

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TOWN OF ENNIS

ORGANIZATION

June 30, 2017

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

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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, 2017, 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, 2017, 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, 2017, 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.

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 9, 2017, 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.

Olness & Associates, PC

Billings, Montana
November 9, 2017

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, 2017. 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, 2017, was \$9,236,092. 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 \$284,381.
- As of June 30, 2017, the governmental funds reported combined ending fund balances of \$449,564, an increase of \$38,405 from the prior year. The increase is due largely to increased taxes/assessments.
- As of June 30, 2017, the unassigned fund balance for the general fund was \$169,613, or approximately 38 percent of total general fund expenditures. A portion of the unassigned fund balance was appropriated to meet 2017-2018 general fund expenditures.
- The Town received a planning grant to have the subdivision regulations and zoning codes updated for the Town and is scheduled to be completed by December 2017.

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, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, in evaluating the overall financial position of the Town, non-financial factors such as the Town's tax base, change in tax laws, and the condition of the capital assets should also be considered.

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* 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 and Special Assessment Debt 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 we report in the government-wide statements, but provide more detail and additional information such as cash flows.

THE GOVERNMENT AS A WHOLE

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

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 473,611	\$ 437,851	\$ 1,484,470	\$ 1,203,367	\$ 1,958,081	\$ 1,641,218
Capital assets	5,172,531	5,302,566	2,530,185	2,433,146	7,702,716	7,735,712
Total assets	<u>5,646,142</u>	<u>5,740,417</u>	<u>4,014,655</u>	<u>3,636,513</u>	<u>9,660,797</u>	<u>9,376,930</u>
Deferred outflows of resources	50,544	44,036	20,646	17,987	71,190	62,023
Long-term liabilities outstanding	344,514	312,454	131,923	120,302	476,437	432,756
Total liabilities	<u>344,514</u>	<u>312,454</u>	<u>131,923</u>	<u>120,302</u>	<u>476,437</u>	<u>432,756</u>
Deferred inflows of resources						
Pension plan	981	24,054	401	9,824	1,382	33,878
Unavailable revenue	18,076	20,589	-	-	18,076	20,589
Total deferred inflows	<u>19,057</u>	<u>44,643</u>	<u>401</u>	<u>9,824</u>	<u>19,458</u>	<u>54,467</u>
Net position:						
Net investment in capital assets	5,156,259	5,282,138	2,530,185	2,433,146	7,686,444	7,715,284
Restricted	265,549	232,719	-	-	265,549	232,719
Unrestricted	(88,693)	(87,520)	1,372,792	1,091,228	1,284,099	1,003,708
	<u>\$ 5,333,115</u>	<u>\$ 5,427,337</u>	<u>\$ 3,902,977</u>	<u>\$ 3,524,374</u>	<u>\$ 9,236,092</u>	<u>\$ 8,951,711</u>

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 79,343	\$ 73,802	\$ 648,384	\$ 602,582	\$ 727,727	\$ 676,384
Operating grants/contributions	120,483	83,745	14,715	2,675	135,198	86,420
Capital grants and contributions	-	-	152,800	17,229	152,800	17,229
General revenues:						
Taxes	389,559	349,680	-	-	389,559	349,680
Intergovernmental	147,682	143,013	-	-	147,682	143,013
Interest	1,219	1,017	4,655	4,755	5,874	5,772
Miscellaneous	10,919	12,259	8,076	7,057	18,995	19,316
Gain on disposal of assets	-	-	2,500	-	2,500	-
Total revenues	749,205	663,516	831,130	634,298	1,580,335	1,297,814
Expenses:						
General government	363,708	313,289	-	-	363,708	313,289
Public safety	143,497	119,495	-	-	143,497	119,495
Public works	200,017	219,643	-	-	200,017	219,643
Public health	85	79	-	-	85	79
Social and economic services	5,000	-	-	-	5,000	-
Culture and recreation	169,606	146,623	-	-	169,606	146,623
Conservation of natural res.	184	3,539	-	-	184	3,539
Water	-	-	154,964	136,283	154,964	136,283
Sewer	-	-	187,374	184,696	187,374	184,696
Ambulance	-	-	69,778	75,700	69,778	75,700
Interest on long-term debt	1,741	1,746	-	-	1,741	1,746
Total expenses	883,838	804,414	412,116	396,679	1,295,954	1,201,093
Change in net position before transfers	(134,633)	(140,898)	419,014	237,619	284,381	96,721
Transfers	40,411	20,187	(40,111)	(20,187)	-	-
Change in net position	(94,222)	(120,711)	378,903	217,432	284,381	96,721
Net position, beginning	5,427,337	5,548,048	3,524,374	3,306,942	8,951,711	8,854,990
Net position, ending	\$ 5,333,115	\$ 5,427,337	\$ 3,903,277	\$ 3,524,374	\$ 9,236,092	\$ 8,951,711

Overall net position increased \$284,381. The cost of all governmental activities this year was \$883,838, an increase of \$79,424 over the prior year. Total expenses for business-type activities were \$412,116, an increase of \$15,437.

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 balances in the Town's major individual funds.

GOVERNMENTAL FUNDS

Fund balance for the general fund increased \$8,499 due to conservative spending. The library fund balance decreased \$5,055. Fund balance for the health insurance fund decreased \$5,323.

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 \$89,412 and \$108,561, respectively. The increase occurred because of conservative spending. Net position for the ambulance fund increased \$180,360. The increase is mainly due to the receipt of a capital grant.

DEBT ADMINISTRATION

Compensated absences in the water, sewer and ambulance funds had a balance of \$10,809 at June 30, 2017. Governmental activities compensated absences were \$31,726 at June 30, 2017.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2017 was \$7,686,444. The Town received a capital grant for a new ambulance.

ECONOMIC FACTORS & NEXT YEAR'S BUDGET & RATES

A Town-wide street maintenance district was put in place which is bringing 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 October 2017.

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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 395,203	\$ 832,972	\$ 1,228,175
Investments	23,785	22,809	46,594
Receivables:			
Taxes and assessments	24,047	-	24,047
Governments	30,576	4,970	35,546
Utility	-	54,604	54,604
Ambulance (net of allowance of \$86,272)	-	8,533	8,533
Investment in joint venture	-	16,070	16,070
Restricted assets:			
Cash and equivalents	-	378,625	378,625
Investments	-	165,887	165,887
Capital assets:			
Land	146,205	192,780	338,985
Capital assets, net of accumulated depreciation	5,026,326	2,337,405	7,363,731
Total assets	<u>5,646,142</u>	<u>4,014,655</u>	<u>9,660,797</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	50,544	20,646	71,190
Total deferred outflows of resources	<u>50,544</u>	<u>20,646</u>	<u>71,190</u>
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Notes payable	2,945	-	2,945
Compensated absences	3,173	1,081	4,254
Due in more than one year:			
Notes payable	13,327	-	13,327
Net pension liability	296,516	121,114	417,630
Compensated absences	28,553	9,728	38,281
Total liabilities	<u>344,514</u>	<u>131,923</u>	<u>476,437</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	981	401	1,382
Unavailable revenue-long term special assessments	18,076	-	18,076
Total deferred inflows of resources	<u>19,057</u>	<u>401</u>	<u>19,458</u>
NET POSITION			
Net investment in capital assets	5,156,259	2,530,185	7,686,444
Restricted for:			
General government	37,562	-	37,562
Public safety	8,775	-	8,775
Public works	153,808	-	153,808
Culture and recreation	10,201	-	10,201
Housing and community development	100	-	100
Debt service	1,950	-	1,950
Capital projects	53,153	-	53,153
Unrestricted	(88,693)	1,372,792	1,284,099
Total net position	<u>\$ 5,333,115</u>	<u>\$ 3,902,977</u>	<u>\$ 9,236,092</u>

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

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	\$ 363,708	\$ 8,980	\$ 2,310	\$ -	\$ (352,418)	\$ -	\$ (352,418)
Public safety	143,497	20,115	990	-	(122,392)	-	(122,392)
Public works	200,017	48,411	54,342	-	(97,264)	-	(97,264)
Public health	85	1,837	-	-	1,752	-	1,752
Social and economic services	5,000	-	-	-	(5,000)	-	(5,000)
Culture and recreation	169,606	-	62,841	-	(106,765)	-	(106,765)
Conservation of natural resources	184	-	-	-	(184)	-	(184)
Interest on long-term debt	1,741	-	-	-	(1,741)	-	(1,741)
Total governmental activities	883,838	79,343	120,483	-	(684,012)	-	(684,012)
Business-type activities:							
Water	154,964	246,067	13,399	-	-	104,502	104,502
Sewer	187,374	312,389	929	-	-	125,944	125,944
Ambulance	69,778	89,928	387	152,800	-	173,337	173,337
Total business-type activities	412,116	648,384	14,715	152,800	-	403,783	403,783
Total	\$ 1,295,954	\$ 727,727	\$ 135,198	\$ 152,800	(684,012)	403,783	(280,229)
General revenues:							
Property taxes					389,559	-	389,559
Intergovernmental					147,682	-	147,682
Unrestricted investment earnings					1,219	4,655	5,874
Miscellaneous					10,919	8,076	18,995
Note proceeds					-	-	-
Gain on disposal of capital assets					-	2,500	2,500
Transfers					40,411	(40,411)	-
Total general revenues and transfers					589,790	(25,180)	564,610
Change in net position					(94,222)	378,603	284,381
Net position - beginning					5,427,337	3,524,374	8,951,711
Net position - ending					\$ 5,333,115	\$ 3,902,977	\$ 9,236,092

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 154,824	\$ 9,512	\$ 17,242	\$ -	\$ 213,625	\$ 395,203
Investments	3,616	-	-	-	20,169	23,785
Receivables:						
Taxes and assessments	3,648	689	886	18,217	607	24,047
Governments	8,076	-	-	-	22,500	30,576
Due from other funds	3,097	-	-	-	-	3,097
Total assets	\$ 173,261	\$ 10,201	\$ 18,128	\$ 18,217	\$ 256,901	\$ 476,708
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 3,097	\$ -	\$ 3,097
Total liabilities	-	-	-	3,097	-	3,097
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-taxes and assessments	3,648	689	886	18,217	607	24,047
Total deferred inflows of resources	3,648	689	886	18,217	607	24,047
FUND BALANCES (DEFICITS)						
Restricted for:						
General government	-	-	17,242	-	19,197	36,439
Public safety	-	-	-	-	8,775	8,775
Public works	-	-	-	-	153,438	153,438
Culture and recreation	-	9,512	-	-	-	9,512
Housing and community development	-	-	-	-	100	100
Debt service	-	-	-	-	1,950	1,950
Capital projects	-	-	-	-	53,153	53,153
Committed for:						
Culture and recreation	-	-	-	-	22,365	22,365
Unassigned	169,613	-	-	(3,097)	(2,684)	163,832
Total fund balances (deficits)	169,613	9,512	17,242	(3,097)	256,294	449,564
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 173,261	\$ 10,201	\$ 18,128	\$ 18,217	\$ 256,901	\$ 476,708

TOWN OF ENNIS
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2017

Total fund balances, governmental funds	\$ 449,564
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.	5,172,531
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	5,971
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	50,544
Deferred inflows of resources related to pensions	(981)
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>(344,514)</u>
Net position of governmental activities	<u><u>\$ 5,333,115</u></u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes/assessments	\$ 272,269	\$ 43,349	\$ 55,416	\$ 3,405	\$ 59,946	\$ 434,385
Fines and forfeitures	20,115	-	-	-	-	20,115
Licenses and permits	13,050	-	-	-	-	13,050
Intergovernmental	157,803	45,062	-	-	50,086	252,951
Charges for services	1,465	-	-	-	-	1,465
Investment earnings	1,109	-	-	-	110	1,219
Miscellaneous	7,219	3,664	-	-	15,250	26,133
Total revenues	473,030	92,075	55,416	3,405	125,392	749,318
EXPENDITURES						
Current:						
General government	211,567	-	91,568	-	58,480	361,615
Public safety	114,068	-	-	-	6,846	120,914
Public works	81,560	-	-	-	12,481	94,041
Public health	85	-	-	-	-	85
Social and economic services	5,000	-	-	-	-	5,000
Culture and recreation	34,583	97,580	-	-	31,425	163,588
Conservation of natural resources	-	-	-	-	184	184
Debt service:						
Principal	-	-	-	4,156	-	4,156
Interest and other charges	325	-	-	1,416	-	1,741
Total expenditures	447,188	97,580	91,568	5,572	109,416	751,324
Excess (deficiency) of revenues over expenditures	25,842	(5,505)	(36,152)	(2,167)	15,976	(2,006)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,085	-	30,829	-	37,975	69,889
Transfers out	(18,428)	-	-	-	(11,050)	(29,478)
Total other financing sources (uses)	(17,343)	-	30,829	-	26,925	40,411
Net change in fund balances	8,499	(5,505)	(5,323)	(2,167)	42,901	38,405
Fund balances (deficits) - beginning	161,114	15,017	22,565	(930)	213,393	411,159
Fund balances (deficits) - ending	\$ 169,613	\$ 9,512	\$ 17,242	\$ (3,097)	\$ 256,294	\$ 449,564

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, 2017

Net change in fund balances - total governmental funds	\$ 38,405
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
This is the amount by which depreciation (\$130,035) exceeded capital outlay (\$0) in the current period.	(130,035)
 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.	
	(113)
 Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	
	(2,421)
 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.	
	4,156
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(4,214)</u>
Change in net position of governmental activities	<u><u>\$ (94,222)</u></u>

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 489,211	\$ 343,761	\$ -	\$ 832,972
Investments	-	22,809	-	22,809
Receivables:				
Utility	22,311	32,293	-	54,604
Ambulance (net of allowance of \$86,272)	-	-	8,533	8,533
Governments	4,970	-	-	4,970
Total current assets	516,492	398,863	8,533	923,888
Non-current assets:				
Investment in joint venture	16,070	-	-	16,070
Restricted assets:				
Cash and cash equivalents	205,371	-	173,254	378,625
Investments	-	38,569	127,318	165,887
	<u>205,371</u>	<u>38,569</u>	<u>300,572</u>	<u>544,512</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	382,859	434,077
Less: accumulated depreciation	(600,630)	(901,517)	(186,456)	(1,688,603)
Capital assets, net	643,914	1,689,868	196,403	2,530,185
Total non-current assets	865,355	1,728,437	496,975	3,090,767
Total assets	1,381,847	2,127,300	505,508	4,014,655
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	8,543	8,543	3,560	20,646
Total deferred outflows of resources	8,543	8,543	3,560	20,646
LIABILITIES				
Current liabilities:				
Compensated absences	526	526	29	1,081
Total current liabilities	526	526	29	1,081
Non-current liabilities:				
Compensated absences	4,738	4,738	252	9,728
Net pension liability	50,116	50,116	20,882	121,114
Total non-current liabilities	54,854	54,854	21,134	130,842
Total liabilities	55,380	55,380	21,163	131,923
DEFERRED INFLOWS OF RESOURCES				
Pension plans	166	166	69	401
Total deferred inflows of resources	166	166	69	401
NET POSITION				
Net investment in capital assets	643,914	1,689,868	196,403	2,530,185
Unrestricted	690,930	390,429	291,433	1,372,792
Total net position	\$ 1,334,844	\$ 2,080,297	\$ 487,836	\$ 3,902,977

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 246,067	\$ 312,389	\$ 89,928	\$ 648,384
Total operating revenues	<u>246,067</u>	<u>312,389</u>	<u>89,928</u>	<u>648,384</u>
OPERATING EXPENSES				
Personal services	53,323	53,311	20,970	127,604
Supplies	14,053	10,609	18,591	43,253
Purchased services	63,374	57,202	16,346	136,922
Fixed charges	-	4,765	1,184	5,949
Depreciation	24,214	61,487	12,687	98,388
Total operating expenses	<u>154,964</u>	<u>187,374</u>	<u>69,778</u>	<u>412,116</u>
Operating income	<u>91,103</u>	<u>125,015</u>	<u>20,150</u>	<u>236,268</u>
NON-OPERATING REVENUES				
Interest revenue	2,814	637	1,204	4,655
Miscellaneous revenue	-	-	8,076	8,076
Operating grants and contributions	13,399	929	387	14,715
Gain on disposal of capital assets	-	-	2,500	2,500
Total non-operating revenues	<u>16,213</u>	<u>1,566</u>	<u>12,167</u>	<u>29,946</u>
Income before capital contributions and transfers	107,316	126,581	32,317	266,214
Capital contributions	-	-	152,800	152,800
Transfers out	<u>(17,904)</u>	<u>(18,020)</u>	<u>(4,487)</u>	<u>(40,411)</u>
Change in net position	89,412	108,561	180,630	378,603
Net position - beginning	<u>1,245,432</u>	<u>1,971,736</u>	<u>307,206</u>	<u>3,524,374</u>
Net position - ending	<u>\$ 1,334,844</u>	<u>\$ 2,080,297</u>	<u>\$ 487,836</u>	<u>\$ 3,902,977</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Water	Sewer	Ambulance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 245,894	\$ 310,857	\$ 89,643	\$ 646,394
Cash paid to employees	(53,615)	(53,603)	(20,847)	(128,065)
Cash paid to suppliers for goods and services	(77,427)	(72,576)	(36,121)	(186,124)
Net cash provided by operating activities	<u>114,852</u>	<u>184,678</u>	<u>32,675</u>	<u>332,205</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from operating grants and contributions	8,429	929	387	9,745
Cash transfers to other funds	(17,904)	(18,020)	(4,487)	(40,411)
Interfund loan repayment from general fund	-	9,277	-	9,277
Cash received from miscellaneous sources	-	-	8,076	8,076
Net cash provided (used) by noncapital financing activities	<u>(9,475)</u>	<u>(7,814)</u>	<u>3,976</u>	<u>(13,313)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	-	-	(173,823)	(173,823)
Capital contributions	-	-	152,800	152,800
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>(21,023)</u>	<u>(21,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	-	(61)	(698)	(759)
Increase in investment in joint venture	(1,308)	-	-	(1,308)
Interest received	2,814	637	1,204	4,655
Net cash provided by investing activities	<u>1,506</u>	<u>576</u>	<u>506</u>	<u>2,588</u>
Change in cash and cash equivalents	106,883	177,440	16,134	300,457
Cash and cash equivalents - beginning	587,699	166,321	157,120	911,140
Cash and cash equivalents - ending	<u>\$ 694,582</u>	<u>\$ 343,761</u>	<u>\$ 173,254</u>	<u>\$ 1,211,597</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 91,103	\$ 125,015	\$ 20,150	\$ 236,268
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	24,214	61,487	12,687	98,388
Pension expense	411	411	170	992
Increase in accounts receivable	(173)	(1,532)	(285)	(1,990)
Decrease in compensated absences	(703)	(703)	(47)	(1,453)
Net cash provided by operating activities	<u>\$ 114,852</u>	<u>\$ 184,678</u>	<u>\$ 32,675</u>	<u>\$ 332,205</u>

TOWN OF ENNIS
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 34,222
Investments	22,086
Prepays	<u>7,973</u>
Total assets	<u>\$ 64,281</u>
LIABILITIES	
Payable to joint venture participants	<u>\$ 64,281</u>
Total liabilities	<u>\$ 64,281</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'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 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 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2017.

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

<u>Assets</u>	<u>Years</u>
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.

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

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

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 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 DNRC Grant and Special Assessment Debt funds had deficit fund balances of \$2,684 and \$3,097, respectively, as of June 30, 2017. The deficit in the DNRC Grant fund occurred because expenditures exceeded revenues in the current year. The deficit is expected to be eliminated through collection of future grant revenues. The deficit in the Special Assessment Debt fund is a carryover from prior year. The deficit is expected to be eliminated when the delinquent assessments are collected.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 418,988
Business-type activities	1,400,293
Fiduciary funds	<u>56,308</u>
	<u>\$ 1,875,589</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2017, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	34,115	-	34,115
Savings deposits	1,578,732	-	1,578,732
Time deposits	-	234,567	234,567
Short-term Investment Program (STIP)	<u>28,000</u>	<u>-</u>	<u>28,000</u>
	<u>\$ 1,641,022</u>	<u>\$ 234,567</u>	<u>\$ 1,875,589</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, 2017, \$1,158,586 of the government's bank balance of \$1,546,574 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 1,158,586</u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2017, did not exceed the amount required by state statute.

Fair value measurements are as follows at June 30, 2017:

	<u>Fair Value</u>
State Short-Term Investment Program (STIP)	<u>\$ 28,005</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, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 146,205	\$ -	\$ -	\$ 146,205
Total capital assets, not being depreciated	146,205	-	-	146,205
Capital assets, being depreciated				
Buildings	1,110,745	-	-	1,110,745
Improvements	117,776	-	-	117,776
Machinery and equipment	96,668	-	-	96,668
Infrastructure	8,085,883	-	-	8,085,883
Total capital assets, being depreciated	9,411,072	-	-	9,411,072
Less accumulated depreciation for:				
Buildings	(274,043)	(21,072)	-	(295,115)
Improvements	(19,603)	(3,650)	-	(23,253)
Machinery and equipment	(79,889)	(3,811)	-	(83,700)
Infrastructure	(3,881,176)	(101,502)	-	(3,982,678)
Total accumulated depreciation	(4,254,711)	(130,035)	-	(4,384,746)
Total capital assets, being depreciated, net	5,156,361	(130,035)	-	5,026,326
Governmental activities capital assets, net	\$ 5,302,566	\$ (130,035)	\$ -	\$ 5,172,531
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 192,780	\$ -	\$ -	\$ 192,780
Total capital assets, not being depreciated	192,780	-	-	192,780
Capital assets, being depreciated				
Buildings and systems	2,676,899	-	-	2,676,899
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	250,092	195,427	(11,442)	434,077
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	3,842,023	195,427	(11,442)	4,026,008
Less accumulated depreciation for:				
Buildings and systems	(846,423)	(65,093)	-	(911,516)
Improvements other than buildings	(706)	(100)	-	(806)
Machinery and equipment	(215,882)	(17,731)	11,442	(222,171)
Infrastructure	(538,646)	(15,464)	-	(554,110)
Total accumulated depreciation	(1,601,657)	(98,388)	11,442	(1,688,603)
Total capital assets, being depreciated, net	2,240,366	97,039	-	2,337,405
Business-type activities capital assets, net	\$ 2,433,146	\$ 97,039	\$ -	\$ 2,530,185

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 1,913
Public safety	1,805
Public works	106,000
Culture and Recreation	20,317
Total depreciation-governmental activities	\$ 130,035
Business-type activities:	
Water	\$ 24,214
Sewer	61,487
Ambulance	12,687
Total depreciation-business-type activities	\$ 98,388

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2017, consisted of the special assessment debt fund owing the general fund \$3,097. The loan was made to cover the deficit cash balance. The balance is scheduled to be collected in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 1,085	\$ (18,428)
Health insurance-employer contribution	30,829	-
Nonmajor governmental funds	37,975	(11,050)
Total governmental activities	\$ 69,889	\$ (29,478)
Business-type Activities:		
Water	\$ -	\$ (17,904)
Sewer	-	(18,020)
Ambulance	-	(4,487)
Total business-type activities	\$ -	\$ (40,411)

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, 2017, was \$16,272. Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 2,945	\$ 769	\$ 3,714
2019	3,092	622	3,714
2020	3,247	467	3,714
2021	3,410	304	3,714
2022	3,578	136	3,714
	<u>\$ 16,272</u>	<u>\$ 2,298</u>	<u>\$ 18,570</u>

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Notes payable	\$ 20,428	\$ -	\$ (4,156)	\$ 16,272	\$ 2,945
Compensated absences	27,512	4,214	-	31,726	3,173
Governmental activity long-term liabilities	<u>\$ 47,940</u>	<u>\$ 4,214</u>	<u>\$ (4,156)</u>	<u>\$ 47,998</u>	<u>\$ 6,118</u>
Business-type activities:					
Compensated absences	\$ 12,262	\$ -	\$ (1,453)	\$ 10,809	\$ 1,081
Business-type activity long-term liabilities	<u>\$ 12,262</u>	<u>\$ -</u>	<u>\$ (1,453)</u>	<u>\$ 10,809</u>	<u>\$ 1,081</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.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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, 2017, the Town incurred costs of \$37,310. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$42,980 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 2017, 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, 2017:

Total Assets	\$	64,281
Total Equity		64,281
Total Revenues		6,096
Total Expenditures		864
Total Increase in Equity		5,232

As of June 30, 2017, the Town of Ennis' share of joint venture capital assets was \$0. 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 \$16,070 was reported in the business-type activities and proprietary fund statements of net position.

Retirement Plan

Plan Description

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

Pension Benefits

Public Employees Retirement System

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

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

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 July1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contributed 8.1% 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, 2017, the government recorded a liability of \$417,630 (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, as of June 30, 2017, is presented below:

Employer proportionate share	\$	417,630
State of Montana proportionate share associated with employer		5,103
Total	\$	422,733

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 for PERS. The government's proportion of the net pension liability was based on the government's contributions received by PERS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all PERS participating employers. At June 30, 2017, the government's proportion was .0245 percent for PERS.

For the year ended June 30, 2017, the government recognized \$32,979 for its proportionate share of the pension expense. The government also recognized grant revenue of \$7,745 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 \$40,724.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2017, the government reported its proportionate share of deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,253	\$ 1,382
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	39,291	-
Changes in the proportion and differences between actual and expected contributions	80	-
Employer contributions subsequent to measurement date	29,566	-
	\$ 71,190	\$ 1,382

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, 2018. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:		
2018	\$	1,902
2019		1,902
2020		22,327
2121		14,030

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2016 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 allocation as of June 30, 2016, and is summarized in the following table:

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.6%	4.00%
Domestic equity	36.0%	4.55%
Foreign equity	18.0%	6.35%
Fixed income	23.4%	1.00%
Private equity	12.0%	7.75%
Real estate	8.0%	4.00%
	<u>100.0%</u>	

Discount Rate

Public Employees Retirement System

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 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 2117. 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-PERS	\$ 606,012	\$ 417,630	\$ 255,357

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. The requirements of this Statement are effective for periods beginning after December 15, 2016.

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.

GASB Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, Omnibus 2017. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning 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, 2017

	<u>Budgeted Amounts</u>		Amounts, Budgetary Basis	Budget to GAAP	Actual Amounts, GAAP Basis
	Original	Final		Differences (1)	
REVENUES					
Taxes/assessments	\$ 271,642	\$ 271,642	\$ 272,269	\$ -	\$ 272,269
Fines and forfeitures	25,000	25,000	20,115	-	20,115
Licenses and permits	9,800	9,800	13,050	-	13,050
Intergovernmental	144,051	144,051	152,303	5,500	157,803
Charges for services	-	-	1,465	-	1,465
Investment earnings	900	900	1,109	-	1,109
Miscellaneous	13,310	13,310	7,219	-	7,219
Total revenues	<u>464,703</u>	<u>464,703</u>	<u>467,530</u>	<u>5,500</u>	<u>473,030</u>
EXPENDITURES					
Current:					
General government	272,439	272,439	209,257	2,310	211,567
Public safety	128,396	128,396	113,078	990	114,068
Public works	81,893	81,893	81,175	385	81,560
Public health	2,400	2,400	85	-	85
Social and economic services	5,000	5,000	5,000	-	5,000
Culture and recreation	39,204	39,204	32,768	1,815	34,583
Debt service:					
Interest and other charges	325	325	325	-	325
Total expenditures	<u>529,657</u>	<u>529,657</u>	<u>441,688</u>	<u>5,500</u>	<u>447,188</u>
Excess (deficiency) of revenues over expenditures	<u>(64,954)</u>	<u>(64,954)</u>	<u>25,842</u>	<u>-</u>	<u>25,842</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	100	100	1,085	-	1,085
Transfers out	<u>(18,428)</u>	<u>(18,428)</u>	<u>(18,428)</u>	<u>-</u>	<u>(18,428)</u>
Total other financing sources (uses)	<u>(18,328)</u>	<u>(18,328)</u>	<u>(17,343)</u>	<u>-</u>	<u>(17,343)</u>
Net change in fund balance	<u>\$ (83,282)</u>	<u>\$ (83,282)</u>	<u>8,499</u>	<u>-</u>	<u>8,499</u>
Fund balance - beginning			<u>161,114</u>	<u>-</u>	<u>161,114</u>
Fund balance - ending			<u>\$ 169,613</u>	<u>\$ -</u>	<u>\$ 169,613</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 44,099	\$ 44,099	\$ 43,349
Intergovernmental	45,061	45,061	45,062
Miscellaneous	3,800	3,800	3,664
Total revenues	<u>92,960</u>	<u>92,960</u>	<u>92,075</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>101,543</u>	<u>101,543</u>	<u>97,580</u>
Total expenditures	<u>101,543</u>	<u>101,543</u>	<u>97,580</u>
Net change in fund balance	<u>\$ (8,583)</u>	<u>\$ (8,583)</u>	(5,505)
Fund balance - beginning			<u>15,017</u>
Fund balance - ending			<u>\$ 9,512</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 56,709	\$ 56,709	\$ 55,416
Total revenues	<u>56,709</u>	<u>56,709</u>	<u>55,416</u>
EXPENDITURES			
Current:			
General government	99,444	99,444	91,568
Total expenditures	<u>99,444</u>	<u>99,444</u>	<u>91,568</u>
Excess (deficiency) of revenues over expenditures	<u>(42,735)</u>	<u>(42,735)</u>	<u>(36,152)</u>
OTHER FINANCING SOURCES			
Transfers in	30,829	30,829	30,829
Total other financing sources	<u>30,829</u>	<u>30,829</u>	<u>30,829</u>
Net change in fund balance	<u>\$ (11,906)</u>	<u>\$ (11,906)</u>	(5,323)
Fund balance - beginning			<u>22,565</u>
Fund balance - ending			<u>\$ 17,242</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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,

<u>Public Employees Retirement System:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 29,566	\$ 25,769	\$ 26,832
Contributions in relation to the contractually required contributions	<u>29,566</u>	<u>25,769</u>	<u>26,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 353,230	\$ 293,685	\$ 311,029
Contributions as a percentage of covered-employee payroll	8.37%	8.77%	8.63%

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

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

<u>Public Employees Retirement System:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.0245%	0.0267%	0.0236%
Employer's proportionate share of the net pension liability associated with the employer	\$ 417,630	\$ 372,554	\$ 293,705
State of Montana's proportionate share of the net pension liability associated with the employer	<u>5,103</u>	<u>4,576</u>	<u>3,587</u>
Total	<u>\$ 422,733</u>	<u>\$ 377,130</u>	<u>\$ 297,292</u>
Employer's covered-employee payroll	\$ 293,685	\$ 311,029	\$ 269,346
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.20%	119.78%	109.04%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%

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

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2017

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, 2017

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:

The following addition was adopted in 2014 based on implementation of GASB Statement 68:

- Administrative expense as a percent of payroll is equal to 0.27%.

There were no changes following the 2013 economic experience study.

Method and assumptions used in calculations of actuarially determined contributions:

Amortization method	Level percentage of pay, open
Remaining amortization period	28 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

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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ennis, Montana (the government) as of and for the year ended June 30, 2017, 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 9, 2017. 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 2017-001 through 2017-003)

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 deficiencies. (Finding 2017-004)

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 2017-004.

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.

O'neal & Associates, PC

Billings, Montana
November 9, 2017

TOWN OF ENNIS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2017

2017-001. 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.

2017-002. 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.

2017-003. 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, 2017.

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.

2017-004. PLEDGES

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

Condition: As of June 30, 2017, the Town had deposits in excess of federally insured limits that were not adequately pledged

Cause: Unknown.

Effect: Town assets are exposed to risk of loss.

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, 2017

2016-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2017-001 for the year ended June 30, 2017.

2016-002. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2017-002 for the year ended June 30, 2017.

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

Status: This finding is unresolved and is repeated as finding 2017-003 for the year ended June 30, 2017.

2016-004. PLEDGES

Status: This finding is unresolved and is repeated as finding 2017-004 for the year ended June 30, 2017.

TOWN OF ENNIS

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ENNIS, MT. 59729
PHONE: (406) 682-4287
FAX: (406) 682-5011

01/23/18

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

Re: Audit Report Findings FY17

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 are scheduling 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

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 9, 2017

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 Town of Ennis for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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, 2017. 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. 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 the useful lives on capital assets, the current portion of the compensated absences liability and the government's proportionate share of the state retirement systems' unfunded liability. 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 9, 2017.

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. During the audit planning, we presented management with our formal audit plan.

Other Matters

We applied certain limited procedures to 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

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, 2017. 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, 2017 contained an Independent Auditor's Report on the basic financial statements. The report issued for the fiscal year ended June 30, 2017 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

SEGREGATION OF DUTIES
AUDITOR PREPARED FINANCIAL STATEMENTS
OPEB
PLEDGES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Public Inspection of Audit Report

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

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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(406) 252-6230
FAX (406) 245-6922

November 17, 2017

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, 2017 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.

If there are any questions, please call the office.

Sincerely,

Olness & Associates, PC

**DEPARTMENT OF ADMINISTRATION
LOCAL GOVERNMENT SERVICES BUREAU
STANDARD AUDIT CONTRACT**

THIS CONTRACT is made this 8th day of June, 2017, by and between

OLNESS & ASSOCIATES, PC, CPA'S
Certified or Licensed Public Accountant
("Contractor"),

TOWN OF ENNIS
Governmental Entity
("Entity"),

and the **Montana Department of Administration, Local Government Services Bureau, ("State")**, PO Box 200547, Helena, MT 59620-0547 acting under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

1. **State Approval: This contract is not effective with respect to any party until it is approved and signed by the State, as required by Section 2-7-506(3), MCA. The Contractor may not begin any audit work until the State gives this approval.** If the Contractor begins work before the State has approved and signed the contract and the State subsequently does not approve and sign the contract, the Contractor is not entitled to receive any compensation for the work performed.

2. **Audit Period and Payment:** This contract covers the following audit period(s):
JULY 1, 2016 to June 30, 2019.

A. The Entity shall pay the Contractor for the audit work on the basis of time and necessary out-of-pocket expenses, which will not exceed:

\$ 9,600.00 for initial (or sole) audit covering 07 /01 /16 to 06 /30 /17.
\$ 9,750.00 for subsequent audit covering 07 /01 /17 to 06 /30 /18.
\$ 9,950.00 for subsequent audit covering 07 /01 /18 to 06 /30 /19.

The Entity shall pay the fees listed in Appendices A, B & C, as applicable, which are attached hereto and incorporated by reference.

B. If the cost of any subsequent audit is not agreed upon at the time this contract is executed, the Contractor and the Entity shall negotiate the cost at a later date. The results of this negotiation will be set forth in the Appendices and made a part of this contract. The Contractor shall provide the State and the Entity with a copy of the appropriate Appendices.

C. The contract payments do not include the cost of additional work that may be required if the Contractor discovers a defalcation or material irregularity. Any change in the scope of the audit services to be provided under this contract requires a contract amendment.

2. continued:
- D. The Contractor may submit interim bills to the Entity each month, based upon the estimated percentage of contract completion. The Entity may retain 10 percent of each of these estimates until the Contractor has delivered the final audit report, at which time the Entity shall release the amount retained.
3. **Audit Scope:** The Contractor shall conduct a financial statement audit of the Entity as follows:
- A. The Contractor shall conduct the audit in accordance with (i) generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and (ii) the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The objective of the audit is the expression of the Contractor's opinion on the Entity's financial statements. The Contractor shall obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, the audit is not designed to detect error or fraud that is immaterial to the financial statements. If the Contractor's opinion on the Entity's financial statements is other than unqualified, the Contractor shall fully discuss the reasons with the Entity in advance of issuing a report. If, for any reason, the Contractor is unable to complete the audit or is unable to form or has not formed an opinion, the Contractor may decline to express an opinion or decline to issue a report as a result of the engagement.
- B. The Contractor shall include tests of internal control over financial reporting, but the audit is not designed to provide an opinion on internal control or to identify significant deficiencies. The Contractor, however, shall make the Entity aware, in writing, of any significant deficiencies that come to the Contractor's attention.
- C. The Contractor shall include the following tests of compliance and other matters as required by Government Auditing Standards. These tests, however, will not be designed to provide an opinion on such compliance. The Contractor shall determine whether:
- (1) the Entity has complied with all appropriate statutes and regulations, as required by Section 2-7-502, MCA;
 - (2) the Entity has complied with the provisions of each of its revenue bond ordinances and indenture agreements;
 - (3) if the audit is of a county, city or town, money is or has been retained in a local charge for services fund contrary to the requirements of Sections 17-2-301 through 17-2-303, MCA, as required by Section 17-2-302, MCA. **The Contractor shall report any findings of noncompliance with the provisions of these statutes, regardless of materiality; and**
 - (4) if the audit is of a county or consolidated city/county government, the Entity has complied with state laws relating to receipts and disbursements of agency funds maintained by the Entity, as required by Section 2-7-505, MCA.
- D. When applicable, the audit must meet all requirements of the Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133.
- E. The audit scope with regard to federal financial assistance for each fiscal year covered by this audit

contract must be as specified in Appendices A, B and C.

3. continued:

F. Except as provided below, for purposes of determining the scope of the audit, the Entity is considered the financial reporting entity as defined by the Governmental Accounting Standards Board. This provision does not preclude the Entity from engaging a different audit firm for the audit of a segment, fund or component unit of the Entity. However, both the Entity and Contractor shall notify the State whenever the Entity elects to engage a different audit firm for the audit of a segment, fund or governmental component unit. Such additional audit must be contracted for on the State's Standard Audit Contract, and the audit firm shall be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the State.

If this contract is for an audit of a segment, fund, or governmental component unit of the primary government, the Entity is considered to be the segment, fund or component unit.

G. Any school district audit must also include auditing procedures sufficient to provide an opinion as to whether the following supplemental information is fairly stated in relation to the basic financial statements:

- (1) the school district's enrollment for the fiscal year or years being audited as reported to the Office of Public Instruction in the Fall and Spring enrollment reports; and
- (2) when applicable, the extracurricular funds for pupil functions.

H. If the Entity is a school district or associated cooperative, the Contractor shall contact the State Office of Public Instruction and the county superintendent of schools before or during the audit of the Entity. The Contractor shall determine whether those offices are aware of potential financial or legal compliance problems relating to the Entity that could affect the scope of the audit.

I. The Contractor shall immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor shall also immediately notify the State Office of Public Instruction in writing.

J. The Contractor shall provide the Entity with a copy of its most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the contract period.

K. The Contractor shall notify the Entity of all proposed audit adjustments and, if the Entity concurs, shall obtain written acceptance of these proposed adjustments. The State reserves the right to request documentation of these proposed and accepted audit adjustments.

4. **Entity's Responsibilities:** The Entity shall be responsible for:

- A. its basic financial statements, including note disclosures;
- B. all supplementary information required by GASB and by provisions of this contract;
- C. establishing and maintaining effective internal control over financial reporting, including internal controls related to the prevention and detection of fraud;

- D. ensuring that it complies with the laws and regulations applicable to its activities;
- 4. continued:
 - E. making all financial records and related information available to the Contractor;
 - F. the schedule of expenditures of federal awards required for audits conducted under OMB Circular A-133;
 - G. approving all proposed audit adjustments before posting, if the Entity concurs with the proposed adjustments;
 - H. adjusting the financial statements and accounting records to correct material misstatements and to agree with the audited financial statements; and
 - I. providing the Contractor, at the conclusion of the audit engagement, with a letter that confirms certain representations made during the audit, including an affirmation that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 5. **Dates for Annual Financial Report or Trial Balance of Accounts:** The Entity shall prepare its annual financial report or a trial balance of accounts no later than the dates specified in Appendices A, B and C. If the Entity is unable to prepare its annual financial report or trial balance by the date specified in the Appendices, the Entity shall notify the Contractor and the State in writing prior to the specified dates.
- 6. **Beginning the Audit:** The Contractor shall begin the audit field work based on the schedule established in Appendices A, B and C. Under Section 2-7-503(3)(a), MCA, all audits must commence within nine months from the close of the last fiscal year of the audit period.
- 7. **Completion of Audit:** The Contractor shall deliver the audit report to the Entity and the State, based on the schedule established in Appendices A, B and C. If the Contractor cannot deliver the audit report to the Entity and the State on the date specified in the Appendices, the Contractor shall notify the Entity and the State in writing of that fact, and the reason(s) therefore. Under Section 2-7-503(3)(a), MCA, all audits must be completed and the reports issued within one year from the close of the last fiscal year covered by the audit. If the audit is conducted in accordance with the provisions of OMB Circular A-133, the Contractor shall also complete the audit and issue the audit report within the time period required by that Circular, unless a longer period has been agreed to in advance by the federal cognizant or oversight agency for audit. If the Entity has requested and received an extension of the A-133 due date from a federal agency, the Entity shall submit a copy of the approved extension to the State.
- 8. **Audit Presentation:** The final audit report must contain basic financial statements and required supplementary information consistent with financial reporting standards in effect for the year or years being audited, as established by the Governmental Accounting Standards Board. In addition, other supplementary information required by provisions within this contract and by OMB Circular A-133 must also be included, if applicable.
 - A. The final audit report must also contain any other financial statements and supporting schedules and information as agreed upon by the Entity and Contractor.
 - B. The financial statements presented must be in accordance with the financial reporting standards in effect for the year or years being audited, as described above. If the accounting records or other circumstances

- do not permit financial statements to comply with these requirements, the Contractor shall notify the
8. continued:
- State of those conditions and describe the financial statements that will be presented. The applicable auditor's reports must also be modified as required to reflect a departure from generally accepted accounting principles.
- C. If the audit is of a school district with separate elementary and high school district general funds, the general funds must be combined as a single major fund. All other funds must be separately considered for major fund criteria.
- D. If the audit is a biennial audit covering two years, the Contractor shall present complete financial statements as specified above for each year covered by the audit. However, note disclosures for both fiscal years may be in one set of notes, with separate fiscal year disclosures as necessary. The two years must be presented under one audit report cover and opined upon in one Independent Auditor's Report.
9. **Auditor's Reports:** All audit reports must contain the following auditor's reports, which must comply with applicable professional standards in effect for the fiscal year or years being audited:
- A. an independent auditor's report on the financial statements of the Entity;
- B. a 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. If applicable, this report must include information about fraud, illegal acts, significant violations of provisions of contracts or grant agreements, and significant abuse, or indications of these acts.
- C. a report disclosing any lack of compliance with State statutes, rules, regulations, or ordinances that would not have a material effect on the financial statements, but of which the Contractor becomes aware during the course of the audit. This report must be referred to in the report required in 9.B. above. This report may be combined with other reports if appropriate, or the findings may be included in a management letter. If included in a management letter, that letter must be included as a part of, or accompanying, the audit report.
- D. a report on any supplemental schedules or information presented, if any such schedules or information are presented in the audit report. This report may be given in a supplemental information paragraph of the auditor's report on the financial statements (9.A. above), or in a separate report. For the following supplemental information, the Contractor shall report on whether the information is fairly stated, in all material respects, "in relation to" the financial statements as a whole, unless the condition of the financial records do not allow the auditor to render such an opinion:
- Supplemental schedule of school district enrollment required in paragraph 11.A;
 - Supplemental schedule of school district extracurricular fund financial activities required in paragraph 11B; and
 - Supplemental schedule of expenditures of federal awards required by OMB circular A-133 and in paragraph 10.A.
- E. a report disclosing the action taken by the Entity to correct any deficiencies or implement any recommendations contained in the prior audit report. This report must be in a format that specifically identifies, by title or summary, each deficiency or recommendation contained in the prior audit report and the action taken by the Entity on each such deficiency or recommendation.

- F. If the Contractor includes audit findings in the reports referenced in 9.B. and 9.C. above or in a continued:
9. management letter, the views of Entity officials and their planned corrective actions must also be included, as required by Government Auditing Standards, if they are available at the time the Contractor files copies of the audit report with the State. If the views and planned corrective actions are not available at that time, the Contractor shall so indicate in the reports.
10. **Single Audits:** All audit reports for single audits done in accordance with OMB Circular A-133 must also contain the following:
- A. a schedule of expenditures of federal awards. As required by OMB Circular A-133, the schedule must:
- (i) list individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs;
 - (ii) for federal awards received as a subrecipient, include the name of the pass-through entity and identifying number assigned by the pass-through entity;
 - (iii) provide total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available;
 - (iv) include notes that describe the significant accounting policies used in preparing the schedule;
 - (v) to the extent practical, for pass-through entities identification in the schedule of the total amount provided to subrecipients from each federal program; and
 - (vi) in either the schedule or a note to the schedule, the value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.
- B. a report on the schedule of expenditures of federal awards. This report may be combined with other reports as provided by OMB Circular A-133 and professional standards. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.
- C. a report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133. This report must refer to the separate schedule of findings and questioned costs described in paragraph 10.D. of the contract. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.
- D. a schedule of findings and questioned costs which must include the information required by OMB Circular A-133.
- E. the corrective action plan required by OMB Circular A-133, if that plan is available at the time the Contractor files copies of the audit report with the State. This corrective action plan may be combined with the Entity's planned corrective actions related to findings reported in accordance with Government Auditing Standards, as provided in paragraph 9.F., above.

11. **School Districts:** School district audit reports must also include the following as supplemental information/schedules:
- A. a schedule of the district's enrollment as reported to the Office of Public Instruction for the fiscal year or years being audited. The schedule must contain the enrollment both as reported in the Fall and Spring enrollment reports and as documented by the school district's enrollment records; and
 - B. a detailed schedule of extracurricular fund financial activities.
12. **Written Report to Entity:** The Contractor shall render a single, written report for the Entity audited. **The report must include, or be accompanied by, all written reports and letters discussing findings and recommendations from the Contractor to the Entity, including but not limited to the reports and schedules referred to in paragraphs 9 and 10 above as well as any management letters that include findings and recommendations.**
13. **Exit Interview:** Before submitting the final audit report, the Contractor shall hold an exit review conference in which the audit results are discussed with those charged with governance and appropriate Entity officials and employees. **The Contractor shall ensure that all members of the governing body and key members of management are notified of this exit conference.** The Contractor further agrees that before submitting the final report, it will not discuss the audit findings with anyone other than the Entity or the State. However, once the Contractor delivers the final audit report, the report is deemed to be a public record.
14. **Report Distribution:** The Contractor and Entity shall file copies of the audit report as specified below:
- A. The Contractor shall provide the Entity with the number of copies of the audit report specified in Appendices A, B and C and the cost of those copies is included in the total price for the engagement as set out in paragraph 2.A., above, and in the Appendices. The Contractor shall submit one of these copies to the attorney for the Entity.
 - B. Upon request by the Entity, the Contractor shall provide additional copies of the audit report at a price per copy agreed upon by the Entity and Contractor.
 - C. The Contractor shall provide the State with four copies of each audit report at no charge. **These copies must be sent to the State at the same time the Contractor delivers the final audit report to the Entity and must include any management letters that include findings and recommendations.** A letter of transmittal must accompany the State's copies, advising the State of the date of the exit conference, the date the final report was delivered to the Entity, the date of the audit report, the actual number of hours spent by the Contractor in the conduct of the audit, the total audit fees billed the Entity, whether the audit was conducted in accordance with the provisions of OMB Circular A-133, and whether there were any findings or opinion qualifications in the audit report, and, if so, whether the entity's corrective action plan or response was included as part of or submitted with the audit report.
 - D. If the Entity is a school district or associated cooperative, the Contractor shall provide copies of the audit report to the Office of Public Instruction, the county superintendent of schools, and the county attorney.
 - E. If the Entity is a city or town fire department relief association disability and pension fund, the Contractor shall provide one copy of the audit report to the city or town clerk.

- F. If the audit is a single audit conducted in accordance with the provisions of OMB Circular A-133, the
14. continued:
Entity shall provide copies of the reporting package defined in OMB Circular A-133 and the data collection form to the federal clearinghouse designated by OMB. In addition, the Entity shall provide either a copy of the reporting package, or the alternative written notification as described by OMB Circular A-133 to all federal, state and other granting and pass-through agencies as required by Circular A-133.
15. **Entity Response:** If not included in the audit report as provided in paragraphs 9.F. and 10.E., within 30 days after receiving the audit report, the Entity shall notify the State in writing as to what action it plans to take to correct any deficiencies or implement any recommendations identified or contained in the audit report, as required by Section 2-7-515, MCA, and ARM 2.4.409. **This notification must also address any findings and recommendations contained in management letters, which are considered a part of the audit report as prescribed in paragraph 12.** If the audit is a single audit conducted in accordance with OMB Circular A-133, this corrective action plan must also meet the requirements of Circular A-133 and contain all information required by that Circular.
16. **Entity's Attorney:** If requested by the State, the attorney for the Entity shall report to the State on the actions taken or the proceedings instituted or to be instituted relating to violations of law and nonperformance of duty as required by Section 2-7-515(4), MCA. The attorney shall report to the State within 30 days after receiving the request.
17. **Certification of Auditor Independence:** The Contractor certifies that, as required by generally accepted government auditing standards, it and its principals and employees are independent in all matters with respect to this engagement. This contract shall not include non-audit services, and the Contractor shall neither arrange for nor accept non-auditing work with the Entity which could in any way impair the Contractor's independence in violation of professional standards. If required by the State, the Contractor shall document that independence has been maintained in both fact and appearance as required by professional auditing standards.
18. **Prime Contractor:** The Contractor is the prime contractor and is responsible, in total, for all work of any subcontractors. The Contractor shall obtain the **written approval of the Entity and the State before** engaging correspondent Contractors, consultants, or subcontractors to provide services in connection with this audit. **Any Contractors subcontracted to perform audit work must be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the Local Government Services Bureau.** The Contractor is responsible to the Entity and the State for the acts and omissions of all correspondent Contractors, consultants, subcontractors, or agents and of persons directly or indirectly employed by such correspondent Contractors, consultants, subcontractors or agents, and for the acts and omissions of persons employed directly by the Contractor. Further, nothing contained within this contract creates any contractual relationship between any correspondent Contractor, consultant, or subcontractor and the State.
19. **Entrance and Exit Conferences:** The State may participate in all entrance and exit conferences between the Entity and Contractor, as well as all major conferences dealing with audit exceptions and recommendations regarding accounting or operating procedures, management policies, or internal control changes.
20. **Access to Records:** The Contractor shall give the State and, when required by law, the Montana Legislative Audit Division, access to the Contractor's audit programs, supporting working papers, time records, and all other documents relating to the audit. Access to these documents must be provided at the State's offices in Helena, Montana. Access to working papers includes the right of the State to obtain copies of working papers,

- as is reasonable and necessary. The Contractor shall make the audit programs and supporting working papers continued:
20. available to the State for use by the State or other public accounting firms as directed by the State in future audits of the Entity. The Contractor shall make the audit programs and supporting working papers available to the cognizant or oversight agency for audit or its designee, federal agencies providing direct or indirect funding, or the U.S. General Accounting Office, if requested. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary. The Contractor shall retain the audit report, audit programs, and audit working papers for a minimum of five years from the date of the audit report, unless the State notifies the Contractor to extend the retention period. If professional standards or other applicable laws, rules, or regulations require a longer retention period, the Contractor shall retain the above materials for that specified period.
 21. **State Review:** As provided by Section 2-7-522, MCA, the State may review the audit report submitted by the Contractor. If the State determines that reporting requirements have not been met, it will notify the Entity and the Contractor of the significant issues of noncompliance. The Contractor shall correct the identified deficiencies within 60 days of notification.
 22. **Independent Contractor:** The Entity and the State recognize that the Contractor is an independent contractor and neither its principals nor its employees are employees of the State or Entity for purposes of tax, retirement system, or social security (FICA) withholding.
 23. **Workers' Compensation:** The Contractor certifies that it carries Workers' Compensation for its employees and that it has either elected Workers' Compensation or has an approved Independent Contractor's Exemption covering the Contractor while performing work under this contract. (Montana Code Annotated, Title 39, Chapter 71) Neither the Contractor nor its employees are State employees for the purposes of this paragraph.
 24. **Indemnification:** The Contractor agrees to protect, defend, and save the State and Entity, their elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, representatives, assigns, and subcontractors, except the sole negligence of the State or Entity, under this agreement.

If the Contractor is or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent that such obligation is or may be a direct or indirect result of the Entity's intentional or knowing misrepresentation or provision to the Contractor of inaccurate or incomplete information in connection with this engagement, and not any failure on the Contractor's part to comply with professional standards, the Entity shall indemnify, defend, and hold harmless the Contractor against such obligations.

25. **Insurance:** Contractor shall maintain for the duration of the contract, at its cost and expense, occurrence coverage insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the Contractor, and/or its agents, employees, representatives, assigns, or subcontractors. The Contractor's insurance coverage shall be primary insurance for the Contractor's negligence as respects the State and Entity and their elected officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the State and Entity, their officers, officials, employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it

25. The Contractor shall purchase and maintain occurrence coverage to cover such claims as may be caused by any continued:
act, omission, negligence of the Contractor or its officers, agents, representatives, assigns or subcontractors. Note: If occurrence coverage is unavailable or cost-prohibitive, the state will accept 'claims made' coverage provided the following conditions are met: 1) the commencement date of the contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years, and 2) the claims made policy must have a three-year tail for claims that are made (filed) after the cancellation or expiration date of the policy.

The State and Entity reserve the right to require complete copies of insurance policies at all times.

26. **Compliance with Laws:** The Contractor shall, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provisions. In accordance with Section 49-3-207, MCA, the Contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.
27. **Work Accommodations:** The Entity shall provide the Contractor with reasonable space in which to conduct the audit and respond promptly to requests for information as well as for all necessary books and records. Support for clerical, equipment, and photocopying or reproduction services shall be agreed upon by the Entity and the Contractor as specified in Appendices A, B and C.
28. **Termination before Audit Has Commenced:** Before the commencement of the audit, either the Contractor or the Entity, with the State's consent, or the State, may cancel this contract by providing 20 days' written notice to the other parties. The contract may be canceled under this paragraph for cause. Cause includes, but is not limited to, failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

In addition, if both the Contractor and the Entity mutually agree to cancel this contract before the commencement of the audit, for convenience, the State shall consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.

The State, however, will not consent to the cancellation of an audit contract for the sole purpose of allowing the Contractor and Entity to then enter into a new contract that extends the number of fiscal years to be audited by the Contractor. Unless there are extenuating circumstances, the existing audit contract must be completed first. This provision does not prohibit the cancellation of a contract for the purpose of replacing an annual audit with a biennial audit.

29. **Termination after the Audit Has Commenced:** After the audit has commenced, but before the audit report has been issued, either the Contractor or the Entity, with the State's consent, or the State, may cancel this contract for failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, MCA, or for other cause. This right of cancellation may be exercised by providing the breaching party written notice of the default and, if applicable, provide 20 days from the date of the notice to cure the default. If the Contractor is the breaching party and fails to remedy the breach, then the Contractor is not entitled to the audit fee set out in this contract. If the Entity is the breaching party, the Entity shall pay the Contractor a pro rata portion of the audit fee set out in

- this contract, based on the percentage of work completed at the time of cancellation. In addition, if both the
29. continued:
Contractor and the Entity mutually agree to cancel this contract for convenience; the State shall consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.
30. **Professional Requirements:** By signing this contract, the Contractor certifies that it is in compliance with the continuing professional education requirements and the external quality control review requirements as set out in Government Auditing Standards, as established by the Comptroller General of the United States. The State may require the Contractor to provide evidence that it has met the above requirements.
31. **Single Audit Act Certification:** If the audit is required to meet the requirements of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133, the Contractor certifies that neither it nor any of its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from performing audits by any Federal department or agency.
32. **Governing Law and Venue:** This Contract is governed by the laws of Montana. The parties agree that any litigation concerning this Contract in which the State is named as a party must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. The parties also agree that any litigation concerning this Contract in which the State is not named as a party must be brought in the Judicial District in and for the County in which the Entity is located, and each party shall pay its own costs and attorney fees.
33. **Notice:** All notices under this contract must be in writing and will be deemed given if delivered personally, by mail, certified, return receipt requested, or by e-mail. All notices will (a) if delivered personally, be deemed given upon delivery, (b) if delivered by mail, be deemed given upon receipt, or (c) if delivered by e-mail be deemed given upon receipt.
34. **Invalid Provision:** If any provision of this contract is held to be illegal or unenforceable and the parties' rights or obligations will not be materially and adversely affected, such provision will be (1) severed from the contract, (b) the contract will be interpreted as if such provision was never a part of the contract and (c) the remaining provisions will stay in effect.
35. **Authority:** Each party represents that the person signing this contract has the authority to bind that party.
36. **Entire Agreement and Amendment:** This contract and the attached Appendices contain the entire understanding and agreement of the parties. No modification or amendment of this contract is valid unless it is reduced to writing, signed by the parties, and made a part of this contract.

IN WITNESS WHEREOF, Contractor, Entity, and State have executed this Standard Audit Contract on the date first above written:

Certified or Licensed Public Accountant

OLNESS & ASSOCIATES, PC, CPA'S
Firm Name

By: _____
Authorized Representative

Date: _____

Governmental Entity

TOWN OF ENNIS
Entity Name

By: 
Authorized Representative

Date: 6/13/17

**Montana Department of Administration,
Local Government Services Bureau**

By: _____
Approved By

Date: _____

APPENDIX A

Initial or Sole Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): TOWN OF ENNIS

Telephone: Address: 328 W. MAIN STREET (Street Address or P.O. Box) ENNIS, MT 59729 (City/Town) (Zip Code)

Contact Person(s): GINGER GUINN

PUBLIC ACCOUNTANT/ACCOUNTING FIRM (CONTRACTOR): OLNESS & ASSOCIATES, PC, CPA'S

Address: 2810 CENTRAL AVE. SUITE B (Street Address or P.O. Box) Telephone: 406-252-6230 BILLINGS, MT, MT 59102 (City/Town) (Zip Code)

Contact Person(s): BRENT OLNESS

1. Audit Period and Dates of Engagement:

- A. This audit will cover the fiscal year(s) ending JUNE 30, 2017 (and). (Month & Day) (Year) (Year) B. Date to commence audit work: 9/18/2017 C. Date to submit final audit report to Entity and State: 06/30/2018

2. Time and Price for Engagement:

- A. Estimated total hours - 120 B. Price for audit personnel \$ 9,600.00 Price for Travel Price for typing, clerical and report preparation Total price for this engagement \$ 9,600.00

3. The reporting entity contains the following discretely presented component units: N/A

4. Date Annual Financial Report or a trial balance will be available: 8/30/2017

5. Number of copies of audit report Contractor will provide to Entity: AS REQUESTED

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:
COPIER AND LAN LINE FOR INTERNET

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

OR

XX The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

Certified or Licensed Public Accountant

OLNESS & ASSOCIATES, PC, CPA'S
Firm Name

By: _____
Authorized Representative

Date: _____

Governmental Entity

TOWN OF ENNIS
Entity Name

By: 
Authorized Representative

Date: 6/13/17

**Montana Department of Administration,
Local Government Services Bureau**

By: _____
Approved By

Date: _____

APPENDIX B

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): TOWN OF ENNIS

Telephone: _____ Address: 328 W. MAIN STREET
(Street Address or P.O. Box)
ENNIS, MT 59729
(City/Town) (Zip Code)

Contact Person(s):
GINGER GUINN

PUBLIC ACCOUNTANT/ACCOUNTING
FIRM (CONTRACTOR): OLNESS & ASSOCIATES, PC, CPA'S

Address: 2810 CENTRAL AVE. SUITE B
(Street Address or P.O. Box)
Telephone: _____
406-252-6230 BILLINGS, MT, MT 59102
(City/Town) (Zip Code)

Contact Person(s):
BRENT OLNESS

1. Audit Period and Dates of Engagement:

- A. This audit will cover the fiscal year(s) ending
JUNE 30, 2018 (and _____).
(Month & Day) (Year) (Year)
- B. Date to commence audit work: 9/18/2018
- C. Date to submit final audit report
to Entity and State: 06/30/2019

2. Time and Price for Engagement:

- A. Estimated total hours - 120
- B. Price for audit personnel \$ 9,750.00
Price for Travel _____
Price for typing, clerical
and report preparation _____
Total price for this
engagement \$ 9,750.00

3. The reporting entity contains the following discretely presented component units: N/A

4. Date Annual Financial Report or a trial balance will be available: 8/30/2018

5. Number of copies of audit report Contractor will provide to Entity:
AS REQUESTED

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

COPIER AND LAN LINE FOR INTERNET

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

OR

The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

Certified or Licensed Public Accountant

OLNESS & ASSOCIATES, PC, CPA'S

Firm Name

By: _____
Authorized Representative

Date: _____

Governmental Entity

TOWN OF ENNIS

Entity Name

By: _____
Authorized Representative

Date: _____

**Montana Department of Administration,
Local Government Services Bureau**

By: _____
Approved By

Date: _____

APPENDIX C

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): TOWN OF ENNIS

Telephone: _____ Address: 328 W. MAIN STREET
(Street Address or P.O. Box)
ENNIS, MT 59729
(City/Town) (Zip Code)

Contact Person(s):
GINGER GUINN

PUBLIC ACCOUNTANT/ACCOUNTING
FIRM (CONTRACTOR): OLNESS & ASSOCIATES, PC, CPA'S

Address: 2810 CENTRAL AVE. SUITE B
(Street Address or P.O. Box)
Telephone: _____
406-252-6230 BILLINGS, MT, MT 59102
(City/Town) (Zip Code)

Contact Person(s):
BRENT OLNESS

1. Audit Period and Dates of Engagement:

- A. This audit will cover the fiscal year(s) ending
JUNE 30, 2019 (and _____).
(Month & Day) (Year) (Year)
- B. Date to commence audit work: 9/18/2019
- C. Date to submit final audit report
to Entity and State: 06/30/2020

2. Time and Price for Engagement:

- A. Estimated total hours - 120
- B. Price for audit personnel \$ 9,950.00
Price for Travel _____
Price for typing, clerical
and report preparation _____
Total price for this
engagement \$ 9,950.00

3. The reporting entity contains the following discretely presented component units: N/A

4. Date Annual Financial Report or a trial balance will be available: 8/30/2019

5. Number of copies of audit report Contractor will provide to Entity:
AS REQUESTED

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

COPIER AND LAN LINE FOR INTERNET

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards **equal to or in excess of \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

OR

The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of **less than \$500,000** during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

Certified or Licensed Public Accountant

OLNESS & ASSOCIATES, PC, CPA'S

Firm Name

By: _____
Authorized Representative

Date: _____

Governmental Entity

TOWN OF ENNIS

Entity Name

By: _____
Authorized Representative

Date: _____

**Montana Department of Administration,
Local Government Services Bureau**

By: _____
Approved By

Date: _____