

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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TOWN OF ENNIS

ORGANIZATION

June 30, 2014

MAYOR

Becky Vujovich

TOWN COMMISSION

Brian Vincent	Member
Brandi Palmerton	Member
Alinon Arpin	Member
John Bancroft	Member
Audra Bourk	Member

TOWN OFFICIALS

Scott Newell	Chief of Police
Marjorie Guinn	Clerk/Treasurer
Arthur Behar	Police Judge
Susan Sprout	Deputy Clerk/Treasurer

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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

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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, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Management has not recorded the other post employment benefit (OPEB) liability and related expense in the governmental activities, business-type activities and proprietary funds. Accounting principles generally accepted in the United States of America require that the OPEB liability and related expense be recorded, which would increase the 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 the 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, 2014, 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, 2014, 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 and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
November 6, 2014

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, 2014. 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

- The assets of the Town of Ennis exceeded its liabilities as of June 30, 2014 by \$9,154,676 (net position). This includes governmental funds and enterprise funds. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Ennis' total net position increased \$107,206.
- As of June 30, 2014, the governmental funds reported combined ending fund balances of \$413,432, an increase in comparison with the prior year. The increase was due to conservative spending.
- As of June 30, 2014, the unassigned fund balance for the general fund was \$217,305, or approximately 55 percent of total general fund expenditures. However, all of this unassigned fund balance was appropriated to meet 2014-2015 general fund expenditures.
- At the existing site of Water Well #1, it was determined that the well casing was failing and another well was drilled at the same location. This project was completed and was paid for without having to obtain any outside funding.
- The Town received a CDBG Planning Grant to gather information and make plans for a Senior Center to be built in the Town of Ennis. This process will continue through fiscal year 14-15.

USING THIS ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Ennis' finances in a manner similar to private-sector business. The Statement of Net Position presents information on all the Town of Ennis' assets and liabilities, with the difference between the two 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 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, liabilities, 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 and Library 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 reported in the government-wide statements, but provide more detail and additional information such as cash flows.

THE GOVERNMENT AS A WHOLE

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

NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 444,987	\$ 433,942	\$ 1,421,478	\$ 1,330,396	\$ 1,866,465	\$ 1,764,338
Capital assets	5,526,072	5,595,842	2,580,422	2,581,021	8,106,494	8,176,863
Total assets	5,971,059	6,029,784	4,001,900	3,911,417	9,972,959	9,941,201
Long-term liabilities outstanding	58,364	66,048	734,621	800,213	792,985	866,261
Total liabilities	58,364	66,048	734,621	800,213	792,985	866,261
Deferred inflows of resources						
Unavailable revenue	25,298	27,470	-	-	25,298	27,470
	25,298	27,470	-	-	25,298	27,470
Net position:						
Net investment in capital assets	5,501,782	5,567,963	1,860,422	1,796,021	7,362,204	7,363,984
Restricted	181,077	200,237	81,178	101,178	262,255	301,415
Unrestricted	204,538	168,066	1,325,679	1,214,005	1,530,217	1,382,071
	\$ 5,887,397	\$ 5,936,266	\$ 3,267,279	\$ 3,111,204	\$ 9,154,676	\$ 9,047,470

TOWN OF ENNIS
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 42,809	\$ 38,701	\$ 576,276	\$ 536,467	\$ 619,085	\$ 575,168
Operating grants/contributions	79,588	69,598	-	30,000	79,588	99,598
General revenues:						
Taxes	330,354	325,413	-	-	330,354	325,413
Intergovernmental	136,984	128,085	-	-	136,984	128,085
Interest	772	1,133	5,381	6,351	6,153	7,484
Miscellaneous	14,542	14,054	3,640	22,925	18,182	36,979
Total revenues	605,049	576,984	585,297	595,743	1,190,346	1,172,727
Expenses:						
General government	273,392	245,333	-	-	273,392	245,333
Public safety	128,541	116,510	-	-	128,541	116,510
Public works	163,909	153,741	-	-	163,909	153,741
Public health	77	98	-	-	77	98
Culture and recreation	133,515	142,194	-	-	133,515	142,194
Conservation of natural res.	-	516	-	-	-	516
Water	-	-	121,744	143,763	121,744	143,763
Sewer	-	-	201,422	200,852	201,422	200,852
Ambulance	-	-	57,323	65,018	57,323	65,018
Interest on long-term debt	3,217	2,981	-	-	3,217	2,981
Total expenses	702,651	661,373	380,489	409,633	1,083,140	1,071,006
Change in net assets before transfers						
	(97,602)	(84,389)	204,808	186,110	107,206	101,721
Transfers	48,733	36,136	(48,733)	(36,136)	-	-
Change in net position	(48,869)	(48,253)	156,075	149,974	107,206	101,721
Net position, beginning	5,936,266	5,984,519	3,111,204	2,961,230	9,047,470	8,945,749
Net position, ending	\$ 5,887,397	\$ 5,936,266	\$ 3,267,279	\$ 3,111,204	\$ 9,154,676	\$ 9,047,470

Overall net position increased \$107,206, or 1 percent. The cost of all governmental activities this year was \$702,651, an increase of \$41,278 over the prior year. Total expenses for business-type activities were \$380,489, a decrease of \$29,144. The decrease is due to a decrease in personnel costs.

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, 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 \$34,553. The increase was due to not spending the entire budget. The library fund fund balance decreased \$2,653. Available fund balance was used to fund current operations.

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 \$107,697 and \$73,697. The increase occurred because of a decrease in personnel costs. Net position for the ambulance fund decreased \$25,319. The ambulance service has seen a decline in calls for service and is not meeting anticipated revenue. The ambulance board of directors is exploring possibilities on how the ambulance service can increase revenue and decrease expenses.

DEBT ADMINISTRATION

Debt increased in 2006 due to the Lagoon upgrades. Debt payable balances as of June 30, 2014 were \$720,000 in the sewer fund. Compensated absences in the water, sewer and ambulance funds had a balance of \$14,621 at June 30, 2014.

CAPITAL ASSETS

The Town of Ennis' net investment in capital assets for its governmental and business-type activities as of June 30, 2014 was \$7,362,204.

ECONOMIC FACTORS & NEXT YEAR'S BUDGET & RATES

Due to the fact that many residents are aging and on fixed incomes the commission funds as many projects as possible with grant funding. The commission is "Thinking to the Future". Thus, the upgrades to the lagoon have been made with an operating expectancy of 20 years. Other items the commission has addressed are updates to our growth policy, rate changes (many of which have not changed in 10+ years), rewriting our sign ordinance and updates to subdivision regulations. The Town successfully got CTEP funding for sidewalk improvement. Employees have been key players in coming up with ways to reduce spending and save the Town money.

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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 416,886	\$ 722,903	\$ 1,139,789
Investments	23,445	-	23,445
Receivables:			
Taxes	31,555	-	31,555
Utility	-	53,770	53,770
Ambulance (net of allowance of \$42,778)	-	14,086	14,086
Internal balances	(26,899)	26,899	-
Investment in joint venture	-	12,202	12,202
Restricted assets:			
Cash and equivalents	-	405,281	405,281
Investments	-	186,337	186,337
Capital assets:			
Land and construction in progress	186,706	286,860	473,566
Capital assets, net of accumulated depreciation	5,339,366	2,293,562	7,632,928
Total assets	5,971,059	4,001,900	9,972,959
LIABILITIES			
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	2,543	65,000	67,543
Compensated absences	3,407	1,463	4,870
Due in more than one year:			
Bonds and notes payable	21,747	655,000	676,747
Compensated absences	30,667	13,158	43,825
Total liabilities	58,364	734,621	792,985
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-long-term special assessments	25,298	-	25,298
Total deferred inflows of resources	25,298	-	25,298
NET POSITION			
Net investment in capital assets	5,501,782	1,860,422	7,362,204
Restricted for:			
General government	69,133	-	69,133
Public safety	14,085	-	14,085
Public works	54,155	-	54,155
Culture and recreation	7,954	-	7,954
Housing and community development	100	-	100
Debt service	1,950	-	1,950
Capital projects	33,700	-	33,700
Debt service bond reserve	-	81,178	81,178
Unrestricted	204,538	1,325,679	1,530,217
Total net position	\$ 5,887,397	\$ 3,267,279	\$ 9,154,676

TOWN OF ENNIS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 273,392	\$ 7,460	\$ -	\$ (265,932)	\$ -	\$ (265,932)
Public safety	128,541	27,990	364	(100,187)	-	(100,187)
Public works	163,909	5,498	38,972	(119,439)	-	(119,439)
Public health	77	1,861	-	1,784	-	1,784
Culture and recreation	133,515	-	40,252	(93,263)	-	(93,263)
Interest on long-term debt	3,217	-	-	(3,217)	-	(3,217)
Total governmental activities	702,651	42,809	79,588	(580,254)	-	(580,254)
Business-type activities:						
Water	121,744	242,919	-	-	121,175	121,175
Sewer	201,422	287,748	-	-	86,326	86,326
Ambulance	57,323	45,609	-	-	(11,714)	(11,714)
Total business-type activities	380,489	576,276	-	-	195,787	195,787
Total	\$ 1,083,140	\$ 619,085	\$ 79,588	(580,254)	195,787	(384,467)
General revenues:						
Property taxes				330,354	-	330,354
Intergovernmental				136,984	-	136,984
Unrestricted investment earnings				772	5,381	6,153
Miscellaneous				14,542	3,640	18,182
Transfers				48,733	(48,733)	-
Total general revenues and transfers				531,385	(39,712)	491,673
Change in net position				(48,869)	156,075	107,206
Net position - beginning				5,936,266	3,111,204	9,047,470
Net position - ending				\$ 5,887,397	\$ 3,267,279	\$ 9,154,676

TOWN OF ENNIS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Library	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 240,599	\$ 6,988	\$ 169,299	\$ 416,886
Investments	3,605	-	19,840	23,445
Taxes and assessments receivable	4,137	966	26,452	31,555
Total assets	\$ 248,341	\$ 7,954	\$ 215,591	\$ 471,886
LIABILITIES				
Due to other funds	\$ 26,899	\$ -	\$ -	\$ 26,899
Total liabilities	26,899	-	-	26,899
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-taxes and assessments	4,137	966	26,452	31,555
Total deferred inflows of resources	4,137	966	26,452	31,555
FUND BALANCES (DEFICITS)				
Restricted for:				
General government	-	-	67,979	67,979
Public safety	-	-	14,085	14,085
Public works	-	-	54,155	54,155
Culture and recreation	-	6,988	-	6,988
Housing and community development	-	-	100	100
Debt service	-	-	1,950	1,950
Capital projects	-	-	33,700	33,700
Committed for:				
Culture and recreation	-	-	19,884	19,884
Unassigned	217,305	-	(2,714)	214,591
Total fund balances (deficits)	217,305	6,988	189,139	413,432
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 248,341	\$ 7,954	\$ 215,591	\$ 471,886

TOWN OF ENNIS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances, governmental funds	\$ 413,432
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	5,526,072
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	6,257
Some liabilities (notes payable and compensated absences) are not due and payable in the current period and, therefore, are not included in the funds.	<u>(58,364)</u>
Net position of governmental activities	<u>\$ 5,887,397</u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Library	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes/assessments	\$ 228,313	\$ 45,300	\$ 57,528	\$ 331,141
Fines and forfeitures	27,990	-	-	27,990
Licenses and permits	14,019	-	-	14,019
Intergovernmental	141,092	39,685	26,996	207,773
Charges for services	800	-	-	800
Investment earnings	616	-	156	772
Miscellaneous	16,627	6,350	364	23,341
Total revenues	429,457	91,335	85,044	605,836
EXPENDITURES				
Current:				
General government	184,387	-	83,044	267,431
Public safety	114,913	-	7,523	122,436
Public works	50,931	-	9,033	59,964
Public health	77	-	-	77
Culture and recreation	27,757	93,988	-	121,745
Debt service:				
Principal	-	-	3,589	3,589
Interest and other charges	1,234	-	1,983	3,217
Capital outlay	15,605	-	46,501	62,106
Total expenditures	394,904	93,988	151,673	640,565
Excess (deficiency) of revenues over expenditures	34,553	(2,653)	(66,629)	(34,729)
OTHER FINANCING SOURCES				
Transfers in	-	-	48,733	48,733
Total other financing sources	-	-	48,733	48,733
Net change in fund balances	34,553	(2,653)	(17,896)	14,004
Fund balances - beginning	182,752	9,641	207,035	399,428
Fund balances - ending	\$ 217,305	\$ 6,988	\$ 189,139	\$ 413,432

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, 2014

Net change in fund balances - total governmental funds \$ 14,004

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

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

This is the amount by which depreciation (\$131,876) exceeded capital outlay (\$62,106) in the current period. (69,770)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (787)

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. 3,589

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 4,095

Change in net position of governmental activities \$ (48,869)

TOWN OF ENNIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Water	Sewer	Ambulance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 199,866	\$ 523,037	\$ -	\$ 722,903
Receivables:				
Utility	23,296	30,474	-	53,770
Ambulance (net of allowance of \$42,778)	-	-	14,086	14,086
Due from other funds	-	26,899	-	26,899
Total current assets	<u>223,162</u>	<u>580,410</u>	<u>14,086</u>	<u>817,658</u>
Non-current assets:				
Investment in joint venture	<u>12,202</u>	<u>-</u>	<u>-</u>	<u>12,202</u>
Restricted assets:				
Cash and cash equivalents	192,784	49,297	163,200	405,281
Investments	-	61,194	125,143	186,337
	<u>192,784</u>	<u>110,491</u>	<u>288,343</u>	<u>591,618</u>
Capital assets:				
Land	112,301	72,365	-	184,666
Infrastructure	676,595	233,451	-	910,046
Construction in progress	102,194	-	-	102,194
Buildings and improvements	300,849	2,264,086	-	2,564,935
Equipment and furniture	18,285	10,033	184,911	213,229
Less: accumulated depreciation	<u>(524,450)</u>	<u>(715,114)</u>	<u>(155,084)</u>	<u>(1,394,648)</u>
Capital assets, net	<u>685,774</u>	<u>1,864,821</u>	<u>29,827</u>	<u>2,580,422</u>
Total non-current assets	<u>890,760</u>	<u>1,975,312</u>	<u>318,170</u>	<u>3,184,242</u>
Total assets	<u>1,113,922</u>	<u>2,555,722</u>	<u>332,256</u>	<u>4,001,900</u>
LIABILITIES				
Current liabilities:				
Compensated absences	682	682	99	1,463
Bonds payable	-	65,000	-	65,000
Total current liabilities	<u>682</u>	<u>65,682</u>	<u>99</u>	<u>66,463</u>
Non-current liabilities:				
Compensated absences	6,135	6,135	888	13,158
Bonds payable	-	655,000	-	655,000
Total non-current liabilities	<u>6,135</u>	<u>661,135</u>	<u>888</u>	<u>668,158</u>
Total liabilities	<u>6,817</u>	<u>726,817</u>	<u>987</u>	<u>734,621</u>
NET POSITION				
Net investment in capital assets	685,774	1,144,821	29,827	1,860,422
Restricted for debt service bond reserve	-	81,178	-	81,178
Unrestricted	<u>421,331</u>	<u>602,906</u>	<u>301,442</u>	<u>1,325,679</u>
Total net position	<u>\$ 1,107,105</u>	<u>\$ 1,828,905</u>	<u>\$ 331,269</u>	<u>\$ 3,267,279</u>

TOWN OF ENNIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Water	Sewer	Ambulance	Total
REVENUES				
Charges for services	\$ 242,919	\$ 287,748	\$ 45,609	\$ 576,276
Total operating revenues	<u>242,919</u>	<u>287,748</u>	<u>45,609</u>	<u>576,276</u>
OPERATING EXPENSES				
Personal services	49,100	51,185	14,369	114,654
Supplies	8,833	9,635	7,888	26,356
Purchased services	31,868	50,890	17,990	100,748
Building materials	9,873	-	-	9,873
Fixed charges	2,756	5,793	1,358	9,907
Depreciation	19,314	60,992	15,718	96,024
Total operating expenses	<u>121,744</u>	<u>178,495</u>	<u>57,323</u>	<u>357,562</u>
Operating income (loss)	<u>121,175</u>	<u>109,253</u>	<u>(11,714)</u>	<u>218,714</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	1,064	2,872	1,445	5,381
Miscellaneous revenue	388	-	3,252	3,640
Interest expense	-	(22,927)	-	(22,927)
Total non-operating revenue (expenses)	<u>1,452</u>	<u>(20,055)</u>	<u>4,697</u>	<u>(13,906)</u>
Income before transfers out	122,627	89,198	(7,017)	204,808
Transfers out	<u>(14,930)</u>	<u>(15,501)</u>	<u>(18,302)</u>	<u>(48,733)</u>
Change in net position	107,697	73,697	(25,319)	156,075
Net position - beginning	<u>999,408</u>	<u>1,755,208</u>	<u>356,588</u>	<u>3,111,204</u>
Net position - ending	<u>\$ 1,107,105</u>	<u>\$ 1,828,905</u>	<u>\$ 331,269</u>	<u>\$ 3,267,279</u>

TOWN OF ENNIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Water	Sewer	Ambulance	Total
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	\$ 241,371	\$ 287,493	\$ 48,699	\$ 577,563
Cash paid to employees	(49,299)	(51,792)	(14,155)	(115,246)
Cash paid to suppliers for goods and services	(53,330)	(66,318)	(27,236)	(146,884)
Net cash provided by operating activities	<u>138,742</u>	<u>169,383</u>	<u>7,308</u>	<u>315,433</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers to other funds	(14,930)	(15,501)	(18,302)	(48,733)
Interfund loan repayment from general fund	-	8,367	-	8,367
Cash received from miscellaneous sources	388	-	3,252	3,640
Net cash used by noncapital financing activities	<u>(14,542)</u>	<u>(7,134)</u>	<u>(15,050)</u>	<u>(36,726)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	(95,425)	-	-	(95,425)
Principal payments on bonds	-	(65,000)	-	(65,000)
Interest paid	-	(22,927)	-	(22,927)
Net cash used by capital financing activities	<u>(95,425)</u>	<u>(87,927)</u>	<u>-</u>	<u>(183,352)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	-	(61)	(871)	(932)
Increase in investment in joint venture	(631)	-	-	(631)
Interest received	1,064	2,872	1,445	5,381
Net cash provided by investing activities	<u>433</u>	<u>2,811</u>	<u>574</u>	<u>3,818</u>
Change in cash and cash equivalents	29,208	77,133	(7,168)	99,173
Cash and cash equivalents - beginning	<u>363,442</u>	<u>495,201</u>	<u>170,368</u>	<u>1,029,011</u>
Cash and cash equivalents - ending	<u>\$ 392,650</u>	<u>\$ 572,334</u>	<u>\$ 163,200</u>	<u>\$ 1,128,184</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 121,175	\$ 109,253	\$ (11,714)	\$ 218,714
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	19,314	60,992	15,718	96,024
(Increase) decrease in accounts receivable	(1,548)	(255)	3,090	1,287
Increase (decrease) in compensated absences	(199)	(607)	214	(592)
Net cash provided by operating activities	<u>\$ 138,742</u>	<u>\$ 169,383</u>	<u>\$ 7,308</u>	<u>\$ 315,433</u>

TOWN OF ENNIS
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 18,309
Investments	21,826
Prepaid items	<u>7,942</u>
Total assets	<u>\$ 48,077</u>
LIABILITIES	
Payable to joint venture participants	<u>\$ 48,077</u>
Total liabilities	<u>\$ 48,077</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government's significant accounting policies are described below.

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 fund is 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 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 Inflows and Net Position/Fund Balance

Cash and Investments

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

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values.

Investments are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Receivables and Payables

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

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

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

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 their use is limited by applicable bond covenants or have been restricted 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. Contributed capital assets are recorded at estimated fair market value at 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, 2014.

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.

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Deferred Inflows of Resources

In addition to liabilities, the statement 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Net Position

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

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

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

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

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

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

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

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

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

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

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

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

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

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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 \$2,714 as of June 30, 2014. The deficit occurred because of delinquent assessments. The deficit is expected to be eliminated when the delinquent assessments are collected.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 440,331
Business-type activities	1,314,521
Fiduciary funds	<u>40,135</u>
	<u>\$ 1,794,987</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2014, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 175	\$ -	\$ 175
Cash in banks:			
Demand deposits	4,019	-	4,019
Savings deposits	873,185	-	873,185
Time deposits	-	231,608	231,608
Short-term Investment Program (STIP)	<u>686,000</u>	<u>-</u>	<u>686,000</u>
	<u>\$ 1,563,379</u>	<u>\$ 231,608</u>	<u>\$ 1,794,987</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$709,824 of the government's bank balance of \$1,051,852 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 85,363
Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>624,461</u>
	<u>\$ 709,824</u>

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

The investment portfolio as of June 30, 2014 consisted of certificates of deposit with various maturity dates and interest rates ranging from .1% to .7%.

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.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. 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.

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 146,205	\$ -	\$ -	\$ 146,205
Construction-in-progress	-	40,501	-	40,501
Total capital assets, not being depreciated	<u>146,205</u>	<u>40,501</u>	<u>-</u>	<u>186,706</u>
Capital assets, being depreciated				
Buildings	1,110,745	-	-	1,110,745
Improvements	51,368	-	-	51,368
Machinery and equipment	73,718	6,000	-	79,718
Infrastructure	8,070,278	15,605	-	8,085,883
Total capital assets, being depreciated	<u>9,306,109</u>	<u>21,605</u>	<u>-</u>	<u>9,327,714</u>
Less accumulated depreciation for:				
Buildings	(210,827)	(21,071)	-	(231,898)
Improvements	(12,211)	(1,860)	-	(14,071)
Machinery and equipment	(56,195)	(8,014)	-	(64,209)
Infrastructure	(3,577,239)	(100,931)	-	(3,678,170)
Total accumulated depreciation	<u>(3,856,472)</u>	<u>(131,876)</u>	<u>-</u>	<u>(3,988,348)</u>
Total capital assets, being depreciated, net	<u>5,449,637</u>	<u>(110,271)</u>	<u>-</u>	<u>5,339,366</u>
Governmental activities capital assets, net	<u>\$ 5,595,842</u>	<u>\$ (69,770)</u>	<u>\$ -</u>	<u>\$ 5,526,072</u>

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 1,076
Public safety	7,029
Public works	103,454
Culture and Recreation	<u>20,317</u>
Total depreciation-governmental activities	<u>\$ 131,876</u>

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 184,666	\$ -	\$ -	\$ 184,666
Construction-in-progress	13,074	89,120	-	102,194
Total capital assets, not being depreciated	197,740	89,120	-	286,860
Capital assets, being depreciated				
Buildings and systems	2,559,949	-	-	2,559,949
Improvements other than buildings	4,986	-	-	4,986
Machinery and equipment	206,924	6,305	-	213,229
Infrastructure	910,046	-	-	910,046
Total capital assets, being depreciated	3,681,905	6,305	-	3,688,210
Less accumulated depreciation for:				
Buildings and systems	(654,459)	(61,292)	-	(715,751)
Improvements other than buildings	(408)	(100)	-	(508)
Machinery and equipment	(151,511)	(19,163)	-	(170,674)
Infrastructure	(492,246)	(15,469)	-	(507,715)
Total accumulated depreciation	(1,298,624)	(96,024)	-	(1,394,648)
Total capital assets, being depreciated, net	2,383,281	(89,719)	-	2,293,562
Business-type activities capital assets, net	\$ 2,581,021	\$ (599)	\$ -	\$ 2,580,422

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 19,315
Sewer	60,990
Ambulance	15,719
	\$ 96,024
Total depreciation-business-type activities	\$ 96,024

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2014, consisted of the general fund owing the sewer fund \$26,899. \$18,239 of the balance is not scheduled to be collected in the subsequent year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
Nonmajor governmental funds	\$ 48,733	\$ -
Total governmental activities	\$ 48,733	\$ -
Business-type Activities:		
Water	\$ -	\$ (14,930)
Sewer	-	(15,501)
Ambulance	-	(18,302)
Total business-type activities	\$ -	\$ (48,733)

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Note payable consists of SID street paving. The note was issued in 2008 for 15 years, with an interest rate of 4.95 percent. The balance outstanding as of June 30, 2014, was \$24,290. Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 2,543	\$ 1,171	\$ 3,714
2016	2,670	1,044	3,714
2017	2,804	910	3,714
2018	2,945	769	3,714
2019	3,092	622	3,714
2020-2024	10,236	906	11,142
	<u>\$ 24,290</u>	<u>\$ 5,422</u>	<u>\$ 29,712</u>

In 2014, the Town refinanced the Series 2004 wastewater system revenue bonds. (Series 2014A (\$296,000) and 2014B (\$456,000)) The government pledged income derived from the acquired or constructed assets to pay debt service. The 2014A and 2014B bonds have an interest rate of 2.25 percent and are payable in variable installments of principal and interest. The bonds are payable over a 10 year period maturing in 2024. As of June 30, 2014, \$720,000 was outstanding.

The significant provisions of the bond resolution require the Town to maintain a sewer debt service account, transfer each month an amount equal to 1/6 of the next semi-annual installment from the sewer operating account to the sewer revenue bond sinking account, produce net revenues at least equal to 125 percent of principal and interest due in any fiscal year and establish a reserve account equal to the lesser of (i) 10 percent of the original principal amount of all outstanding bonds or (ii) an amount equal to the maximum principal and interest payable on all outstanding bonds. The Town is in compliance with these provisions.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 65,000	\$ 15,841	\$ 80,841
2016	66,000	14,366	80,366
2017	68,000	12,870	80,870
2018	70,000	11,329	81,329
2019	72,000	9,742	81,742
2020-2024	379,000	23,772	402,772
	<u>\$ 720,000</u>	<u>\$ 87,920</u>	<u>\$ 807,920</u>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Notes payable	\$ 27,879	\$ -	\$ (3,589)	\$ 24,290	\$ 2,543
Compensated absences	38,169	-	(4,095)	34,074	3,407
Governmental activity long-term liabilities	<u>\$ 66,048</u>	<u>\$ -</u>	<u>\$ (7,684)</u>	<u>\$ 58,364</u>	<u>\$ 5,950</u>
Business-type activities:					
Bonds payable	\$ 785,000	\$ -	\$ (65,000)	\$ 720,000	\$ 65,000
Compensated absences	15,213	-	(592)	14,621	1,463
Business-type activity long-term liabilities	<u>\$ 800,213</u>	<u>\$ -</u>	<u>\$ (65,592)</u>	<u>\$ 734,621</u>	<u>\$ 66,463</u>

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

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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, 2014, the Town incurred costs of \$36,297. Additionally, the Town and Madison County entered into an agreement whereby the County contributed \$39,685 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 2014, each town contributed \$1,500. Monies are deposited in a fund controlled by the board. This fund is held in a bank account separate from the accounts of any of the participating towns and is accounted for within the records of the Town of Ennis and is reported as an agency fund. The title to the equipment purchased by the joint venture vests in the towns in direct proportion to their contributions. Proceeds from the sale of the equipment and/or dissolution of the joint venture will be divided in direct proportion to each of the town's contributions. The following is a summary of the equipment joint venture as of and for the year ended June 30, 2014:

Total Assets	\$	48,811
Total Equity		48,811
Total Revenues		6,098
Total Expenditures		3,573
Total Increase in Equity		2,525

As of June 30, 2014 the Town of Ennis' share of joint venture capital assets was \$183. 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 \$12,202 was reported in the business-type activities and proprietary fund statements of net position.

Contingencies

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

Retirement Plans

The government participates in a statewide mandatory cost-sharing multiple employer defined benefit retirement plan which covers all employees. The Public Employee Retirement System (PERS) covers all city employees. The plan is established by State law and is administered by the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The plan issues a publicly available financial report that include financial statements and required supplementary information. The report may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

TOWN OF ENNIS
NOTES TO BASIC FINANCIAL STATEMENTS

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
PERS	8.070%	7.900%	15.970%

PERS:
On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The on-behalf contribution has not been recorded in the financial statements.

The amounts contributed to the plan during the years ended June 30, 2014, 2013 and, 2012, were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2014	2013	2012
PERS	\$ 48,121	\$ 40,021	\$ 44,607

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

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, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 226,687	\$ 226,687	\$ 228,313
Fines and forfeitures	25,000	25,000	27,990
Licenses and permits	9,200	9,200	14,019
Intergovernmental	137,197	137,197	141,092
Charges for services	-	-	800
Investment earnings	750	750	616
Miscellaneous	16,600	16,600	16,627
Total revenues	<u>415,434</u>	<u>415,434</u>	<u>429,457</u>
EXPENDITURES			
Current:			
General government	228,116	228,116	184,387
Public safety	121,247	121,247	114,913
Public works	58,879	58,879	50,931
Public health	1,100	1,100	77
Culture and recreation	33,238	33,238	27,757
Debt service:			
Interest and other charges	1,235	1,235	1,234
Capital outlay	16,070	16,070	15,605
Total expenditures	<u>459,885</u>	<u>459,885</u>	<u>394,904</u>
Excess (deficiency) of revenues over expenditures	<u>(44,451)</u>	<u>(44,451)</u>	<u>34,553</u>
OTHER FINANCING USES			
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (54,451)</u>	<u>\$ (54,451)</u>	<u>34,553</u>
Fund balance - beginning			<u>182,752</u>
Fund balance - ending			<u>\$ 217,305</u>

TOWN OF ENNIS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Library Fund
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 45,198	\$ 45,198	\$ 45,300
Intergovernmental	40,000	40,000	39,685
Miscellaneous	<u>6,880</u>	<u>6,880</u>	<u>6,350</u>
Total revenues	<u>92,078</u>	<u>92,078</u>	<u>91,335</u>
EXPENDITURES			
Current:			
Culture and recreation	<u>96,210</u>	<u>96,210</u>	<u>93,988</u>
Total expenditures	<u>96,210</u>	<u>96,210</u>	<u>93,988</u>
Net change in fund balance	<u>\$ (4,132)</u>	<u>\$ (4,132)</u>	(2,653)
Fund balance - beginning			<u>9,641</u>
Fund balance - ending			<u>\$ 6,988</u>

TOWN OF ENNIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

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.

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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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 Town of Ennis, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated November 6, 2014. The report on the governmental activities, the business-type activities and the proprietary funds was qualified because management has not recorded the other post employment benefit (OPEB) liability and related expense.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (Findings 2014-001 through 2014-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Government's Response to Findings

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

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

Purpose of this Report

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

O'Leary & Associates, PC

Billings, Montana
November 6, 2014

TOWN OF ENNIS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

2014-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements. The government ensures the quality of its financial statements by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements.

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

Effect: It is common within the governmental sector 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: The government should continue to read its draft financial statements and ensure the quality of the document and the preparer.

2014-002. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED

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

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

Cause: The government did not engage an actuarial firm to assist in determining the OPEB liability and related expense as of and for the year ended June 30, 2014.

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

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

2014-003. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

TOWN OF ENNIS
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. OTHER POST EMPLOYMENT BENEFIT LIABILITY NOT RECORDED	NOT IMPLEMENTED
2013-3. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-4. PLEDGES	IMPLEMENTED