%
Real, Property / Residential Inventory	6,720,790	0.34%	5,519,567	0.29%	4,932,250	0.27%	4,781,210	0.27%	4,624,770	0.27%
Special Inventory	4,524,310	0.23%	4,869,730	0.26%	6,222,470	0.34%	5,801,600	0.33%	5,720,800	0.34%
Totally Exempt Property	188,375,979	9.55%	176,900,812	9.42%	177,326,089	9.67%	184,389,002	10.40%	185,177,468	10.94%
Total Appraised Value	$ 1,972,673,103	100.00%	$ 1,877,430,187	100.00%	$ 1,834,074,170	100.00%	$ 1,773,801,907	100.00%	$ 1,692,522,209	100.00%
Less Exemptions:										
Local, Over-65 and/or Disabled	$ 4,924,446		$ 4,861,521		$ 4,859,445		$ 4,800,342		$ 4,840,548	
Local, Optional Percentage Homestead	14,589,482		14,571,839		14,671,075		14,929,588		15,260,273	
Disabled and Deceased Veterans	5,920,883		3,770,200		2,623,832		1,693,126		1,599,096	
Pollution Control	9,436,477		13,470,942		15,910,684		17,789,087		18,218,203	
Productivity Loss	42,922,813		35,315,467		34,362,022		33,292,974		31,746,065	
Tax Abatement	38,945,456		39,127,827		25,800,896		28,790,988		22,801,814	
Low Income Housing Exemption	-		-		-		4,705,420		4,705,420	
Value Cap Loss (10%)	9,550,633		5,769,208		1,196,206		1,090,729		678,074	
Historical / Minimal Value & Other	2,493,742		2,449,837		2,363,496		2,228,314		4,214,191	
Totally Exempt Property	188,375,979		176,900,812		177,326,089		179,441,159		178,370,655	
Total Exemptions	$ 317,159,911		$ 296,237,653		$ 279,113,745		$ 288,761,727		$ 282,434,339	
Net Taxable Assessed Valuation	$ 1,655,513,192		$ 1,581,192,534		$ 1,554,960,425		$ 1,485,040,180		$ 1,410,087,870	

[(a)] *Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.*

Source: Texas Comptroller of Public Accounts and Ellis Appraisal District

PRINCIPAL TAXPAYERS - 2018 TABLE 11

Name	Type of Business/Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
CVS Texas Distribution LP	Pharmacy Retailer Distribution	$ 104,358,750	6.30%
Ennis-Tractebel Power Co. LP	Electric Power Generation	89,647,900	5.42%
Sterilite Corporation of Texas	Plastic Container Manufacturing	58,808,792	3.55%
Elk Roofing Products	Fiberglass Roofing Materials	53,065,190	3.21%
Leggett Partners LP	Bedding Components Manufacturing	34,419,490	2.08%
JTEKT Automotive Texas LP	Automotive Steering Products Manufacturing	33,947,827	2.05%
Atlas Sound LP	Audio Video Products Manufacturing	21,037,240	1.27%
Sterilite Industrial Realty LLC	Manufacturing Household / Storage Products	20,553,140	1.24%
Wal-Mart Real Estate	Real Estate	17,174,740	1.04%
Valent USA Corporation	Agriculture	16,125,850	0.97%
	Total	$ 449,138,919	27.13% *

* Based on a 2018 Net Taxable Assessed Valuation of $ 1,655,513,192

Source: Ellis Appraisal District and the Issuer.

PROPERTY TAX RATES AND COLLECTIONS [(a)] TABLE 12

Tax Year	Net Taxable Assessed Valuation[(b)]	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2009	$1,338,878,430	0.6950	$ 9,306,551	98.43%	99.78%	9/30/2010
2010	1,307,574,814	0.6950	9,067,308	98.42%	99.73%	9/30/2011
2011	1,339,671,916	0.6950	9,282,003	98.76%	99.69%	9/30/2012
2012	1,375,246,813	0.6950	9,625,186	98.22%	99.36%	9/30/2013
2013	1,411,761,140	0.6950	9,827,953	98.76%	98.76%	9/30/2014
2014	1,410,087,870	0.6950	9,809,002	98.79%	99.97%	9/30/2015
2015	1,485,040,180	0.6692	9,931,494	98.05%	99.08%	9/30/2016
2016	1,554,960,425	0.6990	10,869,173	99.18%	100.08%	9/30/2017
2017	1,581,192,534	0.7100	11,215,175	99.14% [(c)]	100.04% [(c)]	9/30/2018
2018	1,655,513,192	0.7100	11,754,144	(In process of collection)		9/30/2019

[(a)] See "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.

[(b)] Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

[(c)] Collections are as of September 30, 2018.

Source: The Issuer and Municipal Advisory Council of Texas.

TAX RATE DISTRIBUTION TABLE 13

	2018-19	2017-18	2016-17	2015-16	2014-15
General Fund	$0.47000	$0.47000	$0.45900	$0.43989	$0.42918
I & S Fund	0.24000	0.24000	0.24000	0.22928	0.26582
TOTAL	$0.71000	$0.71000	$0.69900	$0.66917	$0.69500

Sources: Ellis Appraisal District and the Issuer.

TAXABLE ASSESSED VALUATION FOR TAX YEARS — TABLE 14

Fiscal Year	Net Taxable Assessed Valuation[a]	Change From Preceding Year Amount	Change From Preceding Year Percent
2008-09	$ 1,248,506,856	$ 88,532,619	7.63%
2009-10	1,338,878,430	90,371,574	7.24%
2010-11	1,307,574,814	(31,303,616)	(2.34%)
2011-12	1,339,671,916	32,097,102	2.45%
2012-13	1,375,246,813	35,574,897	2.66%
2013-14	1,411,761,140	36,514,327	2.66%
2014-15	1,410,087,870	(1,673,270)	(0.12%)
2015-16	1,485,040,180	74,952,310	5.32%
2016-17	1,554,960,425	69,920,245	4.71%
2017-18	1,581,192,534	26,232,109	1.69%
2018-19	1,655,513,192	74,320,658	4.70%

[a] *Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.*

Sources: The Issuer and the Ellis Appraisal District.

MUNICIPAL SALES TAX — TABLE 15

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The voters of the City approved the imposition of a 1/2% additional sales tax to be used for economic development purposes. Levy of the additional sales taxes began on April 1, 1996, and the City received its first payment in June 1996. The voters of the City approved the imposition of an additional 1/4 cent sales tax to be used for a Crime Control & Prevention District ("CCPD"). Levy began in April 2015 and the CCDD received its first payment in June 2015. At the same time the voters approved the imposition of an additional 1/4 cent sales tax to be used for street maintenance.
Collections on calendar year basis are as follows:

Fiscal Year	City of Ennis (1%)	Ennis Economic Development Corporation (½%)	Street Maintenance (1/4%)	CCPD (1/4%)	Total Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2009	$ 2,362,540	$ 1,181,270	$ -	$ -	$ 3,543,810	40.85%	0.28
2010	2,377,833	1,188,917	-	-	3,566,750	38.33%	0.27
2011	2,447,827	1,223,913	-	-	3,671,740	40.49%	0.28
2012	2,549,257	1,274,629	-	-	3,823,886	41.20%	0.29
2013	2,744,424	1,372,212	-	-	4,116,636	42.77%	0.30
2014	3,013,261	1,506,630	-	-	4,519,891	45.99%	0.32
2015	3,081,785	1,540,892	373,988	427,415	5,424,080	55.30%	0.38
2016	3,433,655	1,716,827	858,414	794,382	6,803,278	68.50%	0.48
2017	3,534,853	1,767,427	883,713	838,451	7,024,444	64.63%	0.45
2018 [a]	3,074,743	1,537,371	768,686	735,862	6,116,662	54.48%	0.39

[a] *Current Fiscal Year collections are unaudited as of October 18, 2018.*

Source: Texas Comptroller of Public Accounts website.

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

TABLE 16

Taxing Entity	Gross Debt Principal	As of	% Overlapping	Amount Overlapping
Ellis County	$ 36,958,153	9/30/2018	11.55%	$ 4,268,667
Ennis Independent School District	120,314,341	9/30/2018	77.93%	93,760,966
Total Gross Overlapping Debt Principal				$ 98,029,633
Ennis, City of (Following the issuance of the Certificates)	57,385,000 (a)		100.00%	57,385,000 (a)
Total Direct and Overlapping Debt Principal				$ 155,414,633 (a)

Ratio of Direct and Overlapping Debt Principal to 2018 Net Taxable Assessed Valuation	9.39% (a)
Ratio of Direct and Overlapping Debt Principal to 2018 Actual Assessed Value	7.88% (a)
Per Capita Direct and Overlapping Debt Principal	$7,647 (a)

Note: The above figures show **Gross** General Obligation Debt Principal for the City

The Issuer's **Net** General Obligation Debt Principal is: $ 30,235,000

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt $ 128,264,633

Ratio of Direct and Overlapping Debt Principal to 2018 Net Taxable Assessed Valuation	7.75%
Ratio of Direct and Overlapping Debt Principal to 2018 Actual Assessed Value	6.50%
Per Capita Net Direct and Overlapping Debt Principal	$6,311

(a) Includes the Certificates

Sources: Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES — TABLE 17

Governmental Entity	2018 Net Taxable Assessed Valuation	% of Actual	2018 Tax Rate
Ellis County	$ 15,355,774,687	100%	$0.3390
Ennis Independent School District	2,077,598,761	100%	1.5400

Source: Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES — TABLE 18

Ellis County	None
Ennis ISD	None
Ennis, City	None

Sources: Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCES **TABLE 19**

	Fiscal Year Ended September 30				
	2017	**2016**	**2015**	**2014**	**2013**
Revenues:					
General Property Taxes	$ 7,192,254	$ 6,582,359	$ 6,122,234 [c]	$ 9,903,070	$ 10,062,727
Sales Taxes	3,584,920	3,389,044	3,021,563	2,979,576	2,753,904
Franchise Taxes	1,629,324	1,550,923	1,606,673	1,622,886	1,529,513
Hotel Occupancy Taxes	-	-	-	270,869	248,450
Alcoholic Beverage Taxes	42,885	43,442	38,206	34,385	27,836
Licenses and Permits	367,628	292,635	200,916	144,941	140,632
Fines, Forfeits and Penalties	553,506	603,300	451,022	564,900	491,176
Charges for Services	151,752	207,909	233,969	1,163,283	1,121,191
Miscellaneous	211,127	196,175	221,604	225,672	229,752
Other Revenue/Investment Earnings	94,051	73,881	224,308	292,942	151,751
Intergovernmental	1,095,619	446,431	317,548	-	-
Contributions and Donations	-	-	-	-	750
Total Revenues	$ 14,923,066	$ 13,386,099	$ 12,438,043	$ 17,202,524	$ 16,757,682
Expenditures:					
General Government	$ 4,529,001	$ 2,484,620	$ 1,719,608	$ 1,124,725	$ 972,299
Public Safety	9,508,486	8,497,933	8,238,340	7,835,577	7,550,054
Streets	1,492,794	920,975	1,092,572	1,246,624	1,052,162
Health	389,665	317,168	375,606	370,085	403,090
Equipment Service	303,858	322,871	254,287	138,956	120,050
Cultural and Recreation	1,443,003	1,065,060	1,123,354	1,011,452	986,716
Airport	-	14,570	54,601	165,174	106,613
Public Works	306,571	297,208	179,385	89,434	84,971
Sanitation Service	-	-	-	958,107	1,117,602
Debt Service Principal Retirement	108,317	211,578	121,493	211,181	214,927
Debt Service Interest and fiscal charges	13,496	-	-	-	-
Total Expenditures	$ 18,095,191	$ 14,131,983	$ 13,159,246	$ 13,151,315	$ 12,608,484
Excess (Deficit) of Revenues Over Expenditures	$ (3,172,125)	$ (745,884)	$ (721,203)	$ 4,051,209	$ 4,149,198
Other Financing Sources (Uses):					
Operating Transfers In	1,526,019	618,441	700,274	-	$ -
Operating Transfers Out	(233,290)	-	(240,842)	(3,531,473)	(3,323,985)
Capital Leases	-	-	-	95,953	187,668
Sale of capital assets	30,798	-	-	-	-
Total Other Financing Sources (Uses):	1,323,527	618,441	459,432	(3,435,520)	$ (3,136,317)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	$ (1,848,598)	$ (127,443)	$ (261,771)	$ 615,689	$ 1,012,881
Fund Balance - Beginning of Year	$ 7,716,945 *	$ 8,115,847	$ 8,377,618	$ 7,761,929	$ 6,749,048
Fund Balance - End of Year	$ 5,868,347 [a]	$ 7,988,404 [b]	$ 8,115,847	$ 8,377,618	$ 7,761,929

* *Restated - See 2017 CAFR-Note 2 Prior Period Adjustment*

[a] *The reduction in Fund Balance for Fiscal Year 2017 is attributable to the following: a Downtown Master Plan in the amount of $258,798; the purchase of fleet vehicles in the amount of $383,159; consultant fees related to the City's Union Pacific Safety Zone and other projects in the amount of $614,513; Equipment and infrastructure improvements in the amount of $740,202; and the purchase of land in the amount of $54,396. The Fiscal Year 2018 estimated ending fund balance is $6,409,088.*

The Transfer into the General Fund in the amount of $1,526,019 was transferred from the EDC, Hotel/Motel Tourism, Water & Sewer, and Sanitation funds for payments in lieu of taxes and also to cover indirect cost charged to the General Fund.

[b] *The reduction in Fund Balance For Fiscal Year 2016 is attributable to the following: Completion of a Downtown Master plan of $595,007 and the purchase of fleet vehicles for police and public works department of $557,300.*

[c] *Prior to FY 2015 the City included I&S Tax Revenue as General Property Taxes, that transferred revenue into the Debt Service Fund to make bond payments.*

Source: The Issuer

FUND BALANCES **TABLE 20**

	Unaudited As of 9/30/2018
General Fund	$ 6,409,088
Special Revenue Fund	2,748,988
Capital Projects Fund (General Fund)	8,737,318
General Obligation Interest and Sinking Fund (Debt Service)	544,244
Water & Sewer Operating Fund (Investments & Assets)	22,980,588
Capital Projects Fund (Water & Sewer)	8,899,512
Water & Sewer Interest and Sinking Fund (Debt Service)	-
Total Fund Balances	$ 50,319,738

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT **TABLE 21**

	Fiscal Year Ended September 30				
	2018 [1]	2017	2016	2015	2014
Total Operating Revenues plus Interest Income	$10,254,187	$ 9,371,511	$ 8,649,043	$ 8,177,569	$ 7,718,889
Total Expenses less Depreciation/Amortization	7,798,667	5,528,336	5,649,392	5,245,884	5,911,133
Available for Debt Service	$ 2,455,520	$ 3,843,175	$ 2,999,651	$ 2,931,685	$ 1,807,756
Annual Revenue Bond Debt Service Requirements	$ -	$ -	$ -	$ -	$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Bonds Paid from System Revenues	$ 1,993,614	$ 2,005,867	$ 1,813,724	$ 1,907,477	$ 2,218,097
Coverage of Annual Requirements on all Bonds Paid from System Revenues	1.23 x	1.92 x	1.65 x	1.54 x	0.82 x[a]
Customer Count:					
Water	6,108	5,919	5,884	5,868	5,754
Sewer	5,547	5,500	5,556	5,548	5,488

[a] *Coverage shortfall was covered by a transfer from undesignated Utility Fund Reserves.*
[1] *Unaudited*

WATER RATES **TABLE 22**

Current Rates
(Rates Effective November 1, 2017)

Residential			
Monthly Minimum Per One Family Unit		$	23.00
Additional Cost Per 1,000 Gallons to 6,000 Gallons		$	3.00
Additional Cost Per 7,000 Gallons to 10,000 Gallons		$	4.50
Additional Cost Per 11,000 Gallons to 20,000 Gallons		$	5.25
Additional Cost Per 1,000 Gallons over 20,000 Gallons		$	6.00
Commercial			
Monthly Minimum Per One Family Unit (Apartments)			
or commercial unit Additional Cost per 1,000 Gallons of Water	3/4"	$	24.71
	1"	$	45.31
	1 1/2"	$	82.38
	2"	$	125.92
	3"	$	327.15
	4"	$	557.80
	6"	$	1,181.51
	8"	$	2,059.40
	10"	$	3,087.93
Consumption Rate (per 1,000 gallons)		$	2.73

Source: Information from the Issuer

PRINCIPAL WATER CUSTOMERS **TABLE 23**

(October 1, 2017 to September 30, 2018)

Name of Customer		Average Annual Consumption (Gallons)	2018 % of Total Water Gallons Used	Average Monthly Bill
Elk Corporation of Texas		65,556,000	6.89%	$ 16,266.67
Ennis Acquisitions, Inc.		32,616,000	3.43%	8,190.56
Sterilite		31,428,000	3.30%	8,234.14
East Garrett Water (470397)		29,136,000	3.06%	13,024.07
Community Water		27,612,000	2.90%	12,934.60
East Garrett Water (470457)		27,468,000	2.89%	13,696.53
Rice Water Supply		23,748,000	2.50%	11,856.99
Silverton Village Town Homes		19,392,000	2.04%	7,692.32
Ennis Power company, LLC		19,164,000	2.01%	4,622.67
McWhorter Technologies		15,564,000	1.64%	3,871.71
	Totals	291,684,000	30.66%	$ 100,390.26

Total Water Consumption for FY 2018 951,294,000 Gallons.

SEWER RATES **TABLE 24**

Current Rates

(Rates Effective October 1, 2017)

Residential	
Monthly Minimum Per One Family Unit (Including Apartments)	$ 26.77
Additional Cost Per 1,000 Gallons of Water Over 1,000 Gallons up to and Including 6,000 Gallons	$ 2.53
Commercial	
Monthly Minimum Per Commercial Unit	$ 33.40
Additional Cost Per 1,000 Gallons of Water Over 1,000 Gallons	$ 2.82

PRINCIPAL SEWER CUSTOMERS **TABLE 25**

(October 1, 2017 to September 30, 2018)

Name of Customer		Average Annual Consumption (Gallons)	2018 % of Total Sewer Gallons Used	Average Monthly Bill
City of Garrett		78,792,000	10.46%	$ 4,730.77
Elk Corporation of Texas		65,544,000	8.70%	15,474.18
Ennis Acquisitions, Inc.		32,604,000	4.33%	7,770.68
Sterilite		31,416,000	4.17%	7,450.50
Ennis Power Company LLC		19,152,000	2.54%	4,522.37
McWhorter Technologies		15,552,000	2.06%	3,688.12
Ennis Agri-Tech Inc.		14,916,000	1.98%	2,751.10
Ennis Regional Medical Center		5,196,000	0.69%	1,284.57
Ruffin & Mikel Investments		4,548,000	0.60%	1,103.36
GS Roofing Products		3,276,000	0.43%	806.08
	Totals	270,996,000	35.97%	$ 49,581.73

Total Sewer Consumption for FY 2018 753,312,000 Gallons.

Source: Information from the Issuer

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF ENNIS AND ELLIS COUNTY, TEXAS

GENERAL INFORMATION REGARDING THE CITY OF ENNIS AND ELLIS COUNTY, TEXAS

General

The City of Ennis, Texas (the "City") is a commercial and industrial center located in north central Texas's Ellis County. The City has always shared the good fortune of proximity to the Dallas-Fort Worth Metroplex (DFW) and its location at the convergence of major transportation routes. The combined Dallas-Fort Worth-Arlington economy is the 4th largest economy in the United States (US Department of Commerce). Employment growth in 2017, at 2.8%, far outstrips both Texas growth (2.1%) and US growth (1.2%) (Bureau of Labor Statistics).

Ennis is strategically located at the intersection of Interstate 45 and State highway 287. Downtown Dallas is 35 miles north and downtown Fort Worth is 57 miles to the northwest. Traffic from these cities and related suburbs traverse the two highways to Houston, 205 miles to the south.

The genesis of Ennis was as a railway hub and rail transportation continues to be a major asset to the City's economy. From Ennis, rail access extends in all four major directions and accentuates the attractiveness of the City to business dependent upon multiple forms of transportation.

The City's economy is based on manufacturing and agriculture. Approximately 55 manufacturing plants are located in the City producing goods including, but not limited to, ladies' clothing, business forms, auto parts, vinyl siding, fiberglass products, electric alarms and bedsprings. The City's 2010 census population was 18,513, an increase of 15.38% over the 2000 census population of 16,045. The City's current estimated population estimate is 20,324 per the Texas State Demographer.

Encompassing an area of 939.90 square miles, the central Texas county of Ellis (the "County") is a component of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA) and is traversed by Interstate Highways 35E and 45, United States Highways 77 and 287, State Highways 34 and 342 and 13 farm-to-market roads. The City of Waxahachie, with 2017 estimated population of 35,340 serves as the County seat. Additional cities within the County include Midlothian, Ferris, Italy, Palmer and Red Oak. Major industries within the County include warehousing, steel production, government, distribution center and cement production. Major minerals include sand, gravel, gas and cement, and agricultural products include nursery crops, hay, cotton, corn and cattle. The County's 2017 estimate of the Texas State Demographer was 173,620.

Population Trends

Year	City of Ennis	Ellis County
2018 Estimate	20,324	173,620
2010 Census	18,513	149,610
2000 Census	16,045	111,360
1990 Census	13,883	85,167
1980 Census	12,100	59,743
1970 Census	11,046	46,638
1960 Census	9,347	43,395

Sources: U.S. Census Bureau Website and the Issuer.

Major Employers in the City of Ennis-2018

Employer	Principal Line of Business/Product	Estimated Number of Employees (2018)
Ennis Independent School District	Public Education	733
TeleTech	Customer Service Center	700
Sterilite Corporation of Texas	Plastic Storage Containers	650
Cenveo	Envelope Manufacturing	300
Wal-Mart	Retail Sales	250
GAF	Roofing Shingles Manufacturing	225
Leggett Partners LP	Furniture Components	200
City of Ennis	Municipal Government	199
JTEKT of Texas, Inc.	Automotive Steering Products	185
Ennis Flint	Highway Paint	180

,
Source: The Issuer

Total Value of Residential and Commercial Building New Construction

	Residential Construction		Commercial Construction		Totals	
Fiscal Year	AV Dollar Amount of Property	No. of Units	AV Dollar Amount of Property	No. of Units	AV Dollar Amount of Property	No. of Units
2018[(a)]	$ 49,345,282	215	$ 35,655,947	18	$ 85,001,229	233
2017	12,778,301	63	8,988,279	13	21,766,580	76
2016	9,578,414	41	5,362,364	11	14,940,778	52
2015	5,375,899	21	2,552,643	11	7,928,542	32
2014	5,916,093	23	3,342,655	11	9,258,758	34
2013	2,628,500	15	4,977,050	7	7,605,550	22
2012	2,859,000	13	399,616	6	3,258,616	19
2011	2,769,276	112	2,078,497	46	4,847,773	158
2010	3,806,049	102	11,155,272	62	14,961,321	164
2009	2,624,000	8	45,963,000	15	58,587,000	23
2008	10,241,000	44	14,733,646	10	24,974,646	54

(a) Current Fiscal Year figures are as of September 30, 2018.
Source: City of Ennis

Labor Force Statistics - Ellis County

	Ellis County		Dallas-Fort Worth-Arlington MSA	
	January 2018	January 2017	January 2018	January 2017
Civilian Labor Force	87,819	85,971	3,825,076	3,745,524
Total Employed	84,923	82,631	3,687,409	3,592,348
Total Unemployed	2,896	3,340	137,667	153,176
% Unemployed	3.3%	3.9%	3.6%	4.1%
% Unemployed (Texas)	4.2%	5.0%	4.2%	5.0%
% Unemployed (US)	4.5%	5.1%	4.5%	5.1%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.

[ISSUE DATE]

CITY OF ENNIS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2019
DATED DECEMBER 15, 2018
IN THE PRINCIPAL AMOUNT OF $9,835,000

AS BOND COUNSEL FOR THE CITY OF ENNIS, TEXAS (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Commission of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights generally, or by general principles of equity which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed $1,000) of the Issuer's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Waterworks and Sewer System, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION that**,** except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D

ISSUER'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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CITY OF ENNIS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2017

Issued By:
Department of Finance and Administration
C. Joel Welch, Director of Finance

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CITY OF ENNIS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2017

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CITY OF ENNIS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2017

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INTRODUCTORY SECTION

CITY OF ENNIS, TEXAS
P.O. Box 220 • Ennis, Texas 75120 • (972) 878-1234 • FAX (972) 875-9086
http://www.ennis-texas.com

June 29, 2018

To the Honorable Mayor, Members of the City Commission and Citizens of the City of Ennis, Texas:

The comprehensive annual financial report of the City of Ennis, Texas for the fiscal year ended September 30, 2017, is hereby submitted. Chapter 103 of the Texas Local Government Code requires that all governmental units publish within 180 days of the close of each fiscal year financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited by a licensed public accountant. This report is published to satisfy the legal requirement and to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the City. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to insure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal control over financial reporting. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal control over financial reporting adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

The City Charter and State Law require the City's basic financial statements be audited by independent certified public accountants. Yeldell, Wilson, Wood & Reeve, P. C., performed the required audit and have issued an unmodified ("clean") opinion on the City of Ennis' financial statements for the year ended September 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Location and Governmental Structure. The City, incorporated in 1872, is located 25 miles south of Dallas in Ellis County. The City has a land area of 28.06 miles and a population of 20,324 as estimated by the United States Census Bureau. The City has operated under the Commission-Manager form of government since 1956. Policy-making and legislative authority are vested in a governing body (City Commission) consisting of the mayor and six commission members, all elected through popular vote. Commission members serve three-year terms with five of the commissioners elected by single-member ward and the mayor and mayor pro-tem elected at large. Terms of the commission members are staggered so that an election is held every year.

Services Provided. The City provides a full range of services. These include public safety (police and fire), municipal court, sanitation, parks, library, public works and general administrative services. In addition, the City owns and operates a water distribution system, wastewater collection system and an airport.

The basic financial statements of the City include all government activities, organizations and functions for which the City is financially accountable. The criteria considered in determining governmental activities to be reported with the City's basic financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The government-wide financial statements include not only the City itself (known as the primary government) but also the Economic Development Corporation and Industrial Development Corporation as discretely presented component units. The discretely presented component units are presented as a separate column in the government-wide financial statements.

Budgetary Control. The Ennis City Charter specifies that an operating budget be approved and appropriations made by the City Commission at the first meeting in September of each year for the ensuing fiscal year. The City Manager is required to submit a proposed budget comprised of proposed expenditures and the means to finance them to the Commission by August 10. The Commission then conducts public hearings and workshops on the proposed budget to receive citizen feedback and make determinations about the eventual adopted budget. In the course of the first meeting of September the budget is legally enacted through passage of an appropriation ordinance. Budgetary control is established at the fund level. Department heads may transfer resources within a department with the approval of the Finance Director. Transfers between departments and transfers involving capital outlays or personnel need special approval by the City Manager. Budget changes that increase the budgeted expenditures of a fund must be approved by the Commission. The City Charter provides that the budget may be amended by the Commission in the same manner in which the budget is approved.

LOCAL ECONOMY

The City of Ennis has always shared the good fortune of proximity to the Dallas-Fort Worth Metroplex (DFW) and its location at the convergence of major transportation routes. The combined Dallas-Fort Worth-Arlington economy is the 4th largest economy in the United States (US Department of Commerce). Employment growth, at 2.8%, was double Texas growth (2.1%) and more than doubled US growth (1.2%) (Bureau of Labor Statistics).

Ennis is strategically located at the intersection of Interstate 45 and State highway 287. Downtown Dallas is 35 miles north and downtown Fort Worth is 57 miles to the northwest. Traffic from these cities and related suburbs traverse the two highways to Houston, 205 miles to the south.

The genesis of Ennis was as a railway hub and rail transportation continues to be a major asset to the City's economy. From Ennis, rail access extends in all four major directions and accentuates the attractiveness of the City to business dependent upon multiple forms of transportation.

Ennis is home to 650 businesses employing in excess of 8,500 people. Total employment in Ellis County exceeds 85,000 as of September 2017. The 3.6% increase in employment matches the increase in the DFW area of 3.6% and exceeds the State's (2.7%). Unemployment in Ellis County has fallen throughout 2017, from 3,414 (4.0%) to 2,779 (3.2%) in September 2017. This rate compares favorably to the 3.4% unemployment rate in the DFW area and the 4.1% rate in Texas.

Fiscal year 2017 proved to be an uneven year for retail activity and growth in Ennis. Sales taxes increased by a healthy 6.4%. The marketing of the I-45 and Ennis Avenue (including downtown) corridors continues, with growth being realized in new development and redevelopment of existing properties expected to enhance growth in future years. Growth in fiscal year 2017 is expected to return to a more historically normal 3.5% growth.

Property values, after rallying in 2016, returned to the prior years tepid growth. Net taxable values rose by $24 million (1.6%) to $1.579 billion. The factor driving the increase was residential property values. Early reports indicate that modest growth may well continue into 2018 before growth begins to accelerate in 2019.

Water and Sewer Sales increased 7.17% on the strength of an 15% increase in revenue from Sewer Fees coupled with an overall increase in Water Revenues of 2.1%. Sewer rates had been increased by 7.95% for fiscal year 2017 and water rates had been increased by an overall 3.6%. For fiscal year 2018, commercial water rates and all sewer rate classes are increasing and commercial water usage will be billed using a new progressive rate structure predicated on service requirements.

LONG-TERM FINANCIAL PLANNING

In 2014 the City began formulating a comprehensive plan that will establish a direction for the foreseeable future. Community input has been considerable and has provided significant insight into a collective view for quality of life, economic development and sustainability. Visible progress on the Downtown Master Plan is already paying dividends in terms of occupancy and business activity.

Internally, the Staff is formulating financial-planning models to support the long-term planning effort. Models projecting revenues and expenditures for 5 years beyond the current year are in development for all of the operational funds and the debt service fund. Assumptions have been developed for future tax rates and charges for service as well as projections for the costs of current and planned services. Each possible program addition or change is analyzed in terms of the impact over a 5 year window as a component part of the decision making process. The models also enable the City to make assumptions about the future debt capacity of the operational funds. The ability to determine current resources and future debt proceeds will enable the City to move forward with a new Capital Improvement Program. The City's current CIP identifies over $71.5 million in projects to be initiated.

MAJOR INITIATIVES

A number of major initiatives were completed in fiscal year 2017. The Comprehensive Master Plan and the Downtown Master Plan were initiatives beginning in 2014 intended to set the course for future development in the City in general and downtown in specific. The Comprehensive Master Plan broke the City into 4 major development and redevelopment zones. One of the zones, the aforementioned downtown, was the subject of its own redevelopment plan that is intended to breathe new life into the long neglected central business district. This process reached its genesis with the creation of Tax Increment Reinvestment Zone #1 (TIRZ #1) in September 2016.

In addition to the redevelopment plans for downtown is an initiative intended to preserve the unique integrity and history of the downtown area. The City has packaged tax abatements, access to tax credits, redevelopment grants and other economic development tools to augment this effort. Projects on the board for fiscal year 2018 already exceed $2 million in economic impact.

Another important component of the economic development plan of the City is the revitalization of the I45 Business Route through the City. This route, one of the heaviest traveled in the City, will benefit greatly from efforts to redevelop existing properties and structures. Assistance efforts include facade grants and other economic tools available to developers in the Downtown District. This area was also included in the development of TIRZ #1.

The Texas Department of Transportation (TxDot) has allocated funds for the expansion of the Highway 287 By-Pass that circles about the west and south sides of the City. This project will expand the by-pass from two lanes to four lanes and provide for service roads. This project will benefit the City by providing better access to the City's hospital district and the industrial district on the south side of town. The City's contribution of utility relocation is complete. TxDot projects the road construction to take two (2) years, completing by 2019.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ennis for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparations of state and local government financial reports. This was the twenty-ninth consecutive year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Programs requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the Finance Staff and the independent auditors. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor, City Commission and the City Manager for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

C. Joel Welch

C. Joel Welch, CGFO CGFM
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ennis

Texas

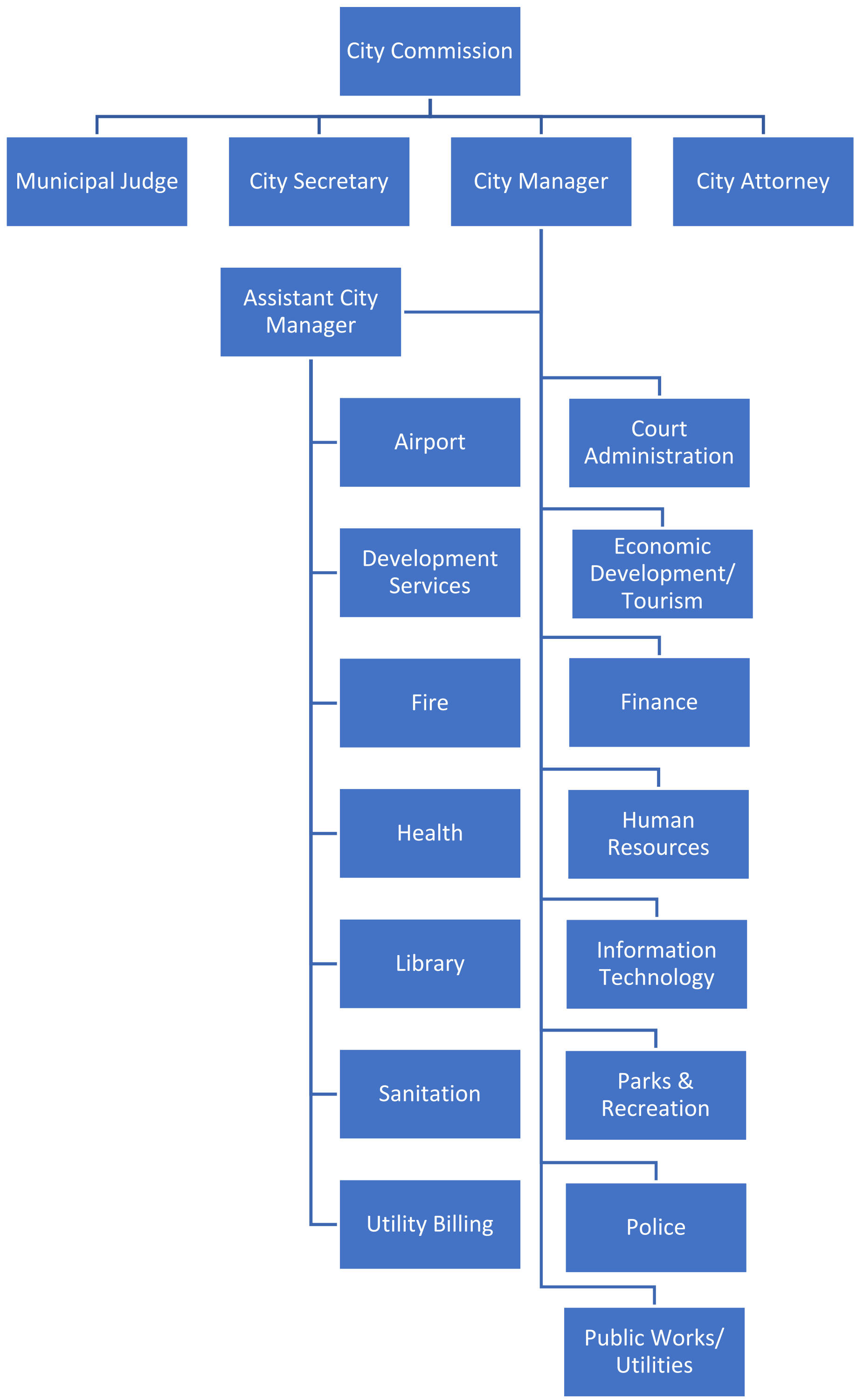
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

CITY OF ENNIS, TEXAS
ORGANIZATIONAL CHART
September 30, 2017



CITY OF ENNIS, TEXAS
LIST OF ELECTED CITY OFFICIALS, ADMINISTRATORS, AND CONSULTANTS
September 30, 2017

Mayor (at large)	Angeline Juenemann
Mayor Pro Tem (at large)	Matt Walker
Commissioner - Ward 1	Rowdy Pruitt
Commissioner - Ward 2	Marco A. Hernandez
Commissioner - Ward 3	Scott Hejny
Commissioner - Ward 4	Shirley Watson
Commissioner - Ward 5	Bill Honza

ADMINISTRATION

City Manager	R. Scott Dixon
Fire Chief	Jeff Aycock
City Secretary	Angie Wade
Director of Public Works	Robert Bolen
Library Director	Jessica Diaz
Police Chief	John Erisman
MIS Director	Henry Harris
Tourism Director	Gina Rokas
Director of Finance	C. Joel Welch
Director of Health Services	Chauncy Williams
Director of Parks & Recreation	Paul Liska
Legal Counsel	Messer, Rockefeller & Fort, PLLC
Auditors	Yeldell, Wilson, Wood & Reeve, P. C.

FINANCIAL SECTION

YELDELL, WILSON, WOOD & REEVE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA
Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commissioners
City of Ennis, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ennis, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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P: 972.878.2611 | www.ywcocpa.com | F: 972.878.2220

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ennis, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-23, schedule of changes in net pension liability and related ratios on page 77 and schedule of contributions on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ennis, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary financial data, statistical section, and continuing financial disclosure tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and City Commissioners
City of Ennis, Texas
Page Three

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

The introductory and statistical sections and continuing financial disclosure tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

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

Ennis, Texas
June 29, 2018

CITY OF ENNIS, TEXAS
P.O. Box 220 • Ennis, Texas 75120 • (972) 878-1234 • FAX (972) 875-9086
http://www.ennis-texas.com

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Ennis, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-6 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $58,319,058 (*net position*).
- The City's total net position increased by $825,595. Increased tax revenues driven by retail and commercial growth as well as capital grants and contributions were primarily responsible for the increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of $24,717,626, an increase of $3,712,621 in comparison with the prior year. Approximately 23% of this amount ($5,779,072) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,779,072, or approximately 31.9% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, health, equipment services, cultural and recreational, airport, hospital, and public works . The business-type activities of the City include water, sewer and sanitation operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation and a legally separate industrial development corporation for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 25-26 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Street Construction Fund, which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 27-31 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its water and sewer and sanitation operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the management of its self-insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund, which is considered to be a major fund of the City. Data from the other enterprise fund is combined into a single aggregated presentation. Data for the internal service fund is also presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-75 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 77-78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 81-93 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $58,319,058, at the close of the most recent fiscal year.

CITY OF ENNIS' NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 27,291,889	$ 23,167,034	$ 8,772,010	$ 7,936,437	$ 36,063,899	$ 31,103,471
Capital assets	63,033,189	63,053,924	33,662,667	33,212,930	96,695,856	96,266,854
Total assets	90,325,078	86,220,958	42,434,677	41,149,367	132,759,755	127,370,325
Total deferred outflows of resources	3,412,349	3,992,505	1,017,128	1,279,665	4,429,477	5,272,170
Long term liabilities	57,546,590	55,486,248	15,874,785	15,320,037	73,421,375	70,806,285
Other liabilities	3,404,762	2,148,964	1,251,845	1,137,679	4,656,607	3,286,643
Total liabilities	60,951,352	57,635,212	17,126,630	16,457,716	78,077,982	74,092,928
Total deferred inflows of resources	601,066	800,203	191,126	255,901	792,192	1,056,104
Net position:						
Net investment in capital assets	30,870,870	28,345,988	23,918,285	23,387,335	54,789,155	51,733,323
Restricted	4,423,202	3,470,822	-	-	4,423,202	3,470,822
Unrestricted	(3,109,063)	(38,762)	2,215,764	2,328,080	(893,299)	2,289,318
Total net position	$ 32,185,009	$ 31,778,048	$ 26,134,049	$ 25,715,415	$ 58,319,058	$ 57,493,463

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

By far, the largest portion of the City's net position (93.9%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.6%) represents resources that are subject to external restrictions on how they may be used.

The City’s total net investment in capital assets increased as the additions from capital outlays and work-in-progress exceeded capital related debt issued, depreciation and retirements.

The City's overall net position increased $825,595 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF ENNIS' CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 1,680,300	$ 1,675,890	$ 10,873,979	$ 9,729,827	$ 12,554,279	$ 11,405,717
Operating grants and contributions	472,921	458,596	-	-	472,921	458,596
Capital grants and contributions	1,345,067	270,773	129,639	702,809	1,474,706	973,582
General revenues:						
Property taxes	10,957,007	10,005,334	-	-	10,957,007	10,005,334
Sales taxes	5,332,377	5,018,180	-	-	5,332,377	5,018,180
Franchise taxes	1,629,324	1,550,923	-	-	1,629,324	1,550,923
Hotel occupancy taxes	346,010	344,126	-	-	346,010	344,126
Alcoholic beverage taxes	42,885	43,442	-	-	42,885	43,442
Grants and contributions not restricted to specific programs	118,550	116,000	-	-	118,550	116,000
Investment earnings	131,188	283,228	7,324	31,877	138,512	315,105
Gain on sale of capital assets	16,400	-	50,959	-	67,359	-
Miscellaneous	211,749	107,252	-	-	211,749	107,252
Total revenues	22,283,778	19,873,744	11,061,901	10,464,513	33,345,679	30,338,257
Expenses:						
General government	3,484,434	2,493,478	-	-	3,484,434	2,493,478
Public safety	11,271,841	9,328,294	-	-	11,271,841	9,328,294
Streets	3,259,684	2,703,513	-	-	3,259,684	2,703,513
Health	449,742	334,096	-	-	449,742	334,096
Equipment services	343,313	330,555	-	-	343,313	330,555
Cultural and recreational	1,710,782	1,278,502	-	-	1,710,782	1,278,502
Airport	288,471	148,531	-	-	288,471	148,531
Hospital	1,223,582	1,229,321	-	-	1,223,582	1,229,321
Public works	372,854	363,013	-	-	372,854	363,013
Interest on long-term debt	930,610	965,000	-	-	930,610	965,000
Water	-	-	4,553,711	4,220,548	4,553,711	4,220,548
Sewer	-	-	3,508,245	3,619,526	3,508,245	3,619,526
Sanitation	-	-	1,122,815	1,153,513	1,122,815	1,153,513
Total expenses	23,335,313	19,174,303	9,184,771	8,993,587	32,520,084	28,167,890
Change in net position before transfers	(1,051,535)	699,441	1,877,130	1,470,926	825,595	2,170,367
Transfers	1,458,496	745,875	(1,458,496)	(745,875)	-	-
Change in net position	406,961	1,445,316	418,634	725,051	825,595	2,170,367
Net position - beginning, as restated	31,778,048	30,332,732	25,715,415	24,990,364	57,493,463	55,323,096
Net position - ending	$ 32,185,009	$ 31,778,048	$ 26,134,049	$ 25,715,415	$ 58,319,058	$ 57,493,463

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

Governmental Activities. During the current fiscal year, net position for governmental activities increased $406,961 from the prior fiscal year for an ending balance of $32,185,009. Revenues rose 12.1% with increases in property tax, sales tax and grants and contributions being primarily responsible for the change. The increase in governmental expenses of 21.70% was the result of increases in payroll expense of $1,169,566, retirement expense of $436,411, and health insurance of $547,751 which attributed to 56% of the increase. An additional 13% of the increase in expenses was related to the City's Union Pacific Safety Zone project. These services increased the governmental expenses by $547,751.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net increase in net position to an ending balance of $26,134,049. The total increase in net position for business-type activities (utility operations) was $418,634 or 1.63% from the prior fiscal year. Revenues from charges for services rose 11.76% as approved rate increases offset a 3% decrease in gallons consumed. Total expenses before transfers increased $191,184 in fiscal year 2017.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commissioners.

At September 30, 2017, the City's governmental funds reported combined fund balances of $24,717,626, an increase of $3,712,621 in comparison with the prior year. Approximately 23.4% of this amount ($5,779,072) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is 1) not in spendable form ($92,620), 2) legally required to be maintained intact ($28,966), or 3) restricted for particular purposes ($18,816,968).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $5,779,072, while total fund balance increased to $5,868,347. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 31.9% of total general fund expenditures, while total fund balance represents approximately 32.4% of that same amount.

The fund balance of the City's general fund decreased by $1,848,598 during the current fiscal year. Revenues increased by $1,536,967 (11.48%) over the previous year with property tax contributing $609,895 to the increase and sales taxes contributing $195,876. Intergovernmental revenues increased $649,188. General fund expenditures also experienced an increase of $3,637,148 (25.16%) with capital outlay for infrastructure and machinery and equipment, as well as payroll and special services expenditures being responsible for the majority of the increase.

The street construction fund, a major governmental fund, has a $4,895,859 increase in fund balance during the current fiscal year which increased total fund balance to $13,707,977. The increase is primarily the result of bond proceeds received but not spent as of year end.

The debt service fund, a major fund, had a decrease in fund balance during the current year of $17,685 to bring the year end fund balance to $816,622.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position (deficit) of the Utility and Sanitation funds at the end of the year amounts to $2,978,470 and $(441,431). Net position increased in 2017 by $417,515 and $322,394, respectively. For the Utility fund, operating revenues rose in 2017 by $747,021 (8.7%) due to an increase in sewer rates. The increase in rates was offset by a 3% decrease in consumption. Operating expenses rose $3,893 (0.1%). For the Sanitation fund, operating revenues rose in 2017 by $397,131 (35.7%) due to an increase in rates. Operating expenses decreased by $123,752 (10.7%).

General Fund Budgetary Highlights

Final budget compared to actual results. General fund actual revenues of $14,923,066 exceeded budgeted revenues of $13,373,296 by $1,549,770. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- The $574,475 increase in sales tax is the result of retail and commercial growth within the City.
- The $185,143 increase in licenses and permits is primarily due to increased construction within the City.
- The $1,095,619 increase in intergovernmental is the result of increased grants and contributions.

Actual general fund expenditures of $18,095,191 exceeded budgeted expenditures of $14,875,896. This $3,219,295 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

- General government expenditures exceeded the budget by $2,236,987 primarily due to the cost of capital outlay for machinery and equipment and infrastructure improvements incurred, as well as the reallocation of nondepartmental expenses during the year.
- Public safety expenditures exceeded the budget by $653,966 primarily due to increased payroll related expenditures funded by the City's SAFER grant.
- Street expenditures exceeded the budget by $383,832 primarily due to consultant fees incurred related to the City's Union Pacific Safety Zone project.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to $96,695,856 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights. The total decrease in capital assets for the current fiscal year was approximately 0.44%.

City of Ennis' Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 6,716,162	$ 6,661,766	$ 253,739	$ 241,639	$ 6,969,901	$ 6,903,405
Construction in progress	1,938,077	457,110	376,001	2,488,568	2,314,078	2,945,678
Buildings	21,636,616	22,393,836	3,941,078	4,121,371	25,577,694	26,515,207
Improvements	856,703	942,672	27,766,559	25,013,226	28,623,262	25,955,898
Machinery and equipment	4,278,881	4,491,141	857,765	847,207	5,136,646	5,338,348
Infrastructure	27,606,750	28,107,399	-	-	27,606,750	28,107,399
Water rights	-	-	467,525	500,919	467,525	500,919
Total	$ 63,033,189	$ 63,053,924	$ 33,662,667	$ 33,212,930	$ 96,695,856	$ 96,266,854

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

- Construction in progress additions of approximately $4,543,000 consisting of street, park, and water and sewer improvements.
- Completion of approximately $5,175,000 of construction in progress of street and water and sewer improvements.
- Machinery and equipment additions of approximately $1,064,000 were comprised of fourteen vehicles, one asphalt zipper, one wheel loader, one truck, and other, smaller, acquisitions.

Additional information on the City's capital assets can be found in Note 2.D on pages 49-50 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $45,370,000, which is backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises development agreement payable and capital leases.

City of Ennis' Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of obligation	$ 18,825,000	$ 14,705,000	$ 7,005,000	$ 4,720,000	$ 25,830,000	$ 19,425,000
General obligations	13,130,000	15,111,722	6,410,000	7,963,278	19,540,000	23,075,000
Development agreement payable	16,301,397	16,846,290	-	-	16,301,397	16,846,290
Capital leases	351,591	459,908	-	9,482	351,591	469,390
Total	$ 48,607,988	$ 47,122,920	$ 13,415,000	$ 12,692,760	$ 62,022,988	$ 59,815,680

The City's total debt increased by $2,207,308 (3.69%) during the current fiscal year. The reason for the increase is primarily the result of the issuance of certificates of obligation and general obligation refunding bonds.

The City's General Obligation and Combination Tax and Revenue Certificates of Obligation ratings are listed below.

	Moody's	Standard's & Poor's
General Obligation Bonds	Aa3	AA-
Certificates of Obligation	Aa3	AA-

Additional information on the City's long term-debt can be found in Note 2.J on pages 56-61 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2017-18 Budget, General Fund revenues and transfers in are projected to be little changed from the revised 2016-17 budget year. In Increase in the property tax rate from $0.699 per $100 of taxable to $0.71. This increase, coupled with a modest 1.6% increase net taxable value provided enough new revenue to offset a $520 thousand decrease in expected sales tax. Changes in property tax laws by the State Legislature have greatly increased the ability of commercial interests to lower their taxable property values. The impact of this action is to shift a greater tax burden on residential properties and stressing the City's ability to provide essential public services that business interest desire to receive but not finance.

Water rates are increased for FY18 with water rates expected to increase revenues by 13.7%. Sewer rates were revised to increase base fees for commercial accounts but, with a corresponding change in commodity charges, the impact is revenue neutral. Changes in property tax laws by the State Legislature have greatly increased the ability of commercial interests to lower their taxable property values. While the City's utility rates are a competitive advantage meeting future clean water and wastewater requirements in an environment of modest growth will have to be met with new rates in coming years.

Sales taxes are now collected for four (4) different purposes in Ennis. The general sales tax of 1% on eligible sales is the second largest source of financing for the General Fund. The 1/2 cent sales tax for the Economic Development Corporation and the 1/4 cent sales tax for the Community Crime Prevention District and Street Maintenance Sales Tax are the primary source of revenues for their respective funds. In 2017-18, sales tax are expected to exceed the revised budget of 2016-17 by approximately 7.9%.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 115 W. Brown Street, Ennis, Texas 75119.

BASIC FINANCIAL STATEMENTS

CITY OF ENNIS, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Units	
	Governmental Activities	**Business-type Activities**	**Total**	**Ennis Economic Development Corporation**	**Ennis Industrial Development Corporation**
ASSETS					
Cash and cash equivalents	$ 24,539,968	$ 3,927,120	$ 28,467,088	$ 6,034,566	$ 1,010
Receivables (net of allowance for uncollectibles)	1,918,424	1,363,814	3,282,238	-	-
Intergovernmental receivables	318,045	-	318,045	-	-
Due from primary government	-	-	-	663,013	-
Internal balances	422,832	(422,832)	-	-	-
Inventories	64,638	134,020	198,658	-	-
Prepaid items	27,982	-	27,982	-	-
Restricted cash and cash equivalents	-	3,769,888	3,769,888	1,492,920	-
Capital assets:					
Non-depreciable	8,654,239	629,740	9,283,979	3,953,803	-
Depreciable (net of accumulated depreciation)	54,378,950	33,032,927	87,411,877	545,772	-
Total Assets	90,325,078	42,434,677	132,759,755	12,690,074	1,010
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	543,308	149,907	693,215	182,889	-
Pension contributions after measurement date	1,050,357	288,232	1,338,589	-	-
Difference in projected and actual earnings on pension assets	1,781,979	568,917	2,350,896	-	-
Difference in expected and actual pension experience	36,705	10,072	46,777	-	-
Total Deferred Outflows of Resources	3,412,349	1,017,128	4,429,477	182,889	-
LIABILITIES					
Bank overdraft	227,581	-	227,581	-	-
Accounts payable and other current liabilities	1,837,304	445,526	2,282,830	78,702	-
Accrued payroll payable	529,080	136,283	665,363	-	-
Accrued interest payable	147,784	53,621	201,405	1,434,510	-
Customer deposits payable	-	561,975	561,975	-	-
Due to component unit	663,013	-	663,013	-	-
Liabilities payable from restricted assets	-	54,440	54,440	105,289	-
Noncurrent liabilities:					
Due within one year	4,244,188	1,710,645	5,954,833	490,000	-
Due in more than one year	53,302,402	14,164,140	67,466,542	5,158,996	-
Total Liabilities	60,951,352	17,126,630	78,077,982	7,267,497	-
DEFERRED INFLOWS OF RESOURCES					
Changes in actuarial assumptions	18	5	23	-	-
Difference in expected and actual pension experience	601,048	191,121	792,169	-	-
Total Deferred Inflows of Resources	601,066	191,126	792,192	-	-
NET POSITION					
Net investment in capital assets	30,870,870	23,918,285	54,789,155	(1,149,421)	-
Restricted for:					
Capital projects	-	-	-	594,280	-
Cultural and recreational:					
Expendable	492,679	-	492,679	-	-
Nonexpendable	28,966	-	28,966	-	-
Debt service	816,622	-	816,622	793,351	-
Economic development	-	-	-	5,367,256	-
Industrial development	-	-	-	-	1,010
Public safety	1,989,303	-	1,989,303	-	-
Streets	962,613	-	962,613	-	-
Tourism	133,019	-	133,019	-	-
Unrestricted	(3,109,063)	2,215,764	(893,299)	-	-
Total Net Position	$ 32,185,009	$ 26,134,049	$ 58,319,058	$ 5,605,466	$ 1,010

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

CITY OF ENNIS, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Ennis Economic Development Corporation	Ennis Industrial Development Corporation
Function/Programs:									
Primary government:									
Governmental activities:									
General government	$ 3,484,434	$ 367,645	$ 270,600	$ -	$ (2,846,189)	$ -	$ (2,846,189)	$ -	$ -
Public safety	11,271,841	700,651	9,757	-	(10,561,433)	-	(10,561,433)	-	-
Streets	3,259,684	-	-	-	(3,259,684)	-	(3,259,684)	-	-
Health	449,742	-	-	-	(449,742)	-	(449,742)	-	-
Equipment services	343,313	-	-	-	(343,313)	-	(343,313)	-	-
Cultural and recreational	1,710,782	15,151	146,616	1,345,067	(203,948)	-	(203,948)	-	-
Airport	288,471	46,633	45,948	-	(195,890)	-	(195,890)	-	-
Hospital	1,223,582	544,893	-	-	(678,689)	-	(678,689)	-	-
Public works	372,854	5,327	-	-	(367,527)	-	(367,527)	-	-
Interest	930,610	-	-	-	(930,610)	-	(930,610)	-	-
Total governmental activities	23,335,313	1,680,300	472,921	1,345,067	(19,837,025)	-	(19,837,025)	-	-
Business-type activities:									
Water	4,553,711	5,319,864	-	16,296	-	782,449	782,449	-	-
Sewer	3,508,245	4,044,323	-	113,343	-	649,421	649,421	-	-
Sanitation	1,122,815	1,509,792	-	-	-	386,977	386,977	-	-
Total business-type activities	9,184,771	10,873,979	-	129,639	-	1,818,847	1,818,847	-	-
Total primary government	$ 32,520,084	$ 12,554,279	$ 472,921	$ 1,474,706	(19,837,025)	1,818,847	(18,018,178)	-	-
Component units:									
Ennis Economic Development Corporation	$ 2,306,745	$ -	$ -	$ -				(2,306,745)	
Total component units	$ 2,306,745	$ -	$ -	$ -				(2,306,745)	-
General revenues:									
Property taxes					10,957,007	-	10,957,007	-	-
Sales taxes					5,332,377	-	5,332,377	1,792,527	-
Franchise taxes					1,629,324	-	1,629,324	-	-
Hotel occupancy taxes					346,010	-	346,010	-	-
Alcoholic beverage taxes					42,885	-	42,885	-	-
Grants and contributions not restricted to specific programs					118,550	-	118,550	-	-
Investment earnings					131,188	7,324	138,512	38,873	1
Gain on sale of capital asset					16,400	50,959	67,359	(193,737)	-
Miscellaneous					211,749	-	211,749	4,821	-
Transfers					1,458,496	(1,458,496)	-	-	-
Total general revenues					20,243,986	(1,400,213)	18,843,773	1,642,484	1
Change in net position					406,961	418,634	825,595	(664,261)	1
Net position - beginning, as restated					31,778,048	25,715,415	57,493,463	6,269,727	1,009
Net position - ending					$ 32,185,009	$ 26,134,049	$ 58,319,058	$ 5,605,466	$ 1,010

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

CITY OF ENNIS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	General	Street Reconstruction	Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 6,409,167	$ 13,906,127	$ 966,622	$ 3,258,052	$ 24,539,968
Receivables (net of allowance for uncollectibles)	1,543,053	-	-	375,371	1,918,424
Intergovernmental receivables	318,045	-	-	-	318,045
Due from other funds	638,323	-	-	881,910	1,520,233
Inventories	56,643	-	-	7,995	64,638
Prepaid items	27,982	-	-	-	27,982
Total assets	$ 8,993,213	$ 13,906,127	$ 966,622	$ 4,523,328	$ 28,389,290
LIABILITIES					
Accounts payable	$ 989,059	$ 198,150	$ 150,000	$ 54,950	$ 1,392,159
Accrued payroll payable	515,441	-	-	13,639	529,080
Due to other funds	751,568	-	-	130,059	881,627
Due to component unit	663,013	-	-	-	663,013
Total liabilities	2,919,081	198,150	150,000	198,648	3,465,879
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	120,219	-	-	-	120,219
Unavailable revenue-special assessment	27,139	-	-	-	27,139
Unavailable revenue-grants	58,427	-	-	-	58,427
Total deferred inflows of resources	205,785	-	-	-	205,785
FUND BALANCES					
Nonspendable:					
Endowment	-	-	-	28,966	28,966
Inventories	56,643	-	-	7,995	64,638
Prepaid items	27,982	-	-	-	27,982
Restricted:					
Capital projects	3,077	13,707,977	-	711,678	14,422,732
Cultural and recreational	1,498	-	-	491,181	492,679
Debt service	-	-	816,622	-	816,622
Public safety	75	-	-	1,989,228	1,989,303
Streets	-	-	-	962,613	962,613
Tourism	-	-	-	133,019	133,019
Unassigned	5,779,072	-	-	-	5,779,072
Total fund balances	5,868,347	13,707,977	816,622	4,324,680	24,717,626
Total liabilities, deferred inflows of resources, and fund balances	$ 8,993,213	$ 13,906,127	$ 966,622	$ 4,523,328	$ 28,389,290

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

CITY OF ENNIS, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2017

Amounts reported for governmental activities in the statement of net position (page 25) are different because:

Total fund balances - governmental funds (page 27)		$ 24,717,626
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		63,033,189
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		205,785
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charges on refunding	$ 543,308	
Pension contributions after measurement date	1,050,357	
Difference in projected and actual earnings on pension assets	1,781,979	
Difference in expected and actual pension experience	36,705	3,412,349
Internal service funds are used by management to charge the cost of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		(888,500)
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(147,784)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(4,244,188)	
Due in more than one year	(53,302,402)	(57,546,590)
Deferred inflows of resources are not reported in the governmental funds:		
Changes in actuarial assumptions	(18)	
Difference in expected and actual pension experience	(601,048)	(601,066)
Net position of governmental activities (page 25)		$ 32,185,009

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

CITY OF ENNIS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	General	Street Reconstruction	Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 7,192,254	$ -	$ 3,761,601	$ -	$ 10,953,855
Sales taxes	3,584,920	-	-	1,747,457	5,332,377
Franchise taxes	1,629,324	-	-	-	1,629,324
Hotel occupancy taxes	-	-	-	346,010	346,010
Alcoholic beverage taxes	42,885	-	-	-	42,885
Licenses and permits	367,628	-	-	-	367,628
Fines and forfeitures	553,506	-	-	15,889	569,395
Charges for services	151,752	-	-	46,632	198,384
Investment earnings	94,051	8,710	14,479	13,948	131,188
Miscellaneous	211,127	-	-	622	211,749
Intergovernmental	1,095,619	-	118,550	183,017	1,397,186
Contributions and donations	-	-	-	19,304	19,304
Total revenues	14,923,066	8,710	3,894,630	2,372,879	21,199,285
EXPENDITURES					
Current:					
General government	4,529,001	-	-	446,331	4,975,332
Public safety	9,508,486	-	-	189,710	9,698,196
Streets	1,492,794	-	-	629,602	2,122,396
Health	389,665	-	-	-	389,665
Equipment services	303,858	-	-	-	303,858
Cultural and recreational	1,443,003	-	-	29,156	1,472,159
Public works	306,571	-	-	-	306,571
Capital outlay:					
Streets	-	462,850	-	107,308	570,158
Airport	-	-	-	277,727	277,727
Debt service:					
Principal retirement	108,317	-	3,094,346	-	3,202,663
Interest and fiscal charges	13,496	278	804,426	-	818,200
Bond issuance costs	-	63,564	24,550	-	88,114
Total expenditures	18,095,191	526,692	3,923,322	1,679,834	24,225,039
Excess (deficiency) of revenues over (under) expenditures	(3,172,125)	(517,982)	(28,692)	693,045	(3,025,754)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,526,019	3,245	19,262	-	1,548,526
Transfers out	(233,290)	-	(3,246)	(10,000)	(246,536)
Payment to refunded bond escrow agent	-	-	(2,085,009)	-	(2,085,009)
Certificates of obligation issued	-	5,225,000	-	-	5,225,000
General obligation bonds issued	-	-	2,080,000	-	2,080,000
Premium on bonds issued	-	185,596	-	-	185,596
Sale of capital assets	30,798	-	-	-	30,798
Total other financing sources (uses)	1,323,527	5,413,841	11,007	(10,000)	6,738,375
Net change in fund balances	(1,848,598)	4,895,859	(17,685)	683,045	3,712,621
Fund balances-beginning, as restated	7,716,945	8,812,118	834,307	3,641,635	21,005,005
Fund balances-ending	$ 5,868,347	$ 13,707,977	$ 816,622	$ 4,324,680	$ 24,717,626

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

CITY OF ENNIS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2017

Amounts reported for governmental activities in the statement of activities (page 26) are different because:

Net Change in Fund Balances - total governmental funds (page 29)		$ 3,712,621
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		3,032,680
The net effect of various miscellaneous transactions involving capital assets (i.e., asset retirements/disposals) is to decrease net position.		(14,398)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(3,039,017)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bonds issued	$ (5,225,000)	
Refunding bonds issued	(2,080,000)	
Premium on bonds issued	(185,596)	
Deferred charge on refunding	12,633	
Bond principal retirement	5,166,722	
Amortization of bond premiums/discounts	65,245	
Amortization of deferred charge on refunding	(72,898)	
Development agreement payable retirement	544,893	
Capital lease retirement	108,317	(1,665,684)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued		(16,643)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		61,578
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension		
Pension contributions after measurement date	71,287	
Difference in projected and actual earnings on pension assets	(627,882)	
Changes in actuarial assumptions	5	
Difference in expected and actual pension experience	235,837	(320,753)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(132,625)	
Net pension liability	(322,298)	(454,923)
The internal service funds are used by management to charge the costs of self-insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental		(888,500)
Change in net position of governmental activities (page 26)		$ 406,961

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

CITY OF ENNIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

	Original and Final Budgeted Amounts	Actual GAAP Basis	Variance with Final Budget
REVENUES			
Property taxes	$ 7,179,896	$ 7,192,254	$ 12,358
Sales taxes	3,010,445	3,584,920	574,475
Franchise taxes	1,606,795	1,629,324	22,529
Alcoholic beverage taxes	35,126	42,885	7,759
Licenses and permits	182,485	367,628	185,143
Fines and forfeitures	627,809	553,506	(74,303)
Charges for services	168,637	151,752	(16,885)
Investment earnings	37,759	94,051	56,292
Miscellaneous	524,344	211,127	(313,217)
Intergovernmental	-	1,095,619	1,095,619
Total revenues	13,373,296	14,923,066	1,549,770
EXPENDITURES			
Current:			
General government:			
City commission	192,464	178,713	(13,751)
Administration	501,296	1,418,307	917,011
Finance	434,842	337,961	(96,881)
Economic development	360,834	440,471	79,637
Information technology	109,976	99,698	(10,278)
Human resources	277,916	266,935	(10,981)
Nondepartmental	414,686	1,786,916	1,372,230
Total general government	2,292,014	4,529,001	2,236,987
Public safety:			
Police protection	4,380,273	4,392,839	12,566
Judicial	306,395	286,569	(19,826)
Fire protection	3,612,655	4,278,760	666,105
Planning and inspection	555,197	550,318	(4,879)
Total public safety	8,854,520	9,508,486	653,966
Streets	1,108,962	1,492,794	383,832
Health	454,742	389,665	(65,077)
Equipment services	312,998	303,858	(9,140)
Cultural and recreational:			
Parks and recreation	874,735	878,924	4,189
Library	484,067	524,675	40,608
Museum	62,654	39,404	(23,250)
Total cultural and recreational	1,421,456	1,443,003	21,547
Public works	309,391	306,571	(2,820)
Debt service:			
Principal retirement	110,060	108,317	(1,743)
Interest and fiscal charges	11,753	13,496	1,743
Total debt service	121,813	121,813	-
Total expenditures	14,875,896	18,095,191	3,219,295
Excess (deficiency) of revenues over (under) expenditures	(1,502,600)	(3,172,125)	(1,669,525)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,502,600	1,526,019	23,419
Transfers out	-	(233,290)	(233,290)
Sale of capital assets	-	30,798	30,798
Total other financing sources and uses	1,502,600	1,323,527	(179,073)
Net change in fund balance	-	(1,848,598)	(1,848,598)
Fund balance-beginning, as restated	8,383,991	7,716,945	(667,046)
Fund balance-ending	$ 8,383,991	$ 5,868,347	$ (2,515,644)

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

CITY OF ENNIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities - Enterprise			Governmental Activities
	Utility	**Nonmajor Enterprise Fund**	**Total Enterprise Funds**	**Internal Service Fund**
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,927,120	$ -	$ 3,927,120	$ -
Restricted cash and cash equivalents - bond construction	54,440	-	54,440	-
Receivables (net of allowance for uncollectibles)	1,174,915	188,899	1,363,814	-
Due from other funds	191,542	3,016	194,558	-
Inventories	134,020	-	134,020	-
Total current assets	5,482,037	191,915	5,673,952	-
Noncurrent Assets:				
Restricted cash and cash equivalents - bond construction	3,715,448	-	3,715,448	-
Capital assets (net, where applicable of accumulated depreciation)	33,386,671	275,996	33,662,667	-
Total noncurrent assets	37,102,119	275,996	37,378,115	-
Total assets	42,584,156	467,911	43,052,067	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	149,907	-	149,907	-
Pension contributions after measurement date	216,002	72,230	288,232	-
Difference in projected and actual earnings on pension assets	419,678	149,239	568,917	-
Difference in expected and actual pension experience	7,548	2,524	10,072	-
Total deferred outflows of resources	793,135	223,993	1,017,128	-
LIABILITIES				
Current Liabilities:				
Bank overdraft	-	-	-	227,581
Accounts payable	297,398	11,273	308,671	582,000
Accrued payroll payable	101,521	34,762	136,283	-
Due to other funds	238,210	194,760	432,970	400,194
Compensated absences	125,331	40,314	165,645	-
Customer deposits payable	561,975	-	561,975	-
Bonds payable	1,545,000	-	1,545,000	-
Accrued interest payable	53,621	-	53,621	-
Current liabilities payable from restricted assets:				
Accounts payable	54,440	-	54,440	-
Total current liabilities	2,977,496	281,109	3,258,605	1,209,775
Noncurrent Liabilities:				
Bonds payable	12,064,737	-	12,064,737	-
Net pension liability	1,573,301	526,102	2,099,403	-
Total noncurrent liabilities	13,638,038	526,102	14,164,140	-
Total liabilities	16,615,534	807,211	17,422,745	1,209,775
DEFERRED INFLOWS OF RESOURCES				
Changes in actuarial assumptions	4	1	5	-
Difference in expected and actual pension experience	140,994	50,127	191,121	-
Total deferred inflows of resources	140,998	50,128	191,126	-
NET POSITION (DEFICIT)				
Net investment in capital assets	23,642,289	275,996	23,918,285	-
Unrestricted	2,978,470	(441,431)	2,537,039	(1,209,775)
Total net position (deficit)	$ 26,620,759	$ (165,435)	$ 26,455,324	$ (1,209,775)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time			(321,275)	
Net position of business-type activities (page 25)			$ 26,134,049	

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

CITY OF ENNIS, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 2017

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Water revenue	$ 5,319,864	$ -	$ 5,319,864	$ -
Sewer revenue	4,044,323	-	4,044,323	-
Sanitation revenue	-	1,509,792	1,509,792	-
Employee contributions	-	-	-	2,883,746
Total operating revenues	9,364,187	1,509,792	10,873,979	2,883,746
Operating expenses:				
Personnel	2,613,456	854,021	3,467,477	-
Supplies	593,586	55,213	648,799	-
Maintenance and replacement	784,408	23,020	807,428	-
Miscellaneous services	1,536,886	29,386	1,566,272	-
Insurance claims and expenses	-	-	-	4,250,027
Depreciation and amortization	1,928,373	75,570	2,003,943	-
Total operating expenses	7,456,709	1,037,210	8,493,919	4,250,027
Operating income (loss)	1,907,478	472,582	2,380,060	(1,366,281)
Nonoperating revenue (expenses):				
Investment earnings	7,324	-	7,324	-
Gain on disposal of property	33,634	17,325	50,959	-
Interest expense	(302,801)	(28)	(302,829)	-
Bond issuance costs	(66,748)	-	(66,748)	-
Total nonoperating revenue (expenses)	(328,591)	17,297	(311,294)	-
Income (loss) before contributions and transfers	1,578,887	489,879	2,068,766	(1,366,281)
Capital contributions	129,639	-	129,639	-
Transfer in	-	-	-	156,506
Transfer out	(1,291,011)	(167,485)	(1,458,496)	-
Change in net position	417,515	322,394	739,909	(1,209,775)
Net position (deficit)-beginning, as restated	26,203,244	(487,829)	25,715,415	-
Net position (deficit)-ending	$26,620,759	$ (165,435)	$26,455,324	$ (1,209,775)
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time			(321,275)	
Net position of business-type activities (page 25)			$26,134,049	

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

CITY OF ENNIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 9,105,042	$ 1,452,385	$10,557,427	$ -
Receipts from interfund charges for self-insurance	-	-	-	2,883,746
Payments to suppliers and service providers	(2,773,448)	(112,318)	(2,885,766)	(4,250,027)
Payments to employees for salaries and benefits	(2,618,008)	(899,674)	(3,517,682)	-
Net cash provided by (used for) operating activities	3,713,586	440,393	4,153,979	(1,366,281)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to other funds	(191,542)	11,792	(179,750)	-
Advances from other funds	-	-	-	400,194
Repayment of advances to other funds	(14,708)	(123,100)	(137,808)	-
Transfers from other funds	-	-	-	156,506
Transfers to other funds	(1,291,011)	(167,485)	(1,458,496)	-
Net cash provided by (used for) noncapital financing activities	(1,497,261)	(278,793)	(1,776,054)	556,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	278,896	-	278,896	-
Acquisition and construction of capital assets	(2,410,818)	(169,415)	(2,580,233)	-
Proceeds from disposal of capital assets	33,634	17,325	50,959	-
Proceeds from sale of bonds	5,585,000	-	5,585,000	-
Bond issuance costs	(66,748)	-	(66,748)	-
Principal paid on bond maturities	(4,853,278)	-	(4,853,278)	-
Interest and fiscal charges paid on bonds	(266,154)	-	(266,154)	-
Principal paid on leased assets	-	(9,482)	(9,482)	-
Interest paid on leased assets	-	(28)	(28)	-
Net cash provided by (used for) capital and related financing activities	(1,699,468)	(161,600)	(1,861,068)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	7,324	-	7,324	-
Net cash provided by investing activities	7,324	-	7,324	-
Net increase (decrease) in cash and cash equivalents	524,181	-	524,181	(227,581)
Cash and cash equivalents October 1 (including $3,035,137 reported in restricted accounts)	7,172,827	-	7,172,827	-
Cash and cash equivalents September 30 (including $3,769,888 reported in restricted accounts)	$ 7,697,008	$ -	$ 7,697,008	$ (227,581)
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 1,907,478	$ 472,582	$ 2,380,060	$ (1,366,281)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,928,373	75,570	2,003,943	-
(Increase) decrease in accounts receivable	(267,185)	(57,407)	(324,592)	-
(Increase) decrease in inventory	12,485	-	12,485	-
(Increase) decrease in prepaid items	892	-	892	-
(Increase) decrease in pension related deferred outflows	108,433	43,337	151,770	-
Increase (decrease) in accounts payable	128,055	(4,699)	123,356	582,000
Increase (decrease) in accrued payroll payable	21,907	6,788	28,695	-
Increase (decrease) in compensated absences	20,479	(7,024)	13,455	-
Increase (decrease) in customer deposits	8,040	-	8,040	-
Increase (decrease) in net pension liability	(155,371)	(88,754)	(244,125)	-
Total adjustments	1,806,108	(32,189)	1,773,919	582,000
Net cash provided by (used for) operating activities	$ 3,713,586	$ 440,393	$ 4,153,979	$ (784,281)
Schedule of non-cash transactions:				
Purchase of capital assets on account	$ 54,440	$ -	$ 54,440	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Ennis, Texas (the "City") was incorporated May 2, 1872, and operates under a Commission-Manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Discretely presented component units. The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and they provide service to the citizens of Ennis and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements.

The *Ennis Economic Development Corporation, Inc.* (the "Corporation") is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Separately issued financial reports are available for the Corporation. This report may be obtained by contacting the following office.

City of Ennis
115 West Brown Street
Ennis, Texas 75119

The *Ennis Industrial Development Corporation, Inc.* (IDC) is authorized to acquire, whether by-construction, devise, purchase, gift, lease or otherwise or any one or more of such methods to construct, improve, maintain, equip and furnish development projects within or partially within the City limits and to issue revenue bonds to defray all or part of the cost of any project. The members of the IDC's board are appointed by the City Commission. The City can impose its will on the IDC by significantly influencing the program, projects, activities, or level of service performed by the IDC. Separate financial statements for the IDC are not issued.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service fund, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has discretely presented component units. The Economic Development Corporation and Industrial Development Corporation are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer and sanitation functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *street construction fund* is used to account for improvements to streets from issuance of certificates of obligation.

The *debt service fund* is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major enterprise fund:

The *utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

Additionally, the City reports the following fund type:

Internal service funds account for self-insurance services provided to other departments of the City on a cost-reimbursement basis.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgetary information

1. *Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The annual budgets for the utility and nonmajor enterprise funds are prepared on the budgetary basis of accounting. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

2. *Excess of expenditures over appropriations*

The Debt Service fund expenditures exceeded appropriations by $77,240. This excess was funded by excess revenue and beginning fund balance.

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

1. *Cash and cash equivalents*

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

2. *Investments*

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pool managing the assets, providing participant services, and arranging for all custody and other functions in support of the pool operations under a contract with the Comptroller.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pool seeks to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool , like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

3. *Restricted assets*

Certain proceeds of the City’s enterprise funds general obligation bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances. This year certificates of obligation were issued to finance utility fund projects. Accordingly, the interest was capitalized in the amount of $67,615.

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

Capital asset classes	Lives
Buildings	7-50
Improvements	7-50
Machinery and equipment	5-30
Infrastructure	10-50
Water rights	30

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit fund, (3) deferred outflow of resources for the difference between expected and actual experience data used by the actuary, and (4) deferred charge on refunding. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 4 years, including the current year. The deferred inflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 5.5 years, including the current year. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) a deferred inflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan and (2) the difference between expected and actual experience data used by the actuary. Deferred inflows for changes in actuarial assumptions is attributed to pension expense over a total of 4.42 years. The deferred inflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, *unavailable revenues* from property taxes and intergovernmental revenues are reported in the governmental funds balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund type 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. *Net position flow assumption*

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

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. *Fund balance flow assumption*

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance —amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

Assigned fund balance —amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commissioners or by an official or body to which the City Commissioners delegates the authority.

Unassigned fund balance— amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. *Library Endowment*

Under terms of the endowment, and consistent with State statutes, the City is authorized on a total-return policy to spend the net appreciation for the benefit of the Ennis Public Library. All available net appreciation has been expended as of September 30, 2017.

11. *Deficit fund equity*

As of September 30, 2017, the Airport fund, a nonmajor governmental fund, has a deficit net position of $156,620.

As of September 30, 2017, the Sanitation fund, a nonmajor enterprise fund, has a deficit net position of $165,435.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

3. *Compensated absences*

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

4. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the utility, nonmajor enterprise, and internal service funds are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

6. Self-Insurance

The City is self-insured for medical and prescription drug claims. The Internal Service Fund is used to account for the activity of this program. It is the City's policy to provide in each fiscal year, through premiums charged to all operating funds, amounts sufficient for self-insurance program expenses and reserves associated with claims, that are determined based on loss experience. The amount recorded as liability for known claims and for incurred but not reported claims (IBNRs), if any, is based on the recommendations of a third party claims administrator.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2017. At year end, the bank balance of the City's deposits was $32,327,776. Of the bank balance, $500,000 was covered by federal depository insurance and the remaining balance, $31,827,776, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately $36,388,000.

B. Investments

State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury and the State Treasurer's Investment Pool.

The State Treasurer's Investment Pool (TexPool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.G.2, *Investments,* for a discussion of how the shares in the Pool are valued. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

Investment Type	**Fair Value**
TexPool	$ 305,261

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

B. Investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2017, the City's investment in TexPool was rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, nonmajor governmental, utility, and nonmajor enterprise funds, including the applicable allowances for uncollectible accounts:

Receivables:	General	Nonmajor Governmental	Utility	Nonmajor Enterprise	Total
Taxes	$ 1,645,473	$ 375,371	$ -	$ -	$ 2,020,844
Accounts	34,463	-	1,237,027	211,147	1,482,637
Special assessments	27,139	-	-	-	27,139
Other	8,962	-	-	-	8,962
Gross receivables	1,716,037	375,371	1,237,027	211,147	3,539,582
Less: allowance for uncollectibles	(172,984)	-	(62,112)	(22,248)	(257,344)
Net total receivables	$ 1,543,053	$ 375,371	$ 1,174,915	$ 188,899	$ 3,282,238

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

D. Capital assets

Capital asset activity for the year ended September 30, 2017, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 6,661,766	$ 54,396	$ -	$ 6,716,162
Construction in progress	457,110	2,189,280	(708,313)	1,938,077
Total capital assets not being depreciated	7,118,876	2,243,676	(708,313)	8,654,239
Capital assets being depreciated:				
Buildings	30,992,571	-	-	30,992,571
Improvements	2,725,535	-	-	2,725,535
Machinery and equipment	14,585,705	789,004	(627,890)	14,746,819
Infrastructure	48,535,244	708,313	-	49,243,557
Totals capital assets being depreciated	96,839,055	1,497,317	(627,890)	97,708,482
Less accumulated depreciation for:				
Buildings	(8,598,735)	(757,220)	-	(9,355,955)
Improvements	(1,782,863)	(85,969)	-	(1,868,832)
Machinery and equipment	(10,094,564)	(986,866)	613,492	(10,467,938)
Infrastructure	(20,427,845)	(1,208,962)	-	(21,636,807)
Total accumulated depreciation	(40,904,007)	(3,039,017)	613,492	(43,329,532)
Total capital assets, being depreciated, net	55,935,048	(1,541,700)	(14,398)	54,378,950
Governmental activities capital assets, net	$ 63,053,924	$ 701,976	$ (722,711)	$ 63,033,189

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	$ 6,392
Public safety	302,818
Streets	1,268,388
Health	15,994
Equipment services	649
Cultural and recreational	164,169
Airport	10,743
Hospital	1,223,582
Public works	46,282
Total depreciation expense - governmental activities	$ 3,039,017

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

D. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 241,639	$ 12,100	$ -	$ 253,739
Construction in progress	2,488,568	2,354,216	(4,466,783)	376,001
Total capital assets not being depreciated	2,730,207	2,366,316	(4,466,783)	629,740
Capital assets being depreciated:				
Buildings	9,622,243	-	-	9,622,243
Improvements	48,977,200	4,278,919	-	53,256,119
Machinery and equipment	3,261,801	275,228	(507,587)	3,029,442
Water rights	1,001,831	-	-	1,001,831
Total capital assets being depreciated	62,863,075	4,554,147	(507,587)	66,909,635
Less accumulated depreciation for:				
Buildings	(5,500,872)	(180,293)	-	(5,681,165)
Improvements	(23,963,974)	(1,525,586)	-	(25,489,560)
Machinery and equipment	(2,414,594)	(264,670)	507,587	(2,171,677)
Water rights	(500,912)	(33,394)	-	(534,306)
Total accumulated depreciation	(32,380,352)	(2,003,943)	507,587	(33,876,708)
Total capital assets being depreciated, net	30,482,723	2,550,204	-	33,032,927
Business-type capital assets, net	$ 33,212,930	$ 4,916,520	$ (4,466,783)	$ 33,662,667

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:	
Water	$ 1,112,618
Sewer	815,755
Sanitation	75,570
Total depreciation expense - business-type activities	$ 2,003,943

E. Construction commitments

Construction commitments. The City has active construction projects as of September 30, 2017. The projects include building, park improvements, street improvements, infrastructure and water and sewer improvements. At year end the City's commitments with contractors are as follows:

Project	**Spent-to-Date**	**Remaining commitment**
Building	$ 51,020	$ 68,980
Park improvements	756,000	4,074
Street improvements	388,556	906,853
Infrastructure	451,498	978
Water and sewer improvements	365,694	329,349
	$ 2,012,768	$ 1,310,234

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

E. Construction commitments (continued)

The building, park improvements and infrastructure projects are commitments of the City's General fund. The street improvements project is a commitment of the City's Street Reconstruction fund. The projects are being funded by operating revenues, grant proceeds and bond proceeds.

The water and sewer improvements projects are a commitments of the Utility fund. The projects are being funded by certificates of obligation and grant proceeds.

F. Tax abatements

The City has three programs through which tax abatements are provided:

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements, which can range from sixty percent to one-hundred percent of property tax on the value of the property improvement with a duration of three to ten years, may be established upon property which is industrial zoned within the City or the extra-territorial jurisdiction of the City. The threshold criteria used for the abatement include adding a minimum of fifteen full-time employees and an investment of at least $1,000,000 in property improvements. A partial (employment pro-rated) tax abatement may be granted if fewer than fifteen employees are added and all other threshold requirements are met. The City recaptures any and all property tax revenue lost as a result of the agreement if the owner of the property fails to complete, make, and maintain the threshold criteria. The City Commission establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, which is not to exceed ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner.

Historic Landmark Tax Exemption Program. This program is authorized by City Ordinance and is intended to promote historic preservation and revitalization activities in the National Register Historic Downtown District. Historic landmark structures are eligible for a historical appraised tax value exemption of twenty-five (25) percent of the appraised value of the property not to exceed twenty-five thousand dollars ($25,000). To be eligible for the historical appraised tax value exemption; the owner of the landmark or structure must make application annually prior to the 1st day of February to the tax collector of the City. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner.

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

F. Tax abatements (continued)

Historic Reinvestment Tax Abatement Refund Program. This program is authorized by City Ordinance and is intended to promote historic preservation and revitalization activities in the National Register Historic Downtown District. Eligible historic landmark structures shall be entitled to reinvestment tax abatement equal to the amount of investment completed within a calendar year. The maximum tax abatement for a project shall not exceed the annual tax liability of the real property. The investments eligible shall be investments made for structural repairs and improvements, electrical repairs and improvements, plumbing repairs and improvements, mechanical repairs and improvements, interior repairs and improvements or exterior restoration. Taxes incurred for investment in personal property shall not be eligible for abatement. Each landowner who desires to apply for a historic reinvestment tax abatement shall apply for said abatement on or before May 1st of the year the tax abatement is to be granted. The abatement, if granted, shall be applicable to only one year. Subsequent abatements for additional projects must be applied for each year.

Historic Preservation Tax Reimbursement Program. This program is authorized by City Ordinance and is intended to promote historic preservation and revitalization activities in the National Register Historic Downtown District. Historic preservation (construction, reconstruction or restoration) projects within the national register historic downtown district with documented expenditure for construction, reconstruction or restoration in an amount in excess of fifteen thousand dollars ($15,000) shall be eligible for a seven (7) year, one hundred (100) percent city tax reimbursement. Following full payment of taxes to the City, the City shall annually pay an eligible property owner one hundred (100) percent of all real property taxes assessed against the existing real property that are paid to the City.

Tax Abatement Program	Amount Abated
Tax Abatement Act	$ 180,348
Historic Landmark Tax Exemption Program	16,337
Historic Reinvestment Tax Abatement Refund Program	24,720
Historic Preservation Tax Reimbursement Program	-

The City has also entered into Economic Development Agreements to promote local economic development and to stimulate business and commercial activity in the City. These agreements include provisions for repayment if the recipient fails to fully meet its commitments. The City's agreements were as follows at September 30, 2017:

An agreement to make annual grants in an amount not to exceed the equivalent of 75% of the ad valorem real property taxes paid for a period of five consecutive years for Spyglass Gen Par, LC to develop real property and construct thereon improvements for a multi-family residential development. The incentive period began November 2016. The abatement amounted to $0 for the fiscal year ended September 30, 2017.

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

F. Tax abatements (continued)

An agreement to make annual grants in the amount of $30,000 per year, not to exceed the total amount of ad valorem real and personal property taxes paid for two consecutive five year terms for Kent Industries, Inc., Polyguard Products, Inc., Muncaster Capital of Texas, Inc. for construction and improvements made to the corporate headquarters and training facility. The incentive period began March 2017. The abatement amounted to $0 for the fiscal year ended September 30, 2017.

An agreement to make grant payments in the amount of $650,000, paid in annual payments not to exceed $100,000 or 75% of the ad valorem real property taxes paid Sonoma Trail Development Group and AMZ Equity Partners, LLC, to develop real property and construct thereon improvements for a multi-family residential development. The incentive period will begin upon the first tax year following the year after issuance of a certificate of occupany. The abatement amounted to $0 for the fiscal year ended September 30, 2017.

G. Other significant commitments

The City has entered into a contract with Trinity River Authority of Texas whereby the City acquired the right to utilize approximately 2,880-acre feet of water annually from the Bardwell Dam and Reservoir. In addition to the original contract, an amendatory contract was executed whereby the Authority agreed to construct intake structures, a water treatment plant and necessary transmission mains for use by the City in utilizing water from Lake Bardwell. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor. A current schedule of estimated future contractual payments due the Authority is shown below:

Future Period		Monthly Payment	Annual Payment	Total of Payments
10/01/17	12/31/17	$ 22,169	$ 66,507	$ 66,507

Actual payments for the year ended September 30, 2017 were $627,260. The payments to be received from the City of Ennis, Texas are used as collateral for the bonds issued by TRA to construct the facility.

The City has entered into a contract with Trinity River Authority, subject to a Raw Water Supply Contract between Trinity River Authority and the Tarrant Regional Water District, whereby the City acquired the right to utilize .25 MGD of raw water from the Richland-Chambers and Cedar Creek Reservoir. Under the terms of the agreement the City is to make a payment if the City draws no water or a higher payment if the City draws water (Take or Pay Contract). Actual payments for the year ended September 30, 2017 were $0.

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

G. Other significant commitments (continued)

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

H. Risk management

The City self-insured for medical and prescription drug claims. The City uses an internal service fund to account for and finance both insured and uninsured risks of loss. At September 30, 2017, the internal service fund had a deficit fund balance of $1,209,775. This deficit is being addressed through a combination of increased premiums from both the City and covered employees. Increased premiums were made in each of the last two years and will continue indefinitely. Stop-loss insurance is purchased for claims in excess of $75,000.

All operating funds of the City participate in the program and make payments to the fund based on estimates of the amounts needed to pay prior and current claims. The estimated insurance claims payable of $582,000 at September 30, 2017, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims. The liability also includes incurred but not reported claims (IBNR) developed by the third party claims administrator. Changes in the balance of estimated insurance claims payable for the year ended September 30, 2017 are:

	2017
Claims liability at beginning of year	$ -
Current year claims and estimate changes	3,512,336
Claims payments	(2,930,336)
Claims liability at end of year	$ 582,000

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

I. Lease obligations

1. Operating lease (as lessor)

The City entered into a lease agreement with PRHC-Ennis GP, Inc. (subsequently LifePoint Hospitals, Inc.)(the "Company") for the purpose of managing, operating and maintaining the new municipally owned hospital. Under the terms of the lease agreement the City has agreed to make the new hospital available to the Company for a term of forty years with two renewal periods of ten years, each. The Company has agreed to operate and maintain the hospital during the initial lease term and subsequent renewal periods and will pay the City $3,200,000 for each lease renewal period (Total consideration for the initial term and two lease renewal periods will be $28,195,735). The Company has the right to terminate the lease on 180 days notice to the City and the rent paid or payable under the lease will be proportionately and equitably rebated in accordance with the terms of the lease. Rental revenue reported under the lease agreement for the year ended September 30, 2017 totaled $544,893.

The assets leased under the agreement are as follows:

Asset	Governmental Activities
Building	$ 28,531,928
Machinery and equipment	7,525,953
Less: accumulated depreciation	(12,521,836)
Total	$ 23,536,045

2. Capital lease (as lessee)

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 2.04-2.258%.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and equipment	$ 1,127,694
Less: accumulated depreciation	(446,406)
Total	$ 681,288

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

I. Lease obligations (continued)

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Capital Lease Obligations Governmental Activities Principal	Interest
2018	$ 18,592	$ 158
2019	80,483	7,519
2020	82,300	5,702
2021	84,158	3,844
2022	86,058	1,943
	$ 351,591	$ 19,166

J. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2017 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2012	$ 2,955,000	8/1/2020	2.0-3.0	$ 300,000
2014	6,000,000	2/1/2034	2.0-3.75	5,495,000
2015	5,990,000	8/1/2035	2.0-3.375	5,375,000
2016	2,770,000	8/1/2031	2.0-2.10	2,430,000
2017	5,225,000	2/1/2037	3.0	5,225,000
Total				$ 18,825,000

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2015	$ 4,005,000	8/1/2035	2.0-3.375	$ 4,005,000
2016	715,000	8/1/2026	2.0	715,000
2017	2,285,000	2/1/2037	3.0	2,285,000
Total				$ 7,005,000

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

J. Long-term liabilities (continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2017 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2012 - Refunding	$ 1,685,000	2/1/2018	2.00	$ 200,000
2012A - Refunding	1,984,500	8/1/2022	2.00-3.00	445,000
2014 - Refunding	10,045,000	8/1/2025	2.00-3.75	7,590,000
2016 - Refunding	3,325,000	8/1/2027	1.79	2,815,000
2017 - Refunding	2,080,000	8/1/2022	1.47	2,080,000
Total				$ 13,130,000

Business-type Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2012A - Refunding	$ 3,685,500	8/1/2022	2.0-3.0	$ 960,000
2016 - Refunding	3,065,000	8/1/2020	1.79	2,150,000
2017 - Refunding	3,300,000	8/1/2022	1.47	3,300,000
Total				$ 6,410,000

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

J. Long-term liabilities (continued)

Development Agreement Payable

The City entered into a development agreement with PRHC-Ennis GP, Inc. (subsequently LifePoint Hospitals, Inc.) (the "Company") for the construction, maintenance and operation of an acute municipal hospital. Under the terms of the development agreement the City purchased the constructed hospital from the Company. The purchase price paid at closing was reduced by an amount identified as rent under the terms of the development agreement and the terms of a lease agreement (described in Note 2.H.1). This development agreement payable ($21,795,735) was recorded at closing and is reduced as rent revenue under the lease agreement as earned.

The development agreement payable currently outstanding and reported as a liability of the City's governmental activities at September 30, 2017 totaled $16,301,397. The amount due within one year totals $544,893.

Advance Refunding

The City issued $5,380,000 in general obligation bonds with interest rate at 1.47%. The proceeds were used to advance refund $5,380,000 of outstanding 2007 Series, general obligation refunding bonds which had interest rates ranging from 3.625% to 4.0%. The net proceeds of $5,316,000 (after payment of issuance costs of $64,000) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, 2007 Series, general obligation refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2017, $0 of defeased bonds remain outstanding.

The City advance refunded 2005 Series, general obligation bonds to reduce its total debt service payments over 5 years by $419,275 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $326,255.

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Fund and nonmajor enterprise fund based on the assignment of an employee at termination.

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

J. Long-term liabilities (continued)

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	$ 14,705,000	$ 5,225,000	$ (1,105,000)	$ 18,825,000	$ 1,150,000
General obligation bonds	15,111,722	2,080,000	(4,061,722)	13,130,000	2,065,000
Less deferred amounts:					
For issuance discount	(3,115)	-	694	(2,421)	-
For issuance premium	502,278	185,596	(65,939)	621,935	-
Total bonds payable	30,315,885	7,490,596	(5,231,967)	32,574,514	3,215,000
Development agreement payable	16,846,290	-	(544,893)	16,301,397	544,893
Capital leases	459,908	-	(108,317)	351,591	18,592
Compensated absences	535,951	598,328	(465,703)	668,576	465,703
Net pension liability	7,328,214	322,298	-	7,650,512	-
Governmental activity Long-term liabilities	$ 55,486,248	$ 8,411,222	$ (6,350,880)	$ 57,546,590	$ 4,244,188

Certificates of obligation, general obligation bonds and note payable issued for governmental activity purposes are liquidated by the debt service fund. Governmental capital lease obligations, compensated absences, and net pension liability will be liquidated by the general fund. Vacation leave shall be taken during the year following its accumulation.

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

J. Long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Certificates of obligation	$ 4,720,000	$ 2,285,000	$ -	$ 7,005,000	$ 150,000
General obligation bonds	7,963,278	3,300,000	(4,853,278)	6,410,000	1,545,000
Less deferred amounts:					
For issuance discount	(11,980)	-	1,997	(9,983)	-
For issuance premium	143,539	81,165	(19,984)	204,720	-
Total bonds payable	12,814,837	5,666,165	(4,871,265)	13,609,737	1,545,000
Capital lease	9,482	-	(9,482)	-	-
Compensated absences	152,190	113,968	(100,513)	165,645	165,645
Net pension liability	2,343,528	-	(244,125)	2,099,403	-
Business-type activity Long-term liabilities	$ 15,320,037	$ 5,780,133	$ (5,225,385)	$ 15,874,785	$ 1,710,645

Certificates of obligation, general obligation bonds, capital lease obligations, compensated absences and net pension liability issued for business-type activities are repaid from those activities.

The debt service requirements for the City's bonds are as follows:

	Governmental Activities			
	Certificates of Obligation		General Obligation bonds	
Year Ending September 30	Principal	Interest	Principal	Interest
2018	$ 1,150,000	$ 499,574	$ 2,065,000	$ 331,453
2019	1,215,000	480,245	1,915,000	296,303
2020	1,235,000	452,033	1,970,000	252,218
2021	875,000	424,158	1,625,000	206,352
2022	895,000	403,870	1,600,000	166,254
2023-2027	4,815,000	1,676,863	3,955,000	273,737
2028-2032	5,305,000	979,868	-	-
2033-2037	3,335,000	215,544	-	-
	$ 18,825,000	$ 5,132,155	$ 13,130,000	$ 1,526,317

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

J. Long-term liabilities (continued)

	Business-Type Activities			
	Certificates of Obligation		General Obligation Bonds	
Year Ending September 30	Principal	Interest	Principal	Interest
2018	$ 150,000	$ 186,690	$ 1,545,000	$ 111,924
2019	80,000	185,906	1,565,000	87,088
2020	65,000	183,731	1,600,000	59,873
2021	430,000	181,406	890,000	31,110
2022	440,000	171,269	810,000	15,044
2023-2027	2,225,000	698,519	-	-
2028-2032	1,980,000	431,575	-	-
2033-2037	1,635,000	116,294	-	-
	$ 7,005,000	$ 2,155,390	$ 6,410,000	$ 305,039

K. Fund Balance

Minimum fund balance policy. In the general fund, the City strives to maintain an adequate General Fund Reserve which shall be at least the equivalent of ninety working days of general fund operating expenditures or $1,000,000, whichever is the greater.

L. Interfund receivables and payables

The composition of interfund balances as of September 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Utility	$ 238,128
General	Internal service fund	400,194
Nonmajor governmental funds	General	748,633
Nonmajor governmental funds	Nonmajor enterprise fund	3,218
Utility	Nonmajor enterprise fund	191,542
Nonmajor enterprise fund	General	2,934
		$ 1,584,649

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

M. Interfund transfers

The composition of interfund transfers as of September 30, 2017 is as follows:

	Transfer In:				
Transfer out:	**General**	**Street Reconstruction**	**Debt Service**	**Internal Service**	**Total**
General	$ -	$ -	$ -	$ 233,290	$ 233,290
Debt Service	-	3,245	-	-	3,245
Nonmajor Governmental	10,000	-	-	-	10,000
Utility	1,348,534	-	19,262	-	1,367,796
Nonmajor Enterprise	167,485	-	-	-	167,485
Total	$ 1,526,019	$ 3,245	$ 19,262	$ 233,290	$ 1,781,816

Transfers are primarily used to reimburse General Fund for administrative services provided and moving funds from the Utility Fund to the Debt Service Fund for payment of debt.

N. Discretely presented component units

1. Ennis Economic Development Corporation, Inc. (Corporation)

Cash deposits with financial institutions

At year-end, the Corporation's bank balance was $7,527,486. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance, $7,277,486 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately $7,889,000.

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

N. Discretely presented component units (continued)

Capital assets

Capital asset activity for the Corporation for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,814,236	$ 195,396	$ (105,436)	$ 3,904,196
Construction in progress	-	49,607	-	49,607
Total capital assets not being depreciated	3,814,236	245,003	(105,436)	3,953,803
Capital assets being depreciated:				
Building	984,559	-	(416,704)	567,855
Improvements	343,429	-	-	343,429
Totals capital assets being depreciated	1,327,988	-	(416,704)	911,284
Less accumulated depreciation				
Building	(33,064)	(27,031)	38,012	(22,083)
Improvements	(343,429)	-	-	(343,429)
Total accumulated depreciation	(376,493)	(27,031)	38,012	(365,512)
Total capital assets being depreciated, net	951,495	(27,031)	(378,692)	545,772
Corporation capital assets, net	$ 4,765,731	$ 217,972	$ (484,128)	$ 4,499,575

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

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

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

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

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

N. Discretely presented component units (continued)

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

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

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

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

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

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

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

N. Discretely presented component units (continued)

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

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

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

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

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

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

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

N. Discretely presented component units (continued)

Long-term liabilities

Sales Tax Revenue Bonds

Revenue bonds currently outstanding and reported as liabilities of the Corporation are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
1999	$ 3,290,430	8/1/2034	3.50-8.45	$ 455,430
2008 Refunding	5,460,000	8/1/2024	3.50-5.25	2,875,000
2014 Refunding	2,745,000	8/1/2034	0.50-4.50	2,330,000
Total				$ 5,660,430

Service Contract

The City entered into a service contract with the Corporation, whereby the Corporation agrees to pay to the City a portion of the debt service for the City's Series 1998 Certificates of Obligation. Under the contract the City is required to provide $80,000 in annual debt service and the Corporation will be required to serve the remainder of the annual debt. The payments are subject to the Corporation's annual budgeting and appropriations and are subject to the requirements for the Corporation's bond resolutions authorizing the Corporation's bonds. Actual payments made by the Corporation to the City for the year ended September 30, 2017 were $116,000.

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

Year Ending September 30	Component Unit Sales Tax Revenue Bonds	
	Principal	Interest
2018	$ 490,000	$ 236,880
2019	515,000	216,370
2020	535,000	194,080
2021	555,000	169,618
2022	585,000	143,598
2023-2027	1,763,125	1,787,268
2028-2032	853,750	2,617,024
2033-2034	363,555	1,025,849
	$ 5,660,430	$ 6,390,687

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

N. Discretely presented component units (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Corporation					
Bonds payable:					
Sales tax revenue bonds	$ 6,135,430	$ -	$ (475,000)	$ 5,660,430	$ 490,000
Less deferred amounts:					
For issuance discount	(12,314)	-	880	(11,434)	-
	6,123,116	-	(474,120)	5,648,996	490,000
	$ 6,123,116	$ -	$ (474,120)	$ 5,648,996	$ 490,000

Subsequent events

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

- Studies in the amount of $41,328.
- Contract for clearing and grubbing of property in the amount of $79,500.
- Historic preservation grant in the amount of $250,006.

O. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

P. Subsequent events

Subsequent to year end the City:

- Approved the purchase of various machinery and equipment for approximately $1,846,000.
- Approved the purchase of property for approximately $518,000.
- Approved various contracts related to construction projects for approximately $13,378,000.
- Approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2018 in the amount of $2,590,000.
- Approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2018A in the amount of $4,500,000.

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

Q. Prior Period Adjustment

Corrections have been made to the governmental activities and business-type activities beginning net position in the government-wide financial statements, governmental fund beginning fund balance and proprietary fund beginning net position in the fund financial statements due to the understatement/overstatement of liabilities and net position/fund balance. The changes to the beginning net position/fund balance as of October 1, 2016 are summarized as follows:

	Government-side Financial Statements	
	Governmental Activities	Business-type Activities
As previously reported, October 1, 2016	$ 31,959,244	$ 25,689,783
Correct understatement of accounts payable	(271,459)	-
Correct overstatement of compensated absences	90,263	25,632
Restated, October 1, 2016	$ 31,778,048	$ 25,715,415
Effect of restatement on operations for the year ended September 30, 2016	$ (181,196)	$ 25,632

	Fund Financial Statements		
	General	Utility	Nonmajor Enterprise
As previously reported, October 1, 2016	$ 7,988,404	$ 26,185,585	$ (495,802)
Correct understatement of accounts payable	(271,459)	-	-
Correct overstatement of compensated absences	-	17,659	7,973
Restated, October 1, 2016	$ 7,716,945	$ 26,203,244	$ (487,829)
Effect of restatement on operations for the year ended September 30, 2016	$ (271,459)	$ 17,659	$ 7,973

NOTE 3 - DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Ennis Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com.*

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits Provided (continued)

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	1998R
Increase benefits to retirees:	
Rate (%) [1]	70
Year effective	2001R
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	1-93
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

[1] For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.
T — Includes Transfer Credits.
R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving benefits	47
Active employees	178
	342

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Ennis, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ennis, Texas were 17.36% and 17.93% in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $1,827,529, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension (Asset) Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension (Asset) Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/2015	$60,615,574	$50,943,832	$9,671,742
Changes for the year:			
Service cost	1,840,901	-	1,840,901
Interest	4,058,860	-	4,058,860
Difference between expected and actual experience	57,172	-	57,172
Contributions - employer	-	1,781,293	(1,781,293)
Contributions - employee	-	695,429	(695,429)
Net investment income	-	3,443,016	(3,443,016)
Benefit payments, including refunds of employee contributions	(2,809,516)	(2,809,516)	-
Administrative expense	-	(38,883)	38,883
Other changes	-	(2,095)	2,095
Net Changes	$ 3,147,417	$ 3,069,244	$ 78,173
Balance at 12/31/2016	**$63,762,991**	**$54,013,076**	**$9,749,915**

Sensitivity of the net pension liability to changes in the discount rate -

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1.0% Increase in Discount Rate (7.75%)**
City's net pension liability	$ 18,610,432	$ 9,749,915	$ 2,447,798

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net Pension Liability (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com.*

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled $144,088.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of $2,471,777.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in actuarial assumptions	$ -	$ 23
Contributions subsequent to the measurement date	1,338,589	-
Difference between projected and actual investment earnings	2,350,896	-
Differences between expected and actual economic experience	46,777	792,169
Total	$ 3,736,262	$ 792,192

$1,338,589 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2017	$ 571,801
2018	571,801
2019	505,262
2020	(48,580)
2021	5,197
Total	$1,605,481

NOTE 4 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com.*

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $21,646, $18,419, and $17,286, respectively, which equaled the required contributions each year.

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