

CITY OF GLASGOW  
VALLEY COUNTY  
GLASGOW, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1  
BILLINGS, MONTANA 59102  
(406) 698.0022

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CITY OF GLASGOW

ORGANIZATION

June 30, 2024

MAYOR

Rod Karst

CITY COUNCIL

Dan Carr	Councilmember
Elvon Heitman	Councilmember
Brian Austin	Councilmember
Doug Nistler	Councilmember
Stan Ozark	Councilmember
Lisa Koski	Councilmember

OFFICIALS

Stacey Amundson	City Clerk/Treasurer
Lee Pekovitch	City Attorney
Robert Weber	Chief of Police
Tasha Morehouse Mix	City Judge

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CERTIFIED PUBLIC ACCOUNTANTS

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CURTIS D. WYSS, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Glasgow  
Glasgow, Montana

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

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 City of Glasgow, Montana (the government) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

#### Qualified Opinion:

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the government, as of June 30, 2024, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the government as of June 30, 2024, and the respective 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.

#### Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

#### Matter Giving Rise to the Qualified Opinion:

Management has not recorded the total pension liability and related expense required by GASB Statement No. 73 in the governmental activities. Accounting principles generally accepted in the United States of America require that total pension liability and related expense be recorded, which would increase liabilities, decrease net position and change expenses in the governmental activities. The amount by which this departure would affect liabilities, net position and expenses has not been determined.

#### Emphasis of Matter

As described in Note 1 to the financial statements, in 2024, the government adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and the schedule of changes in the total other post-employment benefits (OPEB) liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2025, 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'Leary & Associates, PC*

Billings, Montana  
March 21, 2025

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the City of Glasgow's financial performance provides an overview of the government's financial activities for the year ended June 30, 2024. Please read the information here in compliance with our financial statements and footnotes.

**FINANCIAL HIGHLIGHTS**

- The city's net position was \$21,862,596 as of June 30, 2024, an increase of \$2,578,591 over the prior year.
- General fund fund balance increased by \$116,906. The increase was due to increased property taxes, the receipt of marijuana taxes for the first time and increased investment earnings. Additional savings were realized due conservative budgeting and unfilled employee openings.
- Governmental activities net position increased by \$1,327,526 due to conservative budgeting, capital grants and contributions received to assist with the new pool project, and unspent proceeds from the distribution of state BaRSAA funds under the 2023 Montana Legislative Session HB 76.
- Business-type activities net position increased by \$1,251,065 due to ARPA grants and increased investment earnings.
- In the business-type activities, charges for services increased \$20,416 to \$1,857,255 and operating expenses decreased from \$2,893,895 to \$2,135,771.

**USING THIS AUDIT REPORT**

**Government-wide financial statements**

One of the most important questions asked about the government's finances is, *"Is the City of Glasgow as a whole better off or worse off as a result of the year's activities?"* The Statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and the changes in it. You can think of net position—the difference between assets and deferred outflows less liabilities and deferred inflows—as one way to measure the government's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the condition of the capital assets, to assess the overall health.

In the Statement of Net Position and the Statement of Activities, our government is divided into two kinds of activities:

**Governmental activities** – Basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.

**Business-type activities** – Fees are charged to customers to help cover all or most of the cost of certain services provided. The water and sewer system and solid waste services are reported here.

**Fund financial statements**

The fund financial statements provide detailed information about the most significant funds—not the government as a whole. Some funds are required to be established by State law and/or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other money. We utilize the following funds:

**Governmental funds**—Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations.

**Proprietary funds**—Fees are charged to customers for the services provided—whether to outside customers or to other units of the government—these services are generally reported in 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 enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

**Fiduciary Funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

funds use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the financial statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Budgetary comparisons:** The city adopts an annual appropriation budget for all of its funds. Budgetary comparison statements have been provided for the major governmental funds in the section entitled "Required Supplementary Information".

**THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, net position was \$21,862,596 as of June 30, 2024, an increase of \$2,578,591 from the previous year.

The following are schedules of net position and change in net position for the governmental and business-type activities.

NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 6,919,631	\$ 5,800,951	\$ 6,294,294	\$ 7,592,953	\$ 13,213,925	\$ 13,393,904
Capital assets	3,900,634	3,111,958	17,715,635	15,796,918	21,616,269	18,908,876
Total assets	<u>10,820,265</u>	<u>8,912,909</u>	<u>24,009,929</u>	<u>23,389,871</u>	<u>34,830,194</u>	<u>32,302,780</u>
Deferred outflows	196,046	306,590	45,936	68,774	241,982	375,364
Other liabilities	713,083	291,418	326,619	1,028,299	1,039,702	1,319,717
Long-term liabilities outstanding	2,306,337	2,490,652	9,693,178	9,883,155	11,999,515	12,373,807
Total liabilities	<u>3,019,420</u>	<u>2,782,070</u>	<u>10,019,797</u>	<u>10,911,454</u>	<u>13,039,217</u>	<u>13,693,524</u>
Deferred inflows	129,695	406,129	40,668	66,420	170,363	472,549
Net position:						
Net investment in capital assets	3,357,301	2,435,103	8,502,856	6,394,105	11,860,157	8,829,208
Restricted	2,507,753	3,438,591	2,963,480	1,439,100	5,471,233	4,877,691
Unrestricted	2,002,142	157,606	2,529,064	4,578,792	4,531,206	4,736,398
	<u>\$ 7,867,196</u>	<u>\$ 6,031,300</u>	<u>\$ 13,995,400</u>	<u>\$ 12,411,997</u>	<u>\$ 21,862,596</u>	<u>\$ 18,443,297</u>

A significant portion of the city's net position (54%) reflects its investment in capital assets, net of related debt. These assets include land, buildings, water and wastewater treatment facilities, machinery, equipment and infrastructure. Infrastructure assets include streets, sidewalks, and water and sewer mains constructed by the city. The city uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion of the city's net position represents resources that are subject to external restrictions on how they may be used. Included in this category is a restriction of \$548,478 for debt service and \$2,710,057 for capital projects. The final component of net position is unrestricted, which may be used to meet the city's ongoing obligations to citizens and creditors.

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET POSITION:	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 1,363,697	\$ 1,281,005	\$ 1,857,255	\$ 1,836,839	\$ 3,220,952	\$ 3,117,844
Operating grants and contributions	1,207,841	-	-	-	1,207,841	-
Capital grants and contributions	778,309	414,496	1,102,920	44,162	1,881,229	458,658
General revenues:						
Taxes	1,747,008	1,521,986	-	-	1,747,008	1,521,986
Licenses and permits	7,325	20,002	-	-	7,325	20,002
Intergovernmental	653,927	1,236,762	10,771	26,863	664,698	1,263,625
Interest	281,935	102,910	410,390	200,542	692,325	303,452
Miscellaneous	8,670	1,054,472	-	-	8,670	1,054,472
Gain on disposal of capital assets	8,187	31,203	5,500	500	13,687	31,703
Transfers	-	(67,245)	-	-	-	(67,245)
Total revenues and transfers	<u>6,056,899</u>	<u>5,595,591</u>	<u>3,386,836</u>	<u>2,108,906</u>	<u>9,443,735</u>	<u>7,704,497</u>
Expenses:						
General government	508,273	673,537	-	-	508,273	673,537
Public safety	1,831,834	2,035,485	-	-	1,831,834	2,035,485
Public works	1,789,239	1,269,748	-	-	1,789,239	1,269,748
Culture and recreation	573,639	562,363	-	-	573,639	562,363
Housing and community development	7,644	30,551	-	-	7,644	30,551
Other current charges	1,500	5,167	-	-	1,500	5,167
Water	-	-	1,013,838	1,788,945	1,013,838	1,788,945
Sewer	-	-	1,066,101	1,044,295	1,066,101	1,044,295
Nonmajor	-	-	55,832	60,655	55,832	60,655
Interest on long-term debt	17,244	21,952	-	-	17,244	21,952
Total expenses	<u>4,729,373</u>	<u>4,598,803</u>	<u>2,135,771</u>	<u>2,893,895</u>	<u>6,865,144</u>	<u>7,492,698</u>
Change in net position	1,327,526	996,788	1,251,065	(784,989)	2,578,591	211,799
Net position, beginning	6,031,300	5,034,512	12,411,997	13,196,986	18,443,297	18,231,498
Prior period adjustments	508,370	-	332,338	-	840,708	-
Net position, ending	<u>\$ 7,867,196</u>	<u>\$ 6,031,300</u>	<u>\$ 13,995,400</u>	<u>\$ 12,411,997</u>	<u>\$ 21,862,596</u>	<u>\$ 18,443,297</u>

The City of Glasgow's total revenues were \$9,443,735. The total cost of all programs and services was \$6,865,144. The city was able to cover this year's costs in both the governmental and business-type activities. Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental Activities** Governmental activities resulted in an increase in net position of \$1,327,526. Interest earnings, capital and operating grants and the state BaRSAA distribution contributed to the increase.

**Business-type Activities** The city's water, sewer, and nonmajor activities resulted in an increase in net position of \$1,251,065. Capital grants and an increase in investment earnings contributed to the increase.

## 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.

1. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).
2. The same element that met the 10% criterion is at least 5% of the corresponding element total for all governmental and enterprise funds combined.

For fiscal year 2024, the major funds for the City of Glasgow are the General, Swim Pool, Water and Sewer funds. They are presented separately in the governmental and proprietary fund financial statements with the remaining governmental funds combined into a single

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

aggregated presentation labeled total nonmajor funds.

General fund fund balance increased by \$116,906. The increase was due to increased property taxes, the receipt of marijuana taxes for the first time and increased investment earnings. Additional savings were realized due conservative budgeting and unfilled employee openings.

Fund balance for the Swim Pool fund decreased \$34,695 due to the construction in progress on the new pool project.

The Water fund reported an increase in net position of \$948,210 due to capital contributions from ARPA grant funding for the Raw Water-Milk River Crossing and Water Main Improvements projects.

The Sewer fund reported an increase in net position in the amount of \$310,486. The increase was mainly due to ARPA funding for the sewer separation project and increased investment earnings.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The city completed construction of the sewer separation project, added improvements to Sullivan Park, purchased a new fire department command vehicle, a new broom mower and a new sewer jetter. The city is also in the process of completing construction of a new pool and bathhouse, the raw water transmission main-Milk River crossing and Hall Terrace/Hurley Drive improvements projects.

There was no new debt during the year. All of the city's principal and interest payments for the city's notes, leases and revenue bonds were made on time. Further information concerning the city's debt can be found in the notes to the financial statements.

**THE GOVERNMENT'S FUTURE**

In fiscal year 2024-2025 the city will have an updated Sustainable Water Infrastructure Fund (SWIF) plan for the levee. The SWIF plan is being prepared by Great West Engineering. The city received a CDBG planning grant (\$48,974) and a DNRC grant (\$50,000) to assist with the cost of this plan. The remaining costs of the project will be paid out of the city's general fund. After the SWIF plan is complete, the city can apply for additional grant monies to fund levee improvement projects to bring it up to the standards set by the USACE.

The swim pool construction project is set to be completed in May 2025 and open for the summer season. This project has been funded by grants and generous donations from the community.

The city will also continue to apply for Montana Main Street Grant funding to continue installing additional wayfinding signage around town.

The public works department is working with Advanced Engineering to replace water and sewer lines in the area of Hall Terrace and Hurley Drive. The repaving portion of this project will be funded by SLIPPA funds in the amount of \$241,283 and the funds that have been set aside in capital projects funds.

If you have any questions regarding this report or need additional information, contact the Clerk at City of Glasgow, 319 3rd Street South, Glasgow MT 59230. Telephone 1-406-228-2476, fax 1-406-228-2479.

CITY OF GLASGOW  
STATEMENT OF NET POSITION  
June 30, 2024

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 5,902,241	\$ 1,499,137	\$ 7,401,378
Investments	229,184	-	229,184
Receivables:			
Taxes/assessments	219,044	-	219,044
Utility	-	157,914	157,914
Insurance	38,287	-	38,287
Loans	140,364	-	140,364
Governments	390,511	402,230	792,741
Restricted assets:			
Cash and equivalents	-	4,235,013	4,235,013
Capital assets:			
Land and construction-in-progress	1,789,466	2,393,916	4,183,382
Capital assets, net of accumulated depreciation	2,111,168	15,321,719	17,432,887
Total assets	<u>10,820,265</u>	<u>24,009,929</u>	<u>34,830,194</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	<u>196,046</u>	<u>45,936</u>	<u>241,982</u>
<b>LIABILITIES</b>			
Accounts payable-vendors	462,877	244,085	706,962
Accrued wages and benefits	109,842	25,005	134,847
Deposits payable	-	57,529	57,529
Unearned revenues	140,364	-	140,364
Long-term liabilities:			
Due within one year:			
Bonds, notes and leases	138,141	194,176	332,317
Compensated absences	68,845	20,062	88,907
Due in more than one year:			
Bonds, notes and leases	405,192	9,018,603	9,423,795
Compensated absences	126,773	20,440	147,213
Net pension liability	1,487,183	413,032	1,900,215
Total other post-employment benefit liability	80,203	26,865	107,068
Total liabilities	<u>3,019,420</u>	<u>10,019,797</u>	<u>13,039,217</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plans	<u>129,695</u>	<u>40,668</u>	<u>170,363</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,357,301	8,502,856	11,860,157
Restricted for:			
Nonexpendable:			
Permanent fund-perpetual cemetery	107,906	-	107,906
General government	7,780	-	7,780
Public safety	68,402	-	68,402
Public works	1,518,461	-	1,518,461
Culture and recreation	439,619	-	439,619
Housing and community development	7,863	-	7,863
Debt service	-	548,478	548,478
Capital projects	357,722	2,352,335	2,710,057
Rental activities	-	62,667	62,667
Unrestricted	<u>2,002,142</u>	<u>2,529,064</u>	<u>4,531,206</u>
Total net position	<u>\$ 7,867,196</u>	<u>\$ 13,995,400</u>	<u>\$ 21,862,596</u>

See notes to basic financial statements.

CITY OF GLASGOW  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 508,273	\$ 17,959	\$ 11,840	\$ -	\$ (478,474)	\$ -	\$ (478,474)	\$ -
Public safety	1,831,834	84,851	323,983	21,910	(1,401,090)	-	(1,401,090)	-
Public works	1,789,239	1,171,115	616,647	-	(1,477)	-	(1,477)	-
Public health	-	315	-	-	315	-	315	-
Culture and recreation	573,639	89,457	255,371	756,399	527,588	-	527,588	-
Housing and community development	7,644	-	-	-	(7,644)	-	(7,644)	-
Other current charges	1,500	-	-	-	(1,500)	-	(1,500)	-
Interest on long-term debt	17,244	-	-	-	(17,244)	-	(17,244)	-
<b>Total governmental activities</b>	<b>4,729,373</b>	<b>1,363,697</b>	<b>1,207,841</b>	<b>778,309</b>	<b>(1,379,526)</b>	<b>-</b>	<b>(1,379,526)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water	1,013,838	783,211	-	990,492	-	759,865	759,865	-
Sewer	1,066,101	1,025,843	-	112,428	-	72,170	72,170	-
Other enterprise fund	55,832	48,201	-	-	-	(7,631)	(7,631)	-
<b>Total business-type activities</b>	<b>2,135,771</b>	<b>1,857,255</b>	<b>-</b>	<b>1,102,920</b>	<b>-</b>	<b>824,404</b>	<b>824,404</b>	<b>-</b>
<b>Total</b>	<b>\$ 6,865,144</b>	<b>\$ 3,220,952</b>	<b>\$ 1,207,841</b>	<b>\$ 1,881,229</b>	<b>(1,379,526)</b>	<b>824,404</b>	<b>(555,122)</b>	<b>-</b>
<b>General revenues:</b>								
Property taxes					1,747,008	-	1,747,008	-
Licenses and permits					7,325	-	7,325	-
Intergovernmental					653,927	10,771	664,698	-
Unrestricted investment earnings					281,935	410,390	692,325	-
Miscellaneous					8,670	-	8,670	-
Gain on sale of capital assets					8,187	5,500	13,687	-
<b>Total general revenues</b>					<b>2,707,052</b>	<b>426,661</b>	<b>3,133,713</b>	<b>-</b>
<b>Change in net position</b>					<b>1,327,526</b>	<b>1,251,065</b>	<b>2,578,591</b>	<b>-</b>
Net position - beginning					6,031,300	12,411,997	18,443,297	452,376
Prior period adjustment					508,370	332,338	840,708	(452,376)
<b>Net position - ending</b>					<b>\$ 7,867,196</b>	<b>\$ 13,995,400</b>	<b>\$ 21,862,596</b>	<b>\$ -</b>

CITY OF GLASGOW  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2024

	General	Swim Pool	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,195,858	\$ 2,490,615	\$ 2,215,768	\$ 5,902,241
Investments	-	-	229,184	229,184
Receivables:				
Taxes/assessments	104,315	-	114,729	219,044
Insurance	38,287	-	-	38,287
Loans	-	-	140,364	140,364
Governments	33,042	328,092	29,377	390,511
Due from other funds	956	-	-	956
<b>Total assets</b>	<b>\$ 1,372,458</b>	<b>\$ 2,818,707</b>	<b>\$ 2,729,422</b>	<b>\$ 6,920,587</b>
<b>LIABILITIES</b>				
Accounts payable-vendors	\$ 117,562	\$ 302,397	\$ 42,918	\$ 462,877
Accrued salaries and benefits	72,411	-	37,431	109,842
Unearned revenues	-	-	140,364	140,364
Due to other funds	-	-	956	956
<b>Total liabilities</b>	<b>189,973</b>	<b>302,397</b>	<b>221,669</b>	<b>714,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-taxes/assessments	104,315	-	114,729	219,044
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund-perpetual cemetery	-	-	107,906	107,906
Restricted for:				
General government	-	-	6,312	6,312
Public safety	-	-	68,402	68,402
Public works	-	-	1,405,737	1,405,737
Culture and recreation	-	2,516,310	439,619	2,955,929
Housing and community development	-	-	7,863	7,863
Capital projects	-	-	357,185	357,185
Unassigned	1,078,170	-	-	1,078,170
<b>Total fund balances</b>	<b>1,078,170</b>	<b>2,516,310</b>	<b>2,393,024</b>	<b>5,987,504</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,372,458</b>	<b>\$ 2,818,707</b>	<b>\$ 2,729,422</b>	<b>\$ 6,920,587</b>

CITY OF GLASGOW  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2024

Total fund balances, governmental funds	\$ 5,987,504
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.	3,900,634
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.	219,044
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	196,046
Deferred inflows of resources related to pensions	(129,695)
Some liabilities (such as notes and leases payable, the net pension liability, total OPEB and compensated absences) are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.	<u>(2,306,337)</u>
Net position of governmental activities	<u><u>\$ 7,867,196</u></u>

CITY OF GLASGOW  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2024

	General	Swim Pool	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes/assessments	\$ 1,725,107	\$ -	\$ 1,191,127	\$ 2,916,234
Fines and forfeitures	35,750	-	244	35,994
Licenses and permits	7,138	-	30,470	37,608
Intergovernmental	918,760	449,976	943,884	2,312,620
Charges for services	113,621	-	37,036	150,657
Investment earnings	51,252	145,316	85,367	281,935
Miscellaneous	5,524	306,423	13,861	325,808
<b>Total revenues</b>	<b>2,857,152</b>	<b>901,715</b>	<b>2,301,989</b>	<b>6,060,856</b>
<b>EXPENDITURES</b>				
Current:				
General government	341,834	-	13,933	355,767
Public safety	1,517,123	-	126,489	1,643,612
Public works	224,841	-	1,336,545	1,561,386
Culture and recreation	428,073	2,086	258,740	688,899
Housing and community development	7,644	-	-	7,644
Other current charges	1,500	-	-	1,500
Debt service:				
Principal	74,346	-	59,176	133,522
Interest and other charges	8,876	-	8,368	17,244
Capital outlay	69,823	979,850	88,888	1,138,561
<b>Total expenditures</b>	<b>2,674,060</b>	<b>981,936</b>	<b>1,892,139</b>	<b>5,548,135</b>
Excess (deficiency) of revenues over expenditures	183,092	(80,221)	409,850	512,721
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	38,287	-	-	38,287
Sale of capital assets	-	-	17,125	17,125
Transfers in	12,693	45,526	111,992	170,211
Transfers out	(117,166)	-	(53,045)	(170,211)
<b>Total other financing sources (uses)</b>	<b>(66,186)</b>	<b>45,526</b>	<b>76,072</b>	<b>55,412</b>
<b>Net change in fund balances</b>	<b>116,906</b>	<b>(34,695)</b>	<b>485,922</b>	<b>568,133</b>
Fund balances - beginning	961,264	2,589,818	1,502,288	5,053,370
Prior period adjustments	-	(38,813)	404,814	366,001
<b>Fund balances - ending</b>	<b>\$ 1,078,170</b>	<b>\$ 2,516,310</b>	<b>\$ 2,393,024</b>	<b>\$ 5,987,504</b>

CITY OF GLASGOW  
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, 2024

Net change in fund balances - total governmental funds	\$	568,133
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.</p>		
This is the amount by which capital outlay (\$1,138,561) exceeded depreciation/amortization (\$469,252) in the current period.		669,309
The net effect of various transactions involving capital assets (i.e., sales, donations and trade-ins) is to increase net position.		1,062
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.		(26,200)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.		14,870
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 debt service 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 paid.		133,522
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Other post-employment benefits		(15,441)
Compensated absences		(17,729)
Change in net position of governmental activities	\$	<u>1,327,526</u>

CITY OF GLASGOW  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2024

	Enterprise Funds			Total
	Water	Sewer	Other Enterprise Fund	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,100	\$ 1,495,173	\$ 2,864	\$ 1,499,137
Accounts receivable:				
Utility	68,994	88,920	-	157,914
Governments	402,230	-	-	402,230
Total current assets	<u>472,324</u>	<u>1,584,093</u>	<u>2,864</u>	<u>2,059,281</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	1,840,068	2,332,278	62,667	4,235,013
Capital assets:				
Land	13,749	71,180	50,000	134,929
Construction in progress	2,178,982	80,005	-	2,258,987
Buildings and systems	19,280,992	13,819,864	125,000	33,225,856
Less: accumulated depreciation	<u>(9,300,747)</u>	<u>(8,571,255)</u>	<u>(32,135)</u>	<u>(17,904,137)</u>
Capital assets, net	<u>12,172,976</u>	<u>5,399,794</u>	<u>142,865</u>	<u>17,715,635</u>
Total non-current assets	<u>14,013,044</u>	<u>7,732,072</u>	<u>205,532</u>	<u>21,950,648</u>
Total assets	<u>14,485,368</u>	<u>9,316,165</u>	<u>208,396</u>	<u>24,009,929</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plans	10,905	35,031	-	45,936
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable-vendors	211,266	32,487	332	244,085
Accrued salaries and benefits	6,481	18,524	-	25,005
Deposits payable	51,660	-	5,869	57,529
Compensated absences	5,583	14,479	-	20,062
Bonds and notes	131,217	58,296	4,663	194,176
Total current liabilities	<u>406,207</u>	<u>123,786</u>	<u>10,864</u>	<u>540,857</u>
Non-current liabilities:				
Compensated absences	4,975	15,465	-	20,440
Net pension liability	98,051	314,981	-	413,032
Total other post-employment benefits liability	3,183	23,682	-	26,865
Bonds and notes	<u>6,511,726</u>	<u>2,368,206</u>	<u>138,671</u>	<u>9,018,603</u>
Total non-current liabilities	<u>6,617,935</u>	<u>2,722,334</u>	<u>138,671</u>	<u>9,478,940</u>
Total liabilities	<u>7,024,142</u>	<u>2,846,120</u>	<u>149,535</u>	<u>10,019,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plans	9,654	31,014	-	40,668
<b>NET POSITION</b>				
Net investment in capital assets	5,530,033	2,973,292	(469)	8,502,856
Restricted for debt service	300,763	247,715	-	548,478
Restricted for capital projects	267,772	2,084,563	-	2,352,335
Restricted for rental activities	-	-	62,667	62,667
Unrestricted (deficit)	<u>1,363,909</u>	<u>1,168,492</u>	<u>(3,337)</u>	<u>2,529,064</u>
Total net position	<u>\$ 7,462,477</u>	<u>\$ 6,474,062</u>	<u>\$ 58,861</u>	<u>\$ 13,995,400</u>

See notes to basic financial statements.

CITY OF GLASGOW  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2024

	Enterprise Funds			
	Water	Sewer	Other Enterprise Fund	Total
<b>REVENUES</b>				
Charges for services	\$ 783,211	\$ 1,025,843	\$ 48,201	\$ 1,857,255
Total operating revenues	<u>783,211</u>	<u>1,025,843</u>	<u>48,201</u>	<u>1,857,255</u>
<b>OPERATING EXPENSES</b>				
Personal services	131,589	436,141	-	567,730
Supplies	71,211	22,903	5,951	100,065
Purchased services	245,626	267,723	35,643	548,992
Building materials	2,160	1,613	-	3,773
Fixed charges	58,596	48,681	7,838	115,115
Miscellaneous	1,500	-	-	1,500
Depreciation	340,510	221,461	4,166	566,137
Total operating expenses	<u>851,192</u>	<u>998,522</u>	<u>53,598</u>	<u>1,903,312</u>
Operating income (loss)	<u>(67,981)</u>	<u>27,321</u>	<u>(5,397)</u>	<u>(46,057)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	185,788	224,602	-	410,390
Grants and contributions	2,557	8,214	-	10,771
Gain on disposal of capital assets	-	5,500	-	5,500
Interest expense	(125,871)	(67,579)	(2,234)	(195,684)
Non-operating repairs	(36,775)	-	-	(36,775)
Total non-operating revenues (expenses)	<u>25,699</u>	<u>170,737</u>	<u>(2,234)</u>	<u>194,202</u>
Income (loss) before capital contributions	<u>(42,282)</u>	<u>198,058</u>	<u>(7,631)</u>	<u>148,145</u>
Capital contributions	<u>990,492</u>	<u>112,428</u>	<u>-</u>	<u>1,102,920</u>
Change in net position	<u>948,210</u>	<u>310,486</u>	<u>(7,631)</u>	<u>1,251,065</u>
Net position - beginning	6,508,593	5,836,912	66,492	12,411,997
Prior period adjustments	5,674	326,664	-	332,338
Net position - ending	<u>\$ 7,462,477</u>	<u>\$ 6,474,062</u>	<u>\$ 58,861</u>	<u>\$ 13,995,400</u>

CITY OF GLASGOW  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2024

	Enterprise Funds			Total
	Water	Sewer	Other Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 767,559	\$ 1,017,336	\$ 48,201	\$ 1,833,096
Cash paid to employees	(126,257)	(387,740)	-	(513,997)
Cash paid to suppliers for goods and services	(388,152)	(446,030)	(50,323)	(884,505)
Net cash provided (used) by operating activities	<u>253,150</u>	<u>183,566</u>	<u>(2,122)</u>	<u>434,594</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Increase in customer deposits payable	3,560	-	-	3,560
Cash paid to suppliers for nonoperating repairs	(36,775)	-	-	(36,775)
Net cash used by noncapital financing activities	<u>(33,215)</u>	<u>-</u>	<u>-</u>	<u>(33,215)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(1,811,469)	(452,257)	-	(2,263,726)
Capital contributions received	189,564	-	-	189,564
Cash received from sale of capital assets	-	5,500	-	5,500
Principal payments on debt	(128,782)	(56,716)	(4,536)	(190,034)
Interest paid	(125,871)	(67,579)	(2,234)	(195,684)
Net cash used by capital financing activities	<u>(1,876,558)</u>	<u>(571,052)</u>	<u>(6,770)</u>	<u>(2,454,380)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	185,788	224,602	-	410,390
Net cash provided by investing activities	<u>185,788</u>	<u>224,602</u>	<u>-</u>	<u>410,390</u>
Change in cash and cash equivalents	(1,470,835)	(162,884)	(8,892)	(1,642,611)
Cash and cash equivalents - beginning (including restricted cash of \$7,254,141)	3,312,003	3,990,335	74,423	7,376,761
Cash and cash equivalents - ending (including restricted cash of \$4,235,013)	<u>\$ 1,841,168</u>	<u>\$ 3,827,451</u>	<u>\$ 65,531</u>	<u>\$ 5,734,150</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (67,981)	\$ 27,321	\$ (5,397)	\$ (46,057)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	340,508	221,461	4,167	566,136
Pensions	(1,301)	16,148	-	14,847
Other post-employment benefits	(512)	8,054	-	7,542
Increase in accounts receivable	(15,652)	(8,507)	-	(24,159)
Decrease in accounts payable	(4,763)	(85,703)	(892)	(91,358)
Increase in accrued salaries and benefits	822	2,091	-	2,913
Increase in compensated absences	2,029	2,701	-	4,730
Net cash provided (used) by operating activities	<u>\$ 253,150</u>	<u>\$ 183,566</u>	<u>\$ (2,122)</u>	<u>\$ 434,594</u>

Schedule of non-cash capital and related financing activities:

Capital contributions	\$ 402,230	\$ -	\$ 402,230
Capital assets purchased on account	200,207	20,920	221,127

See notes to basic financial statements.

CITY OF GLASGOW  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2024

	Private Purpose Trust Funds	Custodial Funds
<b>ASSETS</b>		
Cash and equivalents	\$ 44,862	\$ 144,408
Investments	43,246	117,815
Taxes and assessments	-	27
Total assets	88,108	262,250
<b>LIABILITIES</b>		
Accounts payable	-	4,829
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations and other governments	88,108	257,421
Total net position	\$ 88,108	\$ 257,421

CITY OF GLASGOW  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2024

	Private Purpose Trust Funds	Custodial Funds
<b>ADDITIONS:</b>		
Interest	\$ 3,057	\$ 3,889
Federal, state and local sources	1,750	129,526
Total additions	4,807	133,415
<b>DEDUCTIONS:</b>		
Distributions to others	1,685	127,997
Total deductions	1,685	127,997
Net increase in fiduciary net position	3,122	5,418
Net position - beginning	84,986	252,003
Net position - ending	\$ 88,108	\$ 257,421

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government adopted the provisions of the following GASB statement:

For the year ended June 30, 2024, the government implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

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 (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Fiduciary activities are only reported in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and 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.

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 for specific purposes other than debt service or capital projects. The following special revenue fund is reported as major.

The swim pool fund is used to account for the collection of donations, grants and other funds, and associated expenditures, related to construction and operation of the city pool.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

The government reports the following major enterprise 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.

Additionally, the government reports the following fund types:

Custodial funds account for assets held by the government as an agent for various local governments individuals.

Permanent funds account for money received in which the principal amount cannot be spent. Only the interest earned on the investment of the principal can be expended for specific purposes.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). 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.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

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

Cash and Investments

The City maintains and controls a cash and investment portfolio for all funds. The investments portfolio is managed by the City Clerk/Treasurer and overseen by the Mayor and City Council. The City Clerk/Treasurer, the Mayor and City Council are 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

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.

Utility and other 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.

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 Valley County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories

Inventory items purchased are recorded as expenditures/expenses at the time of purchase. Inventory at year-end was not material and therefore not recorded.

Restricted Assets

Certain cash assets of the enterprise funds have been set aside and are classified by applicable bond covenants. The "revenue bond-future debt service" account is used to report resources set aside to make up potential future deficiencies in the revenue bond-current debt service account. The "replacement and depreciation" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets

Capital assets are tangible and intangible 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 city does not have a formal asset capitalization policy. Capital assets are informally defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

As the government constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed below under the Leases section). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Land and construction in progress are not depreciated. Property, plant, equipment, and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Infrastructure	5-20
Building and improvements	5-50
Machinery and equipment	5-15
RTU assets	7

Lease and subscription-based information technology arrangements assets are amortized over the life of the associated contracts.

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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The government has one item that qualifies for reporting in this category: pension plans.

In the governmental funds, 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.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a resolution committing fund balance for a specified purpose by the governing board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the governing board adopts another resolution to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the clerk/treasurer to assign fund balance. The governing board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Leases

As a lessee, the government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

As a lessor, the government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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. 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	\$ 6,131,425
Business-type activities	5,734,150
Fiduciary funds	<u>350,331</u>
	<u>\$ 12,215,906</u>

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2024, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 650	\$ -	\$ 650
Petty Cash	1,900	-	1,900
Cash in banks:			
Demand deposits	92,756	-	92,756
Savings deposits	9,314,216	-	9,314,216
Time deposits	-	43,246	43,246
Brokers:			
Money markets	20,093	-	20,093
U.S. Government securities	-	17,950	17,950
Time deposits	-	124,799	124,799
Mutual funds	-	204,250	204,250
Short-term Investment Program (STIP)	2,396,046	-	2,396,046
	<u>\$ 11,825,661</u>	<u>\$ 390,245</u>	<u>\$ 12,215,906</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, 2024, none of the government's bank balance of \$9,565,107 was exposed to custodial credit risk.

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 government was not required have collateral for its deposits as of June 30, 2024.

Fair value measurements are as follows at June 30, 2024:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Government securities	\$ 17,950	\$ 17,950	\$ -	\$ -
Mutual funds	204,249	204,249	-	-
Total U.S. Government securities and mutual funds	222,199	<u>\$ 222,199</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	2,395,169			
	<u>\$ 2,617,368</u>			

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. The government had no investments categorized as Level 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 \$1.00 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.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

*Concentration of Credit Risk.* The government places no limit on the amount it may invest in any one issuer beyond that stipulated in Montana Code Annotated.

*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.

Investments made by the government are summarized below. 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.

	Custodial Credit Risk Category			Cost	Fair Value
	1	2	3		
Brokers:					
Money markets	\$ 20,093	\$ -	\$ -	\$ 20,093	\$ 20,093
U.S. Government securities:	17,950	-	-	19,350	17,950
	<u>\$ 38,043</u>	<u>\$ -</u>	<u>\$ -</u>	39,443	38,043
Uncategorized:					
Mutual funds				151,633	204,249
STIP				2,396,046	2,395,169
				<u>\$ 2,587,122</u>	<u>\$ 2,637,461</u>

Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Adjustment/ Restatement	Additions	Deletions	Balance June 30, 2024
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 423,837	\$ 33,904	\$ -	\$ -	\$ 457,741
Construction-in-progress	-	264,223	1,067,502	-	1,331,725
Total capital assets, not being depreciated	<u>423,837</u>	<u>298,127</u>	<u>1,067,502</u>	<u>-</u>	<u>1,789,466</u>
Capital assets, being depreciated					
Buildings/improvements	1,389,459	245,343	8,938	(8,938)	1,634,802
Improvements other than buildings	10,545,831	(9,485,580)	26,878	(175,407)	911,722
Machinery and equipment	2,963,659	268,666	84,056	(37,954)	3,278,427
Right-to-use leased equipment	185,873	14,166	-	-	200,039
Infrastructure	-	9,221,357	-	-	9,221,357
Total capital assets, being depreciated	<u>15,084,822</u>	<u>263,952</u>	<u>119,872</u>	<u>(222,299)</u>	<u>15,246,347</u>
Less accumulated depreciation for:					
Buildings/improvements	(1,008,353)	(209,737)	(22,309)	-	(1,240,399)
Improvements other than buildings	(9,047,050)	8,232,868	(49,096)	175,407	(687,871)
Machinery and equipment	(2,264,594)	(247,477)	(203,741)	37,954	(2,677,858)
Right-to-use leased equipment	(76,704)	(23,315)	(28,578)	-	(128,597)
Infrastructure	-	(8,234,926)	(165,528)	-	(8,400,454)
Total accumulated depreciation	<u>(12,396,701)</u>	<u>(482,587)</u>	<u>(469,252)</u>	<u>213,361</u>	<u>(13,135,179)</u>
Total capital assets, being depreciated, net	<u>2,688,121</u>	<u>(218,635)</u>	<u>(349,380)</u>	<u>(8,938)</u>	<u>2,111,168</u>
Governmental activities capital assets, net	<u>\$ 3,111,958</u>	<u>\$ 79,492</u>	<u>\$ 718,122</u>	<u>\$ (8,938)</u>	<u>\$ 3,900,634</u>

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 10,244
Public safety	150,761
Public works	237,266
Culture and recreation	<u>70,981</u>
Total depreciation-governmental activities	<u>\$ 469,252</u>

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 134,929	\$ -	\$ -	\$ 134,929
Construction-in-progress	<u>365,555</u>	<u>2,091,682</u>	<u>(198,250)</u>	<u>2,258,987</u>
Total capital assets, not being depreciated	<u>500,484</u>	<u>2,091,682</u>	<u>(198,250)</u>	<u>2,393,916</u>
Capital assets, being depreciated				
Buildings and systems	32,136,451	591,422	-	32,727,873
Machinery and equipment	401,023	-	(28,040)	372,983
Apartment complex	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Total capital assets, being depreciated	<u>32,662,474</u>	<u>591,422</u>	<u>(28,040)</u>	<u>33,225,856</u>
Less accumulated depreciation for:				
Buildings and systems	(17,118,355)	(533,121)	-	(17,651,476)
Machinery and equipment	(219,716)	(28,850)	28,040	(220,526)
Apartment complex	<u>(27,969)</u>	<u>(4,166)</u>	<u>-</u>	<u>(32,135)</u>
Total accumulated depreciation	<u>(17,366,040)</u>	<u>(566,137)</u>	<u>28,040</u>	<u>(17,904,137)</u>
Total capital assets, being depreciated, net	<u>15,296,434</u>	<u>25,285</u>	<u>-</u>	<u>15,321,719</u>
Business-type activities capital assets, net	<u>\$ 15,796,918</u>	<u>\$ 2,116,967</u>	<u>\$ (198,250)</u>	<u>\$ 17,715,635</u>

Depreciation expense was charged as follows:

Business-type activities:	
Water	\$ 340,510
Sewer	221,461
Other enterprise fund	<u>4,166</u>
Total depreciation-business-type activities	<u>\$ 566,137</u>

Interfund Receivables, Payables and Transfers

As of June 30, 2024, the bulletproof vest program fund owed the general fund \$956. The interfund loan was made to cover a cash overdraft. The interfund loan is expected to be repaid in the next fiscal year.

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 12,693	\$ (117,166)
Swim pool	45,526	-
Nonmajor governmental funds	<u>111,992</u>	<u>(53,045)</u>
Total governmental activities	<u>\$ 170,211</u>	<u>\$ (170,211)</u>

Transfers use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Additionally, transfers were made for permissively levied health insurance and capital improvement funding.

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Leases

*Government as Lessee*

The government, as a lessee, has entered into a lease agreement involving a John Deere motor grader. The total cost of the government's leased asset is \$200,039. Accumulated amortization is \$128,597. The future lease payments under the lease agreement is as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 30,653	\$ 4,335	\$ 34,988
2026	32,624	2,364	34,988
2027	17,091	403	17,494
	<u>\$ 80,368</u>	<u>\$ 7,102</u>	<u>\$ 87,470</u>

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Loan	Final Maturity	Interest Rate	Balance June 30, 2024
Fire truck (1)	\$ 200,000	December 2027	1.99%	\$ 103,393
Equipment purchases (1)	381,500	December 2025	3.15%	88,285
Armory building (1)	320,000	December 2036	1.57%	271,287
Valley Court apartments (2)	175,000	September 2046	1.57%	143,334
(1) Governmental activities				<u>\$ 606,299</u>
(2) Business-type activities				

The loans are collateralized by a security interest in the acquired property.

Annual debt service requirements to maturity for notes from direct borrowings are as follows:

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 107,488	\$ 8,420	\$ 115,908	\$ 4,663	\$ 2,108	\$ 6,771
2026	78,996	5,673	84,669	4,799	1,972	6,771
2027	50,449	4,303	54,752	4,939	1,832	6,771
2028	35,913	3,390	39,303	5,073	1,698	6,771
2029	21,100	2,903	24,003	5,231	1,540	6,771
2030-2034	110,588	9,424	120,012	28,527	5,327	33,854
2035-2039	58,431	1,388	59,819	32,938	1,122	34,060
2040-2044	-	-	-	38,031	-	38,031
2045-2049	-	-	-	19,133	-	19,133
	<u>\$ 462,965</u>	<u>\$ 35,501</u>	<u>\$ 498,466</u>	<u>\$ 143,334</u>	<u>\$ 15,599</u>	<u>\$ 158,933</u>

The government issued bonds in the prior year and pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

	Original Issue	Final Maturity	Interest Rate	Balance June 30, 2024
2012A Sewer revenue bonds	\$ 2,599,000	July 2052	2.75%	\$ 2,094,724
2012B Sewer revenue bonds	406,000	July 2052	2.75%	331,778
2020A Water revenue bonds	6,645,000	May 2060	1.89%	6,179,174
2020B Water revenue bonds	500,000	April 2060	1.89%	463,769
				<u>\$ 9,069,445</u>

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

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2025	\$ 189,513	\$ 189,435	\$ 378,948
2026	193,617	185,331	378,948
2027	197,814	181,134	378,948
2028	201,621	177,327	378,948
2029	206,483	172,465	378,948
2030-2034	1,101,318	793,422	1,894,740
2035-2039	1,226,842	667,898	1,894,740
2040-2044	1,366,999	527,741	1,894,740
2045-2049	1,524,455	370,285	1,894,740
2050-2054	1,449,207	200,788	1,649,995
2055-2059	1,195,063	78,197	1,273,260
2060	216,513	1,927	218,440
	<u>\$ 9,069,445</u>	<u>\$ 3,545,950</u>	<u>\$ 12,615,395</u>

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Prior Period Adjustment	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Governmental activities:						
Notes payable	\$ 567,686	\$ -	\$ -	\$ (104,721)	\$ 462,965	\$ 107,488
Lease payable	109,169	-	-	(28,801)	80,368	30,653
Compensated absences	156,403	21,486	17,729	-	195,618	68,845
Governmental activity long-term liabilities	<u>\$ 833,258</u>	<u>\$ 21,486</u>	<u>\$ 17,729</u>	<u>\$ (133,522)</u>	<u>\$ 738,951</u>	<u>\$ 206,986</u>
Business-type activities:						
Revenue bonds	\$ 9,254,943	\$ -	\$ -	\$ (185,498)	\$ 9,069,445	\$ 189,513
Notes payable	147,870	-	-	(4,536)	143,334	4,663
Compensated absences	35,772	-	4,730	-	40,502	20,062
Business-type activity long-term liabilities	<u>\$ 9,438,585</u>	<u>\$ -</u>	<u>\$ 4,730</u>	<u>\$ (190,034)</u>	<u>\$ 9,253,281</u>	<u>\$ 214,238</u>

For the governmental activities, notes and leases payable are generally liquidated by the general and street maintenance funds and compensated absences are generally liquidated by the general fund.

Violation of Finance-related Legal or Contractual Provisions

As of June 30, 2024, the government was not in compliance with the USDA Rural Development Reserve Account loan covenant, which requires transfers at a rate not less than \$17,000 annually. Management is evaluating the best way to meet this covenant.

NOTE 3. 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.

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Restatement of Beginning Net Position and Fund Balance

In fiscal year 2024, the government identified errors in the recognition of a component unit, previously unrecorded swim pool fund accounts payable, errors in calculating the net pension liability and errors in the recognition of ARPA revenue in the sewer fund. Additionally, the government changed its method of accounting for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* to the "alternative measurement method" for calculating the liability. The correction of these errors have been applied retroactively, and the beginning balances as of July 1, 2023, have been restated as follows:

	Governmental Activities	Business-type Activities	Swim Pool Fund	Water Fund	Sewer Fund	Total Nonmajor Funds
Beginning net position/fund balance/retained earnings, as previously reported	\$ 6,031,300	\$ 12,411,997	\$ 2,589,818	\$ 6,508,593	\$ 5,836,912	\$ 1,502,288
Restated capital assets and accumulated depreciation	79,492	-	-	-	-	-
Restated compensated absences	(21,486)	-	-	-	-	-
Restatement to correct prior period accounts payable	-	-	(38,813)	-	-	-
Restatement due to prior period net-pension liability	(22,880)	(1,213)	-	1,769	(2,982)	-
Restatement due to prior period ARPA revenue	-	313,133	-	-	313,133	-
Restatement due to change in accounting method under GASBS No. 75	68,430	20,418	-	3,905	16,513	-
Restatement due to prior period component unit reporting	404,814	-	-	-	-	404,814
Beginning net position/fund balance/retained earnings, restated	<u>\$ 6,539,670</u>	<u>\$ 12,744,335</u>	<u>\$ 2,551,005</u>	<u>\$ 6,514,267</u>	<u>\$ 6,163,576</u>	<u>\$ 1,907,102</u>

The effect of these corrections on the change in net position/fund balance/retained earnings for the prior period is as follows:

- Governmental activities net position increased \$508,370.
- Business-type activities net position increased \$332,338.
- Swim Pool fund fund balance decreased \$38,813.
- Water fund retained earnings increased \$5,674.
- Sewer fund retained earnings increased \$326,664.
- Total nonmajor funds fund balance increased \$404,814.

Related Organization

The city entered into a Letter Agreement with Montana Aviation Research Company (MARCO), a wholly owned subsidiary of the Boeing Corporation, dated September 23, 1992 for the operation of a water pipeline system. The pipeline is owned and operated by MARCO. The city has connected to the pipeline and draws water from the Missouri River through the pipeline to provide water service to customers within the city. The city owns the transmission line which connects to the pipeline at what is commonly known as the "T-Connection" and is responsible for all costs associated with the operation of this line. The Letter Agreement calls for the city and MARCO to share operating expenses and capital costs of the pipeline based on each entity's pro rata share of the expenses incurred. Pro rata share is determined by the amount of water pumped through the pipeline by each entity during the six month periods beginning in January and July of each year. Operating expenses of the pipeline include, but are not limited to, personnel costs, insurance, chemicals, supplies, utilities, routine/normal and scheduled maintenance associated with the day to day operation of the pipeline. The city's pro rata share of these costs are incurred monthly and are included in operating expenses of the water enterprise fund. Capital costs are non-routine upgrades, improvements and replacement of pumps, treatment facilities, and water distribution systems. The city's pro rata share of these costs are incurred upon project completion and are included in non-operating expenses of the water enterprise fund.

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NOTES TO BASIC FINANCIAL STATEMENTS

Interlocal Agreements

The city and Valley County entered into an agreement to fund a library for city and county residents. The city maintains the library accounting records and includes all financial activities of the library in its financial statements. Valley County contributed \$226,744 for the year ended June 30, 2024.

The city and Valley County entered into an agreement where the county provides 911 services on behalf of the City of Glasgow. The county maintains the 911 accounting records and includes the financial activities its financial statements. The city contributed \$183,000 for the year ended June 30, 2024.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$1,940,000 for the pool and water main construction projects.

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

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

Retirement Plans

Plan Descriptions

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](http://mpera.mt.gov).

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first-and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. 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](http://mpera.mt.gov).

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

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

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NOTES TO BASIC FINANCIAL STATEMENTS

of membership service or more, 2% of HAC multiplied by years of service credit.

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

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

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.

#### Municipal Police Officers' Retirement System

Members with 20 years of service credit or age 50 with 5 years of service credit are eligible to retire. Retirement benefits are determined as 2.5 % of the final highest average (FAC) multiplied by years of service credit. For plan members hired prior to July 1, 1977, FAC is determined on the average monthly compensation of final year of service. Plan members hired on or after July 1, 1977, FAC is determined on the final average compensation (FAC) for last consecutive 36 months. For plan members hired on or after July 1, 2013, FAC is determined on 110% annual cap on compensation considered as a part of a member's final average compensation.

Second retirement is recalculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017: 1). less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service or 2). more than 20 years of membership service, upon re-employment, receives initial benefit and a new retirement benefit based on additional service credit and FAC after re-employment. This applies to retirement system members re-employed in a MPORS position on or after July 1, 2017: 1). If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member: a). is not awarded service credit for the period of reemployment; b). is refunded the accumulated contributions associated with the period of reemployment; c). starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and d). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member: 1). is awarded service credit for the period of reemployment; 2). starting the first month following termination of service, receives: a). the same retirement benefit previously paid to the member, and b). a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members rehire date; and 3). does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA: a). on the initial retirement benefit in January immediately following second retirement, and b). on the second retirement benefit starting in January after receiving that benefit for at least 12 months. A member who returns to covered service is not eligible for a disability benefit.

The Guaranteed Annual Benefit Adjustment (GABA) applies to members hired on or after July 1, 1997, or those electing GABA, and have been retired for at least 12 months, a GABA will be made each year in January equal to 3%. The minimum benefit adjustment (non-GABA) may not be less than 50% of the compensation paid to a newly confirmed police officer of the employer that last employed the member as a police officer in the current fiscal year.

#### 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 9.07% 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

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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.

Municipal Police Officers' Retirement System

Members' contributions depend upon date of hire and whether the member has elected to be covered by a Guaranteed Annual Benefit Adjustment (GABA). For members who have not elected GABA, the rates of contribution are as follows: 1). hired after June 30, 1975, but on or before June 30, 1979: 7.0%, 2). hired after June 30, 1979, but before July 1, 1997: 8.5% or 3). hired on or after July 1, 1997: 9%. For all members who have elected GABA, the rate is 9.0% of compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions. Employers contribute 14.41% of each member's compensation. The State contributes 29.37% of each member's compensation.

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

At June 30, 2024, the government recorded a liability of \$1,355,417 (PERS) and \$544,798 (MPORS) for its proportionate share of the net pension liability.

PERS and MPORS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS and MPORS 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:

	Net Pension Liability June 30, 2024	
	PERS	MPORS
Employer proportionate share	\$ 1,355,417	\$ 544,798
State of Montana proportionate share associated with employer	376,748	1,099,522
Total	\$ 1,732,165	\$ 1,644,320

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 for PERS and MPORS. The government's proportion of the net pension liability was based on the government's contributions received by PERS and MPORS during the measurement period July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all PERS and MPORS participating employers. At June 30, 2024, the government's proportion was .0555 and .2350 percent for PERS and MPORS, respectively.

For the year ended June 30, 2024, the government recognized \$56,594 (PERS) and \$86,735 (MPORS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$35,345 (PERS) and \$189,565 (MPORS) 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 \$91,939 and \$276,300 for PERS and MPORS, respectively.

At June 30, 2024, the government reported its proportionate share of PERS and MPORS deferred outflows and inflows of resources from the following sources:

	PERS		MPORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 53,984	\$ -	\$ 7,124	\$ 1,152
Changes in actuarial assumptions	-	48,344	16,352	7,103
Difference between projected and actual investment earnings	3,439	-	7,648	-
Changes in the proportion and differences between actual and expected contributions	-	85,114	-	28,650
Employer contributions subsequent to measurement date	93,323	-	60,112	-
	\$ 150,746	\$ 133,458	\$ 91,236	\$ 36,905

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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, 2025. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	MPORS
2025	\$ (86,734)	\$ 3,962
2026	(61,222)	(28,899)
2027	80,148	21,527
2028	(8,227)	(2,371)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	MPORS
Investment rate of return, net of investment and administrative expenses	7.30%	7.30%
Salary increases	3.50%	3.50%
Inflation	2.75%	2.75%

Mortality rates for the PERS and MPORS retirement plans are based on the PUB-2010 general amount weighted employer mortality projected to 2021 for males and females and projected generationally using MP-2021.

The long-term expected rate of return on pension plan investments for both PERS and MPORS is reviewed as part of regular experience studies prepared for the plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop 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 (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

Asset Class	PERS and MPORS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.0%	-0.33%
Domestic equity	30.0%	5.90%
International equity	17.0%	7.14%
Real assets	5.0%	4.03%
Core fixed income	15.0%	1.14%
Private investments	15.0%	9.13%
Real estate	9.0%	5.41%
Non-core fixed income	6.0%	3.02%
	100.0%	

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Discount Rate

Public Employees' Retirement System

The discount rate used to measure the total pension liability was 7.30%. 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 districts. 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 2127. 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. A municipal bond rate was not incorporated in the discount rate.

Municipal Police Officers' Retirement System

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 29.37% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. 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. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share of the PERS and MPORS net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Net pension liability-PERS	\$ 1,957,895	\$ 1,355,417	\$ 849,992
Net pension liability-MPORS	840,729	544,798	309,831

PERS Disclosure for the Defined Contribution Plan

The government contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS 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.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2023, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

Fire Relief Association

The government's Fire Department Relief Association is a single-employer defined benefit pension plan. The Association was formed according to 19-18-102 MCA. The assets of the Fire Department Disability and Pension Fund are not in a trust or an equivalent arrangement. The accumulated assets do not offset the liabilities of the pension and disability plan per GASB No. 73.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Plan Description

The use of the disability and pension fund is outlined in 19-18-203 MCA and payments can be made for the following: Service pension to a member who, by reason of service, has become entitled to a service pension; a pension to a member who has become permanently maimed or disabled; a benefit or allowance to a member who has suffered a permanent disabling injury; a benefit or allowance to a member who has contracted a permanent disabling sickness; a benefit, not exceeding \$750, to defray the funeral expenses of a member; benefits to the surviving spouse, child, or children or a deceased member; premiums on a blanket policy covering the members of the fire department and providing for payment of compensation in case of death of or injury to any such member; the return of employee contributions as provided in Title 19, Chapter 18 of MCA

Contributions to the fund are outlined in 19-18-501 MCA and include: 1) all bequests, fees, gifts, emoluments, donations or money from other sources given or paid to the fund, except as otherwise designated by the donor; a monthly contribution to the fund by each paid or part-paid member of the association amounting to 6 percent of the member's regular monthly salary; the proceeds of the tax levy provided for in 19-18-504 MCA; all money received from the state, including those payments provided for in 19-18-512; and 5) all interest and other income earned from the investment of the fund.

Service pensions are paid to a member who elects to retire from active service after having completed 20 years or more of active duty and who has reached 50 years of age as a fully-paid member of a partly paid and partly volunteer fire department of a city or town in which the association was formed in as outlined in 19-18-602 MCA. A member of a pure volunteer fire department who has served 20 years or more as an active member of the fire department is entitled to the benefits provided regardless of age. Pensions to a surviving spouse or children of a deceased volunteer firefighter may not exceed the amount provided for as service pension for a volunteer firefighter under 19-18-602(3).

In the case of volunteer firefighters, the pension may be set by the board of trustees of the association, but may not exceed \$225 a month, except that the pension may be set by the board of trustees of an association and a city at an amount not to exceed \$300 a month if the association's fund is soundly funded as provided in 19-18-503 MCA. Disability pension provided to volunteer firefighters may not exceed \$125 a month.

Library Employees' Public Employees' Retirement System 457(b) Deferred Compensation Plan

Prior to December 2021, city library employees were not members of the Public Employees' Retirement System. Effective December 2021, the employees of the Library were added to the Public Employees' Retirement System 457(b) Deferred Compensation Plan. The employer and employee each contribute 6% to this plan. For the year ended June 30, 2024, the employees and employer both contributed \$7,247 to the plan.

Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

*Plan description:* The healthcare plan provides for and Section 2-18-704, MCA, requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit other post-employment benefits plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the government. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these costs when they come due. The government has less than 100 plan members and thus qualifies to use the "alternative measurement method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits provided:* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums.

*Employees Covered by Benefit Terms.* As of June 30, 2024, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active plan members	9
	9
	9

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Total OPEB Liability

The total OPEB liability of \$107,068 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024.

*Actuarial assumptions and other inputs.* The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2024
Actuarial cost method	Entry age normal funding
Salary increases	3.5%
Discount rate	4.34% (based on the 20 year municipal bond index)
Healthcare costs trend rates	8.47% for 2025, decreasing to an ultimate rate of 4.0% for 2075 and years later
Participation	Average age of retirement based on historical data - 51.8

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$ 7,579
Interest on the total OPEB liability	3,978
Changes in assumptions or other inputs	(857)
Difference between expected and actual experience	13,942
Benefits payments	<u>(1,659)</u>
Net change in total OPEB liability	22,983
Total OPEB liability - beginning of year	<u>84,085</u>
Total OPEB liability - end of year	<u><u>\$ 107,068</u></u>

Changes of benefit terms reflect revised health care trend rates and retiree contribution increases based on revised projects and future increases to retirees contributions to match health care cost trend rates.

Changes of assumptions and other inputs reflect a change in status, trend, discount and other inputs.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the employer's total OPEB liability calculated using the discount rate of 4.34%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.34%) or 1.00% higher (5.34%) than the current rate.

	<u>1% Decrease</u> <u>(3.34%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.34%)</u>	<u>1% Increase</u> <u>(5.34%)</u>
Total OPEB liability	\$ 110,852	\$ 107,068	\$ 102,322

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.47% decreasing to 3.0%) or 1-percentage-point higher (9.47% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (7.47% decreasing to 3.0%)	Healthcare Cost Trend Rates (8.47% decreasing to 4.0%)	1% Increase (9.47% decreasing to 5.0%)
Total OPEB liability	\$ 96,233	\$ 107,068	\$ 119,463

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the government recognized OPEB expense of \$24,642. The government expensed deferred outflows of resources and deferred inflows of resources related to OPEB as required by the "alternative measurement method".

Future Implementation of GASB Pronouncements

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, Certain Risk Disclosures. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement 102 is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLASGOW  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
<b>REVENUES</b>					
Property Taxes	\$ 1,706,243	\$ 1,706,243	\$ 1,725,107	\$ -	\$ 1,725,107
Fees and fines	38,070	38,070	35,750	-	35,750
Licenses and permits	7,800	7,800	7,138	-	7,138
Intergovernmental	800,014	903,288	704,620	214,140	918,760
Charges for services	134,719	137,891	113,621	-	113,621
Investment earnings	15,000	15,000	51,252	-	51,252
Miscellaneous	10,500	10,500	5,524	-	5,524
Total revenues	<u>2,712,346</u>	<u>2,818,792</u>	<u>2,643,012</u>	<u>214,140</u>	<u>2,857,152</u>
<b>EXPENDITURES</b>					
Current:					
General government	396,762	396,762	334,294	7,540	341,834
Public safety	1,604,885	1,612,357	1,322,860	194,263	1,517,123
Public works	356,258	455,232	217,750	7,091	224,841
Culture and recreation	436,826	436,826	422,827	5,246	428,073
Housing and community development	4,550	4,550	7,644	-	7,644
Other current charges	4,000	4,000	1,500	-	1,500
Debt service:					
Principal	74,310	74,310	74,346	-	74,346
Interest and other charges	8,902	8,902	8,876	-	8,876
Capital outlay	97,578	97,578	69,823	-	69,823
Total expenditures	<u>2,984,071</u>	<u>3,090,517</u>	<u>2,459,920</u>	<u>214,140</u>	<u>2,674,060</u>
Excess (deficiency) of revenues over expenditures	<u>(271,725)</u>	<u>(271,725)</u>	<u>183,092</u>	<u>-</u>	<u>183,092</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	-	-	38,287	-	38,287
Transfers in	12,242	12,242	12,693	-	12,693
Transfers out	(155,678)	(155,678)	(117,166)	-	(117,166)
Total other financing sources (uses)	<u>(143,436)</u>	<u>(143,436)</u>	<u>(66,186)</u>	<u>-</u>	<u>(66,186)</u>
Net change in fund balance	<u>\$ (415,161)</u>	<u>\$ (415,161)</u>	116,906	-	116,906
Fund balance - beginning			<u>961,264</u>	<u>-</u>	<u>961,264</u>
Fund balance - ending			<u>\$ 1,078,170</u>	<u>\$ -</u>	<u>\$ 1,078,170</u>

See notes to required supplementary information.

CITY OF GLASGOW  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Swim Pool Fund  
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 267,400	\$ 449,976
Investment earnings	40,000	40,000	145,316
Miscellaneous	750,000	750,000	306,423
Total revenues	<u>790,000</u>	<u>1,057,400</u>	<u>901,715</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	4,000	4,000	2,086
Capital outlay	<u>2,586,753</u>	<u>2,854,153</u>	<u>979,850</u>
Total expenditures	<u>2,590,753</u>	<u>2,858,153</u>	<u>981,936</u>
Excess (deficiency) of revenues over expenditures	<u>(1,800,753)</u>	<u>(1,800,753)</u>	<u>(80,221)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>15,526</u>	<u>15,526</u>	<u>45,526</u>
Total other financing sources	<u>15,526</u>	<u>15,526</u>	<u>45,526</u>
Net change in fund balance	<u>\$ (1,785,227)</u>	<u>\$ (1,785,227)</u>	(34,695)
Fund balance - beginning			2,589,818
Prior period adjustments			<u>(38,813)</u>
Fund balance - ending			<u>\$ 2,516,310</u>

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2024

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.

The General fund budget to GAAP differences consist of the state of Montana on-behalf retirement contributions.

For the year ended June 30, 2024, expenditures exceeded appropriations in the Permissive Medical Levy (\$775) fund.

CITY OF GLASGOW  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' AND MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEMS OF MONTANA

<b>Public Employees' Retirement System</b>								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2024	0.0555%	\$ 1,355,417	\$ 376,748	\$ 1,732,165	\$ 1,024,589	132.29%	73.93%	
2023	0.0600%	1,427,192	426,063	1,853,255	1,054,770	135.31%	73.66%	
2022	0.0619%	1,123,223	330,104	1,453,327	1,094,209	102.65%	79.91%	
2021	0.0647%	1,706,802	535,555	2,242,357	1,085,479	157.24%	68.90%	
2020	0.0648%	1,355,199	439,408	1,794,607	1,069,728	126.69%	73.85%	
2019	0.0625%	1,304,986	435,229	1,740,215	1,028,263	126.91%	73.47%	
2018	0.0716%	1,395,013	18,475	1,413,488	888,535	157.00%	73.75%	
2017	0.0676%	1,152,189	14,078	1,166,267	810,241	142.20%	74.71%	
2016	0.0540%	754,238	9,265	763,503	629,679	119.78%	78.40%	
2015	0.0636%	792,219	9,674	801,893	729,602	111.22%	79.87%	

<b>Municipal Police Officers' Retirement System</b>								
Year Ending June 30,	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the employer	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability	
2024	0.2350%	\$ 544,798	\$ 1,099,522	\$ 1,644,320	\$ 473,822	114.98%	71.65%	
2023	0.2501%	590,687	1,200,550	1,791,237	466,487	126.62%	69.67%	
2022	0.2623%	476,843	969,212	1,446,055	474,731	100.44%	75.76%	
2021	0.2474%	605,095	1,220,417	1,825,512	423,793	142.78%	64.84%	
2020	0.2486%	494,788	1,007,559	1,502,347	409,691	120.77%	68.84%	
2019	0.2910%	498,285	1,018,588	1,516,873	461,601	107.95%	70.95%	
2018	0.3061%	544,556	1,109,896	1,654,452	457,719	118.97%	68.34%	
2017	0.3273%	589,145	1,169,479	1,758,624	462,009	127.52%	65.62%	
2016	0.3555%	588,037	1,191,419	1,779,456	491,991	119.52%	66.90%	
2015	0.3528%	554,423	1,120,001	1,674,424	473,406	117.11%	67.01%	

CITY OF GLASGOW  
SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES' AND MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEMS OF  
MONTANA

<b>Public Employees' Retirement System</b>						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2024	\$ 93,323	\$ 93,323	\$ -	\$ 1,028,927	9.07%	
2023	93,398	93,398	-	1,024,589	9.12%	
2022	93,808	93,808	-	1,054,770	8.89%	
2021	96,968	96,968	-	1,094,209	8.86%	
2020	95,103	95,103	-	1,085,479	8.76%	
2019	92,004	92,004	-	1,069,728	8.60%	
2018	87,094	87,094	-	1,028,263	8.47%	
2017	74,371	74,371	-	888,535	8.37%	
2016	69,202	69,202	-	810,241	8.54%	
2015	61,818	61,818	-	629,679	9.82%	

<b>Municipal Police Officers' Retirement System</b>						
Year Ending June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll	
2024	\$ 60,112	\$ 60,112	\$ -	\$ 417,156	14.41%	
2023	68,966	68,966	-	473,822	14.56%	
2022	67,715	67,715	-	466,487	14.52%	
2021	68,317	68,317	-	474,731	14.39%	
2020	61,744	61,744	-	423,793	14.57%	
2019	59,271	59,271	-	409,691	14.47%	
2018	68,689	68,689	-	461,601	14.88%	
2017	65,957	65,957	-	457,719	14.41%	
2016	67,678	67,678	-	462,009	14.65%	
2015	71,319	71,319	-	491,991	14.50%	

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2024

**Public Employees' Retirement System**

**Changes of Benefit Terms:**

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

2017:

Working Retiree Limitations-for PERS:

- Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds:

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

Lump-sum Payouts:

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate rather than the present value of the member's benefit.
- 

Disabled PERS Defined Contribution (DC) Members:

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

**Municipal Police Officers' Retirement System**

**Changes of Benefit Terms:**

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

2017:

Working Retiree Limitations-for MPORS

Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

- Members who return for less than 480 hours in a calendar year:
  - may not become an active member in the system; and
  - are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2024

- Members who return for 480 or more hours in a calendar year:
  - must become an active member of the system;
  - will stop receiving a retirement benefit from the system; and
  - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
  
- Employee, employer and state contributions, if any, apply as follows:
  - employer contributions and state contributions (if any) must be paid on all working retirees;
  - employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit-for MPORS:

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
  - is not awarded service credit for the period of reemployment;
  - is refunded the accumulated contributions associated with the period of reemployment;
  - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
  
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
  - is awarded service credit for the period of reemployment;
  - starting the first month following termination of service, receives:
    - i) the same retirement benefit previously paid to the member, and
    - ii) a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
    - i) on the initial retirement benefit in January immediately following second retirement, and
    - ii) on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
  - A member who returns to covered service is not eligible for a disability benefit.

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.

Lump-sum payouts:

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2024

**Changes in actuarial assumptions and other inputs:**

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

Acturial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years (PERS) and 21 years (MPORS)
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.30%, net of pension plan investment expense and including inflation

CITY OF GLASGOW  
SCHEDULE OF CHANGES IN THE TOTAL OTHER POST-EMPLOYMENT  
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS  
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 84,085	\$ 126,052	\$ 139,972	\$ 172,290	\$ 155,497	\$ 198,483	\$ 164,585
Service cost	7,579	28,762	31,147	35,471	18,794	23,202	33,742
Interest cost	3,978	6,363	6,880	4,716	3,627	5,217	7,675
Differences in experience	13,942	(51,914)	(34,648)	(71,573)	5,157	(28)	3,334
Change in assumptions or other inputs	(857)	(25,178)	(15,538)	2,460	(5,903)	(67,394)	(5,228)
Benefit payments	(1,659)	-	(1,761)	(3,392)	(4,882)	(3,983)	(5,625)
Total OPEB liability - end of year	<u>\$ 107,068</u>	<u>\$ 84,085</u>	<u>\$ 126,052</u>	<u>\$ 139,972</u>	<u>\$ 172,290</u>	<u>\$ 155,497</u>	<u>\$ 198,483</u>
Covered-employee payroll	\$ 536,151	\$ 795,000	\$ 770,465	\$ 668,809	\$ 522,850	\$ 588,966	\$ 848,295
Total OPEB liability as a percentage of covered-employee payroll	19.97%	10.58%	16.36%	20.93%	32.95%	26.40%	23.40%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

4.34%	4.11%	4.02%	2.27%	2.53%	3.87%	3.58%
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Differences in experience measure the expected versus actual claims experience.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

OTHER SUPPLEMENTARY INFORMATION

CITY OF GLASGOW  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2023	Receipts	Expenditures	Balance June 30, 2024
<b><u>U.S. Department of Justice:</u></b>							
Direct Programs:							
Bulletproof Vest Partnership Program	16 607	N/A	\$ 1,600	\$ (447)	\$ 447	\$ 956	\$ (956)
Subtotal				(447)	447	956	(956)
Public Safety Partnership and Community							
Policing Grants	16.710	5JCOPS-22-GC-04582-PPSI	120,237	(8,475)	8,475	-	-
Subtotal				(8,475)	8,475	-	-
Passed through the National Children's Alliance:							
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's							
Advocacy Centers	16.758	GLAS-MT-EQUIPR23	29,385	-	11,910	11,910	-
Subtotal				-	11,910	11,910	-
Passed through the Montana Board of Crime Control:							
Violence Against Women Formula Grants	16 588	24-W05-1812	32,249	-	3,590	7,313	(3,723)
Subtotal				-	3,590	7,313	(3,723)
Crime Victim Assistance	16 575	V01-771	398,780	(42,892)	42,892	-	-
Crime Victim Assistance	16 575	24-V01-1697	188,278	-	53,939	73,132	(19,193)
Subtotal				(42,892)	96,831	73,132	(19,193)
Total U.S. Department of Justice				(51,814)	121,253	93,311	(23,872)
<b><u>U.S. Department of Health and Human Services:</u></b>							
Passed through the Montana Department of Public Health and Human Services - Child and Family Services Division:							
Children's Justice Act	93 643	N/A	4,525	(4,525)	4,525	-	-
Total U.S. Department of Health and Human Services				(4,525)	4,525	-	-
<b><u>U.S. Department of Transportation:</u></b>							
Passed through the Montana Department of Transportation:							
Minimum Penalties for Repeat Offenders for							
Driving While Intoxicated	20 608	112831	8,563	-	409	2,221	(1,812)
Subtotal				-	409	2,221	(1,812)
State and Community Highway Safety	20 600	123805	1,900	-	532	532	-
State and Community Highway Safety	20 600	112831	5,249	-	251	1,334	(1,083)
Subtotal				-	783	1,866	(1,083)
National Priority Safety Programs	20 616	123805	3,100	-	869	869	-
Subtotal				-	869	869	-
Highway Safety Cluster Subtotal				-	1,652	2,735	(1,083)
Total U.S. Department of Transportation				-	2,061	4,956	(2,895)
<b><u>U.S. Department of Agriculture:</u></b>							
Direct Program:							
Rural Rental Housing Loans	10.415	N/A	175,000	-	22,131	22,131	-
Total U.S. Department of Agriculture				-	22,131	22,131	-
<b><u>U.S. Department of Housing and Urban Development:</u></b>							
Passed through the Montana Department of Commerce:							
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14 228	MT-CDBG-PL-22-17	48,974	-	-	16,772	(16,772)
Total U.S. Department of Housing and Urban Development				-	-	16,772	(16,772)
<b><u>U.S. Department of the Interior:</u></b>							
Passed through the Montana Department of Fish, Wildlife and Parks:							
Land and Water Conservation Fund (LWCF)	15 916	WRF-23530	582,871	-	121,884	449,976	(328,092)
Total U.S. Department of the Interior				-	121,884	449,976	(328,092)

CITY OF GLASGOW  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Award/Pass- through Grantor's Number	Program or Award Amount	Balance July 1, 2023	Receipts	Expenditures	Balance June 30, 2024
<u>U.S. Department of the Treasury:</u>							
Direct Program:							
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	N/A	851,122	520,966	-	520,966	-
Passed through the Montana Department of Natural Resources and Conservation:							
Coronavirus State and Local Fiscal Recovery Funds (1)	21 027	AM-22-0072	591,794	(16,381)	189,564	575,413	(402,230)
Total U.S. Department of the Treasury				504,585	189,564	1,096,379	(402,230)
Total Federal Awards				<u>\$ 448,246</u>	<u>\$ 461,418</u>	<u>\$ 1,683,525</u>	<u>\$ (773,861)</u>

(1) - Covid 19

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the government under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the government, it is not intended to and does not present the financial position or changes in net position of the government.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATES

The government has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DONATED PPE

The estimated Fair Market Value (FMV) of donated PPE for the year ended June 30, 2024 was \$0 (unaudited).

NOTE 5 - FEDERAL LOANS

The government was approved by the U.S. Department of Agriculture to assume a loan totaling \$175,000 for the purpose of acquiring the Valley Court Apartment Complex. The amount listed for this loan includes rental assistance and the interest subsidy provided during the year. The balance owing for the year ended June 30, 2024 is \$143,334.

# OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1

BILLINGS, MONTANA 59102

(406) 698.0022

CURTIS D. WYSS, CPA

## 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 Mayor and City Council  
City of Glasgow  
Glasgow, Montana

### Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Glasgow, Montana (the government) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated March 21, 2025. The report included an explanatory paragraph to describe a change in accounting principles. Also, the report on governmental activities was qualified because management has not recorded the total pension liability and related expense as required by GASB Statement No. 73.

### Report on 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.

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 and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-006 and 2024-007 to be significant deficiencies.

### Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-007 through 2024-010.

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)

The Government's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the government's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

*O'ness & Associates, PC*

Billings, Montana  
March 21, 2025

# OLNESS & ASSOCIATES, P. C.

CURTIS D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

15 AVANTA WAY, SUITE 1

BILLINGS, MONTANA 59102

(406) 698.0022

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and City Council  
City of Glasgow  
Glasgow, Montana

### Report on Compliance for Each Major Federal Program

#### Qualified Opinion

We have audited the City of Glasgow, Montana's (the government) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the government's major federal program for the year ended June 30, 2024. The government's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Qualified Opinion on Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds for the year ended June 30, 2024.

#### Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the government and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the government's compliance with the compliance requirements referred to above.

#### Matter Giving Rise to Qualified Opinion on Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the government did not comply with the requirements regarding Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2024-011 for Procurement and Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the government's federal programs.

#### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the government's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the government's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-011 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the government's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*O'Neal & Associates, PC*

Billings, Montana  
March 21, 2025

CITY OF GLASGOW  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2024

SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified?   √   yes        no
- Significant deficiencies identified?   √   yes        none reported
- Noncompliance material to the financial statements noted?   √   yes        no

*FEDERAL AWARDS*

Internal control over major programs:

- Material weaknesses identified?   √   yes        no
- Significant deficiencies identified?        yes   √   none reported

Type of auditor's report issued on compliance for major programs: qualified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)?   √   yes        no

Major programs:

<i>Assistance Listing No.</i>	<i>Name of Federal Program or Cluster</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee?        yes   √   no

FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001. 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. Examples include, but are not limited to:

- Independent review and approval of all journal vouchers and banking activity (EFT's, adjustments, etc..) by the Mayor and/or City Council.
- At the end of each claims run, and before the checks are mailed, someone independent of the process should agree the information and totals of the claims approval listing to the same on the check register and formally account for the numerical sequence of the checks. This process should be documented by the reviewer by signing or initialing the check registers.

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2024

- At the end of each payroll processing cycle, someone independent of the process should agree the information and totals of the payroll register to the total of the paper checks and the direct deposit ACH. Additionally, this independent review should include a formal accounting for the numerical sequence of the payroll checks. This process should be documented by the reviewer by signing or initialing the payroll and check registers.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-002. 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's financial statements were prepared by the auditor, rather than the government itself.

Cause: The government is a small organization with limited resources. As a result, the government does not have the necessary expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

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 prepare or evaluate the auditor prepared financial statements.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-003. TOTAL PENSION LIABILITY NOT RECORDED

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

Condition: The government did not record the total pension liability and related expense (GASB Statement No. 73) in the financial statements.

Cause: The government did not engage an actuarial firm to assist in determining the total pension liability and related expense as of and for the year ended June 30, 2024.

Effect: Governmental activities liabilities are understated, net position is overstated and expenses would change.

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

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-004. CAPITALIZATION POLICY

Criteria: Governmental entities are required to establish and maintain a formal capitalization policy to ensure that capital assets are properly recorded, depreciated, and reported in accordance with generally accepted accounting principles (GAAP). A formal capitalization policy provides clear guidelines for identifying, valuing, and recording capital assets, which is essential for accurate financial reporting and asset management.

Condition: The city does not have a formal capitalization policy.

Cause: Unknown.

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2024

Effect: Without a formal capitalization policy, the city may be inconsistently recording assets and expenses/expenditures, which can lead to inaccurate financial information. This inconsistency can affect the city's ability to accurately track and report on its capital assets, leading to errors in financial reporting and budgeting.

Recommendation: The city should develop and implement a formal asset capitalization policy to ensure that all capital assets are identified, recorded, and reported in accordance with generally accepted accounting principles (GAAP). This policy should establish clear guidelines for capitalizing assets, including thresholds, useful lives, and procedures for consistent treatment and classification of capital expenditures. The policy should be communicated to all relevant staff and incorporated into the government's internal control policies and procedures.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-005. EXPENDITURE CODING

Criteria: In governmental accounting and financial reporting, the criteria for when an expenditure gets charged to a particular fund is primarily based on the fund's purpose and its source of funding. Expenditures and payroll costs should be charged to the fund that directly benefits from the goods or services purchased or provided. If an expenditure benefits multiple funds, it should be allocated on a rational and systematic basis to each fund. The basis for charging expenditures to specific funds should be well-documented and consistently applied. This ensures that the government's financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we noted instances where expenditures were charged to funds without any clear justification or purpose. For example, half of the mayor's, sixty-five percent of the clerk's and all of the city council's wages and benefits were charged to the solid waste special revenue fund. The public works foreman's job duties include overseeing the city's water/sewer operations and managing the public works, streets and parks departments. However, eighty percent of the foreman's wages and benefits are charged to the sewer fund, with the remaining twenty percent being charged to the solid waste fund. Additionally, the contracted grant writer position was split evenly between the water and sewer enterprise funds.

Cause: The city has not established formal policies or procedures for the allocation of shared costs, leading to arbitrary or inconsistent methods of direct charging or allocating costs to the funds.

Effect: The lack of a formal allocation method results in inaccurate and potentially misleading financial statements. Certain funds may be disproportionately charged expenses. This process can distort the financial performance of individual funds, affect the decision-making process of management and reduce the overall reliability and comparability of the city's financial statements.

Recommendation: The city should develop and implement a formal policy for directly charging expenditures to the fund that benefits from the expenditure and for the allocation of shared or administrative costs. This policy should outline a systematic and rational method for charging costs based on the amount of time spent or benefit to each fund. The policy should be reviewed periodically to ensure continued compliance with GAAP and to reflect any changes in job duties or to the government's operations.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-006. INVESTMENTS

Criteria: Section 7-6-202, MCA restricts how the city may invest public money not necessary for immediate use. Allowable investments include U.S. Government securities or obligations of certain agencies of the United States, the Montana Short-Term Investment Pool (STIP), time and savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in 7-6-213. Additionally, an investment authorized under Section 7-6-202, MCA may not have a maturity date exceeding 5 years.

Condition: Funds in the city's LPL Financial account were invested in mutual funds/securities in violation of Section 7-6-202, MCA.

Cause: Unknown.

Effect: Noncompliance with state law.

Recommendation: The city should review its investment holdings to ensure compliance with state investing laws.

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2024

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-007. BUDGETS

Criteria: Accurate preparation of the budget is necessary to ensure that the government is appropriately funded, fiscally responsible, and is in compliance with state budget laws. Section 7-6-4003, MCA requires that the government submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue. Section 7-6-4005, MCA, requires that expenditures be limited to appropriations for each budgeted fund.

Condition: During our audit, we noted the following related to budgets:

- Expenditures in the Permissive Medical Levy fund were in excess of statutory appropriations.
- Six funds had reserves in excess of the 50% reserve limitation.
- The CDBG Housing fund had negative reserves.
- The Crisis Intervention Training fund was not included in the budget document.

Cause: The failure to prepare an accurate and complete budget can be attributed to a lack of review and oversight procedures in the budget development and adoption processes.

Effect: Noncompliance with state budgeting laws.

Recommendation: Budget preparation and review procedures should be reexamined, and revised where necessary, to ensure that a complete and accurate budget is adopted. Further, budget and actual expenditures should be monitored to ensure budgets are not overspent.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-008. VALLEY COURT USDA RURAL DEVELOPMENT RESERVE ACCOUNT

Criteria: The loan agreement with the United States Department of Agriculture (USDA) Rural Development Agency (RD) requires the government to contribute monthly to the Valley Court Apartments required reserve account in an amount not less than \$17,000 annually.

Condition: The city did not contribute the required amounts in fiscal year 2024.

Cause: The city chose to suspend making the required contributions in order to maintain cash flow for the operation of the Valley Court Apartments.

Effect: Noncompliance with the USDA RD loan agreement. Including required contributions from previous fiscal years, the government has not contributed approximately \$93,000 to the reserve as of June 30, 2024.

Recommendation: The city should make the contributions to the reserve account in accordance with the USDA RD loan agreement.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached correction action plan.

2024-009. COMPETITIVE BIDDING

Criteria: Per Section 7-5-4302, a contract for the purchase of any vehicle, road machinery or other machinery, apparatus, appliances, equipment, or materials or supplies or for construction, repair, or maintenance in excess of \$80,000 must be let to the lowest responsible bidder after advertisement for bids.

Condition: The city purchased street paving services with a contract price in excess of \$80,000 without going through the formal bid process

Cause: Procedures are not in place to identify purchases that are required to be formally bid in accordance with state law.

Effect: Noncompliance with state procurement statutes.

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2024

Recommendation: A contract for any purchase in excess of \$80,000 should be formally advertised for bid in accordance with Section 7-5-4302, MCA.

Views of responsible officials and planned corrective actions: The government agrees with this finding and will adhere to the attached corrective action plan.

2024-010. NONCOMPLIANCE WITH PROCUREMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, AL No. 21.027, DIRECT ALLOCATION; GRANT No. AM-22-0072

Criteria: Per section 13 of Treasury's Final Rule FAQs and 2 CFR 200.214, governments must comply with the procurement standards set forth in 2 CFR 200.318, through 2 CFR 200.327, when using their SLFRF award funds to procure goods and services to carry out the objectives of their SLFRF award. In addition, 2 CFR 200.214, prohibits recipients from using SLFRF funds to enter into subawards and contracts with parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs.

Condition: The city did not verify that program recipients/participants were not suspended, debarred, or otherwise excluded from participation in the program.

Cause: The city does not have procurement policies and procedures in place that allow it to comply with procurement standards outlined in the Uniform Guidance.

Effect: Non-compliance with program terms and conditions.

Questioned Costs: None

Recommendation: Management should develop procedures that will provide reasonable assurance that procurement of goods and services are made in compliance with applicable federal regulations and other procurement requirements specific to a federal award or subaward, and that no subaward, contract, or agreement for purchase of goods or services is made with any suspended or debarred party.

Views of responsible officials and planned corrective action: The government agrees with this finding and will adhere to the attached corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF THE TREASURY:

2024-011. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, AL No. 21.027, DIRECT ALLOCATION; GRANT No. AM-22-0072

Finding 2024-010 applies to this federal award program.

CITY OF GLASGOW  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2024

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001. TOTAL PENSION LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2024-003 for the year ended June 30, 2024.

2023-002. VALLEY COURT USDA RURAL DEVELOPMENT RESERVE ACCOUNT

Status: This finding is unresolved and is repeated as finding 2024-007 for the year ended June 30, 2024.

CITY OF GLASGOW  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001. SEGREGATION OF DUTIES

Name of contact person: Stacey Amundson

Corrective Action: A review sign off sheet for journal vouchers, claims checks, and payroll can be established for the Mayor and/or a council member to review and sign off on. When a new deputy clerk is hired, they will be responsible for approving the payroll ACH and reconciling the payroll direct deposit amount for the uploaded file.

Proposed Completion Date: Ongoing.

2024-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Name of contact person: Stacey Amundson

Corrective Action: It may not be financially feasible for the city to hire a qualified person to prepare or evaluate the auditor prepared financial statements, but this can be discussed during the budget process for fiscal year 2025-2026.

Proposed Completion Date: Ongoing.

2024-003. TOTAL PENSION LIABILITY NOT RECORDED

Name of contact person: Stacey Amundson

Corrective Action: The City Council has determined in the past that having an actuarial study completed to obtain the information needed to report the retiree costs on the city's financial statements is not financially feasible.

Proposed Completion Date: Ongoing.

2024-004. CAPITALIZATION POLICY

Name of Contact Person: Stacey Amundson

Corrective Action: A resolution establishing a capitalization policy can be drafted for the city council's review and approval within fiscal year 2024-2025.

Proposed Completion Date: June 2025.

2024-005. EXPENDITURE CODING

Name of Contact Person: Stacey Amundson

Corrective Action: During the budget process, the city council with a recommendation from the city clerk can reallocate wages to their respective funds, if money is available. The city council and mayor's wages have been paid out of the city solid waste fund for many years. The city clerk's wages were allocated to the solid waste fund since she is also considered clerk of the council and works under the mayor.

Proposed Completion Date: June 2025.

2024-006. INVESTMENTS

Name of Contact Person: Stacey Amundson

Corrective Action: A copy of MCA 7-6-202 has been forwarded to the librarian to address with the board and to contact LPL financial to move their funds into approved investments before the end of fiscal year 2024-2025.

Proposed Completion Date: Fiscal year 2025-2026.

CITY OF GLASGOW  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2024

2024-007. BUDGETS

Name of Contact Person: Stacey Amundson

Corrective Action: The permissive medical levy fund has always been budgeted for revenues and expenditures (or transfers into other funds) at the amount that is levied for the current fiscal year and doesn't account for previous years collected amounts. The amounts that are outstanding to be collected as taxes receivable can be budgeted in the upcoming fiscal year budget, so this fund will not exceed its expenditure budget. The council keeps additional reserves in some funds for emergency expenditures that may arise, so the cash remaining in the fund isn't spent down to zero. The CDBG fund had negative reserves because of the loans that are outstanding for the renovations that have been completed on houses and the city writes off a portion of their contracts each fiscal year. The city clerk will review the entire budget in detail to make sure certain funds are not excluded from the budget.

Proposed Completion Date: Fiscal year 2025-2026.

2024-008. VALLEY COURT USDA RURAL DEVELOPMENT RESERVE ACCOUNT

Name of Contact Person: Stacey Amundson

Corrective Action: The City of Glasgow has used the funds that are supposed to be allocated to the reserve account to renovate the apartments as they become vacant. In fiscal year 2023-2024 the issues with the apartments and the continued vacancies have largely prohibited the city from being able to deposit the required funds into the reserve account. The city currently has 3 vacant apartments which all need major work to be rentable again.

Proposed Completion Date: Ongoing.

2024-009. COMPETITIVE BIDDING

Name of Contact Person: Stacey Amundson

Corrective Action: The Glasgow City Council will adopt a purchasing policy that complies with state statutes that all departments within the city will adhere to.

Proposed Completion Date: June 2025.

2024-010. NONCOMPLIANCE WITH PROCUREMENT AND SUSPENSION AND DEBARMENT REQUIREMENTS, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, AL No. 21.027, DIRECT ALLOCATION; GRANT No. AM-22-0072

Name of Contact Person: Stacey Amundson

Corrective Action: When the Glasgow City Council adopts a revised purchasing policy, it will include the process to run a background check on the lowest responsible bidder of a project and check the SAM system for all required entities before awarding the contract.

Proposed Completion Date: June 2025.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
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U.S DEPARTMENT OF THE TREASURY:

2024-011. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS, AL No. 21.027, GRANT No. AM-22-0072

Finding 2024-010 applies to this federal award program.