

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

TABLE OF CONTENTS

	<u>Page No.</u>
ORGANIZATION.....	1
INDEPENDENT AUDITOR'S REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	15
Statement of Cash Flows - Proprietary Funds	16
Statement of Net Position - Fiduciary Fund	17
Notes to Basic Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	32
Library Fund.....	33
Health Insurance-Employer Contribution Fund	34
Notes to Required Supplementary Information.....	35
Pension Plan Information:	
Schedule of Contributions.....	36
Schedule of Proportionate Share of the Net Pension Liability	37
Notes to Required Supplementary Information-Pension Plan Information.....	38
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 <i>GOVERNMENT AUDITING STANDARDS</i>	40
SCHEDULE OF FINDINGS	42
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	43

TOWN OF ENNIS

ORGANIZATION

June 30, 2016

MAYOR

Larry Pine

TOWN COMMISSION

Brian Vincent	Member
Brandi Palmerton	Member
Blake Leavitt	Member
John Bancroft	Member
Lisa Roberts	Member

TOWN OFFICIALS

John Moore	Chief of Police
Marjorie Guinn	Clerk/Treasurer
Arthur Behar	Police Judge
Susan Sprout	Deputy Clerk/Treasurer

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinions

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

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and proprietary funds of the government, as of June 30, 2016, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the government as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Our opinion is not modified with respect to this matter.

Other Matters

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 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, 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 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 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'Leary & Associates, PC

Billings, Montana
November 10, 2016

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, 2016. 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, 2016, was \$8,951,711. This includes governmental funds and enterprise funds. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Ennis' total net position increased \$96,721.
- As of June 30, 2016, the governmental funds reported combined ending fund balances of \$411,159, a decrease of \$24,606 from the prior year.
- As of June 30, 2016, the unassigned fund balance for the general fund was \$161,114, or approximately 36 percent of total general fund expenditures. All of the unassigned fund balance was appropriated to meet 2016-2017 general fund expenditures.
- The Town paid off the remainder owed on its Wastewater system loans which leaves the Town with very little debt.
- The Town received a planning grant which was used to update the subdivision regulations and zoning codes updated for the Town.

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 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 and deferred outflows and 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* similar to the accounting 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: Fund financial statements report detailed information about the Town. The emphasis of fund financial statements is to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds. Major funds are defined as the general fund and any other fund where the assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses exceed 10% of total government fund amounts or 10% of total enterprise fund amounts and 5% of total government and enterprise fund amounts combined. The Town's major governmental funds are the General, Library and Health Insurance-Employer Contributions funds. The Town's major proprietary funds are Water, Sewer and Ambulance.

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 reported 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 changes in net position.

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 465,915	\$ 437,851	\$ 1,555,448	\$1,203,367	\$ 2,021,363	\$ 1,641,218
Capital assets	5,404,372	5,302,566	2,513,583	2,433,146	7,917,955	7,735,712
Total assets	5,870,287	5,740,417	4,069,031	3,636,513	9,939,318	9,376,930
Deferred outflows of resources	21,142	44,036	7,820	17,987	28,962	62,023
Long-term liabilities outstanding	264,975	312,454	749,416	120,302	1,014,391	432,756
Total liabilities	264,975	312,454	749,416	120,302	1,014,391	432,756
Deferred inflows of resources						
Pension plan	55,406	24,054	20,493	9,824	75,899	33,878
Unavailable revenue	23,000	20,589	-	-	23,000	20,589
Total deferred inflows	78,406	44,643	20,493	9,824	98,899	54,467
Net position:						
Net investment in capital assets	5,381,338	5,282,138	1,858,583	2,433,146	7,239,921	7,715,284
Restricted	210,785	232,719	81,178		291,963	232,719
Unrestricted	(44,075)	(87,520)	1,367,181	1,091,228	1,323,106	1,003,708
	\$ 5,548,048	\$ 5,427,337	\$ 3,306,942	\$ 3,524,374	\$ 8,854,990	\$ 8,951,711

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program revenues:						
Charges for services	\$ 42,269	\$ 73,802	\$ 565,608	\$ 602,582	\$ 607,877	\$ 676,384
Operating grants/contributions	122,417	83,745	2,242	2,675	124,659	86,420
Capital grants and contributions	-	-	-	17,229	-	17,229
General revenues:						
Taxes	368,068	349,680	-	-	368,068	349,680
Intergovernmental	140,673	143,013	-	-	140,673	143,013
Interest	735	1,017	5,049	4,755	5,784	5,772
Miscellaneous	13,117	12,259	1,596	7,057	14,713	19,316
Total revenues	687,279	663,516	574,495	634,298	1,261,774	1,297,814
Expenses:						
General government	302,691	313,289	-	-	302,691	313,289
Public safety	136,290	119,495	-	-	136,290	119,495
Public works	183,868	219,643	-	-	183,868	219,643
Public health	720	79	-	-	720	79
Social and economic services	38,810	-	-	-	38,810	-
Culture and recreation	148,977	146,623	-	-	148,977	146,623
Conservation of natural res.	2,876	3,539	-	-	2,876	3,539
Water	-	-	123,507	136,283	123,507	136,283
Sewer	-	-	209,539	184,696	209,539	184,696
Ambulance	-	-	56,423	75,700	56,423	75,700
Interest on long-term debt	1,542	1,746	-	-	1,542	1,746
Total expenses	815,774	804,414	389,469	396,679	1,205,243	1,201,093
Change in net position before transfers	(128,495)	(140,898)	185,026	237,619	56,531	96,721
Transfers	49,184	20,187	(49,184)	(20,187)	-	-
Change in net position	(79,311)	(120,711)	135,842	217,432	56,531	96,721
Net position, beginning	5,887,397	5,548,048	3,267,279	3,306,942	9,154,676	8,854,990
Prior period adjustments	(260,038)	-	(96,179)	-	(356,217)	-
Net position, ending	<u>\$ 5,548,048</u>	<u>\$ 5,427,337</u>	<u>\$ 3,306,942</u>	<u>\$ 3,524,374</u>	<u>\$ 8,854,990</u>	<u>\$ 8,951,711</u>

Overall net position increased \$96,721, or 1 percent. The cost of all governmental activities this year was \$804,414, a decrease of \$11,360 over the prior year. Total expenses for business-type activities were \$396,679, an increase of \$7,210.

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.

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

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

GOVERNMENTAL FUNDS

Fund balance for the general fund decreased \$47,317. Fund balance was used to fund current operations. The library fund fund balance increased \$1,037. The increase was due to conservative spending. Fund balance for the health insurance fund decreased \$10,680.

PROPRIETARY FUNDS

The Town of Ennis has three major enterprise funds consisting of Water, Sewer and Ambulance. The basic financial statements for the major funds are included in this report. Net position for the water and sewer funds increased \$94,549 and \$116,769. The increase occurred because conservative spending. Net position for the ambulance fund increased \$6,114.

DEBT ADMINISTRATION

During fiscal year 2016, the sewer revenue bonds were paid off. Our only other outstanding debt consists of a note payable for a SID street paving project. The note matures in 2023.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2016 was \$7,715,284. Governmental funds' additions consisted of a new entry wat at Town hall and a pickup broom. Business-type activities additions consisted of ambulance equipment and the purchase of land.

ECONOMIC FACTORS & NEXT YEAR'S BUDGET & RATES

A Town-wide street maintenance district was put in place which will bring in revenue to allow some upgrades, crack sealing and chip sealing of paved streets and upgrades and repairs to gravel roads within the Town.

The Town has been awarded a Community Development Block Grant to re-write its antiquated subdivision regulations. This project is currently underway and is expected to be completed by early 2017.

The Town is the recipient of a grant from the Montana Department of Transportation to have more sidewalks constructed. Construction of the sidewalks is slated to begin in the spring of 2017.

Though not a Town project, Madison County and FEMA are to begin work on replacement of eight culverts along Moore's Creek. Seven of the eight culverts are located in Town limits. It is the Town's hope that, by increasing the amount of flow the culverts can handle, the flood plain will decrease which will benefit not only the properties along Moore's Creek, but the Town as a whole. At the time of preparing this report this project is in the final stages of construction.

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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 387,010	\$ 551,463	\$ 938,473
Investments	23,671	23,000	46,671
Receivables:			
Taxes	26,682	-	26,682
Governments	9,755	-	9,755
Utility	-	52,899	52,899
Ambulance (net of allowance of \$78,758)	-	8,248	8,248
Internal balances	(9,277)	9,277	-
Prepays	-	19,104	19,104
Investment in joint venture	-	14,762	14,762
Restricted assets:			
Cash and equivalents	-	359,677	359,677
Investments	-	164,937	164,937
Capital assets:			
Land	146,205	192,780	338,985
Capital assets, net of accumulated depreciation	5,156,361	2,240,366	7,396,727
Total assets	<u>5,740,407</u>	<u>3,636,513</u>	<u>9,376,920</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	44,036	17,987	62,023
Total deferred outflows of resources	<u>44,036</u>	<u>17,987</u>	<u>62,023</u>
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Notes payable	2,736	-	2,736
Compensated absences	2,751	1,226	3,977
Due in more than one year:			
Notes payable	17,692	-	17,692
Net pension liability	264,514	108,040	372,554
Compensated absences	24,761	11,036	35,797
Total liabilities	<u>312,454</u>	<u>120,302</u>	<u>432,756</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	24,054	9,824	33,878
Unavailable revenue-long-term special assessments	20,598	-	20,598
Total deferred inflows of resources	<u>44,652</u>	<u>9,824</u>	<u>54,476</u>
NET POSITION			
Net investment in capital assets	5,282,138	2,433,146	7,715,284
Restricted for:			
General government	55,326	-	55,326
Public safety	12,166	-	12,166
Public works	95,208	-	95,208
Culture and recreation	15,816	-	15,816
Housing and community development	100	-	100
Debt service	1,950	-	1,950
Capital projects	52,153	-	52,153
Unrestricted	(87,520)	1,091,228	1,003,708
Total net position	<u>\$ 5,427,337</u>	<u>\$ 3,524,374</u>	<u>\$ 8,951,711</u>

See notes to basic financial statements.

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 313,289	\$ 5,535	\$ 2,750	\$ -	\$ (305,004)	\$ -	\$ (305,004)
Public safety	119,495	19,398	1,179	-	(98,918)	-	(98,918)
Public works	219,643	47,102	33,706	-	(138,835)	-	(138,835)
Public health	79	1,767	-	-	1,688	-	1,688
Culture and recreation	146,623	-	46,110	-	(100,513)	-	(100,513)
Conservation of natural resources	3,539	-	-	-	(3,539)	-	(3,539)
Interest on long-term debt	1,746	-	-	-	(1,746)	-	(1,746)
Total governmental activities	804,414	73,802	83,745	-	(646,867)	-	(646,867)
Business-type activities:							
Water	136,283	235,501	1,107	-	-	100,325	100,325
Sewer	184,696	306,998	1,107	-	-	123,409	123,409
Ambulance	75,700	60,083	461	17,229	-	2,073	2,073
Total business-type activities	396,679	602,582	2,675	17,229	-	225,807	225,807
Total	\$ 1,201,093	\$ 676,384	\$ 86,420	\$ 17,229	(646,867)	225,807	(421,060)
General revenues:							
Property taxes					349,680	-	349,680
Intergovernmental					143,013	-	143,013
Unrestricted investment earnings					1,017	4,755	5,772
Miscellaneous					12,259	7,057	19,316
Transfers					20,187	(20,187)	-
Total general revenues and transfers					526,156	(8,375)	517,781
Change in net position					(120,711)	217,432	96,721
Net position - beginning					5,548,048	3,306,942	8,854,990
Net position - ending					\$ 5,427,337	\$ 3,524,374	\$ 8,951,711

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 156,094	\$ 15,017	\$ 22,565	\$ -	\$ 193,334	\$ 387,010
Investments	3,612	-	-	-	20,059	23,671
Receivables:						
Taxes and assessments	3,601	799	699	20,598	985	26,682
Governments	9,755	-	-	-	-	9,755
Due from other funds	930	-	-	-	-	930
Total assets	\$ 173,992	\$ 15,816	\$ 23,264	\$ 20,598	\$ 214,378	\$ 448,048
LIABILITIES						
Due to other funds	\$ 9,277	\$ -	\$ -	\$ 930	\$ -	\$ 10,207
Total liabilities	9,277	-	-	930	-	10,207
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-taxes and assessments	3,601	799	699	20,598	985	26,682
Total deferred inflows of resources	3,601	799	699	20,598	985	26,682
FUND BALANCES (DEFICITS)						
Restricted for:						
General government	-	-	22,565	-	31,557	54,122
Public safety	-	-	-	-	12,166	12,166
Public works	-	-	-	-	94,728	94,728
Culture and recreation	-	15,017	-	-	-	15,017
Housing and community development	-	-	-	-	100	100
Debt service	-	-	-	-	1,950	1,950
Capital projects	-	-	-	-	52,153	52,153
Committed for:						
Culture and recreation	-	-	-	-	20,739	20,739
Unassigned	161,114	-	-	(930)	-	160,184
Total fund balances (deficits)	161,114	15,017	22,565	(930)	213,393	411,159
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 173,992	\$ 15,816	\$ 23,264	\$ 20,598	\$ 214,378	\$ 448,048

TOWN OF ENNIS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances, governmental funds	\$ 411,159
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.	5,302,566
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.	6,084
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	44,036
Deferred inflows of resources related to pensions	(24,054)
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>(312,454)</u>
Net position of governmental activities	<u><u>\$ 5,427,337</u></u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes/assessments	\$ 236,624	\$ 44,197	\$ 38,676	\$ 3,870	\$ 71,665	\$ 395,032
Fines and forfeitures	19,398	-	-	-	-	19,398
Licenses and permits	9,618	-	-	-	-	9,618
Intergovernmental	156,024	43,062	-	-	27,536	226,622
Charges for services	500	-	-	-	-	500
Investment earnings	907	-	-	-	110	1,017
Miscellaneous	8,561	3,834	-	-	-	12,395
Total revenues	431,632	91,093	38,676	3,870	99,311	664,582
EXPENDITURES						
Current:						
General government	210,241	-	73,218	-	31,638	315,097
Public safety	113,394	-	-	-	3,566	116,960
Public works	77,218	-	-	-	36,579	113,797
Public health	79	-	-	-	-	79
Culture and recreation	36,837	90,056	-	-	-	126,893
Conservation of natural resources	-	-	-	-	3,539	3,539
Debt service:						
Principal	-	-	-	2,606	-	2,606
Interest and other charges	638	-	-	1,108	-	1,746
Capital outlay	5,000	-	-	-	23,658	28,658
Total expenditures	443,407	90,056	73,218	3,714	98,980	709,375
Excess (deficiency) of revenues over expenditures	(11,775)	1,037	(34,542)	156	331	(44,793)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,455	-	23,862	-	31,867	57,184
Transfers out	(36,997)	-	-	-	-	(36,997)
Total other financing sources (uses)	(35,542)	-	23,862	-	31,867	20,187
Net change in fund balances	(47,317)	1,037	(10,680)	156	32,198	(24,606)
Fund balances - beginning	208,431	13,980	33,245	(1,086)	181,195	435,765
Fund balances - ending	\$ 161,114	\$ 15,017	\$ 22,565	\$ (930)	\$ 213,393	\$ 411,159

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, 2016

Net change in fund balances - total governmental funds	\$ (24,606)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
This is the amount by which depreciation (\$130,464) exceeded capital outlay (\$28,658) in the current period.	(101,806)
<p>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.</p>	
	(1,066)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.</p>	
	4,137
<p>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.</p>	
	2,606
<p>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:</p>	
Compensated absences	<u>24</u>
Change in net position of governmental activities	<u><u>\$ (120,711)</u></u>

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 385,142	\$ 166,321	\$ -	\$ 551,463
Investments	-	23,000	-	23,000
Receivables:				
Utility	22,138	30,761	-	52,899
Ambulance (net of allowance of \$78,758)	-	-	8,248	8,248
Due from other funds	-	9,277	-	9,277
Prepays	-	-	19,104	19,104
Total current assets	<u>407,280</u>	<u>229,359</u>	<u>27,352</u>	<u>663,991</u>
Non-current assets:				
Investment in joint venture	14,762	-	-	14,762
Restricted assets:				
Cash and cash equivalents	202,557	-	157,120	359,677
Investments	-	38,317	126,620	164,937
	<u>202,557</u>	<u>38,317</u>	<u>283,740</u>	<u>524,614</u>
Capital assets:				
Land	120,415	72,365	-	192,780
Infrastructure	676,595	233,451	-	910,046
Buildings and improvements	417,799	2,264,086	-	2,681,885
Equipment and furniture	29,735	21,483	198,874	250,092
Less: accumulated depreciation	<u>(576,416)</u>	<u>(840,030)</u>	<u>(185,211)</u>	<u>(1,601,657)</u>
Capital assets, net	<u>668,128</u>	<u>1,751,355</u>	<u>13,663</u>	<u>2,433,146</u>
Total non-current assets	<u>885,447</u>	<u>1,789,672</u>	<u>297,403</u>	<u>2,972,522</u>
Total assets	<u>1,292,727</u>	<u>2,019,031</u>	<u>324,755</u>	<u>3,636,513</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	7,443	7,443	3,101	17,987
Total deferred outflows of resources	<u>7,443</u>	<u>7,443</u>	<u>3,101</u>	<u>17,987</u>
LIABILITIES				
Current liabilities:				
Compensated absences	597	597	32	1,226
Total current liabilities	<u>597</u>	<u>597</u>	<u>32</u>	<u>1,226</u>
Non-current liabilities:				
Compensated absences	5,370	5,370	296	11,036
Net pension liability	44,706	44,706	18,628	108,040
Total non-current liabilities	<u>50,076</u>	<u>50,076</u>	<u>18,924</u>	<u>119,076</u>
Total liabilities	<u>50,673</u>	<u>50,673</u>	<u>18,956</u>	<u>120,302</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plans	4,065	4,065	1,694	9,824
Total deferred inflows of resources	<u>4,065</u>	<u>4,065</u>	<u>1,694</u>	<u>9,824</u>
NET POSITION				
Net investment in capital assets	668,128	1,751,355	13,663	2,433,146
Unrestricted	<u>577,304</u>	<u>220,381</u>	<u>293,543</u>	<u>1,091,228</u>
Total net position	<u>\$ 1,245,432</u>	<u>\$ 1,971,736</u>	<u>\$ 307,206</u>	<u>\$ 3,524,374</u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water	Sewer	Ambulance	Total
REVENUES				
Charges for services	\$ 235,501	\$ 306,998	\$ 60,083	\$ 602,582
Total operating revenues	<u>235,501</u>	<u>306,998</u>	<u>60,083</u>	<u>602,582</u>
OPERATING EXPENSES				
Personal services	53,149	53,122	24,826	131,097
Supplies	13,154	7,789	14,977	35,920
Purchased services	43,312	53,872	20,622	117,806
Fixed charges	989	4,460	864	6,313
Depreciation	25,679	62,424	14,411	102,514
Total operating expenses	<u>136,283</u>	<u>181,667</u>	<u>75,700</u>	<u>393,650</u>
Operating income (loss)	<u>99,218</u>	<u>125,331</u>	<u>(15,617)</u>	<u>208,932</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	2,107	1,246	1,402	4,755
Miscellaneous revenue	-	-	7,057	7,057
Operating grants and contributions	1,107	1,107	461	2,675
Interest expense	-	(3,029)	-	(3,029)
Total non-operating revenues (expenses)	<u>3,214</u>	<u>(676)</u>	<u>8,920</u>	<u>11,458</u>
Income before capital contributions and transfers	102,432	124,655	(6,697)	220,390
Capital contributions	-	-	17,229	17,229
Transfers in	6,800	6,797	-	13,597
Transfers out	(14,683)	(14,683)	(4,418)	(33,784)
Change in net position	94,549	116,769	6,114	217,432
Net position - beginning	<u>1,150,883</u>	<u>1,854,967</u>	<u>301,092</u>	<u>3,306,942</u>
Net position - ending	<u>\$ 1,245,432</u>	<u>\$ 1,971,736</u>	<u>\$ 307,206</u>	<u>\$ 3,524,374</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water	Sewer	Ambulance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 231,390	\$ 305,109	\$ 58,671	\$ 595,170
Cash paid to employees	(52,585)	(52,558)	(20,904)	(126,047)
Cash paid to suppliers for goods and services	(57,455)	(66,121)	(36,463)	(160,039)
Net cash provided by operating activities	<u>121,350</u>	<u>186,430</u>	<u>1,304</u>	<u>309,084</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from operating grants and contributions	1,107	1,107	461	2,675
Cash transfers to other funds	(7,883)	(7,886)	(4,418)	(20,187)
Interfund loan repayment from general fund	-	8,962	-	8,962
Cash received from miscellaneous sources	-	-	7,057	7,057
Net cash provided (used) by noncapital financing activities	<u>(6,776)</u>	<u>2,183</u>	<u>3,100</u>	<u>(1,493)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(8,114)	-	(33,067)	(41,181)
Capital contributions	-	-	17,229	17,229
Principal payments on bonds	-	(655,000)	-	(655,000)
Interest paid	-	(3,029)	-	(3,029)
Net cash used by capital financing activities	<u>(8,114)</u>	<u>(658,029)</u>	<u>(15,838)</u>	<u>(681,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	-	(62)	(693)	(755)
Increase in investment in joint venture	(1,200)	-	-	(1,200)
Interest received	2,107	1,246	1,402	4,755
Net cash provided by investing activities	<u>907</u>	<u>1,184</u>	<u>709</u>	<u>2,800</u>
Change in cash and cash equivalents	107,367	(468,232)	(10,725)	(371,590)
Cash and cash equivalents - beginning	<u>480,332</u>	<u>634,553</u>	<u>167,845</u>	<u>1,282,730</u>
Cash and cash equivalents - ending	<u>\$ 587,699</u>	<u>\$ 166,321</u>	<u>\$ 157,120</u>	<u>\$ 911,140</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 99,218	\$ 125,331	\$ (15,617)	\$ 208,932
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	25,679	62,424	14,411	102,514
Pension expense	1,780	1,780	4,344	7,904
Increase in accounts receivable	(4,111)	(1,889)	(1,412)	(7,412)
Decrease in compensated absences	(1,216)	(1,216)	(422)	(2,854)
Net cash provided by operating activities	<u>\$ 121,350</u>	<u>\$ 186,430</u>	<u>\$ 1,304</u>	<u>\$ 309,084</u>

See notes to basic financial statements.

TOWN OF ENNIS
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 38,872
Investments	<u>21,990</u>
Total assets	<u>\$ 60,862</u>
LIABILITIES	
Due to other governments	\$ 2,013
Payable to joint venture participants	<u>58,849</u>
Total liabilities	<u>\$ 60,862</u>

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 accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government adopted the provisions of the following GASB statements:

GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP).

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 (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

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.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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

Property taxes 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

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 special assessment debt fund accounts for assessments collected and debt service payments made for a special improvement district established for sidewalk improvements.

The government reports the following major proprietary 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.

The ambulance fund accounts for the activities of the government's ambulance service.

Additionally, the government reports the following fund types:

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

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 City Commission. The Town Clerk/Treasurer is responsible for setting the investment policies, reviewing and monitoring investments to ensure the City'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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

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. Ambulance receivables are shown net of an allowance for uncollectibles. Ambulance accounts receivable in excess of 120 days comprise the ambulance accounts receivable allowance for uncollectibles.

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, 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. The government has elected not to report major infrastructure assets retroactively. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2016.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	60-80
Building and systems	25-100
Machinery and 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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

The government reports decreases in net position that relate to a future period(s) as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources are related to the government's pension plans and consist of differences between expected and actual results, changes in actuarial assumptions, differences between actual and expected contributions and contributions made to the pension plans subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The government's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the government's statement of net position for actual pension plan investment earnings in excess of the expected amounts and differences between actual and expected contributions included in determining pension expense. The long-term portion of the assessment receivable is also offset in the statement of net position as deferred inflows of resources. 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.

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

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

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.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has by resolution authorized the clerk/treasurer to assign fund balance. There was no assigned fund balance in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

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 \$930 as of June 30, 2016. The deficit occurred because of delinquent assessments. 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	\$ 410,681
Business-type activities	1,099,077
Fiduciary funds	60,862
	<u>\$ 1,570,620</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2016, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	50,681	-	50,681
Savings deposits	1,258,166	-	1,258,166
Time deposits	-	233,598	233,598
Short-term Investment Program (STIP)	28,000	-	28,000
	<u>\$ 1,337,022</u>	<u>\$ 233,598</u>	<u>\$ 1,570,620</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2016, \$1,235,987 of the government's bank balance of \$1,528,360 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,002,462
Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>233,525</u>
	<u>\$ 1,235,987</u>

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, 2016, did not exceed the amount required by state statute.

Fair value measurements are as follows at June 30, 2016:

	Fair Value
State Short-Term Investment Program (STIP)	<u>\$ 28,006</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, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
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	94,618	23,158	-	117,776
Machinery and equipment	91,168	5,500	-	96,668
Infrastructure	8,085,883	-	-	8,085,883
Total capital assets, being depreciated	<u>9,382,414</u>	<u>28,658</u>	<u>-</u>	<u>9,411,072</u>
Less accumulated depreciation for:				
Buildings	(252,968)	(21,075)	-	(274,043)
Improvements	(16,723)	(2,880)	-	(19,603)
Machinery and equipment	(74,883)	(5,006)	-	(79,889)
Infrastructure	(3,779,673)	(101,503)	-	(3,881,176)
Total accumulated depreciation	<u>(4,124,247)</u>	<u>(130,464)</u>	<u>-</u>	<u>(4,254,711)</u>
Total capital assets, being depreciated, net	<u>5,258,167</u>	<u>(101,806)</u>	<u>-</u>	<u>5,156,361</u>
Governmental activities capital assets, net	<u>\$ 5,404,372</u>	<u>\$ (101,806)</u>	<u>\$ -</u>	<u>\$ 5,302,566</u>
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 184,666	\$ 8,114	\$ -	\$ 192,780
Total capital assets, not being depreciated	<u>184,666</u>	<u>8,114</u>	<u>-</u>	<u>192,780</u>
Capital assets, being depreciated				
Buildings and systems	2,676,899	-	-	2,676,899
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	236,129	13,963	-	250,092
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	<u>3,828,060</u>	<u>13,963</u>	<u>-</u>	<u>3,842,023</u>
Less accumulated depreciation for:				
Buildings and systems	(781,329)	(65,094)	-	(846,423)
Improvements other than buildings	(606)	(100)	-	(706)
Machinery and equipment	(194,027)	(21,855)	-	(215,882)
Infrastructure	(523,181)	(15,465)	-	(538,646)
Total accumulated depreciation	<u>(1,499,143)</u>	<u>(102,514)</u>	<u>-</u>	<u>(1,601,657)</u>
Total capital assets, being depreciated, net	<u>2,328,917</u>	<u>(88,551)</u>	<u>-</u>	<u>2,240,366</u>
Business-type activities capital assets, net	<u>\$ 2,513,583</u>	<u>\$ (80,437)</u>	<u>\$ -</u>	<u>\$ 2,433,146</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 1,533
Public safety	2,175
Public works	106,439
Culture and Recreation	20,317
Total depreciation-governmental activities	\$ 130,464
Business-type activities:	
Water	\$ 25,679
Sewer	62,424
Ambulance	14,411
Total depreciation-business-type activities	\$ 102,514

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2016, consisted of the general fund owing the sewer fund \$9,277. Additionally, the special assessment debt fund owes the general fund \$930. The balances are scheduled to be collected in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 1,455	\$ 36,997
Health insurance-employer paid	23,862	-
Nonmajor governmental funds	31,867	-
Total governmental activities	\$ 57,184	\$ 36,997
Business-type Activities:		
Water	\$ 6,800	\$ 14,683
Sewer	6,797	14,683
Ambulance	-	4,418
Total business-type activities	\$ 13,597	\$ 33,784

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Notes payable consists of SID street paving. The note was issued in 2008 for 15 years, with an interest rate of 4.95 percent. The balance outstanding as of June 30, 2016, was \$20,428. Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 2,736	\$ 978	\$ 3,714
2018	2,873	841	3,714
2019	3,017	697	3,714
2020	3,169	545	3,714
2021	3,327	387	3,714
2022-2023	5,306	265	5,571
	<u>\$ 20,428</u>	<u>\$ 3,713</u>	<u>\$ 24,141</u>

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Notes payable	\$ 23,034	\$ -	\$ (2,606)	\$ 20,428	\$ 2,736
Compensated absences	27,536	-	(24)	27,512	2,751
Governmental activity long-term liabilities	<u>\$ 50,570</u>	<u>\$ -</u>	<u>\$ (2,630)</u>	<u>\$ 47,940</u>	<u>\$ 5,487</u>
Business-type activities:					
Bonds payable	\$ 655,000	\$ -	\$ (655,000)	\$ -	\$ -
Compensated absences	15,116	-	(2,854)	12,262	1,226
Business-type activity long-term liabilities	<u>\$ 670,116</u>	<u>\$ -</u>	<u>\$ (657,854)</u>	<u>\$ 12,262</u>	<u>\$ 1,226</u>

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

Contingencies

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2016, the Town incurred costs of \$37,327. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$40,980 for library services.

Joint Venture

The Town, in conjunction with the Towns of Sheridan, Twin Bridges and Virginia City, entered into a 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 2016, each town contributed \$1,500. 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 an agency 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, 2016:

Total Assets	\$	59,049
Total Equity		59,049
Total Revenues		6,074
Total Expenditures		1,271
Total Increase in Equity		4,804

As of June 30, 2016, the Town of Ennis' share of joint venture capital assets was \$50. 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 \$14,762 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

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 under age 60 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.

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Member and Employer Contributions

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 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 contribute 7.9% of each member's compensation. This was temporarily increased from 6.9% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions terminates 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 .37% of earned compensation. Effective July 1, 2013, contributions are also made to the system from the Coal Tax Fund. 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, 2016, the government recorded a liability of \$372,554 (PERS) 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, at June 20, 2016, are presented below:

	Net Pension Liability
Employer proportionate share	\$ 372,554
State of Montana proportionate share associated with employer	4,576
Total	\$ 377,130

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2014, through June 30, 2015, relative to the total employer contributions received from all PERS participating employers. At June 30, 2016, the government's proportion was .0267 percent for PERS.

For the year ended June 30, 2016, the government recognized \$29,472 (PERS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$9,225 (PERS) 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 \$38,697 for PERS.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2016, 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	\$ -	\$ 2,254
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	31,541
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	36,318	83
Employer contributions subsequent to measurement date	25,705	-
	\$ 62,023	\$ 33,878

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, 2017. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:		
2017	\$	(1,905)
2018		(1,905)
2019		(1,954)
2020		8,203

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2015 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	7.75%
Salary increases	4.00%
Inflation	3.00%

Mortality rates for the PERS retirement plan is based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS plan. The most recent PERS analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS' target asset

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

allocation as of June 30, 2015, and are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.0%	-0.25%
Domestic equity	36.0%	4.55%
Foreign equity	18.0%	6.10%
Fixed income	24.0%	1.25%
Private equity	12.0%	8.00%
Real estate	8.0%	4.25%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 governments. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. 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 2123. 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.

Sensitivity Analysis

The following presents the employer's proportionate share net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 574,398	\$ 372,554	\$ 202,102

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The requirements of paragraphs 18, 19, 23–26, and 40 are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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, 2016

	<u>Budgeted Amounts</u>		Amounts, Budgetary Basis	Budget to GAAP Differences (1)	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES					
Taxes/assessments	\$ 238,754	\$ 238,754	\$ 236,624	\$ -	\$ 236,624
Fines and forfeitures	28,000	28,000	19,398	-	19,398
Licenses and permits	11,400	11,400	9,618	-	9,618
Intergovernmental	180,168	180,168	149,474	6,550	156,024
Charges for services	-	-	500	-	500
Investment earnings	500	500	907	-	907
Miscellaneous	7,800	7,800	8,561	-	8,561
Total revenues	466,622	466,622	425,082	6,550	431,632
EXPENDITURES					
Current:					
General government	277,939	277,939	207,491	2,750	210,241
Public safety	127,563	127,563	112,215	1,179	113,394
Public works	78,993	78,993	76,759	459	77,218
Public health	2,400	2,400	79	-	79
Culture and recreation	41,069	41,069	34,675	2,162	36,837
Debt service:					
Interest and other charges	639	639	638	-	638
Capital outlay	5,000	5,000	5,000	-	5,000
Total expenditures	533,603	533,603	436,857	6,550	443,407
Excess (deficiency) of revenues over expenditures	(66,981)	(66,981)	(11,775)	-	(11,775)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	1,455	-	1,455
Transfers out	(36,698)	(36,698)	(36,997)	-	(36,997)
Total other financing sources (uses)	(36,698)	(36,698)	(35,542)	-	(35,542)
Net change in fund balance	\$ (103,679)	\$ (103,679)	(47,317)	-	(47,317)
Fund balance - beginning			208,431	-	208,431
Fund balance - ending			<u>\$ 161,114</u>	<u>\$ -</u>	<u>\$ 161,114</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 44,507	\$ 44,507	\$ 44,197
Intergovernmental	43,781	43,781	43,062
Miscellaneous	4,600	4,600	3,834
Total revenues	<u>92,888</u>	<u>92,888</u>	<u>91,093</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>97,211</u>	<u>97,211</u>	<u>90,056</u>
Total expenditures	<u>97,211</u>	<u>97,211</u>	<u>90,056</u>
Net change in fund balance	<u>\$ (4,323)</u>	<u>\$ (4,323)</u>	1,037
Fund balance - beginning			<u>13,980</u>
Fund balance - ending			<u>\$ 15,017</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	<u>\$ 38,974</u>	<u>\$ 38,974</u>	<u>\$ 38,676</u>
Total revenues	<u>38,974</u>	<u>38,974</u>	<u>38,676</u>
EXPENDITURES			
Current:			
General government	<u>74,736</u>	<u>74,736</u>	<u>73,218</u>
Total expenditures	<u>74,736</u>	<u>74,736</u>	<u>73,218</u>
Excess (deficiency) of revenues over expenditures	<u>(35,762)</u>	<u>(35,762)</u>	<u>(34,542)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>23,862</u>	<u>23,862</u>	<u>23,862</u>
Total other financing sources	<u>23,862</u>	<u>23,862</u>	<u>23,862</u>
Net change in fund balance	<u>\$ (11,900)</u>	<u>\$ (11,900)</u>	(10,680)
Fund balance - beginning			<u>33,245</u>
Fund balance - ending			<u>\$ 22,565</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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.

TOWN OF ENNIS
 SCHEDULE OF CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MONTANA
 For the Year Ended June 30, 2016

<u>Public Employees Retirement System:</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 25,705	\$ 26,678
Contributions in relation to the contractually required contributions	<u>25,705</u>	<u>26,678</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Pensionable payroll	\$ 293,685	\$ 311,029
Contributions as a percentage of pensionable payroll	8.75%	8.58%

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 Year Ended June 30, 2016

<u>Public Employees Retirement System:</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.0267%	0.0236%
Employer's proportionate share of the net pension liability associated with the employer	\$ 372,554	\$ 293,705
State of Montana's proportionate share of the net pension liability associated with the employer	<u>4,576</u>	<u>3,587</u>
Total	<u>\$ 377,130</u>	<u>\$ 297,292</u>
Pensionable payroll	\$ 311,029	\$ 266,830
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	119.78%	110.07%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.90%

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, 2016

Public Employees Retirement System

Changes of Benefit Terms:

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

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013:

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013:

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454 Guaranteed Annual Benefit Adjustment (GABA) - for PERS. After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - a) 1.5% each year PERS is funded at or above 90%;
 - b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c) 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016:

Second Retirement Benefit - for PERS:

1. Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
2. For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.

TOWN OF ENNIS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2016

3. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.

4. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and,
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015:

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP:

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in actuarial assumptions and other inputs:

None

Method and assumptions used in calculations of actuarially determined contributions:

	PERS
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	3.00%
Salary increases	4%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

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, 2016, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated November 10, 2016. The report included explanatory paragraphs to describe changes in accounting principles. The report on the governmental activities, the business-type activities and the proprietary funds was qualified because management has not recorded the other post-employment benefit (OPEB) liability and related expense.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 were not identified. However, as described in the accompanying schedule of findings, we identified 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 to be material weaknesses. (Findings 2016-001 through 2016-003)

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 deficiency described in the accompanying schedule of findings to be a significant deficiency. (Finding 2016-004)

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2016-004.

The Government's Response to Findings

The government did not respond to the findings identified in our audit as described in the accompanying schedule of findings. Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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)

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.

Olness & Associates, PC

Billings, Montana
November 10, 2016

TOWN OF ENNIS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2016

2016-001. 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.

2016-002. 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.

2016-003. OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

Condition: The government did not record the other post-employment benefit (OPEB) liability and related expense (GASB Statement No. 45) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2016.

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 OPEB liability and related expense.

2016-004. PLEDGES

Criteria: State law requires deposits in excess of federally insured limits to have adequate pledged securities.

Condition: As of June 30, 2016, the Town had deposits in excess of federally insured limits that were not adequately pledged

Cause: Unknown.

Effect: Exposed to risk of loss of Town assets.

Recommendation: Procedures should be developed to ensure deposits in excess of federally insured limits have adequate pledged securities.

TOWN OF ENNIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

2015-001. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2016-002 for the year ended June 30, 2016.

2015-002. OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2016-003 for the year ended June 30, 2016.

2015-003. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2016-001 for the year ended June 30, 2016.

2015-004. PLEDGES

Status: This finding is unresolved and is repeated as finding 2016-004 for the year ended June 30, 2016.

DEPARTMENT OF ADMINISTRATION

STEVE BULLOCK, GOVERNOR
MIKE COONEY, LIEUTENANT GOVERNOR

JOHN LEWIS
DIRECTOR



STATE FINANCIAL SERVICES DIVISION

State Accounting Bureau
Mitchell Bldg., Rm. 255
P.O. Box 200102
Helena, MT 59620
(406) 444-3092

Financial Services
Technology Bureau
Mitchell Bldg., Rm. 295
P.O. Box 200102
Helena, MT 59620
(406) 444-3092

State Social Security
Administrator
Mitchell Bldg., Rm. 270
P.O. Box 200102
Helena, MT 59620
(406) 444-2596

Local Government
Services Bureau
Mitchell Bldg., Rm. 270
P.O. Box 200547
Helena, MT 59620
(406) 444-9101

State Procurement Bureau
Mitchell Bldg., Rm. 165
P.O. Box 200135
Helena, MT 59620
(406) 444-2575

January 19, 2017

Mayor and Town Council
Town of Ennis
PO Box 147
Ennis MT 59729

Re: Response to FY2016 Audit Report

Thank you for notifying us of the actions that have been or will be taken, regarding the audit deficiencies or recommendations contained in the management letter and/or audit report, for the Town of Ennis for the fiscal year(s) ended June 30, 2016. Your auditor, Olness and Associates, PC, Certified Public Accountant(s), issued that report to you on November 18, 2016.

Pursuant to State law, we've reviewed your corrective action plan or response and are notifying you of our acceptance. Please note that our acceptance is based on our understanding of the audit deficiencies or recommendations and responses as written. You may wish to contact the auditor to ensure that your corrective actions address the auditor's findings satisfactorily and completely.

Please contact me at 406-444-9101 or jryan@mt.gov if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jeannie Ryan".

JEANNIE RYAN, Adm. Asst.
Local Government Services Bureau

DEPARTMENT OF ADMINISTRATION



STEVE BULLOCK, GOVERNOR
MIKE COONEY, LIEUTENANT GOVERNOR

SHEILA HOGAN
DIRECTOR

STATE FINANCIAL SERVICES DIVISION

State Accounting Bureau
Mitchell Bldg., Rm. 255
P.O. Box 200102
Helena, MT 59620
(406) 444-3092

Financial Services
Technology Bureau
Mitchell Bldg., Rm. 295
P.O. Box 200102
Helena, MT 59620
(406) 444-3092

State Social Security
Administrator
Mitchell Bldg., Rm. 270
P.O. Box 200102
Helena, MT 59620
(406) 444-2596

Local Government
Services Bureau
Mitchell Bldg., Rm. 270
P.O. Box 200547
Helena, MT 59620
(406) 444-9101

State Procurement Bureau
Mitchell Bldg. Rm. 165
P.O. Box 200135
Helena, MT 59620
(406) 444-2575

December 6, 2016

Town of Ennis
Clerk/Treasurer
PO Box 147
Ennis MT 59729

Re: Response to FY 2015 Audit Report

Thank you for notifying us of the actions that have been or will be taken, regarding the audit deficiencies or recommendations contained in the audit report, for the Town of Ennis for the fiscal year(s) ended June 30, 2015. Your auditor, Olness and Associates, Certified Public Accountant(s), issued that report to you on November 19, 2015.

Pursuant to State law, we've reviewed your corrective action plan or response and are notifying you of our acceptance. Please note that our acceptance is based on our understanding of the audit deficiencies or recommendations and responses as written. You may wish to contact the auditor to ensure that your corrective actions address the auditor's findings satisfactorily and completely.

Please contact me at 406-444-9101 or jryan@mt.gov if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jeannie Ryan".

JEANNIE RYAN, Adm. Asst.
Local Government Services Bureau

TOWN OF ENNIS

P.O. BOX 147
ENNIS, MT. 59729
PHONE: (406) 682-4287
FAX: (406) 682-5011

11/23/2016

Department of Administration
P.O. Box 200547
Helena, MT. 59620-0547

Re: Audit Report Findings FY16

Plan of action for Reportable Conditions:

2016-1. Segregation of Duties: 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 finance committee and Department Heads. The commission reviews all claims prior to the claim being paid. All checks require two signatures. The bank statements are reconciled by the deputy clerk. Monthly cash reconciliation records are reviewed by the finance committee for accuracy.

2016-2. Financial Statement Preparation: The Town of Ennis, having limited resources, is relying on the finance committee 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 Auditors and reviewed by the finance committee to check the quality of the document.

2016-3. Other Post Employment Benefit Liability Not Recorded: The Town of Ennis has found that the cost outweighs the benefit.

2016-4. Pledges: The Mayor and Town Clerk have scheduled a meeting with a representative of the bank the Town uses to obtain verification that said bank will provide pledged securities adequate to cover funds the Town of Ennis has in deposits in their financial institution. If the bank cannot provide the necessary pledged securities the Town will advertise for institution(s) that can meet their needs. Procedures to ensure pledged securities are meeting the Town requirements are being formulated.

AUDIT PUBLICATION INTRODUCTION

An audit of the affairs of the TOWN OF ENNIS, Montana, has been conducted by OLNES & ASSOCIATES, PC, CERTIFIED PUBLIC ACCOUNTANTS. The audit covered the fiscal year ended June 30, 2016. Section 2-7-521, MCA, requires the publication of the following summary of significant findings.

Summary of Significant Findings

The audit report for the fiscal year ended June 30, 2016 contained an Independent Auditor's Report on the basic financial statements. The report issued for the fiscal year ended June 30, 2016 was a qualified report.

The audit report also contained other auditor's reports. Following is a listing of the reports and a summary of the findings included. This is only a summary and is not intended to be used as an audit report.

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*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEGREGATION OF DUTIES
AUDITOR PREPARED FINANCIAL STATEMENTS
OPEB

REPORT ON PRIOR AUDIT RECOMMENDATIONS

Public Inspection of Audit Report

The complete audit report is on file in its entirety and open to public inspection.

Please publish: Dec. 1, 2016

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

ERNEST J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B
BILLINGS, MONTANA 59102
(406) 252-6230
FAX (406) 245-6922

November 18, 2016

GINGER GUINN
TOWN OF ENNIS
PO BOX 147
ENNIS, MT 59729

Please find enclosed final copies of the audited financial statements for the year ended June 30, 2016 for review and distribution. We have uploaded the report to the Department of Administration, Local Government Services.

Also enclosed is a letter outlining communications required under new auditing standards between the auditors and the governing body. Please distribute to the governing board and retain a copy for your files.

Additionally, we have enclosed the Audit Publication Notice that should be published in your local paper. Please forward a copy of the report to your government's attorney and the responses to the audit to the Department of Administration.

If there are any questions, please call the office.

Sincerely,

Olness & Associates, PC

TOWN OF ENNIS

P.O. BOX 147
ENNIS, MT. 59729
PHONE: (406) 682-4287
FAX: (406) 682-5011

11/23/2016

Department of Administration
P.O. Box 200547
Helena, MT. 59620-0547

Re: Audit Report Findings FY16

Plan of action for Reportable Conditions:

2016-1. Segregation of Duties: 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 finance committee and Department Heads. The commission reviews all claims prior to the claim being paid. All checks require two signatures. The bank statements are reconciled by the deputy clerk. Monthly cash reconciliation records are reviewed by the finance committee for accuracy.

2016-2. Financial Statement Preparation: The Town of Ennis, having limited resources, is relying on the finance committee 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 Auditors and reviewed by the finance committee to check the quality of the document.

2016-3. Other Post Employment Benefit Liability Not Recorded: The Town of Ennis has found that the cost outweighs the benefit.

2016-4. Pledges: The Mayor and Town Clerk have scheduled a meeting with a representative of the bank the Town uses to obtain verification that said bank will provide pledged securities adequate to cover funds the Town of Ennis has in deposits in their financial institution. If the bank cannot provide the necessary pledged securities the Town will advertise for institution(s) that can meet their needs. Procedures to ensure pledged securities are meeting the Town requirements are being formulated.



TOWN OF ENNIS

November 10, 2016

Olness & Associates, PC
2810 Central Ave. STE B
Billings, MT 59102

This representation letter is provided in connection with your audit of the financial statements of the Town of Ennis, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 10, 2016, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 30, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) Except as described in the Basis for Opinion Qualification section of the auditor's report, the financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. We also acknowledge:
 - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
 - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.

- That the disclosures related to accounting estimates are complete and appropriate.
 - That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
 - 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
 - 8) You have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.
 - 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - 10) Guarantees, whether written or oral, under which the government is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Among other things, relevant information may include such matters as—

- a) Additional information that you have requested from us for the purpose of the audit.
 - b) Unrestricted access to persons within the government from whom you determined it necessary to obtain audit evidence.
 - c) Completeness and availability of all minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - d) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 - 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - 14) We have no knowledge of any fraud or suspected fraud that affects the government and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
 - 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the government's financial statements communicated by employees, former employees, regulators, or others.
 - 16) Except as made known to you, we have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
 - 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - 18) We have disclosed to you the identity of the government's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We will provide our views to the Department of Administration on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The government has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements and related notes, prepared the trial balance for use during the audit, which was limited to formatting information into a working trial balance based on management's chart of accounts, prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting and maintained the government's depreciation schedule. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 31) The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The government has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

- 34) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 37) Investments are properly valued.
- 38) Provisions for uncollectible receivables have been properly identified and recorded.
- 39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 42) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 43) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 44) We have appropriately disclosed the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 45) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 46) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 48) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Boards (GASBS), as discussed in Note 4. The government is therefore unable to disclose the impact that adopting GASBS will have on its financial position and the results of its operations when the Statement is adopted.
- 49) We agree with the findings of specialists in evaluating the GASBS No. 68 deferred outflows of resources, deferred inflows of resources and the net pension liability, and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 50) The fact that the amount of "uncollateralized" deposits during the period significantly exceeded the amounts in those categories as of the balance sheet date was properly disclosed in the financial statements.
- 51) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 52) The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- 53) Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
- 54) We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.

55) With respect to federal award programs:

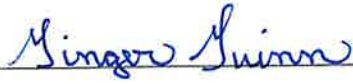
- a) Expenditures of federal awards were below the \$750,000 threshold in the year ended June 30, 2016, and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).



Signed: Mayor



Signed: Commission Chair



Signed: Clerk/Treasurer

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

BRENT D. OLNESS, CPA
CURTIS D. WYSS, CPA

2810 CENTRAL AVENUE, SUITE B
PO BOX 23398
BILLINGS, MONTANA 59104-3398
(406) 252-6230
FAX (406) 245-6922

November 10, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the government for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the government are described in Note 1 to the financial statements. New accounting policies were adopted during the year ended June 30, 2016.

As described in the notes to the financial statements, the government changed accounting policies related to Fair Value Measurements by adopting Statement of Governmental Accounting Standards (GASB Statements) No. 72, *Fair Value Measurement and Application* in fiscal year 2016. Accordingly, the cumulative effect of the accounting change as of the beginning of the year are reported in the Government-Wide and Fund financial statements.

As described in the notes to the financial statements, the government changed accounting policies related to GAAP Hierarchy by adopting Statement of Governmental Accounting Standards (GASB Statements) No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in fiscal year 2016. Accordingly, the cumulative effect of the accounting change as of the beginning of the year are reported in the Government-Wide and Fund financial statements.

We noted no transactions entered into by the government during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the government's financial statements were useful lives on capital assets, the current portion of the compensated absences liability, the government's proportionate share of the state retirement systems' unfunded liability, measurement uncertainty over fair values of financial instruments. Management's estimate of the allowance for doubtful accounts is based on historical ambulance activity, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the governing body and management of the government and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

O'Leary & Associates, PC

Billings, Montana