

TOWN OF ENNIS
MADISON COUNTY
ENNIS, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TOWN OF ENNIS

ORGANIZATION

June 30, 2019

MAYOR

Blake Leavitt

TOWN COMMISSION

Brian Vincent	Member
Brandi Palmerton	Member
Cory Hardy	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

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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, 2019, 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 total 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 total OPEB liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities, business-type activities and 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, 2019, 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, 2019, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'ness & Associates, PC

Billings, Montana
November 14, 2019

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, 2019. 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, 2019, was \$9,325,940. 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 \$86,156.
- As of June 30, 2019, the governmental funds reported combined ending fund balances of \$423,858, an increase of \$33,104 from the prior year. The increase is due largely to conservative spending.
- As of June 30, 2019, the unassigned fund balance for the general fund was \$121,142, or approximately 25 percent of total general fund expenditures. A portion of the unassigned fund balance was appropriated to meet 2019-2020 general fund expenditures.

USING THIS ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* 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, 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 444,565	\$ 411,633	\$ 1,906,670	\$ 1,799,361	\$ 2,351,235	\$ 2,210,994
Capital assets	4,952,652	5,049,533	2,474,205	2,438,523	7,426,857	7,488,056
Total assets	5,397,217	5,461,166	4,380,875	4,237,884	9,778,092	9,699,050
Deferred outflows of resources	65,829	73,693	29,576	30,100	95,405	103,793
Long-term liabilities outstanding	306,183	370,400	137,636	155,489	443,819	525,889
Deferred inflows of resources						
Pension plan	62,849	15,435	28,236	6,305	91,085	21,740
Unavailable revenue	12,653	15,430	-	-	12,653	15,430
Total deferred inflows	75,502	30,865	28,236	6,305	103,738	37,170
Net position:						
Net investment in capital assets	4,940,852	5,034,715	2,465,201	2,425,015	7,406,053	7,459,730
Restricted	284,947	267,321	-	-	284,947	267,321
Unrestricted	(144,438)	(168,442)	1,779,378	1,681,175	1,634,940	1,512,733
	\$ 5,081,361	\$ 5,133,594	\$ 4,244,579	\$ 4,106,190	\$ 9,325,940	\$ 9,239,784

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 76,175	\$ 79,002	\$ 671,782	\$ 634,941	\$ 747,957	\$ 713,943
Operating grants/contributions	114,241	129,136	2,585	4,516	116,826	133,652
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	443,777	415,608	-	-	443,777	415,608
Intergovernmental	151,810	148,524	-	-	151,810	148,524
Interest	1,375	1,447	9,363	5,487	10,738	6,934
Miscellaneous	15,086	12,791	7,533	9,394	22,619	22,185
Gain on disposal of assets	-	-	1,018	-	1,018	-
Total revenues	802,464	786,508	692,281	654,338	1,494,745	1,440,846
Expenses:						
General government	396,616	457,230	-	-	396,616	457,230
Public safety	132,565	138,728	-	-	132,565	138,728
Public works	231,137	248,286	-	-	231,137	248,286
Public health	581	107	-	-	581	107
Social and economic services	5,000	5,000	-	-	5,000	5,000
Culture and recreation	166,225	174,142	-	-	166,225	174,142
Conservation of natural res.	2,232	1,994	-	-	2,232	1,994
Water	-	-	149,713	136,867	149,713	136,867
Sewer	-	-	214,078	189,616	214,078	189,616
Ambulance	-	-	109,590	84,781	109,590	84,781
Interest on long-term debt	852	403	-	-	852	403
Total expenses	935,208	1,025,890	473,381	411,264	1,408,589	1,437,154
Change in net position before transfers	(132,744)	(239,382)	218,900	243,074	86,156	3,692
Transfers	80,511	39,861	(80,511)	(39,861)	-	-
Change in net position	(52,233)	(199,521)	138,389	203,213	86,156	3,692
Net position, beginning	5,133,594	5,333,115	4,106,190	3,902,977	9,239,784	9,236,092
Net position, ending	\$ 5,081,361	\$ 5,133,594	\$ 4,244,579	\$ 4,106,190	\$ 9,325,940	\$ 9,239,784

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 \$22,687, mainly due to conservative spending. The library fund balance increased \$1,982. Fund balance for the health insurance fund increased \$8,836 due to lower health insurance expenditures.

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 \$68,756 and \$93,538, respectively. The increase occurred because of conservative spending. Net position for the ambulance fund decreased \$23,905.

DEBT ADMINISTRATION

Compensated absences in the water, sewer and ambulance funds had a balance of \$13,395 at June 30, 2019. Governmental activities compensated absences were \$37,888 at June 30, 2019.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2019 was \$7,406,053.

ECONOMIC FACTORS & NEXT YEAR'S BUDGET & RATES

The Town is still in the review stages on the updates to the subdivision regulations and zoning codes. A grant that made these projects possible have been completed and closed.

The Town has seen a lot of growth in the last year. Numerous apartments and single-family residences have been built. As Ennis has had a real shortage of available rentals, these are a welcome addition.

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

Water, wastewater and Business license rates and regulations are scheduled to be reviewed and, if needed, updated and changed. The street maintenance district is also up for its 5-year review. A new 5-year maintenance schedule will be developed.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 396,502	\$ 1,284,599	\$ 1,681,101
Investments	10,040	18,818	28,858
Receivables:			
Taxes and assessments	20,707	-	20,707
Governments	37,373	-	37,373
Utility	-	58,491	58,491
Ambulance (net of allowance of \$82,914)	-	13,752	13,752
Internal balances	(20,057)	20,057	-
Investment in joint venture	-	16,210	16,210
Restricted assets:			
Cash and equivalents	-	323,336	323,336
Investments	-	171,407	171,407
Capital assets:			
Land and construction-in-progress	146,205	192,780	338,985
Capital assets, net of accumulated depreciation	4,806,447	2,281,425	7,087,872
Total assets	<u>5,397,217</u>	<u>4,380,875</u>	<u>9,778,092</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	65,829	29,576	95,405
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Notes payable	3,169	4,502	7,671
Compensated absences	3,789	1,340	5,129
Due in more than one year:			
Notes payable	8,631	4,502	13,133
Net pension liability	256,495	115,237	371,732
Compensated absences	34,099	12,055	46,154
Total liabilities	<u>306,183</u>	<u>137,636</u>	<u>443,819</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	62,849	28,236	91,085
Unavailable revenue-long term special assessments	12,653	-	12,653
Total deferred inflows of resources	<u>75,502</u>	<u>28,236</u>	<u>103,738</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	4,940,852	2,465,201	7,406,053
Restricted for:			
General government	31,661	-	31,661
Public safety	4,534	-	4,534
Public works	195,589	-	195,589
Culture and recreation	19,056	-	19,056
Debt service	2,154	-	2,154
Capital projects	31,953	-	31,953
Unrestricted (deficit)	(144,438)	1,779,378	1,634,940
Total net position (deficit)	<u>\$ 5,081,361</u>	<u>\$ 4,244,579</u>	<u>\$ 9,325,940</u>

See notes to basic financial statements.

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 396,616	\$ 8,105	\$ 2,244	\$ (386,267)	\$ -	\$ (386,267)
Public safety	132,565	18,116	1,381	(113,068)	-	(113,068)
Public works	231,137	48,724	50,277	(132,136)	-	(132,136)
Public health	581	1,230	-	649	-	649
Social and economic services	5,000	-	-	(5,000)	-	(5,000)
Culture and recreation	166,225	-	60,339	(105,886)	-	(105,886)
Conservation of natural resources	2,232	-	-	(2,232)	-	(2,232)
Interest on long-term debt	852	-	-	(852)	-	(852)
Total governmental activities	935,208	76,175	114,241	(744,792)	-	(744,792)
Business-type activities:						
Water	149,713	251,038	1,084	-	102,409	102,409
Sewer	214,078	339,838	1,084	-	126,844	126,844
Ambulance	109,590	80,906	417	-	(28,267)	(28,267)
Total business-type activities	473,381	671,782	2,585	-	200,986	200,986
Total	\$ 1,408,589	\$ 747,957	\$ 116,826	(744,792)	200,986	(543,806)
General revenues:						
Property taxes				443,777	-	443,777
Intergovernmental				151,810	-	151,810
Unrestricted investment earnings				1,375	9,363	10,738
Miscellaneous				15,086	7,533	22,619
Gain on disposal of capital assets				-	1,018	1,018
Transfers				80,511	(80,511)	-
Total general revenues and transfers				692,559	(62,597)	629,962
Change in net position				(52,233)	138,389	86,156
Net position - beginning				5,133,594	4,106,190	9,239,784
Net position - ending				\$ 5,081,361	\$ 4,244,579	\$ 9,325,940

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 122,087	\$ 18,288	\$ 19,758	\$ -	\$ 236,369	\$ 396,502
Investments	10,040	-	-	-	-	10,040
Receivables:						
Taxes and assessments	4,432	768	1,492	12,857	1,158	20,707
Governments	7,457	-	-	-	29,916	37,373
Due from other funds	1,615	-	-	-	-	1,615
Total assets	\$ 145,631	\$ 19,056	\$ 21,250	\$ 12,857	\$ 267,443	\$ 466,237
LIABILITIES						
Due to other funds	\$ 20,057	\$ -	\$ -	\$ 1,615	\$ -	\$ 21,672
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-taxes and assessments	4,432	768	1,492	12,857	1,158	20,707
FUND BALANCES (DEFICITS)						
Restricted for:						
General government	-	-	19,758	-	9,928	29,686
Public safety	-	-	-	-	4,534	4,534
Public works	-	-	-	-	194,914	194,914
Culture and recreation	-	18,288	-	-	-	18,288
Debt service	-	-	-	-	1,950	1,950
Capital projects	-	-	-	-	31,953	31,953
Committed for:						
Culture and recreation	-	-	-	-	23,006	23,006
Unassigned	121,142	-	-	(1,615)	-	119,527
Total fund balances (deficits)	121,142	18,288	19,758	(1,615)	266,285	423,858
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 145,631	\$ 19,056	\$ 21,250	\$ 12,857	\$ 267,443	\$ 466,237

TOWN OF ENNIS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances, governmental funds	\$ 423,858
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,952,652
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.	8,054
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	65,829
Deferred inflows of resources related to pensions	(62,849)
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>(306,183)</u>
Net position of governmental activities	<u>\$ 5,081,361</u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Library	Health Insurance- Employer Contribution	Special Assessment Debt	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes/assessments	\$ 289,456	\$ 41,681	\$ 80,595	\$ 3,493	\$ 70,750	\$ 485,975
Fines and forfeitures	18,266	-	-	-	-	18,266
Licenses and permits	11,706	-	-	-	-	11,706
Intergovernmental	161,349	57,920	-	-	46,582	265,851
Charges for services	1,400	-	-	-	-	1,400
Investment earnings	1,319	-	-	-	56	1,375
Miscellaneous	9,535	5,551	-	-	200	15,286
Total revenues	493,031	105,152	80,595	3,493	117,588	799,859
EXPENDITURES						
Current:						
General government	239,880	-	125,143	-	33,243	398,266
Public safety	118,520	-	-	-	5,826	124,346
Public works	74,833	-	-	-	66,915	141,748
Public health	581	-	-	-	-	581
Social and economic services	5,000	-	-	-	-	5,000
Culture and recreation	32,398	100,670	-	-	-	133,068
Conservation of natural resources	-	-	-	-	2,232	2,232
Debt service:						
Principal	-	-	-	3,018	-	3,018
Interest and other charges	155	-	-	697	-	852
Capital outlay	6,000	-	-	-	32,155	38,155
Total expenditures	477,367	100,670	125,143	3,715	140,371	847,266
Excess (deficiency) of revenues over expenditures	15,664	4,482	(44,548)	(222)	(22,783)	(47,407)
OTHER FINANCING SOURCES (USES)						
Transfers in	18,198	-	53,384	-	35,102	106,684
Transfers out	(11,175)	(2,500)	-	-	(12,498)	(26,173)
Total other financing sources (uses)	7,023	(2,500)	53,384	-	22,604	80,511
Net change in fund balances	22,687	1,982	8,836	(222)	(179)	33,104
Fund balances (deficits) - beginning	98,455	16,306	10,922	(1,393)	266,464	390,754
Fund balances (deficits) - ending	\$ 121,142	\$ 18,288	\$ 19,758	\$ (1,615)	\$ 266,285	\$ 423,858

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, 2019

Net change in fund balances - total governmental funds \$ 33,104

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 (\$135,036) exceeded capital outlay (\$38,155) in the current period. (96,881)

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. 2,605

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. 10,453

Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt principal repayment. 3,018

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 (4,532)

Change in net position of governmental activities \$ (52,233)

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 617,831	\$ 664,232	\$ 2,536	\$ 1,284,599
Investments	-	18,818	-	18,818
Receivables:				
Utility	22,465	36,026	-	58,491
Ambulance (net of allowance of \$82,914)	-	-	13,752	13,752
Due from other funds	20,057	-	-	20,057
Total current assets	660,353	719,076	16,288	1,395,717
Non-current assets:				
Investment in joint venture	16,210	-	-	16,210
Restricted assets:				
Cash and cash equivalents	212,135	-	111,201	323,336
Investments	-	42,683	128,724	171,407
	<u>212,135</u>	<u>42,683</u>	<u>239,925</u>	<u>494,743</u>
Capital assets:				
Land	120,415	72,365	-	192,780
Infrastructure	676,595	233,451	-	910,046
Buildings and improvements	485,249	2,264,086	-	2,749,335
Equipment and furniture	38,485	30,233	387,993	456,711
Less: accumulated depreciation	(651,808)	(1,024,422)	(158,437)	(1,834,667)
Capital assets, net	668,936	1,575,713	229,556	2,474,205
Total non-current assets	897,281	1,618,396	469,481	2,985,158
Total assets	1,557,634	2,337,472	485,769	4,380,875
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	12,403	12,403	4,770	29,576
LIABILITIES				
Current liabilities:				
Compensated absences	555	555	230	1,340
Notes payable	-	-	4,502	4,502
Total current liabilities	555	555	4,732	5,842
Non-current liabilities:				
Compensated absences	4,992	4,992	2,071	12,055
Notes payable	-	-	4,502	4,502
Net pension liability	48,325	48,325	18,587	115,237
Total non-current liabilities	53,317	53,317	25,160	131,794
Total liabilities	53,872	53,872	29,892	137,636
DEFERRED INFLOWS OF RESOURCES				
Pension plans	11,841	11,841	4,554	28,236
NET POSITION				
Net investment in capital assets	668,936	1,575,713	220,552	2,465,201
Unrestricted	835,388	708,449	235,541	1,779,378
Total net position	\$ 1,504,324	\$ 2,284,162	\$ 456,093	\$ 4,244,579

See notes to basic financial statements.

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water	Sewer	Ambulance	Total
REVENUES				
Charges for services	\$ 251,038	\$ 339,838	\$ 80,906	\$ 671,782
Total operating revenues	<u>251,038</u>	<u>339,838</u>	<u>80,906</u>	<u>671,782</u>
OPERATING EXPENSES				
Personal services	69,781	69,767	32,279	171,827
Supplies	10,504	17,674	22,137	50,315
Purchased services	38,832	57,924	20,223	116,979
Fixed charges	3,410	7,014	2,281	12,705
Depreciation	27,186	61,699	32,670	121,555
Total operating expenses	<u>149,713</u>	<u>214,078</u>	<u>109,590</u>	<u>473,381</u>
Operating income (loss)	<u>101,325</u>	<u>125,760</u>	<u>(28,684)</u>	<u>198,401</u>
NON-OPERATING REVENUES				
Interest revenue	3,526	3,873	1,964	9,363
Miscellaneous revenue	-	-	7,533	7,533
Operating grants and contributions	1,084	1,084	417	2,585
Gain on disposal of capital assets	-	-	1,018	1,018
Total non-operating revenues	<u>4,610</u>	<u>4,957</u>	<u>10,932</u>	<u>20,499</u>
Income (loss) before transfers	105,935	130,717	(17,752)	218,900
Transfers out	<u>(37,179)</u>	<u>(37,179)</u>	<u>(6,153)</u>	<u>(80,511)</u>
Change in net position	68,756	93,538	(23,905)	138,389
Net position - beginning	<u>1,435,568</u>	<u>2,190,624</u>	<u>479,998</u>	<u>4,106,190</u>
Net position - ending	<u>\$ 1,504,324</u>	<u>\$ 2,284,162</u>	<u>\$ 456,093</u>	<u>\$ 4,244,579</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 250,572	\$ 340,410	\$ 85,445	\$ 676,427
Cash paid to employees	(64,970)	(64,956)	(30,210)	(160,136)
Cash paid to suppliers for goods and services	(52,746)	(82,612)	(44,641)	(179,999)
Net cash provided by operating activities	<u>132,856</u>	<u>192,842</u>	<u>10,594</u>	<u>336,292</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers to other funds	(37,179)	(37,179)	(6,153)	(80,511)
Cash received from repayment of Interfund loan	4,943	-	-	4,943
Cash received from miscellaneous sources	-	-	7,533	7,533
Net cash provided (used) by noncapital financing activities	<u>(32,236)</u>	<u>(37,179)</u>	<u>1,380</u>	<u>(68,035)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(76,200)	(8,750)	(71,270)	(156,220)
Principal payments on notes	-	-	(4,503)	(4,503)
Net cash used by capital financing activities	<u>(76,200)</u>	<u>(8,750)</u>	<u>(75,773)</u>	<u>(160,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	-	(61)	(705)	(766)
Decrease in investment in joint venture	1,202	-	-	1,202
Interest received	3,526	3,873	1,964	9,363
Net cash provided by investing activities	<u>4,728</u>	<u>3,812</u>	<u>1,259</u>	<u>9,799</u>
Change in cash and cash equivalents	29,148	150,725	(62,540)	117,333
Cash and cash equivalents - beginning	800,818	513,507	176,277	1,490,602
Cash and cash equivalents - ending	<u>\$ 829,966</u>	<u>\$ 664,232</u>	<u>\$ 113,737</u>	<u>\$ 1,607,935</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 101,325	\$ 125,760	\$ (28,684)	\$ 198,401
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	27,186	61,699	32,670	121,555
Pension expense	4,232	4,232	199	8,663
(Increase) decrease in accounts receivable	(466)	572	4,539	4,645
Increase in compensated absences	579	579	1,870	3,028
Net cash provided by operating activities	<u>\$ 132,856</u>	<u>\$ 192,842</u>	<u>\$ 10,594</u>	<u>\$ 336,292</u>

TOWN OF ENNIS
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Investments	\$ 8,403
Prepays	<u>16,679</u>
Total assets	<u>\$ 25,082</u>
LIABILITIES	
Payable to joint venture participants	\$ 24,450
Due to state	<u>632</u>
Total liabilities	<u>\$ 25,082</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government adopted the provisions of the following GASB statement:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

Cash and Investments

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

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

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Receivables and Payables

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

Utility and property tax receivable bad debts are written-off using the direct write off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles. Ambulance receivables are shown net of an allowance for uncollectibles. Ambulance accounts receivable in excess of 120 days comprise the ambulance accounts receivable allowance for uncollectibles.

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

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

Inventories and Prepaid Items

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year end was not material and therefore not recorded. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2019.

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

result of employee resignations or retirements.

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

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

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

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Special Assessment Debt fund had a deficit fund balance of \$1,615 as of June 30, 2019. The deficit in the Special Assessment Debt fund is a carryover from the prior year. The deficit is expected to be eliminated when the delinquent assessments are collected.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 406,542
Business-type activities	1,798,160
Fiduciary funds	<u>8,403</u>
	<u>\$ 2,213,105</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2019, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	(80,385)	-	(80,385)
Savings deposits	304,255	-	304,255
Time deposits	-	208,668	208,668
Short-term Investment Program (STIP)	<u>1,780,392</u>	<u>-</u>	<u>1,780,392</u>
	<u>\$ 2,004,437</u>	<u>\$ 208,668</u>	<u>\$ 2,213,105</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, 2019, \$232,016 of the government's bank balance of \$558,161 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 232,016</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, 2019, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2019:

	Fair Value
State Short-Term Investment Program (STIP)	<u>\$ 1,780,520</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, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 146,205	\$ -	\$ -	\$ 146,205
Construction-in-progress	6,850	6,850	(13,700)	-
Total capital assets, not being depreciated	<u>153,055</u>	<u>6,850</u>	<u>(13,700)</u>	<u>146,205</u>
Capital assets, being depreciated				
Buildings	1,110,745	-	-	1,110,745
Improvements	117,776	13,700	-	131,476
Machinery and equipment	96,668	31,305	-	127,973
Infrastructure	8,085,883	-	-	8,085,883
Total capital assets, being depreciated	<u>9,411,072</u>	<u>45,005</u>	<u>-</u>	<u>9,456,077</u>
Less accumulated depreciation for:				
Buildings	(316,187)	(21,073)	-	(337,260)
Improvements	(26,904)	(4,200)	-	(31,104)
Machinery and equipment	(87,322)	(8,261)	-	(95,583)
Infrastructure	(4,084,181)	(101,502)	-	(4,185,683)
Total accumulated depreciation	<u>(4,514,594)</u>	<u>(135,036)</u>	<u>-</u>	<u>(4,649,630)</u>
Total capital assets, being depreciated, net	<u>4,896,478</u>	<u>(90,031)</u>	<u>-</u>	<u>4,806,447</u>
Governmental activities capital assets, net	<u>\$ 5,049,533</u>	<u>\$ (83,181)</u>	<u>\$ (13,700)</u>	<u>\$ 4,952,652</u>

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 192,780	\$ -	\$ -	\$ 192,780
Total capital assets, not being depreciated	<u>192,780</u>	<u>-</u>	<u>-</u>	<u>192,780</u>
Capital assets, being depreciated				
Buildings and systems	2,676,899	67,450	-	2,744,349
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	452,087	96,769	(92,145)	456,711
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	<u>4,044,018</u>	<u>164,219</u>	<u>(92,145)</u>	<u>4,116,092</u>
Less accumulated depreciation for:				
Buildings and systems	(976,613)	(67,900)	-	(1,044,513)
Improvements other than buildings	(906)	(100)	-	(1,006)
Machinery and equipment	(251,178)	(38,090)	85,163	(204,105)
Infrastructure	(569,578)	(15,465)	-	(585,043)
Total accumulated depreciation	<u>(1,798,275)</u>	<u>(121,555)</u>	<u>85,163</u>	<u>(1,834,667)</u>
Total capital assets, being depreciated, net	<u>2,245,743</u>	<u>42,664</u>	<u>(6,982)</u>	<u>2,281,425</u>
Business-type activities capital assets, net	<u>\$ 2,438,523</u>	<u>\$ 42,664</u>	<u>\$ (6,982)</u>	<u>\$ 2,474,205</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 2,191
Public safety	6,481
Public works	106,047
Culture and Recreation	<u>20,317</u>
Total depreciation-governmental activities	<u>\$ 135,036</u>
Business-type activities:	
Water	\$ 27,186
Sewer	61,699
Ambulance	<u>32,670</u>
Total depreciation-business-type activities	<u>\$ 121,555</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2019, consisted of the special assessment debt fund owing the general fund \$1,615. The loan was made to cover the deficit cash balance. The balance is scheduled to be collected in the subsequent year. Additionally, a \$20,057 loan was made from the water fund to the general fund. The loan was made to assist in financing legal costs associated with litigation. \$4,972 is expected to be repaid in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 18,198	\$ (11,175)
Library	-	(2,500)
Health insurance-employer contribution	53,384	-
Nonmajor governmental funds	<u>35,102</u>	<u>(12,498)</u>
Total governmental activities	<u>\$ 106,684</u>	<u>\$ (26,173)</u>
Business-type Activities:		
Water	\$ -	\$ (37,179)
Sewer	-	(37,179)
Ambulance	-	<u>(6,153)</u>
Total business-type activities	<u>\$ -</u>	<u>\$ (80,511)</u>

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

Long-Term Debt

Notes payable consists of the following:

	Original Amount	Term	Interest Rate	Balance at June 30, 2019	
				Governmental Activities	Business-type Activities
Sidewalks-2008	\$ 39,000	15 yrs	4.95%	\$ 11,800	\$ -
Ambulance equipment-2018	18,010	4 yrs	0.00%	-	<u>9,004</u>
				<u>\$ 11,800</u>	<u>\$ 9,004</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

The sidewalks are secured by a lien upon and against the property in which the assessment is made. The ambulance loan is secured by a lien against the ambulance equipment.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 3,169	\$ 545	\$ 3,714	\$ 4,502	\$ -	\$ 4,502
2021	3,327	387	3,714	4,502	-	4,502
2022	3,494	220	3,714	-	-	-
2023	1,810	46	1,856	-	-	-
	<u>\$ 11,800</u>	<u>\$ 1,198</u>	<u>\$ 12,998</u>	<u>\$ 9,004</u>	<u>\$ -</u>	<u>\$ 9,004</u>

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Notes payable	\$ 14,818	\$ -	\$ (3,018)	\$ 11,800	\$ 3,169
Compensated absences	33,356	4,532	-	37,888	3,789
Governmental activity long-term liabilities	<u>\$ 48,174</u>	<u>\$ 4,532</u>	<u>\$ (3,018)</u>	<u>\$ 49,688</u>	<u>\$ 6,958</u>
Business-type activities:					
Notes payable	\$ 13,508	\$ -	\$ (4,504)	\$ 9,004	\$ 4,502
Compensated absences	10,367	3,028	-	13,395	1,340
Business-type activity long-term liabilities	<u>\$ 23,875</u>	<u>\$ 3,028</u>	<u>\$ (4,504)</u>	<u>\$ 22,399</u>	<u>\$ 5,842</u>

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

NOTE 4. OTHER INFORMATION

Risk Management

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

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, 2019, the Town incurred costs of \$3,672. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$57,920 for library services.

Joint Venture

The Town, in conjunction with the Towns of Sheridan, Twin Bridges and Virginia City, entered into an joint venture agreement to purchase machinery and equipment which may be necessary or desirable for municipal operations, to provide for the repair and maintenance of the machinery and equipment, and to provide a means of control and allocation of use which may not be practical for one of the Towns to obtain by itself and which may be mutually advantageous for the Towns as a group. The joint venture is administered by a four-member board. Each town appoints its respective member. Annually, each town contributes an amount agreed upon by all parties. During 2019, each town contributed \$2,000. Monies are deposited in a fund controlled by the board. This fund is held in a bank account separate from the accounts of any of the participating towns and is accounted for within the records of the Town of Ennis and is reported as 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, 2019:

Total Assets	\$	64,840
Total Equity		64,840
Total Revenues		8,068
Total Expenditures		12,878
Total Decrease in Equity		(4,810)

As of June 30, 2019, the Town of Ennis' share of joint venture capital assets was \$10,098. 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 \$16,210 was reported in the business-type activities and proprietary fund statements of net position.

Retirement Plan

Plan Description

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

Pension Benefits

Public Employees Retirement System

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

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

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at .77%.

Plan members who retire before January 1, 2016 and accumulate at least 2 years of additional service credit receive a recalculated retirement benefit based on the laws in effect at second retirement. Plan members who retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit receive the same retirement benefit as prior to their return to service and a second retirement benefit for the second period of service based on the laws in effect at second retirement.

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

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period 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 8.3% of each member's compensation. This was temporarily increased from 6.8% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .37% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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

At June 30, 2019, the government recorded a liability of \$371,732 for its proportionate share of the net pension liability.

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

Employer proportionate share	\$	371,732
State of Montana proportionate share associated with employer		124,952
Total	\$	496,684

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all PERS participating employers. At June 30, 2019, the government's proportion was .0178 percent.

For the year ended June 30, 2019, the government recognized \$31,152 for its proportionate share of the pension expense. The government also recognized grant revenue of \$8,339 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 \$39,491.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2019, 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 experience	\$ 28,268	\$ -
Changes in assumptions	31,610	-
Net difference between projected and actual earnings on pension plan investments	-	5,773
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	-	85,312
Employer contributions subsequent to measurement date	35,527	-
	\$ 95,405	\$ 91,085

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, 2020. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (3,007)
2021	(1,014)
2022	(24,814)
2023	(2,372)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2018 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	7.65%
Salary increases	3.50%
Inflation	2.75%

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

The long-term 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 2011 through 2016, is outlined in a report dated May 5, 2017, 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, 2018, and are 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%	0.10%
Domestic equity	36.0%	1.64%
Foreign equity	18.0%	1.14%
Fixed income	23.4%	0.23%
Private equity	12.0%	0.93%
Real estate	8.0%	0.32%
	100.0%	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school governments. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. 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 of the PERS net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability-PERS	\$ 537,610	\$ 371,732	\$ 235,519

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

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

GASB Statement No. 87, Leases. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

GASB Statement No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2019

	<u>Budgeted Amounts</u>		Amounts, Budgetary Basis	Budget to GAAP Differences (1)	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES					
Taxes/assessments	\$ 285,277	\$ 285,277	\$ 289,456	\$ -	\$ 289,456
Fines and forfeitures	23,000	23,000	18,266	-	18,266
Licenses and permits	11,700	11,700	11,706	-	11,706
Intergovernmental	156,238	156,238	155,595	5,754	161,349
Charges for services	-	-	1,400	-	1,400
Investment earnings	1,300	1,300	1,319	-	1,319
Miscellaneous	7,750	11,250	9,535	-	9,535
Total revenues	485,265	488,765	487,277	5,754	493,031
EXPENDITURES					
Current:					
General government	291,190	292,390	237,636	2,244	239,880
Public safety	139,341	139,341	117,139	1,381	118,520
Public works	86,279	86,279	74,373	460	74,833
Public health	2,400	2,400	581	-	581
Social and economic services	5,000	5,000	5,000	-	5,000
Culture and recreation	48,056	51,556	30,729	1,669	32,398
Debt service:					
Interest and other charges	-	-	155	-	155
Capital outlay	8,200	8,200	6,000	-	6,000
Total expenditures	580,466	585,166	471,613	5,754	477,367
Excess (deficiency) of revenues over expenditures	(95,201)	(96,401)	15,664	-	15,664
OTHER FINANCING SOURCES (USES)					
Transfers in	15,998	15,998	18,198	-	18,198
Transfers out	(16,344)	(16,344)	(11,175)	-	(11,175)
Total other financing sources (uses)	(346)	(346)	7,023	-	7,023
Net change in fund balance	\$ (95,547)	\$ (96,747)	22,687	-	22,687
Fund balance - beginning			98,455	-	98,455
Fund balance - ending			\$ 121,142	\$ -	\$ 121,142

(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, 2019

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 41,616	\$ 41,616	\$ 41,681
Intergovernmental	56,966	56,966	57,920
Miscellaneous	3,600	3,600	5,551
Total revenues	<u>102,182</u>	<u>102,182</u>	<u>105,152</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>112,174</u>	<u>112,174</u>	<u>100,670</u>
Total expenditures	<u>112,174</u>	<u>112,174</u>	<u>100,670</u>
Excess (deficiency) of revenues over expenditures	<u>(9,992)</u>	<u>(9,992)</u>	<u>4,482</u>
OTHER FINANCING USES			
Transfers out	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>
Total other financing uses	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>
Net change in fund balance	<u>\$ (12,492)</u>	<u>\$ (12,492)</u>	1,982
Fund balance - beginning			<u>16,306</u>
Fund balance - ending			<u>\$ 18,288</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	<u>\$ 80,862</u>	<u>\$ 80,862</u>	<u>\$ 80,595</u>
Total revenues	<u>80,862</u>	<u>80,862</u>	<u>80,595</u>
EXPENDITURES			
Current:			
General government	<u>115,716</u>	<u>129,463</u>	<u>125,143</u>
Total expenditures	<u>115,716</u>	<u>129,463</u>	<u>125,143</u>
Excess (deficiency) of revenues over expenditures	<u>(34,854)</u>	<u>(48,601)</u>	<u>(44,548)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>39,636</u>	<u>39,636</u>	<u>53,384</u>
Total other financing sources	<u>39,636</u>	<u>39,636</u>	<u>53,384</u>
Net change in fund balance	<u>\$ 4,782</u>	<u>\$ (8,965)</u>	8,836
Fund balance - beginning			<u>10,922</u>
Fund balance - ending			<u>\$ 19,758</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 35,527	\$ 24,809	\$ 24,195	\$ 25,769	\$ 26,832
Contributions in relation to the contractually required contributions	<u>35,527</u>	<u>24,809</u>	<u>24,195</u>	<u>25,769</u>	<u>26,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 414,551	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029
Contributions as a percentage of covered payroll	8.57%	8.47%	8.37%	8.77%	8.63%

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

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

<u>Public Employees Retirement System:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.0178%	0.0233%	0.0245%	0.0267%	0.0236%
Employer's proportionate share of the net pension liability associated with the employer	\$ 371,732	\$ 453,840	\$ 417,630	\$ 372,554	\$ 293,705
State of Montana's proportionate share of the net pension liability associated with the employer	124,952	6,632	5,103	4,576	3,587
Total	<u>\$ 496,684</u>	<u>\$ 460,472</u>	<u>\$ 422,733</u>	<u>\$ 377,130</u>	<u>\$ 297,292</u>
Employer's covered payroll	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029	\$ 269,346
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.91%	157.01%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

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

TOWN OF ENNIS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2019

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS:

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

Refunds:

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

Interest Credited to Member Accounts:

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

Lump-sum Payouts:

- Lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members:

- PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in actuarial assumptions and other inputs:

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

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

OLNESS & ASSOCIATES, P. C.

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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

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, 2019, 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 14, 2019. The report included an explanatory paragraph to describe a change in accounting principles. Also, the report on the governmental activities, the business-type activities and the proprietary funds was qualified because management has not recorded the total 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 through 2019-004 that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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'ness & Associates, PC

Billings, Montana
November 14, 2019

TOWN OF ENNIS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2019

2019-001. 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.

2019-002. 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.

2019-003. TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

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

Cause: The government did not engage an actuarial firm to assist in determining the total OPEB liability and related expense as of and for the year ended June 30, 2019.

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

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

2019-004. CASH AND CERTIFICATE OF DEPOSIT BANK RECONCILIATIONS

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

Condition: Bank reconciliations for fiscal year 2019 were not completed until September 2019.

Cause: Unknown.

Effect: General ledger account balances were incorrect.

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

TOWN OF ENNIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

2018-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2019-001 for the year ended June 30, 2019.

2018-002. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2019-002 for the year ended June 30, 2019.

2018-003. OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2019-003 for the year ended June 30, 2019.

2018-004. PLEDGES

Status: This finding was resolved.

OLNESS & ASSOCIATES, P. C.

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November 14, 2019

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, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and if applicable, the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. 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.

As described in the notes to the financial statements, the government adopted Statement of Governmental Accounting Standards (GASB Statement) No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in fiscal year 2019. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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, the government's proportionate share of the state retirement systems' unfunded liability, deferred inflows/outflows related to pensions and OPEB, 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. The

attached schedule summarizes material misstatements detected as a result of audit procedures that were corrected by management.

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 14, 2019.

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.

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

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 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'Neil & Associates, PC

Billings, Montana

Client: **2053-01 - TOWN OF ENNIS**
 Engagement: **TOWN OF ENNIS**
 Period Ending: **6/30/2019**
 Trial Balance: **TB**
 Workpaper: **Adjusting journal entries**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 7				
Remove warrants payable as the town uses checks				
7910-000-000-201000-000	Warrants Payable		18,848.00	
7930-000-000-201000-000	Warrants Payable		89,663.00	
7910-000-000-101000-000	Cash - Unrestricted			18,848.00
7930-000-000-101000-000	Cash - Unrestricted			89,663.00
Total			108,511.00	108,511.00
Adjusting Journal Entries JE # 8				
Correct MAD TOWNS and adjust Joint ventures				
5210-000-000-430510-510	Water Administration		1,203.00	
5210-000-000-161000-000	Investment in Joint Venture			1,203.00
Total			1,203.00	1,203.00
Adjusting Journal Entries JE # 10				
adjust comp absences				
5210-000-000-430510-110	Water Administration		579.00	
5310-000-000-430610-110	Sewer Administration		579.00	
5510-000-000-420710-110	Emergency Medical Services - Ambulance Administration		1,870.00	
5210-000-000-239000-000	Compensated Absences Payable			579.00
5310-000-000-239000-000	Compensated Absences Payable			579.00
5510-000-000-239000-000	Compensated Absences Payable			1,870.00
Total			3,028.00	3,028.00
Adjusting Journal Entries JE # 11				
Reclass town contribution to MAD-TOWNS				
5210-000-000-430520-335	Water Facilities		1,000.00	
5310-000-000-430610-390	Sewer Administration		1,000.00	
5210-000-000-521000-805	Interfund Operating Transfers Out			1,000.00
5310-000-000-521000-805	Interfund Operating Transfers Out			1,000.00
Total			2,000.00	2,000.00
Adjusting Journal Entries JE # 12				
Enterprise depreciation				
5210-000-000-510400-830	DEPRECIATION EXPENSE		27,186.00	
5310-000-000-510400-830	DEPRECIATION EXPENSE		61,699.00	
5510-000-000-510400-830	DEPRECIATION EXPENSE		32,670.00	
5210-000-000-184100-000	Allowance for Depr - Imp Other Than Bldgs (Credit)			50.00
5210-000-000-186100-000	Allowance for Depr - Machinery & Equip (Credit)			3,288.00
5210-000-000-187100-000	Allowance for Depreciation - Infrastructure			11,574.00
5210-000-000-189110-000	Allowance for Depreciation - Source Supply			5,670.00
5210-000-000-189210-000	Allowance for Depr - Pumping Plant (Credit)			3,047.00
5210-000-000-189410-000	Allowance for Depr - Trans & Distribution (Credit)			3,557.00
5310-000-000-184100-000	Allowance for Depr - Imp Other Than Bldgs (Credit)			50.00
5310-000-000-186100-000	Allowance for Depr - Machinery & Equip (Credit)			2,132.00
5310-000-000-187100-000	Allowance for Depreciation - Infrastructure			3,891.00
5310-000-000-189310-000	Allowance for Depr - Treatment Plant (Credit)			55,626.00
5510-000-000-186100-000	Allowance for Depr - Machinery & Equip (Credit)			32,670.00
Total			121,555.00	121,555.00
Adjusting Journal Entries JE # 14				
Correct allowance and bad debt				
5510-000-000-122000-000	Accounts Receivable		1,069.00	
5510-000-000-420730-810	Losses (Bad debt expense - Enterprise)		71,397.00	
5510-000-000-122100-000	Est. Uncollectible A/R			8,348.00

5510-000-000-342050-000	Ambulance Service Charges		64,118.00
Total		72,466.00	72,466.00

Adjusting Journal Entries JE # 18

Governmental state support revenue for GASB 68

1000-000-000-410000-199	General government-GASB 68	2,244.00	
1000-000-000-420000-199	Public safety-GASB 68	1,381.00	
1000-000-000-430000-199	Public works-GASB 68	460.00	
1000-000-000-460000-199	Culture and recreation-GASB 68	1,669.00	
1000-000-000-334100-199	State aide general government-GASB 68		2,244.00
1000-000-000-334200-199	State aide public safety-GASB 68		1,381.00
1000-000-000-334300-199	State aide public works-GASB 68		460.00
1000-000-000-334600-199	State aide culture and recreation-GASB 68		1,669.00
Total		5,754.00	5,754.00

Adjusting Journal Entries JE # 20

Enterprise GASB 68 pension entries

5210-000-000-239500-000	Net pension liability	6,136.00	
5210-000-000-430510-140	Water Administration	4,232.00	
5310-000-000-239500-000	Net pension liability	6,136.00	
5310-000-000-430610-140	Sewer Administration	4,232.00	
5510-000-000-239500-000	Net pension liability	4,105.00	
5510-000-000-420710-140	Emergency Medical Services - Ambulance Administration	199.00	
5210-000-000-160000-000	Restricted Assets		52.00
5210-000-000-210000-000	Deferred inflows		9,232.00
5210-000-000-334300-000	State aide-GASB 68		1,084.00
5310-000-000-160000-000	Restricted Assets		52.00
5310-000-000-210000-000	Deferred inflows		9,232.00
5310-000-000-334300-000	State aide-GASB 68		1,084.00
5510-000-000-160000-000	Restricted Assets		420.00
5510-000-000-210000-000	Deferred inflows		3,467.00
5510-000-000-334300-000	State aide-GASB 68		417.00
Total		25,040.00	25,040.00

Adjusting Journal Entries JE # 22

Reverse portion of CDBG accrual

2250-000-000-331010-000	CDBG	11,250.00	
2250-000-000-132000-000	Due From Government (Short Term)		11,250.00
Total		11,250.00	11,250.00

Adjusting Journal Entries JE # 25

Reverse 2018 BARSAA accrual

2821-000-000-335041-000	Special Roads Allocation Program	8,676.00	
2821-000-000-132000-000	Due From Government (Short Term)		8,676.00
Total		8,676.00	8,676.00

Adjusting Journal Entries JE # 26

Reclass SCADA system to capital assets CL 944400

5210-000-000-189200-000	Pumping Plant	67,450.00	
5210-000-000-430530-390	Water Source of Supply and Pumping		30,000.00
5210-000-000-430550-350	Transmission and Distribution		7,450.00
5210-000-000-430550-390	Transmission and Distribution		30,000.00
Total		67,450.00	67,450.00

Adjusting Journal Entries JE # 27

Reclass misc IT items-noncapital

1000-000-000-411880-510	IT Services	2,174.00	
1000-000-000-411880-940	IT Services		2,174.00
Total		2,174.00	2,174.00

Adjusting Journal Entries JE # 28

Reclass street overlay projects

2500-000-000-430240-350	Road and Street Maintenance	39,005.00	
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2500-000-000-430240-950	Road and Street Maintenance		39,005.00
Total		39,005.00	39,005.00

Adjusting Journal Entries JE # 29

Reclass CL 944324 noncapital

2880-000-000-430220-399	Facilities/Public Works	870.00	
2880-000-000-430220-940	Facilities/Public Works		870.00
Total		870.00	870.00

Adjusting Journal Entries JE # 30

Close CO on pickup from state surplus

5210-000-000-186000-000	Machinery and Equipment	5,250.00	
5310-000-000-186000-000	Machinery and Equipment	5,250.00	
5210-000-000-430520-940	Water Facilities		5,250.00
5310-000-000-430640-940	Sewer Treatment and Disposal		5,250.00
Total		10,500.00	10,500.00

Adjusting Journal Entries JE # 31

Reclass CL 944708 AED for QRU

5510-000-000-420730-230	Emergency Medical Services - Ambulance	3,383.00	
5510-000-000-420730-941	Emergency Medical Services - Ambulance		3,383.00
Total		3,383.00	3,383.00

Adjusting Journal Entries JE # 32

Close CO on 2 heart monitors

5510-000-000-186000-000	Machinery and Equipment	71,269.00	
5510-000-000-420730-941	Emergency Medical Services - Ambulance		71,269.00
Total		71,269.00	71,269.00

Adjusting Journal Entries JE # 33

CL 944572 debt payment

5510-000-000-235407-000	NOTES/LOANS-AMBULANCE FMVB	4,503.00	
5510-000-000-420730-941	Emergency Medical Services - Ambulance		4,503.00
Total		4,503.00	4,503.00

Adjusting Journal Entries JE # 34

ambulance disposals

5510-000-000-186000-000	Machinery and Equipment	8,000.00	
5510-000-000-186100-000	Allowance for Depr - Machinery & Equip (Credit)	85,163.00	
5510-000-000-186000-000	Machinery and Equipment		92,145.00
5510-000-000-382010-000	Gain (loss) on disposal of capital assets		1,018.00
Total		93,163.00	93,163.00

Adjusting Journal Entries JE # 35

new metyer reader

5210-000-000-186000-000	Machinery and Equipment	3,500.00	
5310-000-000-186000-000	Machinery and Equipment	3,500.00	
5210-000-000-430550-230	Transmission and Distribution		3,500.00
5310-000-000-430640-230	Sewer Treatment and Disposal		3,500.00
Total		7,000.00	7,000.00

Adjusting Journal Entries JE # 36

Adjust prepaid health ins for July 2019 payment msade in June

7910-000-000-141000-000	Prepaid Expense	3,181.00	
7910-000-000-212510-000	Due to Others		3,181.00
Total		3,181.00	3,181.00

Adjusting Journal Entries JE # 37

Accrue HB 473 BARSAA funds

2821-000-000-132000-000	Due From Government (Short Term)	18,666.00	
2821-000-000-335041-000	Special Roads Allocation Program		18,666.00
Total		18,666.00	18,666.00

Adjusting Journal Entries JE # 38

Reclass insurance. Repair completed in prior year

1000-000-000-382020-000	Compensation for Loss of Fixed Assets	922.00	
1000-000-000-362000-000	Other Miscellaneous Revenue		922.00
Total		<u>922.00</u>	<u>922.00</u>

Adjusting Journal Entries JE # 39

Accrue rest area reimbursement RV 4721

1000-000-000-132000-000	Due From Government (Short Term)	7,457.00	
1000-000-000-335034-000	REST AREA COSTS REIMBURSEMENT		7,457.00
Total		<u>7,457.00</u>	<u>7,457.00</u>

Adjusting Journal Entries JE # 40

Reclass health insurance to correct object

2371-000-000-410551-140	Employer Contributions	122,287.00	
5210-000-000-430510-140	Water Administration	286.00	
5310-000-000-430510-140	Sewer Administration	285.00	
2371-000-000-410551-510	Payroll Services		122,287.00
5210-000-000-430510-510	Water Administration		286.00
5310-000-000-430510-510	Sewer Administration		285.00
Total		<u>122,858.00</u>	<u>122,858.00</u>

Adjusting Journal Entries JE # 41

correct clearing fund claim voided from 11/2017

5510-000-000-101000-000	Cash - Unrestricted	35.00	
7930-000-000-201000-000	Warrants Payable	35.00	
5510-000-000-362000-000	Other Miscellaneous Revenue		35.00
7930-000-000-101000-000	Cash - Unrestricted		35.00
Total		<u>70.00</u>	<u>70.00</u>

Adjusting Journal Entries JE # 42

Correct warrants payable

7910-000-000-201000-000	Warrants Payable	6,875.00	
7910-000-000-101000-000	Cash - Unrestricted		6,875.00
Total		<u>6,875.00</u>	<u>6,875.00</u>

Adjusting Journal Entries JE # 43

Record donation

5510-000-000-101000-000	Cash - Unrestricted	2,250.00	
5510-000-000-365000-000	Contributions and Donations		2,250.00
Total		<u>2,250.00</u>	<u>2,250.00</u>

Adjusting Journal Entries JE # 44

ipt never deposited and subsequent collection of cash and checks

5210-000-000-101000-000	Cash - Unrestricted	784.00	
5210-000-000-343021-000	Metered Water Sales	1,460.00	
5310-000-000-101000-000	Cash - Unrestricted	784.00	
5310-000-000-343031-000	Sewer Service Charges	1,460.00	
5210-000-000-101000-000	Cash - Unrestricted		1,460.00
5210-000-000-343021-000	Metered Water Sales		784.00
5310-000-000-101000-000	Cash - Unrestricted		1,460.00
5310-000-000-343031-000	Sewer Service Charges		784.00
Total		<u>4,488.00</u>	<u>4,488.00</u>

Adjusting Journal Entries JE # 45

Record misc items from cash rec

1000-000-000-101000-000	Cash - Unrestricted	133.00	
1000-000-000-362000-000	Other Miscellaneous Revenue		133.00
Total		<u>133.00</u>	<u>133.00</u>

Adjusting Journal Entries JE # 46

County option tax deposited, not recorded

1000-000-000-101000-000	Cash - Unrestricted	3,805.00	
1000-000-000-314140-000	Local Option Tax		3,805.00
Total		<u>3,805.00</u>	<u>3,805.00</u>

Adjusting Journal Entries JE # 47

Reverse deposited receipt error			
5210-000-000-343027-000	Miscellaneous Water Revenue	784.00	
5310-000-000-343036-000	Miscellaneous Sewer Revenue	784.00	
5210-000-000-101000-000	Cash - Unrestricted		784.00
5310-000-000-101000-000	Cash - Unrestricted		784.00
Total		1,568.00	1,568.00

Adjusting Journal Entries JE # 48

Correct cash			
1000-000-000-362000-000	Other Miscellaneous Revenue	661.00	
1000-000-000-101000-000	Cash - Unrestricted		661.00
Total		661.00	661.00



**WORDEN
THANE P.C.**
ATTORNEYS AT LAW

Established in 1924

Donovan Worden, Sr.
(1892 - 1967)
Donovan Worden, Jr.
(1918-2001)
Jeremy G. Thane
(1927 - 2016)

Ronald A. Bender
Martin S. King
W. Carl Mendenhall
Sean M. Morris
Reid J. Perkins
William E. McCarthy
Amy M. Scott Smith
Jori Quinlan

Jesse C. Kodadek
Chris A. Johnson (MT, WA)
Ross P. Keogh (MT, ND, WY)
Dana L. Hupp
Martin Rogers
Joel E. Henry
Brand G. Boyar
Natalie L. Black
Elizabeth W. Erickson

October 28, 2019

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

Re: Audit Response Letter: Town of Ennis

To Whom it May Concern:

By letter dated October 8, 2019, Ginger Gunn, Town of Ennis Clerk/Treasurer (referred to herein as "Town of Ennis") requested that we furnish to you certain information regarding Town of Ennis in connection with your examination of the accounts of the Town of Ennis as of June 30, 2019. Ms. Gunn has advised us that, in making the request, the Town of Ennis does not intend to waive the attorney-client privilege with respect to any information which the Town of Ennis has furnished to us. Moreover, please be advised that our response to you should not be construed in any way to constitute a waiver of the attorney work-product privilege with respect to any of our files involving the Town of Ennis.

While this firm represents the Town of Ennis, our engagement has been limited to specific matters as to which we were consulted by the Town of Ennis. Accordingly, our response is limited to those specific matters to which we have been engaged by the Town of Ennis and to which we have devoted substantive attention on behalf of the Town of Ennis in the form of legal consultation or representation. In addition, our response to the information requested is limited as follows:

- (1) Pending or threatened litigation, or claims, and assessments in which the Town of Ennis is involved in any manner, or in which it is likely to become involved, is defined as pending or threatened litigation, pending assessments or threatened assessments of additional taxes, or other asserted or threatened claims made against the Town of Ennis in excess of \$3,000.00. "Threatened litigation," "threatened claims," and "threatened assessments" are defined to involve those instances where a potential claimant has manifested to us an awareness of and present intention to assert a possible claim in excess of \$3,000.00, or we have been informed of such a manifestation.
- (2) We are not undertaking to comment upon other contingencies, including without limitation (a) contractually assumed obligations, (b) unasserted possible claims or assessments, and (c) the possibility of losses from catastrophes not ordinarily insured against or otherwise provided for, currency revaluations or a business recession.
- (3) Our response is directed only to matters which have been given substantive attention by us constituting the expenditure by a single attorney in the form of legal consultation and, where

appropriate, legal representation on behalf of our law firm of more than ten (10) hours of recordable billable time as of June 30, 2018, and which we have recognized as falling within the definition set out above. In the preparation of this response, our procedures have been limited to an endeavor to determine from lawyers presently in our firm who have performed services for the Town of Ennis whether such services involved substantive attention in the form of legal consultation concerning any litigation, claims or assessments of the type described above. Accordingly, it is to be noted that we have not undertaken an independent review of any of the Town of Ennis's transactions or contractual arrangements, nor have we made specific inquiry of officers of the Town of Ennis for purposes of this response. Furthermore, this letter does not necessarily discuss any or all matters of a legal nature of which we may have become aware but which have not been referred to us for representation of the Town of Ennis, such as matters of which we may have obtained knowledge in the course of other representations of the Town of Ennis or because a corporation affiliated with our firm may have served as statutory agent for the Town of Ennis and may have received service of process on its behalf, and matters with respect to which the Town of Ennis are represented by other legal counsel or which are being handled by the Town of Ennis employees. If any lawyer affiliated with our law firm serves or has served as a director and/or officer of the Town of Ennis (or any affiliate of the Town of Ennis), our firm does not assume responsibility for disclosing any matters which may have come to his or her attention in such capacity.

Subject to the foregoing and to the terms and conditions of this letter, we submit the following information relative to the Town of Ennis:

PENDING OR THREATENED LITIGATION, CLAIMS, OR ASSESSMENTS

Stears v. Town of Ennis

Michael and Marie Stears filed a complaint on October 27, 2016, in the Montana Fifth Judicial District Court for Madison County against the Town of Ennis. In the Complaint, the Stears claim a right of ownership to a certain strip of land which the Town of Ennis also claims a right of ownership.

The Stears' Complaint requests a recovery of their attorneys' fees in pursuing the action, as does the Town of Ennis' counterclaim. The Stears do not allege any other damages. Any recovery by the Stears would not be covered by insurance. While an award of attorneys' fees to the Stears is possible (assuming they prevail), it is unlikely.

The District Court has granted summary judgment to the Town of Ennis on one of the Stears' three legal claims but has denied summary judgment on the remaining two. As such, it is expected the issue will go to a non-jury trial some time in 2019.

As the strip of land provides access to an important river site, the Town intends to contest the matter vigorously. It is our opinion that the Town of Ennis' claim to the strip of land is better than the claim asserted by the Stears and that the chances of an adverse money judgment is less than 50%. In the event of an adverse judgment, we estimate the amount of potential loss to be approximately \$125,000.

UNASSERTED CLAIMS OR ASSESSMENTS

We do not undertake to comment upon unasserted claims and assessments unless the Town of Ennis has specifically identified such unasserted claims or assessments and has specifically requested, in writing, that we comment upon such unasserted claim or assessments. As there has been no such identification or request, we do not undertake to comment upon unasserted claims and assessments. In addition, there are no unasserted claims or assessments that we have advised the Town of Ennis are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.

The information set forth herein is as of June 30, 2018, the date on which we commenced our internal review procedures for purposes of preparing this response (the "Effective Date"), except as otherwise noted, and we disclaim any undertaking to advise you of changes which thereafter may be brought to our attention.

This response is limited by, and in accordance with, the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975); without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference, and any description herein of any "loss contingencies" is qualified in its entirety by Paragraph 5 of the Statement and the accompanying Commentary (which is an integral part of the Statement). Consistent with the last sentence of Paragraph 6 of the ABA Statement of Policy and pursuant to the Town of Ennis's request, this will confirm as correct the Town of Ennis's understanding as set forth in its audit inquiry letter to us that whenever, in the course of performing legal services for the Town of Ennis with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, we have formed a professional conclusion that the Town of Ennis must disclose or consider disclosure concerning such possible claim or assessment, we, as a matter of professional responsibility to the Town of Ennis, will so advise the Town of Ennis and will consult with the Town of Ennis concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5.

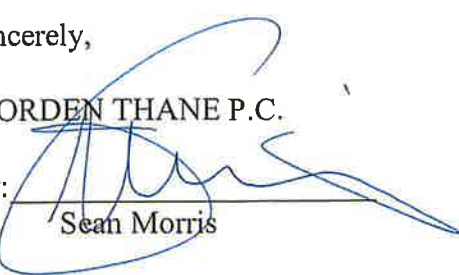
The total amount due Worden Thane P.C. for services and expenses as of June 30, 2018, was \$3,970.00.

This information is supplied solely for Auditor's information in connection with their examination of the Town of Ennis's financial statements and is not to be quoted in whole or in part, or otherwise referred to, in any financial statement of the Town of Ennis nor disclosed to any third party without the undersigned's written consent.

If you have any questions, please contact me.

Sincerely,

WORDEN THANE P.C.

By: 
Sean Morris

cc: Ginger Gunn

TOWN OF ENNIS

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

01/15/2020

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

Re: Audit Report Findings FY19

Plan of action for Reportable Conditions:

2019-001. 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.

2019-002. 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.

2019-003. Other Post Employment Benefit Liability Not Recorded: The Town of Ennis has found that the cost outweighs the benefit.

2019-004. Pledges: Finding resolved.



TOWN OF ENNIS

P.O. Box 147

ENNIS, MT 59729

PHONE (406) 682-4287

FAX (406) 682-5011

October 8, 2019

Worden Than PC
PO Box 4747
Missoula, Montana 59806-4747

Our auditors, Olness & Associates, PC, 2810 Central Ave, STE B, Billings, MT 59102, are conducting an audit of our financial statements at June 30, 2019 and for the year then ended. This letter will serve as our consent for you to furnish to our auditors all the information requested herein. Accordingly, please provide to them the information requested below involving matters with respect to which you have been engaged and to which you have devoted substantive attention on behalf of the Town of Ennis, Montana in the form of legal consultation or representation. We do not intend either this request or your response to our auditor to constitute a waiver of the attorney-client privilege or the attorney work product privilege.

Pending or Threatened Litigation, Claims, and Assessments (excluding unasserted claims and assessments)

Please prepare a description of all material pending or threatened litigation, claims, and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$3,000 individually or in the aggregate. The description of each matter should include:

- 1) The nature of the litigation, including identification of—
 - a) The proceedings.
 - b) The claim(s) asserted.
 - c) The amount of monetary or other damages sought. If no amounts are stated in preliminary case filings, please so state.
 - d) Whether or not the potential damages are covered by insurance and, if so, to what extent (policy limits, deductible, etc.).
 - e) The objectives sought by the plaintiff (if any) other than monetary or other damages (such as performance or discontinued performance of certain actions).
- 2) The progress of the matter to date (in the process of discovery, trial, appeal, etc.).
- 3) How management is responding or intends to respond to the litigation, for example, to contest the matter vigorously or to seek out-of-court settlement.
- 4) An evaluation of the likelihood of an unfavorable outcome. To avoid potential misunderstandings of your opinion, please avoid vague phrases such as or similar to "meritorious defense," "without substantial merit," or "reasonable chance of dismissal." If no opinion can be expressed, please so state and explain the reasons.
- 5) An estimate of the amount or range of potential loss. It is important that you express an upper limit on possible and probable losses. If no range or upper limits can be expressed, please so state and explain the reasons.

Also, please identify any pending or threatened litigation, claims, and assessments with respect to which you have been engaged but as to which you have not devoted substantive attention.

Unasserted Claims and Assessments

We have represented to our auditors that there are no unasserted possible claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, Contingencies .

We understand that, whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of FASB ASC 450, Contingencies (excerpts of which can be found in the ABA's *Auditor's Letter Handbook*). Please specifically confirm to our auditors that our understanding is correct.

Response

Your response should include matters that existed as of June 30, 2019, and during the period from that date to the effective date of your response. Please specify the date of your response if it is other than the date of reply.

Please specifically identify the nature of, and reasons for, any limitations on your response.

Our auditors expect to have the audit completed by about October 8, 2019. They would appreciate receiving your reply by October 18, 2019 with a specified effective date no earlier than October 8, 2019. You may also be requested to provide updates to your written response at a later date. We authorize you to respond to a request for updates made directly from our auditors in connection with the audit of our financial statements as of June 30, 2019 and for the year then ended. We appreciate your timely response to such requests.

Very truly yours,

A handwritten signature in cursive script that reads "Ginger Guinn".

Ginger Guinn, Clerk/Treasurer



TOWN OF ENNIS

P.O. Box 147

ENNIS, MT 59729

PHONE (406) 682-4287

FAX (406) 682-5011

November 14, 2019

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

This representation letter is provided in connection with your audit of the financial statements of the Town of Ennis, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of November 14, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 30, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) Except as described in the Basis for Opinion Qualification of the auditor's report, the financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. We also acknowledge:
 - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
 - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - That the disclosures related to accounting estimates are complete and appropriate.

- That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
 - 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
 - 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
 - 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
 - 10) Guarantees, whether written or oral, under which the government is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

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

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.

- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The government has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes, prepared the trial balance for use during the audit, which was limited to formatting information into a working trial balance based on management's chart of accounts, prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting, and maintained the government's depreciation schedule. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 30) The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The government has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended, and GASBS No. 84 .
- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.

- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASBS) Statements, as discussed in Note 3. The government is therefore unable to disclose the impact that adopting future GASBS Statements will have on its financial position and the results of its operations when the Statements are adopted.
- 46) We agree with the findings of specialists in evaluating the GASBS No. 68 deferred outflows/inflows of resources and the net pension liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 47) Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- 48) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- 49) Capital assets, including intangible assets (if any), have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- 50) Unused lines of credit, collateral pledged to secure debt, certain contractual debt terms (such as significant defaults or termination events), and direct borrowings and private placements have been properly disclosed.
- 51) Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
- 52) We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 53) We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
- 54) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments

55) With respect to federal award programs:

- a) Expenditures of federal awards were below the \$750,000 threshold in the year ended June 30, 2019, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).



Signed: Mayor



Signed: Commission Chairperson



Signed: Clerk/Treasurer

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

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

June 30, 2019

To the governing board
Town of Ennis
Box 147
Ennis, Montana 59729

We are pleased to confirm our understanding of the services we are to provide Town of Ennis for the year ended June 30, 2019. We will audit the financial statements of the governmental activities, the business-type activities (if applicable), each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the government as of and for the year ended June 30, 2019 and perform other procedures as required by the Montana Department of Administration Standard Audit Contract. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the government's 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. As part of our engagement, we will apply certain limited procedures to the government's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited: Management's Discussion and Analysis, budget to actual schedules and if applicable, GASB-required supplementary information and OPEB.

We have also been engaged to report on supplementary information other than RSI that accompanies the government's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the government and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the government's financial statements. Our report will be addressed to the governing body of the government. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will

also state that the report is not suitable for any other purpose. If during our audit we become aware that the government is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories (if applicable), and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the government's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in converting cash basis financial statements to accrual, depreciation schedules and preparing the financial statements and related notes of the government in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing and maintaining effective internal controls, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us 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.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

If applicable, you are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to your government; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Olness & Associates, PC, CPA's and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to state agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Olness & Associates, PC, CPA's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the state or federal agencies. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

One of the shareholders will be the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services is defined in the Montana Department of Administration Standard Audit Contract. Our invoices for these fees will be rendered at the end of the fieldwork and are payable on presentation. The fee in the Standard Audit Contract is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2016 peer review report accompanies this letter.

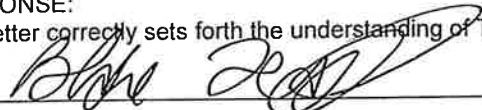
We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Olness & Associates, PC

Olness & Associates, PC
Certified Public Accountants

RESPONSE:
This letter correctly sets forth the understanding of Town of Ennis.

By: 

Title: MAYOR

Date: 07-22-2019



Montana Society
of Certified Public Accountants

MSCPA Peer Review Program
Administered in Montana
by the Montana Society of CPAs



Peer Review Program
Administered in Montana
by the Montana Society of CPAs

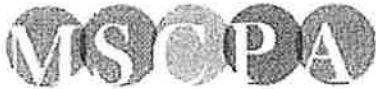
September 06, 2017

Brent Olness
Olness & Associates, P. C.
2810 Central Avenue Suite#B
BILLINGS, MT 59102

Dear Brent Olness:

It is my pleasure to notify you that on August 30, 2017, the Montana Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is March 31, 2020. This is the date by which all review documents should be completed and submitted to the administering entity. If your due date falls between January and April, you can arrange to have your review a few months earlier to avoid having a review during tax season.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.



*Montana Society
of Certified Public Accountants*

MSCPA Peer Review Program
*Administered in Montana
by the Montana Society of CPAs*



Peer Review Program
*Administered in Montana
by the Montana Society of CPAs*

Thank you for your cooperation and support of the profession's practice-monitoring programs.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Stefani S. Freese'.

Stefani S. Freese
MSCPA Peer Review Committee Chair
sfreese@azworld.com 406-245-5136
Montana Society of CPAs

CC: Stefani S. Freese

Firm Number: 900010127862

Review Number: 488036



ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS •

402 NORTH BROADWAY, 4th FLOOR • P.O. BOX 20435 • BILLINGS, MONTANA 59104-0435
TEL: 406.245.5136 • FAX: 406.245.6056 • WEB: www.azworld.com

Report on the Firm's System of Quality Control

To the Shareholders of Olness & Associates, P.C.
and the Peer Review Committee of the Montana Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Olness & Associates, P.C. (the firm) in effect for the year ended September 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standard*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Olness & Associates, P.C. in effect for the year ended September 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Olness & Associates, P.C. has received a peer review rating of *pass*.

Anderson Zurmuehlen & Co, P.C.

Billings, Montana
February 2, 2017