

**TOWN OF ENNIS
MADISON COUNTY
ENNIS, MONTANA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TOWN OF ENNIS

ORGANIZATION

June 30, 2022

MAYOR

Nici Haas

TOWN COMMISSION

Kristy Ranson	Member
Tina Allison	Member
Nikki Hankins	Member
Cory Hardy	Member
Brandi Palmerton	Member

TOWN OFFICIALS

John Moore	Chief of Police
Marjorie Guinn	Clerk/Treasurer
Arthur Behar	Police Judge
Brittney Hirsch	Deputy Clerk/Treasurer

OLNESS & ASSOCIATES, P. C.

CURT D. WYSS, CPA

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ERNEST J. OLNESS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Commission
Town of Ennis
Ennis, Montana

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ennis, Montana (the government) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Qualified Opinions:

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and the water and sewer funds (major proprietary funds) of the government, as of June 30, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the government as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinions:

Management has not recorded the total other post-employment benefit (OPEB) liability and related expense in the governmental activities, business-type activities and the water and sewer funds (major proprietary funds). Accounting principles generally accepted in the United States of America require that the total OPEB liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities, business-type activities and the water and sewer funds (major proprietary funds). The amount by which this departure would affect liabilities, net position and expenses has not been determined.

Emphasis of Matter

As described in Note 1 to the financial statements, the government adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Hess & Associates, PC

Billings, Montana
March 24, 2023

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

The discussion and analysis of the Town of Ennis' financial performance provides an overall review of the Town's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

FINANCIAL HIGHLIGHTS

- Net position for the Town of Ennis, as of June 30, 2022, was \$9,519,605. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Ennis' total net position decreased \$16,760.
- As of June 30, 2022, the governmental funds reported combined ending fund balances of \$761,253, an increase of \$126,226 from the prior year. The increase is due largely to conservative spending.
- As of June 30, 2022, unassigned fund balance for the general fund was \$278,599, or approximately 54 percent of total general fund expenditures. A portion of the unassigned fund balance was appropriated to meet 2022-2023 general fund expenditures.

USING THIS ANNUAL FINANCIAL REPORT

This discussion is intended to serve as an introduction to the Town of Ennis' basic financial statements. The Town of Ennis' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Ennis' finances in a manner similar to private-sector business. The Statement of Net Position presents information on all the Town of Ennis' assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, in evaluating the overall financial position of the Town, non-financial factors such as the Town's tax base, change in tax laws, and the condition of the capital assets should also be considered.

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* which is similar to the accounting method used by most private-sector companies. This basis of accounting accounts for all of the current year's revenues and expenses regardless of when the cash is received or paid.

The Statement of Net Position and the Statement of Activities distinguish between the following activities:

Government activities, normally supported by taxes and intergovernmental revenues, include general government, public safety, public works and parks and recreation.

Business-type activities recover all or a significant portion of their costs through user fees and charges. Included are the water, sewer and ambulance funds.

FUND FINANCIAL STATEMENTS

Fund Financial Statements: The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General fund is always reported as a major fund.

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

The Town's major governmental funds are the General, Library, Health Insurance-Employer Contributions, Permissive Medical and ARPA funds. The Town's major proprietary funds are Water and Sewer.

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

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 the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The funds are reported using an accounting method called *modified accrual accounting* that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

Proprietary Funds: Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as its business-type activities we report in the government-wide statements, but provide more detail and additional information such as cash flows.

THE GOVERNMENT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Following are schedules of net position and change in net position.

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 931,299	\$ 778,031	\$ 2,534,775	\$ 2,427,217	\$ 3,466,074	\$ 3,205,248
Capital assets	4,666,891	4,785,087	2,074,137	2,158,339	6,741,028	6,943,426
Total assets	5,598,190	5,563,118	4,608,912	4,585,556	10,207,102	10,148,674
Deferred outflows of resources	71,361	93,585	30,582	48,212	101,943	141,797
Other liabilities	161,309	126,826	4,588	-	165,897	126,826
Long-term liabilities outstanding	318,998	435,767	123,710	214,604	442,708	650,371
Total liabilities	480,307	562,593	128,298	214,604	608,605	777,197
Deferred inflows of resources						
Pension plan	124,382	11,170	53,306	5,754	177,688	16,924
Unavailable revenue	3,147	6,688	-	-	3,147	6,688
Total deferred inflows	127,529	17,858	53,306	5,754	180,835	23,612
Net position:						
Net investment in capital assets	4,665,078	4,779,780	2,074,137	2,158,339	6,739,215	6,938,119
Restricted	445,353	424,578	-	-	445,353	424,578
Unrestricted	(48,716)	(128,106)	2,383,753	2,255,071	2,335,037	2,126,965
	<u>\$ 5,061,715</u>	<u>\$ 5,076,252</u>	<u>\$ 4,457,890</u>	<u>\$ 4,413,410</u>	<u>\$ 9,519,605</u>	<u>\$ 9,489,662</u>

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 86,820	\$ 81,853	\$ 656,795	\$ 778,838	\$ 743,615	\$ 860,691
Operating grants/contributions	360,604	216,347	9,958	13,245	370,562	229,592
General revenues:						
Taxes	563,800	527,626	-	-	563,800	527,626
Intergovernmental	166,358	160,681	-	-	166,358	160,681
Interest	1,562	903	5,214	5,237	6,776	6,140
Miscellaneous	25,396	23,942	-	26,764	25,396	50,706
Loss on disposal of assets	-	-	-	(160,662)	-	(160,662)
Total revenues	<u>1,204,540</u>	<u>1,011,352</u>	<u>671,967</u>	<u>663,422</u>	<u>1,876,507</u>	<u>1,674,774</u>
Expenses:						
General government	379,916	357,958	-	-	379,916	357,958
Public safety	237,690	183,306	-	-	237,690	183,306
Public works	417,151	325,762	-	-	417,151	325,762
Public health	607	741	-	-	607	741
Culture and recreation	286,956	238,371	-	-	286,956	238,371
Water	-	-	244,322	174,346	244,322	174,346
Sewer	-	-	271,752	227,392	271,752	227,392
Ambulance	-	-	54,594	160,886	54,594	160,886
Interest on long-term debt	279	464	-	-	279	464
Total expenses	<u>1,322,599</u>	<u>1,106,602</u>	<u>570,668</u>	<u>562,624</u>	<u>1,893,267</u>	<u>1,669,226</u>
Change in net position before transfers	(118,059)	(95,250)	101,299	100,798	(16,760)	5,548
Transfers	103,522	84,866	(103,522)	(84,866)	-	-
Change in net position	(14,537)	(10,384)	(2,223)	15,932	(16,760)	5,548
Net position, beginning	5,076,252	5,086,636	4,413,410	4,397,478	9,489,662	9,484,114
Prior period adjustments	-	-	46,703	-	46,703	-
Net position, ending	<u>\$ 5,061,715</u>	<u>\$ 5,076,252</u>	<u>\$ 4,457,890</u>	<u>\$ 4,413,410</u>	<u>\$ 9,519,605</u>	<u>\$ 9,489,662</u>

The following is an analysis of balances in the Town's major individual funds.

GOVERNMENTAL FUNDS

Fund balance for the general fund increased \$106,037, mainly due to conservative spending. The library fund balance increased \$3,639. Fund balance for the health insurance-employer contribution fund decreased \$41,293 due to higher than expected health insurance expenditures. Fund balance for the permissive medical levy fund increased \$19,639.

PROPRIETARY FUNDS

The Town of Ennis has two major enterprise funds consisting of Water and Sewer. The basic financial statements for the major funds are included in this report. Net position for the water fund decreased \$6,800 due to significant repairs to the system. Net position for the Sewer fund increased \$59,171 due to conservative spending.

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

DEBT ADMINISTRATION

Compensated absences in the water and sewer funds had a balance of \$10,724 at June 30, 2022. Governmental activities compensated absences were \$53,549 at June 30, 2022.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2022 was \$6,739,215.

ECONOMIC FACTORS & NEXT YEAR'S BUDGET & RATES

The Town has seen a lot of growth in the last year. Numerous apartments and single-family residences have been built. As Ennis has had a real shortage of available rentals, these are a welcome addition. However, the need for affordable housing is not being met and the Town is exploring different means to bring affordable housing/rentals for our community.

Improvements to the water and wastewater systems are ongoing. Radio read meters continue to be installed.

Water and wastewater rates are being reviewed and are slated to be changed.

A Water Preliminary Engineering Report (PER) has been completed. The report recommends that Ennis develops another water supply well, a new storage tank, replace or repair fire hydrants and water meters, install a backup generator at Well #2, replace old valves in the distribution system, add a chlorination system at each well house, put security fencing at Well #3 and loop dead-end mains. Though these improvements cannot be done all at one time the Town is looking at rate increases, grants and loans to begin on the water supply well and the obtaining land for a new 700,000 gallon storage tank,

A Wastewater Preliminary Engineering Report is in process and is expected to be completed prior to the 23-24 fiscal year.

CONTACT THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have any questions about this report or need additional financial information, contact the Clerk/Treasurer of the Town of Ennis, PO Box 147, Ennis, MT, 59729.

TOWN OF ENNIS
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 841,900	\$ 1,935,468	\$ 2,777,368
Receivables:			
Taxes and assessments	8,737	-	8,737
Governments	50,114	-	50,114
Utility	-	59,839	59,839
Internal balances	(5,057)	5,057	-
Prepays	35,605	4,054	39,659
Investment in joint venture	-	11,891	11,891
Restricted assets:			
Cash and equivalents	-	518,466	518,466
Capital assets:			
Land	146,205	192,779	338,984
Capital assets, net of accumulated depreciation	4,520,686	1,881,358	6,402,044
Total assets	<u>5,598,190</u>	<u>4,608,912</u>	<u>10,207,102</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	<u>71,361</u>	<u>30,582</u>	<u>101,943</u>
LIABILITIES			
Accounts payable-vendors	71,787	4,588	76,375
Unearned revenues	89,522	-	89,522
Long-term liabilities:			
Due within one year:			
Notes payable	1,813	-	1,813
Compensated absences	7,236	3,372	10,608
Due in more than one year:			
Net pension liability	263,636	112,986	376,622
Compensated absences	46,313	7,352	53,665
Total liabilities	<u>480,307</u>	<u>128,298</u>	<u>608,605</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	124,382	53,306	177,688
Unavailable revenue-long term special assessments	<u>3,147</u>	<u>-</u>	<u>3,147</u>
Total deferred inflows of resources	<u>127,529</u>	<u>53,306</u>	<u>180,835</u>
NET POSITION			
Net investment in capital assets	4,665,078	2,074,137	6,739,215
Restricted for:			
General government	36,795	-	36,795
Public safety	5,867	-	5,867
Public works	310,555	-	310,555
Culture and recreation	38,383	-	38,383
Debt service	1,950	-	1,950
Capital projects	51,803	-	51,803
Unrestricted (deficit)	<u>(48,716)</u>	<u>2,383,753</u>	<u>2,335,037</u>
Total net position	<u>\$ 5,061,715</u>	<u>\$ 4,457,890</u>	<u>\$ 9,519,605</u>

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 379,916	\$ 6,744	\$ 10,557	\$ (362,615)	\$ -	\$ (362,615)
Public safety	237,690	16,716	5,808	(215,166)	-	(215,166)
Public works	417,151	62,335	231,410	(123,406)	-	(123,406)
Public health	607	1,025	-	418	-	418
Culture and recreation	286,956	-	112,829	(174,127)	-	(174,127)
Interest on long-term debt	279	-	-	(279)	-	(279)
Total governmental activities	1,322,599	86,820	360,604	(875,175)	-	(875,175)
Business-type activities:						
Water	244,322	281,568	4,979	-	42,225	42,225
Sewer	271,752	375,227	4,979	-	108,454	108,454
Ambulance	54,594	-	-	-	(54,594)	(54,594)
Total business-type activities	570,668	656,795	9,958	-	96,085	96,085
Total	\$ 1,893,267	\$ 743,615	\$ 370,562	(875,175)	96,085	(779,090)
General revenues:						
Property taxes				563,800	-	563,800
Intergovernmental				166,358	-	166,358
Unrestricted investment earnings				1,562	5,214	6,776
Miscellaneous				25,396	-	25,396
Transfers				103,522	(103,522)	-
Total general revenues and transfers				860,638	(98,308)	762,330
Change in net position				(14,537)	(2,223)	(16,760)
Net position - beginning				5,076,252	4,413,410	9,489,662
Prior period adjustment				-	46,703	46,703
Net position - ending				\$ 5,061,715	\$ 4,457,890	\$ 9,519,605

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Library	Health Insurance- Employer Contribution	Permissive Medical Levy	ARPA	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 290,379	\$ 38,014	\$ 11,720	\$ 19,639	\$ 118,881	\$ 363,267	\$ 841,900
Receivables:							
Taxes and assessments	2,779	369	1,286	-	-	4,303	8,737
Governments	8,586	-	-	-	-	41,528	50,114
Prepaid items	18,486	-	-	-	17,119	-	35,605
Total assets	\$ 320,230	\$ 38,383	\$ 13,006	\$ 19,639	\$ 136,000	\$ 409,098	\$ 936,356
LIABILITIES							
Accounts payable-vendors	\$ 15,309	\$ -	\$ -	\$ -	\$ 46,478	\$ 10,000	\$ 71,787
Unearned revenues	-	-	-	-	89,522	-	89,522
Due to other funds	5,057	-	-	-	-	-	5,057
Total liabilities	20,366	-	-	-	136,000	10,000	166,366
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes and assessments	2,779	369	1,286	-	-	4,303	8,737
FUND BALANCES							
Nonspendable:							
Prepaid items	18,486	-	-	-	-	-	18,486
Restricted for:							
General government	-	-	11,720	19,639	-	4,023	35,382
Public safety	-	-	-	-	-	5,867	5,867
Public works	-	-	-	-	-	309,724	309,724
Culture and recreation	-	38,014	-	-	-	-	38,014
Debt service	-	-	-	-	-	1,950	1,950
Capital projects	-	-	-	-	-	51,803	51,803
Committed for:							
Culture and recreation	-	-	-	-	-	22,996	22,996
Unassigned (deficit)	278,599	-	-	-	-	(1,568)	277,031
Total fund balances	297,085	38,014	11,720	19,639	-	394,795	761,253
Total liabilities, deferred inflows of resources and fund balances	\$ 320,230	\$ 38,383	\$ 13,006	\$ 19,639	\$ 136,000	\$ 409,098	\$ 936,356

TOWN OF ENNIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances, governmental funds	\$ 761,253
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,666,891
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	5,590
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	71,361
Deferred inflows of resources related to pensions	(124,382)
Some liabilities (notes payable, the net pension liability and compensated absences) are not due and payable in the current period and, therefore, are not included in the funds.	<u>(318,998)</u>
Net position of governmental activities	<u><u>\$ 5,061,715</u></u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General	Library	Health Insurance- Employer Contribution	Permissive Medical Levy	ARPA	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 367,076	\$ 42,234	\$ 1,875	\$ 138,959	\$ -	\$ 67,714	\$ 617,858
Fines and forfeitures	11,716	-	-	-	-	-	11,716
Licenses and permits	17,046	-	-	-	-	500	17,546
Intergovernmental	192,971	97,264	-	-	164,892	71,278	526,405
Charges for services	7,400	-	-	-	-	-	7,400
Investment earnings	1,495	-	-	-	-	67	1,562
Miscellaneous	18,946	6,607	-	-	-	400	25,953
Total revenues	616,650	146,105	1,875	138,959	164,892	139,959	1,208,440
EXPENDITURES							
Current:							
General government	280,545	-	25,594	27,981	-	37,129	371,249
Public safety	103,927	-	19,024	20,797	60,986	14,005	218,739
Public works	70,575	-	48,832	42,645	103,906	43,683	309,641
Public health	607	-	-	-	-	-	607
Culture and recreation	46,492	147,107	25,518	27,897	-	14,069	261,083
Debt service:							
Principal	-	-	-	-	-	3,494	3,494
Interest and other charges	59	-	-	-	-	220	279
Capital outlay	15,598	-	-	-	-	5,046	20,644
Total expenditures	517,803	147,107	118,968	119,320	164,892	117,646	1,185,736
Excess (deficiency) of revenues over expenditures	98,847	(1,002)	(117,093)	19,639	-	22,313	22,704
OTHER FINANCING SOURCES (USES)							
Transfers in	13,556	4,641	75,800	-	-	22,842	116,839
Transfers out	(6,366)	-	-	-	-	(6,951)	(13,317)
Total other financing sources (uses)	7,190	4,641	75,800	-	-	15,891	103,522
Net change in fund balances	106,037	3,639	(41,293)	19,639	-	38,204	126,226
Fund balances - beginning	191,048	34,375	53,013	-	-	356,591	635,027
Fund balances - ending	\$ 297,085	\$ 38,014	\$ 11,720	\$ 19,639	\$ -	\$ 394,795	\$ 761,253

TOWN OF ENNIS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 126,226

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation (\$138,840) exceeded capital outlay (\$20,644) in the current period. (118,196)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. (3,900)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. (8,405)

Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt principal repayment. 3,494

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 (13,756)

Change in net position of governmental activities \$ (14,537)

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 811,909	\$ 1,123,559	\$ -	\$ 1,935,468
Receivables:				
Utility	19,965	39,874	-	59,839
Due from other funds	5,057	-	-	5,057
Prepays	-	4,054	-	4,054
Total current assets	<u>836,931</u>	<u>1,167,487</u>	<u>-</u>	<u>2,004,418</u>
Non-current assets:				
Investment in joint venture	<u>11,891</u>	<u>-</u>	<u>-</u>	<u>11,891</u>
Restricted assets:				
Cash and cash equivalents	<u>230,566</u>	<u>60,507</u>	<u>227,393</u>	<u>518,466</u>
Capital assets:				
Land	120,414	72,365	-	192,779
Infrastructure	676,595	233,451	-	910,046
Buildings and improvements	534,491	2,264,086	-	2,798,577
Equipment and furniture	74,635	66,383	-	141,018
Less: accumulated depreciation	<u>(745,873)</u>	<u>(1,222,410)</u>	<u>-</u>	<u>(1,968,283)</u>
Capital assets, net	<u>660,262</u>	<u>1,413,875</u>	<u>-</u>	<u>2,074,137</u>
Total non-current assets	<u>902,719</u>	<u>1,474,382</u>	<u>227,393</u>	<u>2,604,494</u>
Total assets	<u>1,739,650</u>	<u>2,641,869</u>	<u>227,393</u>	<u>4,608,912</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	<u>15,291</u>	<u>15,291</u>	<u>-</u>	<u>30,582</u>
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	4,588	-	-	4,588
Compensated absences	<u>1,686</u>	<u>1,686</u>	<u>-</u>	<u>3,372</u>
Total current liabilities	<u>6,274</u>	<u>1,686</u>	<u>-</u>	<u>7,960</u>
Non-current liabilities:				
Compensated absences	3,676	3,676	-	7,352
Net pension liability	<u>56,493</u>	<u>56,493</u>	<u>-</u>	<u>112,986</u>
Total non-current liabilities	<u>60,169</u>	<u>60,169</u>	<u>-</u>	<u>120,338</u>
Total liabilities	<u>66,443</u>	<u>61,855</u>	<u>-</u>	<u>128,298</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plans	<u>26,653</u>	<u>26,653</u>	<u>-</u>	<u>53,306</u>
NET POSITION				
Net investment in capital assets	660,262	1,413,875	-	2,074,137
Unrestricted	<u>1,001,583</u>	<u>1,154,777</u>	<u>227,393</u>	<u>2,383,753</u>
Total net position	<u>\$ 1,661,845</u>	<u>\$ 2,568,652</u>	<u>\$ 227,393</u>	<u>\$ 4,457,890</u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Water	Sewer	Ambulance	Total
REVENUES				
Charges for services	\$ 281,568	\$ 375,227	\$ -	\$ 656,795
Total operating revenues	<u>281,568</u>	<u>375,227</u>	<u>-</u>	<u>656,795</u>
OPERATING EXPENSES				
Personal services	109,350	109,532	-	218,882
Supplies	28,082	18,352	555	46,989
Purchased services	67,076	68,314	50,554	185,944
Fixed charges	8,070	9,070	3,485	20,625
Depreciation	31,744	66,484	-	98,228
Total operating expenses	<u>244,322</u>	<u>271,752</u>	<u>54,594</u>	<u>570,668</u>
Operating income (loss)	<u>37,246</u>	<u>103,475</u>	<u>(54,594)</u>	<u>86,127</u>
NON-OPERATING REVENUES				
Interest revenue	2,736	2,478	-	5,214
Operating grants and contributions	4,979	4,979	-	9,958
Total non-operating revenues	<u>7,715</u>	<u>7,457</u>	<u>-</u>	<u>15,172</u>
Income (loss) before transfers	44,961	110,932	(54,594)	101,299
Transfers out	<u>(51,761)</u>	<u>(51,761)</u>	<u>-</u>	<u>(103,522)</u>
Change in net position	(6,800)	59,171	(54,594)	(2,223)
Net position - beginning	1,668,645	2,509,481	235,284	4,413,410
Prior period adjustments	<u>-</u>	<u>-</u>	<u>46,703</u>	<u>46,703</u>
Net position - ending	<u>\$ 1,661,845</u>	<u>\$ 2,568,652</u>	<u>\$ 227,393</u>	<u>\$ 4,457,890</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 293,771	\$ 380,624	\$ 7,224	\$ 681,619
Cash paid to employees	(93,875)	(94,057)	-	(187,932)
Cash paid to suppliers for goods and services	(98,640)	(99,790)	(54,594)	(253,024)
Net cash provided (used) by operating activities	<u>101,256</u>	<u>186,777</u>	<u>(47,370)</u>	<u>240,663</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers to other funds	(51,761)	(51,761)	-	(103,522)
Cash received from repayment of interfund loan	5,028	-	-	5,028
Net cash used by noncapital financing activities	<u>(46,733)</u>	<u>(51,761)</u>	<u>-</u>	<u>(98,494)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(14,026)	-	-	(14,026)
Net cash used by capital financing activities	<u>(14,026)</u>	<u>-</u>	<u>-</u>	<u>(14,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in investment in joint venture	1,886	-	-	1,886
Interest received	2,736	2,478	-	5,214
Net cash provided by investing activities	<u>4,622</u>	<u>2,478</u>	<u>-</u>	<u>7,100</u>
Change in cash and cash equivalents	45,119	137,494	(47,370)	135,243
Cash and cash equivalents - beginning	<u>997,356</u>	<u>1,046,572</u>	<u>274,763</u>	<u>2,318,691</u>
Cash and cash equivalents - ending	<u>\$ 1,042,475</u>	<u>\$ 1,184,066</u>	<u>\$ 227,393</u>	<u>\$ 2,453,934</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 37,246	\$ 103,475	\$ (54,594)	\$ 86,127
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	31,744	66,484	-	98,228
Pension expense	16,788	16,788	-	33,576
Decrease in accounts receivable	12,203	5,397	7,224	24,824
Increase in prepaids	-	(4,054)	-	(4,054)
Increase in accounts payable	4,588	-	-	4,588
Decrease in compensated absences	(1,313)	(1,313)	-	(2,626)
Net cash provided (used) by operating activities	<u>\$ 101,256</u>	<u>\$ 186,777</u>	<u>\$ (47,370)</u>	<u>\$ 240,663</u>

TOWN OF ENNIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2022

		Custodial Funds
ASSETS		
Cash and cash equivalents	\$	16,380
Investments		15,004
Other assets		16,181
Total assets		47,565
NET POSITION		
Restricted for:		
Individuals, organizations and other governments		47,565
Total net position	\$	47,565

TOWN OF ENNIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2021

	Custodial Funds
ADDITIONS:	
Interest	\$ 30
Federal, state and local sources	8,000
Total additions	8,030
DEDUCTIONS:	
Distributions to others	15,575
Total deductions	15,575
Net decrease in fiduciary net position	(7,545)
Net position - beginning	55,110
Net position - ending	\$ 47,565

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2022, the government implemented the provisions of GASB Statement No. 87, Leases. This Statement was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Government-wide and Fund 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 government. Fiduciary activities are only reported in the fund financial statements. 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. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from 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 government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

The library fund accounts for the activities of the government's library. The activities are funded through a property tax levy and contributions from Madison County.

The health insurance-employer contribution fund accounts for employer paid health insurance. Revenues are funded through a property tax levy.

The permissive medical levy fund accounts for a property tax mill levy and contributions to a group benefits plan in excess of the base contribution.

The ARPA fund is used to account for American Rescue Plan Act revenues and related expenditures.

The government reports the following major enterprise funds:

The water fund accounts for the activities of the government's water services.

The sewer fund accounts for the activities of the government's wastewater services.

Additionally, the government reports the following fund type:

The fiduciary fund consists of custodial funds. Custodial funds account for assets held by the government as an agent for various organizations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities 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. 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund 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 when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is 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 government.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include 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.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The Town maintains and controls a cash and investment portfolio for all funds. The investments portfolio is managed by the Town Clerk/Treasurer and overseen by the Mayor and Town Commission. The Town Clerk/Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the Town's investment policies are met and ensuring investments are in compliance with State statute.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost. Investment income is allocated to individual funds owning the investment. At year-end, the net change in fair value is allocated to individual funds owning the investments.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables

Utility and property tax receivable bad debts are written-off using the direct write off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded. 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.

Restricted Assets

Certain assets are classified as restricted assets because of restrictions by management.

Capital Assets

Capital assets are tangible and intangible 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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Infrastructure	60-80
Building and systems	25-100
Machinery and equipment	7-15
Right to use leased equipment	7-15

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the government's statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The government has one item that qualifies for reporting in this category: pension plans.

In addition to liabilities, the statements of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has two items that qualify for reporting in this category: pension plans and long-term special assessments.

In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the government 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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the clerk/treasurer to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the government 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 government'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.

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Special Assessment Debt fund had a deficit fund balance of \$1,568 as of June 30, 2022. The deficit in the Special Assessment Debt fund is a carryover from the prior year. The deficit is expected to be eliminated when the delinquent assessments are collected.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 841,900
Business-type activities	2,453,934
Fiduciary funds	<u>31,384</u>
	<u><u>\$ 3,327,218</u></u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2022, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	80,755	-	80,755
Savings deposits	301,802	-	301,802
Time deposits	-	15,004	15,004
Short-term Investment Program (STIP)	<u>2,929,482</u>	<u>-</u>	<u>2,929,482</u>
	<u>\$ 3,312,214</u>	<u>\$ 15,004</u>	<u>\$ 3,327,218</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$36,587 of the government's bank balance of \$518,082 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 36,587</u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2022, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2022:

	<u>Fair Value</u>
State Short-Term Investment Program (STIP)	<u>\$ 2,924,203</u>

The government had no investments categorized as Level 1, 2 or 3 inputs.

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and redeemed with one business days' notice. The government's STIP ownership is represented by shares. Share prices are fixed at \$1 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1- Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name. The Town's investment in STIP is not categorized because it is not evidenced by securities that exist in physical or book entry form at year-end. The carrying amount approximates fair value.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 146,205	\$ -	\$ -	\$ 146,205
Total capital assets, not being depreciated	<u>146,205</u>	<u>-</u>	<u>-</u>	<u>146,205</u>
Capital assets, being depreciated				
Buildings	1,110,745	-	-	1,110,745
Improvements	171,626	-	-	171,626
Machinery and equipment	146,223	20,644	-	166,867
Infrastructure	8,135,882	-	-	8,135,882
Total capital assets, being depreciated	<u>9,564,476</u>	<u>20,644</u>	<u>-</u>	<u>9,585,120</u>
Less accumulated depreciation for:				
Buildings	(379,403)	(21,075)	-	(400,478)
Improvements	(40,707)	(5,002)	-	(45,709)
Machinery and equipment	(115,701)	(10,636)	-	(126,337)
Infrastructure	(4,389,783)	(102,127)	-	(4,491,910)
Total accumulated depreciation	<u>(4,925,594)</u>	<u>(138,840)</u>	<u>-</u>	<u>(5,064,434)</u>
Total capital assets, being depreciated, net	<u>4,638,882</u>	<u>(118,196)</u>	<u>-</u>	<u>4,520,686</u>
Governmental activities capital assets, net	<u>\$ 4,785,087</u>	<u>\$ (118,196)</u>	<u>\$ -</u>	<u>\$ 4,666,891</u>
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 192,779	\$ -	\$ -	\$ 192,779
Total capital assets, not being depreciated	<u>192,779</u>	<u>-</u>	<u>-</u>	<u>192,779</u>
Capital assets, being depreciated				
Buildings and systems	2,779,565	14,026	-	2,793,591
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	141,018	-	-	141,018
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	<u>3,835,615</u>	<u>14,026</u>	<u>-</u>	<u>3,849,641</u>
Less accumulated depreciation for:				
Buildings and systems	(1,182,877)	(70,342)	-	(1,253,219)
Improvements other than buildings	(1,206)	(98)	-	(1,304)
Machinery and equipment	(70,398)	(13,830)	-	(84,228)
Infrastructure	(615,574)	(13,958)	-	(629,532)
Total accumulated depreciation	<u>(1,870,055)</u>	<u>(98,228)</u>	<u>-</u>	<u>(1,968,283)</u>
Total capital assets, being depreciated, net	<u>1,965,560</u>	<u>(84,202)</u>	<u>-</u>	<u>1,881,358</u>
Business-type activities capital assets, net	<u>\$ 2,158,339</u>	<u>\$ (84,202)</u>	<u>\$ -</u>	<u>\$ 2,074,137</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 2,595
Public safety	7,909
Public works	108,019
Culture and Recreation	<u>20,317</u>
Total depreciation-governmental activities	<u><u>\$ 138,840</u></u>
Business-type activities:	
Water	\$ 31,744
Sewer	<u>66,484</u>
Total depreciation-business-type activities	<u><u>\$ 98,228</u></u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2022, consisted of a \$5,057 loan from the water fund to the general fund. The loan was made to assist in financing legal costs associated with litigation. \$5,057 is expected to be repaid in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 13,556	\$ (6,366)
Library	4,641	-
Health insurance-employer contribution	75,800	-
Nonmajor governmental funds	<u>22,842</u>	<u>(6,951)</u>
Total governmental activities	<u><u>\$ 116,839</u></u>	<u><u>\$ (13,317)</u></u>
Business-type Activities:		
Water	\$ -	\$ (51,761)
Sewer	<u>-</u>	<u>(51,761)</u>
Total business-type activities	<u><u>\$ -</u></u>	<u><u>\$ (103,522)</u></u>

Transfers use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Long-Term Debt

As of June 30, 2022, notes payable consists of the following:

	Original Amount	Term	Interest Rate	Governmental Activities
Sidewalks-2008	\$ 39,000	15 yrs	4.95%	<u><u>\$ 1,813</u></u>

The sidewalks are secured by a lien upon and against the property in which the assessment is made. The loan will be paid off in fiscal year 2023.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Governmental activities:					
Notes payable	\$ 5,307	\$ -	\$ (3,494)	\$ 1,813	\$ 1,813
Compensated absences	39,793	13,756	-	53,549	7,236
Governmental activity long-term liabilities	<u>\$ 45,100</u>	<u>\$ 13,756</u>	<u>\$ (3,494)</u>	<u>\$ 55,362</u>	<u>\$ 9,049</u>
Business-type activities:					
Compensated absences	<u>\$ 13,350</u>	<u>\$ -</u>	<u>\$ (2,626)</u>	<u>\$ 10,724</u>	<u>\$ 3,372</u>

For the governmental funds, compensated absences are generally liquidated by the general fund. Notes payable are liquidated by the special assessment debt fund.

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. The government participates in a state-wide public risk pool, MMIA, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. Tax exempt bonds were issued to fund reserves. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are deductible and maximum coverage limits. The government also participates in MMIA's liability plan which offers insurance for other risks of loss. Given lack of coverage available, the government has no coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Prior Period Adjustments

Prior period adjustments resulted from recording certain transactions in the incorrect accounting period.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$126,000, primarily for construction projects.

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

Interlocal Agreements

The Town and Madison County jointly maintain a combined law enforcement facility. Under this agreement, each entity is required to contribute its share of enforcement costs. For the year ended June 30, 2022, the Town incurred costs of \$6,911. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$97,264 for library services.

Joint Venture

The Town, in conjunction with the Towns of Sheridan, Twin Bridges and Virginia City, entered into an joint venture agreement to purchase machinery and equipment which may be necessary or desirable for municipal operations, to provide for the repair and maintenance of the machinery and equipment, and to provide a means of control and allocation of use which may not be practical for one of the Towns to obtain by itself and which may be mutually advantageous for the Towns as a group. The joint venture is administered by a four-member board. Each town appoints its respective member. Annually, each town contributes an amount agreed upon by all parties. During 2022, each town contributed \$2,000. Monies are deposited in a fund controlled by the board. This fund is held in a bank account separate from the accounts of any of the participating towns and is accounted for within the records of the Town of Ennis and is reported as a custodial

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

fund. The title to the equipment purchased by the joint venture vests in the towns in direct proportion to their contributions. Proceeds from the sale of the equipment and/or dissolution of the joint venture will be divided in direct proportion to each of the town's contributions. The following is a summary of the equipment joint venture as of and for the year ended June 30, 2022:

Total Assets	\$	47,565
Total Equity		47,565
Total Revenues		8,030
Total Expenditures		15,575
Total Decrease in Equity		(7,545)

As of June 30, 2022, the Town of Ennis' share of joint venture capital assets was \$4,045. The joint venture capital assets include assets related to the Town's enterprise fund operations. As required by generally accepted accounting principles, the equity method of accounting was adopted by the Town for the enterprise fund's involvement in the joint venture. Investment in joint venture in the amount of \$11,891 was reported in the business-type activities and proprietary fund statements of net position.

Retirement Plan

Plan Description

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA). The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1). if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2). if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1). if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2). if between 10 and 30 years of membership service, 1.785% of HAC multiplied by years of service credit, or 3). if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%. Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

to drop below 25 years. Member contributions are made through an “employer pick-up” arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.87% of each member’s compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State’s General fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.

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

At June 30, 2022, the government recorded a liability of \$376,622 for its proportionate share of the net pension liability.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana’s proportionate share of the collective net pension liability. The government’s and State of Montana’s proportionate share of the net pension liability are presented below:

Employer proportionate share	\$	376,622
State of Montana proportionate share associated with employer		111,598
Total	\$	488,220

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 for PERS. The government’s proportion of the net pension liability was based on the government’s contributions received by PERS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all PERS participating employers. At June 30, 2022, the government’s proportion was .0208 percent for PERS.

For the year ended June 30, 2022, the government recognized \$27,458 for its proportionate share of the pension expense. The government also recognized grant revenue of \$33,190 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$60,648.

At June 30, 2022, the government reported its proportionate share of PERS deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,019	\$ 2,726
Changes in assumptions	55,785	-
Net difference between projected and actual earnings on pension plan investments	-	152,573
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	-	22,389
Employer contributions subsequent to measurement date	42,139	-
	\$ 101,943	\$ 177,688

Amounts reported as deferred outflows of resources related to pensions resulting from the government’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended
June 30:

2023	\$	(8,072)
2024		(24,257)
2025		(36,850)
2026		(48,705)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of investment and administrative expenses	7.06%
Salary increases	3.50%
Inflation	2.40%

Mortality rates for the PERS retirement plan is based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB.

The long-term rate of return for PERS was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	PERS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. 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. No municipal bond rate was incorporated in the discount rate.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

	1% Decrease (6.06%)	Current Discount Rate (7.06%)	1% Increase (8.06%)
Net pension liability	\$ 597,828	\$ 376,622	\$ 191,081

PERS Disclosure for the Defined Contribution Plan

The government contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Future Implementation of GASB Pronouncements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements addresses issues related to public-private and public-public partnerships, and provides guidance for accounting and financial reporting for availability payment arrangements. Statement 94 is effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter.

Statement No. 96, Subscription-Based Information Technology Arrangements provides accounting and financial reporting guidance for subscription-based information technology arrangements used by state and local governments. Statement 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99, Omnibus 2022. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ENNIS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Amounts, Budgetary Basis	Budget to GAAP Differences (1)	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 354,904	\$ 354,904	\$ 367,076	\$ -	\$ 367,076
Fines and forfeitures	18,500	18,500	11,716	-	11,716
Licenses and permits	10,700	10,700	17,046	-	17,046
Intergovernmental	167,590	167,590	169,739	23,232	192,971
Charges for services	-	-	7,400	-	7,400
Investment earnings	1,000	1,000	1,495	-	1,495
Miscellaneous	15,400	15,400	18,946	-	18,946
Total revenues	568,094	568,094	593,418	23,232	616,650
EXPENDITURES					
Current:					
General government	349,862	356,562	272,647	7,898	280,545
Public safety	109,114	109,114	98,119	5,808	103,927
Public works	102,100	102,100	68,716	1,859	70,575
Public health	1,800	1,800	607	-	607
Culture and recreation	53,373	53,373	38,825	7,667	46,492
Debt service:					
Interest and other charges	-	-	59	-	59
Capital outlay	14,000	14,000	15,598	-	15,598
Total expenditures	630,249	636,949	494,571	23,232	517,803
Excess (deficiency) of revenues over expenditures	(62,155)	(68,855)	98,847	-	98,847
OTHER FINANCING SOURCES (USES)					
Transfers in	11,246	11,246	13,556	-	13,556
Transfers out	(6,366)	(6,366)	(6,366)	-	(6,366)
Total other financing sources (uses)	4,880	4,880	7,190	-	7,190
Net change in fund balance	\$ (57,275)	\$ (63,975)	106,037	-	106,037
Fund balance - beginning			191,048	-	191,048
Fund balance - ending			<u>\$ 297,085</u>	<u>\$ -</u>	<u>\$ 297,085</u>

(1) The budget to GAAP differences consist of the state support revenue and expense recorded under GASB Statement No. 68.

TOWN OF ENNIS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Library Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 41,466	\$ 41,466	\$ 42,234
Intergovernmental	88,500	88,500	97,264
Miscellaneous	<u>6,900</u>	<u>6,900</u>	<u>6,607</u>
Total revenues	<u>136,866</u>	<u>136,866</u>	<u>146,105</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>160,169</u>	<u>176,413</u>	<u>147,107</u>
Total expenditures	<u>160,169</u>	<u>176,413</u>	<u>147,107</u>
Excess (deficiency) of revenues over expenditures	<u>(23,303)</u>	<u>(39,547)</u>	<u>(1,002)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>4,641</u>	<u>4,641</u>	<u>4,641</u>
Total other financing sources	<u>4,641</u>	<u>4,641</u>	<u>4,641</u>
Net change in fund balance	<u>\$ (18,662)</u>	<u>\$ (34,906)</u>	3,639
Fund balance - beginning			<u>34,375</u>
Fund balance - ending			<u>\$ 38,014</u>

TOWN OF ENNIS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Health Insurance-Employer Contribution Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ -	\$ -	\$ 1,875
Total revenues	<u>-</u>	<u>-</u>	<u>1,875</u>
EXPENDITURES			
Current:			
General government	99,460	99,460	25,594
Public safety	-	-	19,024
Public works	-	-	48,832
Culture and recreation	-	-	25,518
Total expenditures	<u>99,460</u>	<u>99,460</u>	<u>118,968</u>
Excess (deficiency) of revenues over expenditures	<u>(99,460)</u>	<u>(99,460)</u>	<u>(117,093)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>75,600</u>	<u>75,600</u>	<u>75,800</u>
Total other financing sources	<u>75,600</u>	<u>75,600</u>	<u>75,800</u>
Net change in fund balance	<u>\$ (23,860)</u>	<u>\$ (23,860)</u>	(41,293)
Fund balance - beginning			<u>53,013</u>
Fund balance - ending			<u>\$ 11,720</u>

TOWN OF ENNIS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Permissive Medical Levy Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 138,834	\$ 138,834	\$ 138,959
Total revenues	<u>138,834</u>	<u>138,834</u>	<u>138,959</u>
EXPENDITURES			
Current:			
General government	138,834	138,834	27,981
Public safety	-	-	20,797
Public works	-	-	42,645
Culture and recreation	-	-	27,897
Total expenditures	<u>138,834</u>	<u>138,834</u>	<u>119,320</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	19,639
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ 19,639</u>

TOWN OF ENNIS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARPA Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 127,206	\$ 127,206	\$ 164,892
Total revenues	<u>127,206</u>	<u>127,206</u>	<u>164,892</u>
EXPENDITURES			
Current:			
General government	174,689	174,689	-
Public safety	79,346	79,346	60,986
Public works	-	-	103,906
Total expenditures	<u>254,035</u>	<u>254,035</u>	<u>164,892</u>
Excess (deficiency) of revenues over expenditures	<u>(126,829)</u>	<u>(126,829)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Transfers in	<u>63,413</u>	<u>63,413</u>	<u>-</u>
Total other financing sources	<u>63,413</u>	<u>63,413</u>	<u>-</u>
Net change in fund balance	<u>\$ (63,416)</u>	<u>\$ (63,416)</u>	<u>-</u>
Fund balance - beginning			<u>-</u>
Fund balance - ending			<u>\$ -</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

For the year ended June 30, 2022, expenditures exceeded appropriations in the Ennis Planning (\$10,500) and Health Insurance-Employer Contribution (\$19,508) funds.

TOWN OF ENNIS
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 42,139	\$ 32,514	\$ 32,982	\$ 31,257	\$ 24,809	\$ 24,195	\$ 25,769	\$ 26,832
Contributions in relation to the contractually required contributions	42,139	32,514	32,982	31,257	24,809	24,195	25,769	26,832
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 473,806	\$ 366,888	\$ 376,444	\$ 363,419	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029
Contributions as a percentage of covered payroll	8.89%	8.86%	8.76%	8.60%	8.47%	8.37%	8.77%	8.63%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF ENNIS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MONTANA
For the Years Ended June 30,

Public Employees Retirement System:	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.0208%	0.0224%	0.0220%	0.0178%	0.0233%	0.0245%	0.0267%	0.0236%
Employer's proportionate share of the net pension liability associated with the employer	\$ 376,622	\$ 591,921	\$ 460,407	\$ 371,732	\$ 453,840	\$ 417,630	\$ 372,554	\$ 293,705
State of Montana's proportionate share of the net pension liability associated with the employer	111,598	186,725	149,955	124,952	6,632	5,103	4,576	3,587
Total	\$ 488,220	\$ 778,646	\$ 610,362	\$ 496,684	\$ 460,472	\$ 422,733	\$ 377,130	\$ 297,292
Employer's covered payroll	\$ 366,888	\$ 376,444	\$ 363,419	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029	\$ 269,346
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	102.65%	157.24%	126.69%	126.91%	157.01%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2022

Public Employees Retirement System

Changes of Benefit Terms:

The following changes to the plan provision were made as identified:

2017:

Working Retiree Limitations-for PERS:

- Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds:

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts:

- The interest credited to member accounts increased from 0.25% to 0.77%.

Lump-sum Payouts:

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.
-

Disabled PERS Defined Contribution (DC) Members:

- PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.
- Lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2022

Changes in actuarial assumptions and other inputs:

Method and assumptions used in the PERS calculations of actuarially determined contributions:

Acturial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.65%, net of pension plan investment expense and including inflation

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

To the Honorable Mayor and Town Commission
Town of Ennis
Ennis, Montana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ennis, Montana (the government) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 24, 2023. The report included an explanatory paragraph to describe a change in accounting principles. The report on the governmental activities, the business-type activities and the water and sewer funds (major proprietary funds) was qualified because management has not recorded the total other post-employment benefit (OPEB) liability and related expense.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2022-004 through 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-005 through 2022-006.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)

The Government's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the government's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

O'ness & Associates, PC

Billings, Montana
March 24, 2023

TOWN OF ENNIS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls. The following internal control over utility accounting should be implemented:

- On a monthly basis, aged accounts receivable and adjustment/write-off reports for utility accounts receivable should be submitted to the Mayor and Town Council for review and approval.

Response: This is an ongoing issue for the Town of Ennis. The Town works to ensure the Commission and Mayor are involved in the day to day operations of the Town. Monthly financial reports are supplied to and reviewed by the department heads. The commission reviews all claims prior to the claim being paid. All checks require two signatures. The bank statements are currently reconciled by the clerk as we do not have a deputy clerk. The Mayor reviews the bank statements against the accounting reconciliation reports for accuracy. Monthly cash reconciliation records are reviewed at this time in the same manner as the bank reconciliation reports.

2022-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Response: The Town of Ennis, having limited resources, is relying on the Mayor to review monthly financial statements with the Clerk/Treasurer. Quarterly statements are to be presented to the Commission for review. The annual financial statement is prepared by our auditor's office and reviewed by the Clerk/Treasurer to check the quality of the document.

2022-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Criteria: U.S. generally accepted accounting principles require the total OPEB liability and related expense be recorded in the financial statements.

Condition: The government did not record the total other post-employment benefit (OPEB) liability and related expense (GASB Statement No. 75) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the total OPEB liability and related expense as of and for the year ended June 30, 2022.

Effect: The governmental activities, the business-type activities and the proprietary funds' liabilities are understated, net position is overstated and expenses would change.

Recommendation: The government should engage an actuarial firm to determine the total OPEB liability and related expense.

TOWN OF ENNIS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

Response: The Town of Ennis has found that the cost outweighs the benefit.

2022-004. BANK RECONCILIATIONS

Criteria: Strong internal controls dictate bank reconciliations be completed monthly. Part of the reconciling process includes identifying and resolving unreconciled differences.

Condition: Bank reconciliations for fiscal year 2022 were not timely and unreconciled differences were not resolved, but instead were carried from month to month.

Cause: Unknown.

Effect: General ledger account balances were incorrect.

Recommendation: Bank reconciliations should be completed monthly. Unreconciled cash differences should be identified and resolved immediately.

Response: The Town is working on methods to see that bank reconciliations are completed in a timely manner. As noted earlier in this response, the Town is currently short staffed so existing staff and officials are assisting where they can.

2022-005. EXPENDITURE BUDGET OVERSPENT

Criteria: Section 7-6-4005, MCA, requires that expenditures be limited to appropriations for each budgeted fund.

Condition: The Ennis Planning and Health Insurance-Employer Contribution funds were overspent for the year ended June 30, 2022.

Effect: Non-compliance with state law.

Cause: Procedures are not in place to monitor budgeted expenditures.

Recommendation: Procedures should be developed to ensure that expenditure budgets are not overspent.

Response: The expenditure budget will be reviewed monthly and if it is found that there is, or will be, overspending, the matter will be taken to the Town Commission for consideration of a Resolution of Budget Amendment.

2022-006. BIDDING

Criteria: Per Section 7-5-4302(1), a contract for the purchase of any automobile, truck, other vehicle, road machinery, apparatus, appliances, equipment, or materials or supplies or for construction, repair, or maintenance in excess of \$80,000 must be let to the lowest responsible bidder after advertisement for bids.

Condition: The town contracted paving for an amount in excess of \$80,000 without going through the formal bid process.

Cause: Department heads misinterpreted the specific bidding requirements for this expenditure.

Effect: Noncompliance with state procurement statutes.

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-4302(1), MCA.

Response: The Town has made sure that all Department Heads know that a purchase in excess of \$80,000 has to be put out for bid and have given them Section 7-5-4302(1), MCA for reference.

TOWN OF ENNIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

2021-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2022-001 for the year ended June 30, 2022.

2021-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2022-002 for the year ended June 30, 2022.

2021-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2022-003 for the year ended June 30, 2022.

2021-004. EXPENDITURE BUDGET OVERSPENT

Status: This finding is unresolved and is repeated as finding 2022-005 for the year ended June 30, 2022.