

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TABLE OF CONTENTS

Page No.

ORGANIZATION.....	1
INDEPENDENT AUDITOR'S REPORT.....	2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion & Analysis.....	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Statement of Net Position - Proprietary Funds.....	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	15
Statement of Cash Flows - Proprietary Funds.....	16
Statement of Net Position - Fiduciary Fund.....	17
Notes to Basic Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund.....	32
Library Fund.....	33
Health Insurance-Employer Contribution Fund.....	34
Notes to Required Supplementary Information.....	35
Pension Plan Information:	
Schedule of Contributions.....	36
Schedule of Proportionate Share of the Net Pension Liability.....	37
Notes to Required Supplementary Information-Pension Plan Information.....	38
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
SCHEDULE OF FINDINGS.....	41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	42

TOWN OF ENNIS

ORGANIZATION

June 30, 2020

MAYOR

Blake Leavitt

TOWN COMMISSION

Kristy Ranson	Member
Jason Schroeder	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

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ennis, Montana (the government) as of and for the year ended June 30, 2020, 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, 2020, 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, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Hass & Associates, PC

Billings, Montana
October 27, 2020

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, 2020. 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, 2020, was \$9,484,114. 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 \$158,174 or less than 2 percent.
- As of June 30, 2020, the governmental funds reported combined ending fund balances of \$489,659, an increase of \$65,801 from the prior year. The increase is due largely to conservative spending.
- As of June 30, 2020, the unassigned fund balance for the general fund was \$137,225, or approximately 28 percent of total general fund expenditures. A portion of the unassigned fund balance was appropriated to meet 2020-2021 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 507,729	\$ 444,565	\$ 2,108,136	\$ 1,906,670	\$ 2,615,865	\$ 2,351,235
Capital assets	4,916,655	4,952,652	2,433,466	2,474,205	7,350,121	7,426,857
Total assets	5,424,384	5,397,217	4,541,602	4,380,875	9,965,986	9,778,092
Deferred outflows of resources	55,224	65,829	24,810	29,576	80,034	95,405
Long-term liabilities outstanding	368,285	306,183	162,219	137,636	530,504	443,819
Deferred inflows of resources						
Pension plan	14,949	62,849	6,715	28,236	21,664	91,085
Unavailable revenue	9,738	12,653	-	-	9,738	12,653
Total deferred inflows	24,687	75,502	6,715	28,236	31,402	103,738
Net position:						
Net investment in capital assets	4,908,024	4,940,852	2,428,964	2,465,201	7,336,988	7,406,053
Restricted	332,173	284,947	-	-	332,173	284,947
Unrestricted	(153,561)	(144,438)	1,968,514	1,779,378	1,814,953	1,634,940
	\$ 5,086,636	\$ 5,081,361	\$ 4,397,478	\$ 4,244,579	\$ 9,484,114	\$ 9,325,940

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 75,201	\$ 76,175	\$ 690,737	\$ 671,782	\$ 765,938	\$ 747,957
Operating grants/contributions	111,040	114,241	3,155	2,585	114,195	116,826
General revenues:						
Taxes	474,193	443,777	-	-	474,193	443,777
Intergovernmental	155,933	151,810	-	-	155,933	151,810
Interest	3,861	1,375	31,675	9,363	35,536	10,738
Miscellaneous	15,442	15,086	9,298	7,533	24,740	22,619
Gain on disposal of assets	-	-	-	1,018	-	1,018
Total revenues	<u>835,670</u>	<u>802,464</u>	<u>734,865</u>	<u>692,281</u>	<u>1,570,535</u>	<u>1,494,745</u>
Expenses:						
General government	423,759	396,616	-	-	423,759	396,616
Public safety	136,951	132,565	-	-	136,951	132,565
Public works	185,627	231,137	-	-	185,627	231,137
Public health	599	581	-	-	599	581
Social and economic services	-	5,000	-	-	-	5,000
Culture and recreation	174,598	166,225	-	-	174,598	166,225
Conservation of natural res.	225	2,232	-	-	225	2,232
Water	-	-	161,715	149,713	161,715	149,713
Sewer	-	-	223,540	214,078	223,540	214,078
Ambulance	-	-	104,675	109,590	104,675	109,590
Interest on long-term debt	672	852	-	-	672	852
Total expenses	<u>922,431</u>	<u>935,208</u>	<u>489,930</u>	<u>473,381</u>	<u>1,412,361</u>	<u>1,408,589</u>
Change in net position before transfers	(86,761)	(132,744)	244,935	218,900	158,174	86,156
Transfers	92,036	80,511	(92,036)	(80,511)	-	-
Change in net position	5,275	(52,233)	152,899	138,389	158,174	86,156
Net position, beginning	5,081,361	5,133,594	4,244,579	4,106,190	9,325,940	9,239,784
Net position, ending	<u>\$ 5,086,636</u>	<u>\$ 5,081,361</u>	<u>\$ 4,397,478</u>	<u>\$ 4,244,579</u>	<u>\$ 9,484,114</u>	<u>\$ 9,325,940</u>

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 \$16,083, mainly due to conservative spending. The library fund balance decreased \$1,439. Fund balance for the health insurance fund increased \$14,926 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 \$68,357 and \$92,686, respectively. The increase occurred because of conservative spending. Net position for the ambulance fund decreased \$8,144.

DEBT ADMINISTRATION

Compensated absences in the water, sewer and ambulance funds had a balance of \$14,991 at June 30, 2020. Governmental activities compensated absences were \$41,973 at June 30, 2020.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2020 was \$7,345,619.

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 has 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 being reviewed, updated and changed. The street maintenance district is also being reviewed. 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 497,345	\$ 1,452,951	\$ 1,950,296
Receivables:			
Taxes and assessments	18,070	-	18,070
Governments	7,399	-	7,399
Utility	-	72,638	72,638
Ambulance (net of allowance of \$148,643)	-	26,605	26,605
Internal balances	(15,085)	15,085	-
Investment in joint venture	-	15,494	15,494
Restricted assets:			
Cash and equivalents	-	525,363	525,363
Capital assets:			
Land	146,205	192,779	338,984
Capital assets, net of accumulated depreciation	4,770,450	2,240,687	7,011,137
Total assets	<u>5,424,384</u>	<u>4,541,602</u>	<u>9,965,986</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	<u>55,224</u>	<u>24,810</u>	<u>80,034</u>
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Notes payable	3,327	4,502	7,829
Compensated absences	4,197	1,500	5,697
Due in more than one year:			
Notes payable	5,304	-	5,304
Net pension liability	317,681	142,726	460,407
Compensated absences	37,776	13,491	51,267
Total liabilities	<u>368,285</u>	<u>162,219</u>	<u>530,504</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	14,949	6,715	21,664
Unavailable revenue-long term special assessments	9,738	-	9,738
Total deferred inflows of resources	<u>24,687</u>	<u>6,715</u>	<u>31,402</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	4,908,024	2,428,964	7,336,988
Restricted for:			
General government	52,830	-	52,830
Public safety	4,631	-	4,631
Public works	215,754	-	215,754
Culture and recreation	17,423	-	17,423
Debt service	2,232	-	2,232
Capital projects	39,303	-	39,303
Unrestricted (deficit)	(153,561)	1,968,514	1,814,953
Total net position (deficit)	<u>\$ 5,086,636</u>	<u>\$ 4,397,478</u>	<u>\$ 9,484,114</u>

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 423,759	\$ 5,995	\$ 2,739	\$ (415,025)	\$ -	\$ (415,025)
Public safety	136,951	16,849	1,686	(118,416)	-	(118,416)
Public works	185,627	51,262	30,179	(104,186)	-	(104,186)
Public health	599	1,095	-	496	-	496
Culture and recreation	174,598	-	76,436	(98,162)	-	(98,162)
Conservation of natural resources	225	-	-	(225)	-	(225)
Interest on long-term debt	672	-	-	(672)	-	(672)
Total governmental activities	922,431	75,201	111,040	(736,190)	-	(736,190)
Business-type activities:						
Water	161,715	256,539	1,323	-	96,147	96,147
Sewer	223,540	343,420	1,323	-	121,203	121,203
Ambulance	104,675	90,778	509	-	(13,388)	(13,388)
Total business-type activities	489,930	690,737	3,155	-	203,962	203,962
Total	\$ 1,412,361	\$ 765,938	\$ 114,195	(736,190)	203,962	(532,228)
General revenues:						
Property taxes				474,193	-	474,193
Intergovernmental				155,933	-	155,933
Unrestricted investment earnings				3,861	31,675	35,536
Miscellaneous				15,442	9,298	24,740
Transfers				92,036	(92,036)	-
Total general revenues and transfers				741,465	(51,063)	690,402
Change in net position				5,275	152,899	158,174
Net position - beginning				5,081,361	4,244,579	9,325,940
Net position - ending				\$ 5,086,636	\$ 4,397,478	\$ 9,484,114

See notes to basic financial statements.

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Library	Health Insurance- Employer Contribution	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 144,911	\$ 16,849	\$ 34,684	\$ 300,901	\$ 497,345
Receivables:					
Taxes and assessments	4,724	574	1,645	11,127	18,070
Governments	7,399	-	-	-	7,399
Total assets	\$ 157,034	\$ 17,423	\$ 36,329	\$ 312,028	\$ 522,814
LIABILITIES					
Due to other funds	\$ 15,085	\$ -	\$ -	\$ -	\$ 15,085
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-taxes and assessments	4,724	574	1,645	11,127	18,070
FUND BALANCES (DEFICITS)					
Restricted for:					
General government	-	-	34,684	15,989	50,673
Public safety	-	-	-	4,631	4,631
Public works	-	-	-	215,159	215,159
Culture and recreation	-	16,849	-	-	16,849
Debt service	-	-	-	1,950	1,950
Capital projects	-	-	-	39,303	39,303
Committed for:					
Culture and recreation	-	-	-	25,744	25,744
Unassigned	137,225	-	-	(1,875)	135,350
Total fund balances (deficits)	137,225	16,849	34,684	300,901	489,659
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 157,034	\$ 17,423	\$ 36,329	\$ 312,028	\$ 522,814

TOWN OF ENNIS
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 June 30, 2020

Total fund balances, governmental funds	\$ 489,659
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.	4,916,655
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.	8,332
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	55,224
Deferred inflows of resources related to pensions	(14,949)
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>(368,285)</u>
Net position of governmental activities	<u><u>\$ 5,086,636</u></u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Library	Health Insurance- Employer Contribution	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes/assessments	\$ 319,415	\$ 28,887	\$ 93,277	\$ 77,347	\$ 518,926
Fines and forfeitures	16,849	-	-	-	16,849
Licenses and permits	11,141	-	-	-	11,141
Intergovernmental	166,251	73,478	-	28,944	268,673
Charges for services	2,200	-	-	-	2,200
Investment earnings	3,446	-	-	415	3,861
Miscellaneous	6,309	6,735	-	698	13,742
Total revenues	525,611	109,100	93,277	107,404	835,392
EXPENDITURES					
Current:					
General government	227,437	-	146,289	36,958	410,684
Public safety	122,318	-	-	4,009	126,327
Public works	75,592	-	-	67	75,659
Public health	599	-	-	-	599
Culture and recreation	35,104	108,039	-	-	143,143
Conservation of natural resources	-	-	-	225	225
Debt service:					
Principal	-	-	-	3,169	3,169
Interest and other charges	127	-	-	545	672
Capital outlay	6,000	-	-	95,149	101,149
Total expenditures	467,177	108,039	146,289	140,122	861,627
Excess (deficiency) of revenues over expenditures	58,434	1,061	(53,012)	(32,718)	(26,235)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,814	-	67,938	68,949	146,701
Transfers out	(52,165)	(2,500)	-	-	(54,665)
Total other financing sources (uses)	(42,351)	(2,500)	67,938	68,949	92,036
Net change in fund balances	16,083	(1,439)	14,926	36,231	65,801
Fund balances - beginning	121,142	18,288	19,758	264,670	423,858
Fund balances - ending	\$ 137,225	\$ 16,849	\$ 34,684	\$ 300,901	\$ 489,659

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, 2020

Net change in fund balances - total governmental funds \$ 65,801

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 (\$137,146) exceeded capital outlay (\$101,149) in the current period. (35,997)

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. 278

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. (23,891)

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. 3,169

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 (4,085)

Change in net position of governmental activities \$ 5,275

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 655,144	\$ 787,861	\$ 9,946	\$ 1,452,951
Receivables:				
Utility	29,761	42,877	-	72,638
Ambulance (net of allowance of \$148,643)	-	-	26,605	26,605
Due from other funds	15,085	-	-	15,085
Total current assets	<u>699,990</u>	<u>830,738</u>	<u>36,551</u>	<u>1,567,279</u>
Non-current assets:				
Investment in joint venture	15,494	-	-	15,494
Restricted assets:				
Cash and cash equivalents	225,570	55,886	243,907	525,363
Capital assets:				
Land	120,414	72,365	-	192,779
Infrastructure	676,595	233,451	-	910,046
Buildings and improvements	498,777	2,264,086	-	2,762,863
Equipment and furniture	74,635	66,383	387,993	529,011
Less: accumulated depreciation	(680,541)	(1,087,808)	(192,884)	(1,961,233)
Capital assets, net	<u>689,880</u>	<u>1,548,477</u>	<u>195,109</u>	<u>2,433,466</u>
Total non-current assets	<u>930,944</u>	<u>1,604,363</u>	<u>439,016</u>	<u>2,974,323</u>
Total assets	<u>1,630,934</u>	<u>2,435,101</u>	<u>475,567</u>	<u>4,541,602</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plans	10,404	10,404	4,002	24,810
LIABILITIES				
Current liabilities:				
Compensated absences	599	599	302	1,500
Notes payable	-	-	4,502	4,502
Total current liabilities	<u>599</u>	<u>599</u>	<u>4,804</u>	<u>6,002</u>
Non-current liabilities:				
Compensated absences	5,389	5,389	2,713	13,491
Net pension liability	59,853	59,853	23,020	142,726
Total non-current liabilities	<u>65,242</u>	<u>65,242</u>	<u>25,733</u>	<u>156,217</u>
Total liabilities	<u>65,841</u>	<u>65,841</u>	<u>30,537</u>	<u>162,219</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plans	2,816	2,816	1,083	6,715
NET POSITION				
Net investment in capital assets	689,880	1,548,477	190,607	2,428,964
Unrestricted	882,801	828,371	257,342	1,968,514
Total net position	<u>\$ 1,572,681</u>	<u>\$ 2,376,848</u>	<u>\$ 447,949</u>	<u>\$ 4,397,478</u>

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, 2020

	Water	Sewer	Ambulance	Total
REVENUES				
Charges for services	\$ 256,539	\$ 343,420	\$ 90,778	\$ 690,737
Total operating revenues	<u>256,539</u>	<u>343,420</u>	<u>90,778</u>	<u>690,737</u>
OPERATING EXPENSES				
Personal services	71,356	71,341	36,217	178,914
Supplies	21,078	26,129	14,223	61,430
Purchased services	36,318	56,376	16,420	109,114
Fixed charges	4,230	6,308	3,368	13,906
Depreciation	28,733	63,386	34,447	126,566
Total operating expenses	<u>161,715</u>	<u>223,540</u>	<u>104,675</u>	<u>489,930</u>
Operating income (loss)	<u>94,824</u>	<u>119,880</u>	<u>(13,897)</u>	<u>200,807</u>
NON-OPERATING REVENUES				
Interest revenue	13,713	12,986	4,976	31,675
Miscellaneous revenue	-	-	9,298	9,298
Operating grants and contributions	1,323	1,323	509	3,155
Total non-operating revenues	<u>15,036</u>	<u>14,309</u>	<u>14,783</u>	<u>44,128</u>
Income before transfers	109,860	134,189	886	244,935
Transfers out	<u>(41,503)</u>	<u>(41,503)</u>	<u>(9,030)</u>	<u>(92,036)</u>
Change in net position	68,357	92,686	(8,144)	152,899
Net position - beginning	<u>1,504,324</u>	<u>2,284,162</u>	<u>456,093</u>	<u>4,244,579</u>
Net position - ending	<u>\$ 1,572,681</u>	<u>\$ 2,376,848</u>	<u>\$ 447,949</u>	<u>\$ 4,397,478</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Water	Sewer	Ambulance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 249,243	\$ 336,569	\$ 77,925	\$ 663,737
Cash paid to employees	(65,090)	(65,076)	(33,264)	(163,430)
Cash paid to suppliers for goods and services	(61,626)	(88,812)	(34,011)	(184,449)
Net cash provided by operating activities	<u>122,527</u>	<u>182,681</u>	<u>10,650</u>	<u>315,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers to other funds	(41,503)	(41,503)	(9,030)	(92,036)
Cash received from repayment of Interfund loan	4,972	-	-	4,972
Cash received from miscellaneous sources	-	-	9,298	9,298
Net cash provided (used) by noncapital financing activities	<u>(36,531)</u>	<u>(41,503)</u>	<u>268</u>	<u>(77,766)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(49,677)	(36,150)	-	(85,827)
Principal payments on notes	-	-	(4,502)	(4,502)
Net cash used by capital financing activities	<u>(49,677)</u>	<u>(36,150)</u>	<u>(4,502)</u>	<u>(90,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	-	61,501	128,724	190,225
Decrease in investment in joint venture	716	-	-	716
Interest received	13,713	12,986	4,976	31,675
Net cash provided by investing activities	<u>14,429</u>	<u>74,487</u>	<u>133,700</u>	<u>222,616</u>
Change in cash and cash equivalents	50,748	179,515	140,116	370,379
Cash and cash equivalents - beginning	829,966	664,232	113,737	1,607,935
Cash and cash equivalents - ending	<u>\$ 880,714</u>	<u>\$ 843,747</u>	<u>\$ 253,853</u>	<u>\$ 1,978,314</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 94,824	\$ 119,880	\$ (13,897)	\$ 200,807
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	28,733	63,386	34,447	126,566
Pension expense	5,825	5,825	2,239	13,889
Increase in accounts receivable	(7,296)	(6,851)	(12,853)	(27,000)
Increase in compensated absences	441	441	714	1,596
Net cash provided by operating activities	<u>\$ 122,527</u>	<u>\$ 182,681</u>	<u>\$ 10,650</u>	<u>\$ 315,858</u>

See notes to basic financial statements.

TOWN OF ENNIS
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 129
Investments	14,892
Prepays	<u>17,294</u>
Total assets	<u>\$ 32,315</u>
LIABILITIES	
Payable to joint venture participants	\$ 31,683
Due to state	<u>632</u>
Total liabilities	<u>\$ 32,315</u>

See notes to basic financial statements.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government's significant accounting policies are described below.

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

Cash and Investments

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

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

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

Receivables and Payables

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	60-80
Building and systems	25-100
Machinery and equipment	7-15

Collections Not Capitalized

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

Compensated Absences

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

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

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.

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Special Assessment Debt fund had a deficit fund balance of \$1,875 as of June 30, 2020. 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	\$ 497,345
Business-type activities	1,978,314
Fiduciary funds	<u>15,021</u>
	<u>\$ 2,490,680</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2020, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	(92,046)	-	(92,046)
Savings deposits	388,177	-	388,177
Time deposits	-	14,892	14,892
Short-term Investment Program (STIP)	<u>2,229,482</u>	<u>-</u>	<u>2,229,482</u>
	<u>\$ 2,525,788</u>	<u>\$ 14,892</u>	<u>\$ 2,540,680</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, 2020, \$62,978 of the government's bank balance of \$390,602 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>\$ 62,978</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, 2020, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2020:

	Fair Value
State Short-Term Investment Program (STIP)	<u>\$ 2,230,434</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, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 146,205	\$ -	\$ -	\$ 146,205
Total capital assets, not being depreciated	<u>146,205</u>	<u>-</u>	<u>-</u>	<u>146,205</u>
Capital assets, being depreciated				
Buildings	1,110,745	-	-	1,110,745
Improvements	131,476	40,150	-	171,626
Machinery and equipment	127,973	11,000	-	138,973
Infrastructure	8,085,883	49,999	-	8,135,882
Total capital assets, being depreciated	<u>9,456,077</u>	<u>101,149</u>	<u>-</u>	<u>9,557,226</u>
Less accumulated depreciation for:				
Buildings	(337,260)	(21,070)	-	(358,330)
Improvements	(31,104)	(4,600)	-	(35,704)
Machinery and equipment	(95,583)	(9,503)	-	(105,086)
Infrastructure	(4,185,683)	(101,973)	-	(4,287,656)
Total accumulated depreciation	<u>(4,649,630)</u>	<u>(137,146)</u>	<u>-</u>	<u>(4,786,776)</u>
Total capital assets, being depreciated, net	<u>4,806,447</u>	<u>(35,997)</u>	<u>-</u>	<u>4,770,450</u>
Governmental activities capital assets, net	<u>\$ 4,952,652</u>	<u>\$ (35,997)</u>	<u>\$ -</u>	<u>\$ 4,916,655</u>
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 192,779	\$ -	\$ -	\$ 192,779
Total capital assets, not being depreciated	<u>192,779</u>	<u>-</u>	<u>-</u>	<u>192,779</u>
Capital assets, being depreciated				
Buildings and systems	2,744,349	13,528	-	2,757,877
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	456,711	72,300	-	529,011
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	<u>4,116,092</u>	<u>85,828</u>	<u>-</u>	<u>4,201,920</u>
Less accumulated depreciation for:				
Buildings and systems	(1,044,513)	(68,920)	-	(1,113,433)
Improvements other than buildings	(1,006)	(100)	-	(1,106)
Machinery and equipment	(204,105)	(42,079)	-	(246,184)
Infrastructure	(585,043)	(15,467)	-	(600,510)
Total accumulated depreciation	<u>(1,834,667)</u>	<u>(126,566)</u>	<u>-</u>	<u>(1,961,233)</u>
Total capital assets, being depreciated, net	<u>2,281,425</u>	<u>(40,738)</u>	<u>-</u>	<u>2,240,687</u>
Business-type activities capital assets, net	<u>\$ 2,474,204</u>	<u>\$ (40,738)</u>	<u>\$ -</u>	<u>\$ 2,433,466</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 2,388
Public safety	6,653
Public works	107,788
Culture and Recreation	<u>20,317</u>
Total depreciation-governmental activities	<u>\$ 137,146</u>
Business-type activities:	
Water	\$ 28,733
Sewer	63,386
Ambulance	<u>34,447</u>
Total depreciation-business-type activities	<u>\$ 126,566</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2020, consisted of a \$15,085 loan from the water fund to the general fund. The loan was made to assist in financing legal costs associated with litigation. \$5,000 is expected to be repaid in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 9,814	\$ (52,165)
Library	-	(2,500)
Health insurance-employer contribution	67,938	-
Nonmajor governmental funds	<u>68,949</u>	<u>-</u>
Total governmental activities	<u>\$ 146,701</u>	<u>\$ (54,665)</u>
Business-type Activities:		
Water	\$ -	\$ (41,503)
Sewer	-	(41,503)
Ambulance	<u>-</u>	<u>(9,030)</u>
Total business-type activities	<u>\$ -</u>	<u>\$ (92,036)</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, 2020	
				Governmental Activities	Business-type Activities
Sidewalks-2008	\$ 39,000	15 yrs	4.95%	\$ 8,631	\$ -
Ambulance equipment-2018	18,010	4 yrs	0.00%	<u>-</u>	<u>4,502</u>
				<u>\$ 8,631</u>	<u>\$ 4,502</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
2021	\$ 3,327	\$ 387	\$ 3,714	\$ 4,502	\$ -	\$ 4,502
2022	3,494	220	3,714	-	-	-
2023	1,810	47	1,857	-	-	-
	<u>\$ 8,631</u>	<u>\$ 654</u>	<u>\$ 9,285</u>	<u>\$ 4,502</u>	<u>\$ -</u>	<u>\$ 4,502</u>

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Notes payable	\$ 11,800	\$ -	\$ (3,169)	\$ 8,631	\$ 3,327
Compensated absences	37,888	4,085	-	41,973	4,197
Governmental activity long-term liabilities	<u>\$ 49,688</u>	<u>\$ 4,085</u>	<u>\$ (3,169)</u>	<u>\$ 50,604</u>	<u>\$ 7,524</u>
Business-type activities:					
Notes payable	\$ 9,004	\$ -	\$ (4,502)	\$ 4,502	\$ 4,502
Compensated absences	13,395	1,596	-	14,991	1,500
Business-type activity long-term liabilities	<u>\$ 22,399</u>	<u>\$ 1,596</u>	<u>\$ (4,502)</u>	<u>\$ 19,493</u>	<u>\$ 6,002</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

In March 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". The outbreak, known now as COVID-19, has had a significant impact worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the government continues to monitor the situation and evaluate its potential impact. No impairments were recorded as of the statement of net position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the government's financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimable at this time.

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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, 2020, the Town incurred costs of \$4,107. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$73,478 for library services.

Joint Venture

The Town, in conjunction with the Towns of Sheridan, Twin Bridges and Virginia City, entered into a joint venture agreement to purchase machinery and equipment which may be necessary or desirable for municipal operations, to provide for the repair and maintenance of the machinery and equipment, and to provide a means of control and allocation of use which may not be practical for one of the Towns to obtain by itself and which may be mutually advantageous for the Towns as a group. The joint venture is administered by a four-member board. Each town appoints its respective member. Annually, each town contributes an amount agreed upon by all parties. During 2020, 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, 2020:

Total Assets	\$	61,976
Total Equity		61,976
Total Revenues		8,072
Total Expenditures		10,937
Total Decrease in Equity		(2,864)

As of June 30, 2020, the Town of Ennis' share of joint venture capital assets was \$7,573. 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 \$15,494 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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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

Second retirement applies to plan members re-employed in a PERS position after retirement. Plan members who retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit receive a refund of the plan member's contributions from the second employment plus regular interest at 2.02%.

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

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

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period 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 8.67% of each member's compensation. This was temporarily increased from 7.07% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The additional employer contributions terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .1% of earned compensation. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

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

At June 30, 2020, the government recorded a liability of \$460,407 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	\$	460,407
State of Montana proportionate share associated with employer		149,955
Total	\$	610,362

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 for PERS. The government's proportion of the net pension liability was based on the government's contributions received by PERS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all PERS participating employers. At June 30, 2020, the government's proportion was .0220 percent.

For the year ended June 30, 2020, the government recognized \$67,551 for its proportionate share of the pension expense. The government also recognized grant revenue of \$10,180 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 \$77,731.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

At June 30, 2020, the government reported its proportionate share of PERS deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,831	\$ 21,664
Changes in assumptions	19,546	-
Net difference between projected and actual earnings on pension plan investments	5,582	-
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	149	-
Employer contributions subsequent to measurement date	32,926	-
	\$ 80,034	\$ 21,664

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, 2021. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:		
2021	\$	24,449
2022		(6,092)
2023		2,077
2024		5,010

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2019 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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

allocation as of June 30, 2019, and are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	3.0%	0.00%
Domestic equity	36.0%	2.12%
Foreign equity	18.0%	1.26%
Fixed income	23.0%	0.50%
Private equity	12.0%	1.27%
Real estate	8.0%	0.46%
	<u>100.0%</u>	

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 a statutory appropriation from the general fund. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. 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	\$ 661,474	\$ 460,407	\$ 291,436

Future Implementation of GASB Pronouncements

GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following pronouncements are affected:

- Statement No. 84, Fiduciary Activities, reporting periods beginning after December 15, 2019
- Statement No. 87, Leases, fiscal years beginning after December 15, 2020, and all reporting periods thereafter
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, reporting periods beginning after December 15, 2020
- Statement No. 90, Majority Equity Interests, reporting periods beginning after December 15, 2019
- Statement No. 91, Conduit Debt Obligations, reporting periods beginning after December 15, 2021

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

- Statement No. 92, Omnibus 2020, Paragraphs 6–10 and 12 Various, but no later than reporting periods beginning after June 15, 2021; Paragraphs 6 and 7—fiscal years beginning after June 15, 2021; paragraphs 8, 9 and 12 - reporting periods beginning after June 15, 2021; Paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021
- Statement No. 93, Replacement of Interbank Offered Rates, Paragraphs 13 and 14 Except for Paragraph 11b and Paragraphs 13 and 14, reporting periods beginning after June 15, 2020; Paragraph 11b (removal of LIBOR as appropriate benchmark interest rate) - reporting periods ending after December 31, 2021; Paragraphs 13 and 14 - fiscal years beginning after June 15, 2021

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

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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, 2020

	Budgeted Amounts		Amounts, Budgetary Basis	Budget to GAAP Differences (1)	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 311,289	\$ 311,289	\$ 319,415	\$ -	\$ 319,415
Fines and forfeitures	18,000	18,000	16,849	-	16,849
Licenses and permits	11,300	11,300	11,141	-	11,141
Intergovernmental	161,901	161,901	159,226	7,025	166,251
Charges for services	-	-	2,200	-	2,200
Investment earnings	4,000	4,000	3,446	-	3,446
Miscellaneous	7,000	7,000	6,309	-	6,309
Total revenues	513,490	513,490	518,586	7,025	525,611
EXPENDITURES					
Current:					
General government	305,263	305,263	224,698	2,739	227,437
Public safety	147,088	147,088	120,632	1,686	122,318
Public works	82,873	82,873	75,100	492	75,592
Public health	2,000	2,000	599	-	599
Culture and recreation	38,136	38,136	32,996	2,108	35,104
Debt service:					
Interest and other charges	-	-	127	-	127
Capital outlay	8,500	8,500	6,000	-	6,000
Total expenditures	583,860	583,860	460,152	7,025	467,177
Excess (deficiency) of revenues over expenditures	(70,370)	(70,370)	58,434	-	58,434
OTHER FINANCING SOURCES (USES)					
Transfers in	9,814	9,814	9,814	-	9,814
Transfers out	(52,165)	(52,165)	(52,165)	-	(52,165)
Total other financing sources (uses)	(42,351)	(42,351)	(42,351)	-	(42,351)
Net change in fund balance	\$ (112,721)	\$ (112,721)	16,083	-	16,083
Fund balance - beginning			121,142	-	121,142
Fund balance - ending			\$ 137,225	\$ -	\$ 137,225

(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, 2020

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 28,738	\$ 28,738	\$ 28,887
Intergovernmental	73,479	73,479	73,478
Miscellaneous	6,101	6,101	6,735
Total revenues	<u>108,318</u>	<u>108,318</u>	<u>109,100</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>124,068</u>	<u>124,068</u>	108,039
Total expenditures	<u>124,068</u>	<u>124,068</u>	<u>108,039</u>
Excess (deficiency) of revenues over expenditures	<u>(15,750)</u>	<u>(15,750)</u>	1,061
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>\$ (18,250)</u>	<u>\$ (18,250)</u>	(1,439)
Fund balance - beginning			<u>18,288</u>
Fund balance - ending			<u>\$ 16,849</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 93,585	\$ 93,585	\$ 93,277
Total revenues	<u>93,585</u>	<u>93,585</u>	<u>93,277</u>
EXPENDITURES			
Current:			
General government	180,564	180,564	146,289
Total expenditures	<u>180,564</u>	<u>180,564</u>	<u>146,289</u>
Excess (deficiency) of revenues over expenditures	<u>(86,979)</u>	<u>(86,979)</u>	<u>(53,012)</u>
OTHER FINANCING SOURCES			
Transfers in	67,938	67,938	67,938
Total other financing sources	<u>67,938</u>	<u>67,938</u>	<u>67,938</u>
Net change in fund balance	<u>\$ (19,041)</u>	<u>\$ (19,041)</u>	14,926
Fund balance - beginning			<u>19,758</u>
Fund balance - ending			<u>\$ 34,684</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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 Years Ended June 30,

<u>Public Employees Retirement System:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 32,926	\$ 31,257	\$ 24,809	\$ 24,195	\$ 25,769	\$ 26,832
Contributions in relation to the contractually required contributions	<u>32,926</u>	<u>31,257</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>	<u>\$ -</u>
Employer's covered payroll	\$ 376,444	\$ 363,419	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029
Contributions as a percentage of covered payroll	8.75%	8.60%	8.47%	8.37%	8.77%	8.63%

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

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

<u>Public Employees Retirement System:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.0220%	0.0178%	0.0233%	0.0245%	0.0267%	0.0236%
Employer's proportionate share of the net pension liability associated with the employer	\$ 460,407	\$ 371,732	\$ 453,840	\$ 417,630	\$ 372,554	\$ 293,705
State of Montana's proportionate share of the net pension liability associated with the employer	<u>149,955</u>	<u>124,952</u>	<u>6,632</u>	<u>5,103</u>	<u>4,576</u>	<u>3,587</u>
Total	<u>\$ 610,362</u>	<u>\$ 496,684</u>	<u>\$ 460,472</u>	<u>\$ 422,733</u>	<u>\$ 377,130</u>	<u>\$ 297,292</u>
Employer's covered payroll	\$ 363,419	\$ 292,903	\$ 289,060	\$ 293,685	\$ 311,029	\$ 269,346
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.69%	126.91%	157.01%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2020

Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations

1. 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.
2. 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.
3. Interest Credited to Member Accounts:
 - The interest credited to member accounts increased from 0.25% to 0.77%.
4. 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.

Changes in actuarial assumptions and other inputs:

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

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

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2020, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated October 27, 2020. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

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 2020-001 through 2020-003 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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'neal & Associates, PC

Billings, Montana
October 27, 2020

TOWN OF ENNIS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2020

2020-001. SEGREGATION OF DUTIES

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

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

Effect: Transactions could be mishandled.

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

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

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

2020-002. 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.

2020-003. 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, 2020.

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

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

TOWN OF ENNIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

2019-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2020-001 for the year ended June 30, 2020.

2020-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2020-002 for the year ended June 30, 2020.

2020-003. OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2020-003 for the year ended June 30, 2020.

2019-004. CASH AND CERTIFICATE OF DEPOSIT BANK RECONCILIATIONS

Status: This finding was resolved.

AUDIT PUBLICATION INTRODUCTION

An audit of the affairs of the TOWN OF ENNIS, Montana has been conducted by OLNESS & ASSOCIATES, PC, CERTIFIED PUBLIC ACCOUNTANTS. The audit covered the fiscal year ended June 30, 2020. Section 2-7-521, MCA, requires the publication of the following summary of significant findings.

Summary of Significant Findings

The audit report for the fiscal year ended June 30, 2020 contained an Independent Auditor's Report on the basic financial statements. The report issued for the fiscal year ended June 30, 2020 was qualified.

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

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

SCHEDULE OF FINDINGS

SEGREGATION OF DUTIES
AUDITOR PREPARED FINANCIAL STATEMENTS
TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Public Inspection of Audit Report

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

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 27, 2020

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, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2020. 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. We noted no transactions entered into by the government during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the government's financial statements were the depreciable lives and estimated residual value of capital assets, the current portion of the compensated absences liability, the government's proportionate share of the state retirement systems' unfunded liability and deferred inflows/outflows related to pensions. 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 October 27, 2020.

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.

Basis for Qualified Opinions

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'Leary & Associates, PC

Billings, Montana

Client: **2053-01 - TOWN OF ENNIS**
 Engagement: **TOWN OF ENNIS**
 Period Ending: **6/30/2020**
 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		19,859.00	
7930-000-000-201000-000	Warrants Payable		127,523.00	
7910-000-000-101000-000	Cash - Unrestricted			19,859.00
7930-000-000-101000-000	Cash - Unrestricted			127,523.00
Total			147,382.00	147,382.00
Adjusting Journal Entries JE # 8				
Correct MAD TOWNS and adjust Joint ventures				
5210-000-000-430510-510	Water Administration		716.00	
5210-000-000-161000-000	Investment in Joint Venture			716.00
Total			716.00	716.00
Adjusting Journal Entries JE # 10				
adjust comp absences				
5210-000-000-430510-110	Water Administration		441.00	
5310-000-000-430610-110	Sewer Administration		441.00	
5510-000-000-420710-110	Emergency Medical Services - Ambulance Administration		714.00	
5210-000-000-239000-000	Compensated Absences Payable			441.00
5310-000-000-239000-000	Compensated Absences Payable			441.00
5510-000-000-239000-000	Compensated Absences Payable			714.00
Total			1,596.00	1,596.00
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		28,733.00	
5310-000-000-510400-830	DEPRECIATION EXPENSE		63,386.00	
5510-000-000-510400-830	DEPRECIATION EXPENSE		34,447.00	
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)			3,816.00
5210-000-000-187100-000	Allowance for Depreciation - Infrastructure			11,576.00
5210-000-000-189110-000	Allowance for Depreciation - Source Supply			6,121.00
5210-000-000-189210-000	Allowance for Depr - Pumping Plant (Credit)			3,611.00
5210-000-000-189410-000	Allowance for Depr - Trans & Distribution (Credit)			3,559.00
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)			3,816.00
5310-000-000-187100-000	Allowance for Depreciation - Infrastructure			3,891.00
5310-000-000-189310-000	Allowance for Depr - Treatment Plant (Credit)			55,629.00
5510-000-000-186100-000	Allowance for Depr - Machinery & Equip (Credit)			34,447.00
Total			126,566.00	126,566.00
Adjusting Journal Entries JE # 15				
Reclass to correct object				
2371-000-000-410551-140	Employer Contributions		146,289.00	
2371-000-000-410551-510	Payroll Services			146,289.00
Total			146,289.00	146,289.00

Adjusting Journal Entries JE # 18

Governmental state support revenue for GASB 68

1000-000-000-410000-199	General government-GASB 68	2,739.00	
1000-000-000-420000-199	Public safety-GASB 68	1,686.00	
1000-000-000-430000-199	Public works-GASB 68	492.00	
1000-000-000-460000-199	Culture and recreation-GASB 68	2,108.00	
1000-000-000-334100-199	State aide general government-GASB 68		2,739.00
1000-000-000-334200-199	State aide public safety-GASB 68		1,686.00
1000-000-000-334300-199	State aide public works-GASB 68		492.00
1000-000-000-334600-199	State aide culture and recreation-GASB 68		2,108.00
Total		7,025.00	7,025.00

Adjusting Journal Entries JE # 20

Enterprise GASB 68 pension entries

5210-000-000-210000-000	Deferred inflows	9,025.00	
5210-000-000-430510-140	Water Administration	5,825.00	
5310-000-000-210000-000	Deferred inflows	9,025.00	
5310-000-000-430610-140	Sewer Administration	5,825.00	
5510-000-000-210000-000	Deferred inflows	3,471.00	
5510-000-000-420710-140	Emergency Medical Services - Ambulance Administration	2,239.00	
5210-000-000-160000-000	Restricted Assets		1,999.00
5210-000-000-239500-000	Net pension liability		11,528.00
5210-000-000-334300-000	State aide-GASB 68		1,323.00
5310-000-000-160000-000	Restricted Assets		1,999.00
5310-000-000-239500-000	Net pension liability		11,528.00
5310-000-000-334300-000	State aide-GASB 68		1,323.00
5510-000-000-160000-000	Restricted Assets		768.00
5510-000-000-239500-000	Net pension liability		4,433.00
5510-000-000-334300-000	State aide-GASB 68		509.00
Total		35,410.00	35,410.00

Adjusting Journal Entries JE # 23

Correct interfund loan based on res 534-2017

1000-000-000-211000-000	Interfund Payable	28.00	
5210-000-000-371000-000	Investment Earnings	28.00	
1000-000-000-490500-620	Other Debt Service Payments		28.00
5210-000-000-131000-000	Interfund Receivable (Short Term)		28.00
Total		56.00	56.00

Adjusting Journal Entries JE # 24

Adjust prepaid H and A

7910-000-000-141000-000	Prepaid Expense	113.00	
7910-000-000-212510-000	Due to Others		113.00
Total		113.00	113.00

Adjusting Journal Entries JE # 30

Reverse 2019 accruals

1000-000-000-335034-000	REST AREA COSTS REIMBURSEMENT	7,457.00	
2250-000-000-331010-000	CDBG	11,237.00	
2250-000-000-411000-335	Planning & Research Services	13.00	
2821-000-000-335041-000	Special Roads Allocation Program	18,666.00	
1000-000-000-132000-000	Due From Government (Short Term)		7,457.00
2250-000-000-132000-000	Due From Government (Short Term)		11,250.00
2821-000-000-132000-000	Due From Government (Short Term)		18,666.00
Total		37,373.00	37,373.00

Adjusting Journal Entries JE # 31

Accrue 2020 rest stop reimbursement

1000-000-000-132000-000	Due From Government (Short Term)	7,399.00	
1000-000-000-335034-000	REST AREA COSTS REIMBURSEMENT		7,399.00
Total		7,399.00	7,399.00

Adjusting Journal Entries JE # 32

Reclass noncapital items and close principal on power cot loan			
5510-000-000-235407-000	NOTES/LOANS-AMBULANCE FMVB	4,502.00	
5510-000-000-420730-230	Emergency Medical Services - Ambulance	630.00	
5510-000-000-420730-360	Emergency Medical Services - Ambulance	651.00	
5510-000-000-420730-941	Emergency Medical Services - Ambulance		5,783.00
Total		5,783.00	5,783.00
Adjusting Journal Entries JE # 33			
Reclass pump/turbine and install			
5210-000-000-189100-000	Source of Supply	13,528.00	
5210-000-000-430550-390	Transmission and Distribution		13,528.00
Total		13,528.00	13,528.00
Adjusting Journal Entries JE # 34			
Correct P and I			
3500-000-000-490300-620	Special Improvement Bonds	78.00	
3500-000-000-490300-610	Special Improvement Bonds		78.00
Total		78.00	78.00
Adjusting Journal Entries JE # 35			
Reclass misc IT supplies			
1000-000-000-411880-230	IT Services	2,665.00	
5210-000-000-430520-230	Water Facilities	1,034.00	
5310-000-000-430640-230	Sewer Treatment and Disposal	1,033.00	
1000-000-000-411880-940	IT Services		2,665.00
5210-000-000-430520-940	Water Facilities		1,034.00
5310-000-000-430640-940	Sewer Treatment and Disposal		1,033.00
Total		4,732.00	4,732.00
Adjusting Journal Entries JE # 36			
Close enterprise CO			
5210-000-000-186000-000	Machinery and Equipment	36,150.00	
5310-000-000-186000-000	Machinery and Equipment	36,150.00	
5210-000-000-430520-940	Water Facilities		36,150.00
5310-000-000-430640-940	Sewer Treatment and Disposal		36,150.00
Total		72,300.00	72,300.00
Adjusting Journal Entries JE # 37			
Correct AR, allowance and bad debt			
5510-000-000-420730-810	Losses (Bad debt expense - Enterprise	191,398.00	
5510-000-000-122000-000	Accounts Receivable		1,638.00
5510-000-000-122100-000	Est. Uncollectible A/R		65,729.00
5510-000-000-342050-000	Ambulance Service Charges		124,031.00
Total		191,398.00	191,398.00
	Total Adjusting Journal Entries	799,744.00	799,744.00
	Total All Journal Entries	799,744.00	799,744.00

TOWN OF ENNIS

P.O. BOX 147
ENNIS, MT. 59729
PHONE: (406) 682-4287
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11/25/2020

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

Re: Audit Report Findings FY20

Plan of action for Reportable Conditions:

2020-001. 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 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 for accuracy.

2020-002. Financial Statement Preparation: The Town of Ennis, having limited resources, is relying on the Mayor to review monthly financial statements with the Clerk/Treasurer. Quarterly statements are to be presented to the Commission for review. The Annual Financial Statement is prepared by our Auditors and reviewed by the Clerk/Treasurer to check the quality of the document.

2020-003. Other Post Employment Benefit Liability Not Recorded: The Town of Ennis has found that the cost outweighs the benefit.

2020-004. Cash and Certificate of Deposit Bank Reconciliations: Finding resolved.

sent to DOA 11/25/2020