

**CITY OF GLASGOW  
VALLEY COUNTY  
GLASGOW, MONTANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2025**

**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, 2025

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

# 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

To the Honorable 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, 2025, 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, 2025, 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 Opinion:

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, 2025, 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 2025, the government adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to these matters.

#### 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 postemployment 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2026, 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'less & Associates, PC*

Billings, Montana  
February 13, 2026

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, 2025. Please read the information here in compliance with our financial statements and footnotes.

**FINANCIAL HIGHLIGHTS**

- The city's net position was \$22,746,529 as of June 30, 2025, an increase of \$1,714,380 over the prior year.
- General fund fund balance decreased by \$113,989. The decrease was due to decreasing property taxes, court fines and interest earnings. The decline in revenues were also met with an increase in personnel, grant writing and attorney costs charged to the fund.
- Governmental activities net position was \$8,448,615 as of June 30, 2025, an increase of \$1,345,547 over the prior year. The increase was due to capital grants and contributions received to assist with the new pool project.
- Business-type activities net position was \$14,297,914 as of June 30, 2025, an increase of \$368,833 over the prior year. The increase was due to capital grants received to assist with the Hall Terrace/Hurley Drive improvements project. In addition, depreciation expense declined as a result of updating the estimated service lives of certain capital assets to better reflect their remaining lifespans. See the notes to the financial statements for additional information.
- In the business-type activities, charges for services increased \$79,571 to \$1,936,826 and operating expenses decreased from \$2,135,771 to \$2,102,160.
- The General fund budget was amended by \$34,149 to account for unanticipated grant revenues.

**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.

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

**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 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 \$22,746,529 as of June 30, 2025, an increase of \$1,714,380 over the prior 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 4,715,595	\$ 6,919,631	\$ 6,224,173	\$ 6,294,293	\$ 10,939,768	\$ 13,213,924
Capital assets	6,709,763	3,900,634	18,258,131	17,715,636	24,967,894	21,616,270
Total assets	<u>11,425,358</u>	<u>10,820,265</u>	<u>24,482,304</u>	<u>24,009,929</u>	<u>35,907,662</u>	<u>34,830,194</u>
Deferred outflows	196,205	196,046	47,880	45,936	244,085	241,982
Other liabilities	750,136	713,083	712,719	326,619	1,462,855	1,039,702
Long-term liabilities outstanding	2,107,729	2,306,337	9,486,005	9,693,178	11,593,734	11,999,515
Total liabilities	<u>2,857,865</u>	<u>3,019,420</u>	<u>10,198,724</u>	<u>10,019,797</u>	<u>13,056,589</u>	<u>13,039,217</u>
Deferred inflows	315,083	129,695	33,546	40,668	348,629	170,363
Net position:						
Net investment in capital assets	6,304,454	3,357,301	9,239,528	8,502,856	15,543,982	11,860,157
Restricted	2,670,169	2,507,753	4,464,089	2,963,480	7,134,258	5,471,233
Unrestricted (deficit)	(526,008)	2,002,142	594,297	2,529,064	68,289	4,531,206
	<u>\$ 8,448,615</u>	<u>\$ 7,867,196</u>	<u>\$ 14,297,914</u>	<u>\$ 13,995,400</u>	<u>\$ 22,746,529</u>	<u>\$ 21,862,596</u>

A significant portion of the city's net position (68%) 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 \$573,942 for debt service and \$4,208,219 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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,416,536	\$ 1,363,697	\$ 1,936,826	\$ 1,857,255	\$ 3,353,362	\$ 3,220,952
Operating grants and contributions	777,784	1,207,841	-	-	777,784	1,207,841
Capital grants and contributions	1,049,782	778,309	210,940	1,102,920	1,260,722	1,881,229
General revenues:						
Taxes	1,798,439	1,747,008	-	-	1,798,439	1,747,008
Licenses and permits	8,240	7,325	-	-	8,240	7,325
Intergovernmental	676,350	653,927	5,358	10,771	681,708	664,698
Interest	213,944	281,935	316,949	410,390	530,893	692,325
Miscellaneous	-	8,670	-	-	-	8,670
Gain on disposal of capital assets	9,320	8,187	920	5,500	10,240	13,687
Total revenues	<u>5,950,395</u>	<u>6,056,899</u>	<u>2,470,993</u>	<u>3,386,836</u>	<u>8,421,388</u>	<u>9,443,735</u>
Expenses:						
General government	373,066	508,273	-	-	373,066	508,273
Public safety	1,769,620	1,831,834	-	-	1,769,620	1,831,834
Public works	1,677,286	1,789,239	-	-	1,677,286	1,789,239
Culture and recreation	766,191	573,639	-	-	766,191	573,639
Housing and community development	4,442	7,644	-	-	4,442	7,644
Other current charges	1,500	1,500	-	-	1,500	1,500
Water	-	-	1,051,661	1,013,838	1,051,661	1,013,838
Sewer	-	-	1,006,023	1,066,101	1,006,023	1,066,101
Nonmajor	-	-	44,476	55,832	44,476	55,832
Interest on long-term debt	12,743	17,244	-	-	12,743	17,244
Total expenses	<u>4,604,848</u>	<u>4,729,373</u>	<u>2,102,160</u>	<u>2,135,771</u>	<u>6,707,008</u>	<u>6,865,144</u>
Change in net position	1,345,547	1,327,526	368,833	1,251,065	1,714,380	2,578,591
Net position, beginning	7,867,196	6,031,300	13,995,400	12,411,997	21,862,596	18,443,297
Prior period adjustments	(764,128)	508,370	(66,319)	332,338	(830,447)	840,708
Net position, ending	<u>\$ 8,448,615</u>	<u>\$ 7,867,196</u>	<u>\$ 14,297,914</u>	<u>\$ 13,995,400</u>	<u>\$ 22,746,529</u>	<u>\$ 21,862,596</u>

The City of Glasgow's total revenues were \$8,421,388. The total cost of all programs and services was \$6,707,008. 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 \$1,345,547. Interest earnings, capital and operating grants contributed to the increase.

**Business-type Activities** The city's water, sewer, and nonmajor fund activities resulted in an increase in net position of \$368,833. Capital grants and steady 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 2025, 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 aggregated presentation labeled total nonmajor funds.

CITY OF GLASGOW  
MANAGEMENT'S DISCUSSION & ANALYSIS

General fund fund balance decreased by \$113,989. The decrease was due to decreasing property taxes, court fines and interest earnings. The decline in revenues were also met with an increase in personnel, grant writing and attorney costs charged to the fund.

Fund balance for the Swim Pool fund decreased \$2,112,571 due to the construction in progress on the new pool project.

The Water fund reported an increase in net position of \$9,315 due to capital contributions from the State of Montana for Hall Terrace/Hurley Drive improvements projects.

The Sewer fund reported an increase in net position of \$349,724 due to capital contributions from the State of Montana for Hall Terrace/Hurley Drive improvements projects and steady interest earnings.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The city completed construction of the Milk River water main crossing project, added improvements to the softball fields, purchased a new police department vehicle, evidence and firearm storage lockers, wayfinding signage, re-roofed the city shop and installed a new backup generator. The city is also in the process of completing construction of a new pool and bathhouse, an outdoor sport court and the Hall Terrace/Hurley Drive improvements project.

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 2025-2026 the city requested an extension for the DNRC levee grant until September 30, 2026, so an easement investigation can be completed to gather further information for future levee projects.

The swim pool construction project was mostly finished in the summer of 2025 and opened for a little over a month. The project isn't completely finished, but all punch list items should be completed in fiscal year 2026.

The city has been approved to receive one more round of funding from the Montana Main Street Grant. This funding will be used to install additional wayfinding signage around town. This is the last year the city can apply for this funding.

The Hall Terrace/Hurley Drive project will be completed in fiscal year 2026. Once completed the city will request the remaining SLIPPA funds that were awarded.

The Glasgow Police Department was awarded another two-year funding cycle to continue the victim witness advocate program.

In fiscal year 2026, the Glasgow Police Department was awarded a grant from the Montana Board of Crime Control to purchase a virtual reality training program.

The city is considering entering into a contract to have a rate study completed for the water, sewer, and street operations to make sure our rates are providing adequate funding levels. The city is also considering the possibility of a storm water assessment.

The city is considering entering into a contract for a wastewater treatment facility evaluation. The goal is to create a plan for maintenance that has been deferred over the past few years.

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 (406) 228-2476, fax (406) 228-2479.

CITY OF GLASGOW  
STATEMENT OF NET POSITION  
June 30, 2025

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 3,526,059	\$ 1,423,764	\$ 4,949,823
Investments	250,617	-	250,617
Receivables:			
Taxes/assessments	404,716	-	404,716
Utility	-	142,455	142,455
Loans	125,845	-	125,845
Other	-	9,866	9,866
Governments	408,358	183,999	592,357
Restricted assets:			
Cash and equivalents	-	4,464,089	4,464,089
Capital assets:			
Land and construction-in-progress	5,307,865	1,434,905	6,742,770
Capital assets, net of accumulated depreciation	1,401,898	16,823,226	18,225,124
Total assets	<u>11,425,358</u>	<u>24,482,304</u>	<u>35,907,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	<u>196,205</u>	<u>47,880</u>	<u>244,085</u>
<b>LIABILITIES</b>			
Accounts payable-vendors	658,202	638,911	1,297,113
Accrued wages and benefits	91,934	18,779	110,713
Deposits payable	-	55,029	55,029
Long-term liabilities:			
Due within one year:			
Bonds, notes and leases	111,757	198,416	310,173
Compensated absences	228,340	49,833	278,173
Due in more than one year:			
Bonds, notes and leases	293,552	8,820,187	9,113,739
Compensated absences	38,822	6,238	45,060
Net pension liability	1,343,201	382,219	1,725,420
Total other postemployment benefit liability	92,057	29,112	121,169
Total liabilities	<u>2,857,865</u>	<u>10,198,724</u>	<u>13,056,589</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plans	173,053	33,546	206,599
Unavailable revenue - loans	125,845	-	125,845
Unavailable revenue-special assessments	16,185	-	16,185
Total deferred inflows of resources	<u>315,083</u>	<u>33,546</u>	<u>348,629</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,304,454	9,239,528	15,543,982
Restricted for:			
Nonexpendable:			
Permanent fund-perpetual cemetery	118,140	-	118,140
General government	10,922	-	10,922
Public safety	98,700	-	98,700
Public works	1,204,673	-	1,204,673
Culture and recreation	852,018	-	852,018
Housing and community development	7,877	-	7,877
Debt service	-	573,942	573,942
Capital projects	377,839	3,830,380	4,208,219
Rental activities	-	59,767	59,767
Unrestricted (deficit)	<u>(526,008)</u>	<u>594,297</u>	<u>68,289</u>
Total net position	<u>\$ 8,448,615</u>	<u>\$ 14,297,914</u>	<u>\$ 22,746,529</u>

CITY OF GLASGOW  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 373,066	\$ 30,477	\$ 3,749	\$ 58,157	\$ (280,683)	\$ -	\$ (280,683)
Public safety	1,769,620	62,157	306,208	-	(1,401,255)	-	(1,401,255)
Public works	1,677,286	1,236,861	228,526	60,060	(151,839)	-	(151,839)
Public health	-	345	-	-	345	-	345
Culture and recreation	766,191	86,696	239,301	931,565	491,371	-	491,371
Housing and community development	4,442	-	-	-	(4,442)	-	(4,442)
Other current charges	1,500	-	-	-	(1,500)	-	(1,500)
Interest on long-term debt	12,743	-	-	-	(12,743)	-	(12,743)
<b>Total governmental activities</b>	<b>4,604,848</b>	<b>1,416,536</b>	<b>777,784</b>	<b>1,049,782</b>	<b>(1,360,746)</b>	<b>-</b>	<b>(1,360,746)</b>
<b>Business-type activities:</b>							
Water	1,051,661	835,519	-	113,920	-	(102,222)	(102,222)
Sewer	1,006,023	1,047,037	-	97,020	-	138,034	138,034
Other enterprise fund	44,476	54,270	-	-	-	9,794	9,794
<b>Total business-type activities</b>	<b>2,102,160</b>	<b>1,936,826</b>	<b>-</b>	<b>210,940</b>	<b>-</b>	<b>45,606</b>	<b>45,606</b>
<b>Total</b>	<b>\$ 6,707,008</b>	<b>\$ 3,353,362</b>	<b>\$ 777,784</b>	<b>\$ 1,260,722</b>	<b>(1,360,746)</b>	<b>45,606</b>	<b>(1,315,140)</b>
<b>General revenues:</b>							
Property taxes					1,798,439	-	1,798,439
Licenses and permits					8,240	-	8,240
Intergovernmental					676,350	5,358	681,708
Unrestricted investment earnings					213,944	316,949	530,893
Gain on sale of capital assets					9,320	920	10,240
<b>Total general revenues</b>					<b>2,706,293</b>	<b>323,227</b>	<b>3,029,520</b>
<b>Change in net position</b>					<b>1,345,547</b>	<b>368,833</b>	<b>1,714,380</b>
Net position - beginning					7,867,196	13,995,400	21,862,596
Prior period adjustment					(764,128)	(66,319)	(830,447)
<b>Net position - ending</b>					<b>\$ 8,448,615</b>	<b>\$ 14,297,914</b>	<b>\$ 22,746,529</b>

CITY OF GLASGOW  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2025

	General	Swim Pool	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,065,985	\$ 475,608	\$ 1,984,466	\$ 3,526,059
Investments	-	-	250,617	250,617
Receivables:				
Taxes/assessments	189,079	-	215,637	404,716
Loans	-	-	125,845	125,845
Governments	41,666	286,410	80,282	408,358
<b>Total assets</b>	<b>\$ 1,296,730</b>	<b>\$ 762,018</b>	<b>\$ 2,656,847</b>	<b>\$ 4,715,595</b>
<b>LIABILITIES</b>				
Accounts payable-vendors	\$ 81,032	\$ 358,279	\$ 218,891	\$ 658,202
Accrued salaries and benefits	62,438	-	29,496	91,934
<b>Total liabilities</b>	<b>143,470</b>	<b>358,279</b>	<b>248,387</b>	<b>750,136</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-loans	-	-	125,845	125,845
Unavailable revenue-taxes/assessments	189,079	-	215,637	404,716
<b>Total deferred inflows of resources</b>	<b>189,079</b>	<b>-</b>	<b>341,482</b>	<b>530,561</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund-perpetual cemetery	-	-	118,140	118,140
Restricted for:				
General government	-	-	6,312	6,312
Public safety	-	-	98,700	98,700
Public works	-	-	1,009,831	1,009,831
Culture and recreation	-	403,739	448,279	852,018
Housing and community development	-	-	7,877	7,877
Capital projects	-	-	377,839	377,839
Unassigned	964,181	-	-	964,181
<b>Total fund balances</b>	<b>964,181</b>	<b>403,739</b>	<b>2,066,978</b>	<b>3,434,898</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,296,730</b>	<b>\$ 762,018</b>	<b>\$ 2,656,847</b>	<b>\$ 4,715,595</b>

CITY OF GLASGOW  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2025

Total fund balances, governmental funds	\$ 3,434,898
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	6,709,763
<p>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.</p>	388,531
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>	
Deferred outflows of resources related to pensions	196,205
Deferred inflows of resources related to pensions	(173,053)
<p>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.</p>	<u>(2,107,729)</u>
Net position of governmental activities	<u><u>\$ 8,448,615</u></u>

CITY OF GLASGOW  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2025

	General	Swim Pool	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes/assessments	\$ 1,670,782	\$ -	\$ 1,172,846	\$ 2,843,628
Fines and forfeitures	21,367	-	267	21,634
Licenses and permits	8,205	-	18,147	26,352
Intergovernmental	905,922	379,044	640,718	1,925,684
Charges for services	117,737	-	35,845	153,582
Investment earnings	39,652	101,954	72,338	213,944
Miscellaneous	17,670	362,521	206,573	586,764
	<u>2,781,335</u>	<u>843,519</u>	<u>2,146,734</u>	<u>5,771,588</u>
<b>EXPENDITURES</b>				
Current:				
General government	372,006	-	13,979	385,985
Public safety	1,568,247	-	123,503	1,691,750
Public works	267,281	-	1,353,534	1,620,815
Culture and recreation	436,107	216	292,295	728,618
Housing and community development	4,442	-	-	4,442
Other current charges	1,500	-	-	1,500
Debt service:				
Principal	75,975	-	62,049	138,024
Interest and other charges	7,246	-	5,497	12,743
Capital outlay	62,126	2,985,874	716,319	3,764,319
	<u>2,794,930</u>	<u>2,986,090</u>	<u>2,567,176</u>	<u>8,348,196</u>
Excess (deficiency) of revenues over expenditures	<u>(13,595)</u>	<u>(2,142,571)</u>	<u>(420,442)</u>	<u>(2,576,608)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	14,682	-	-	14,682
Sale of capital assets	490	-	8,830	9,320
Transfers in	19,387	30,000	154,035	203,422
Transfers out	(134,953)	-	(68,469)	(203,422)
	<u>(100,394)</u>	<u>30,000</u>	<u>94,396</u>	<u>24,002</u>
Net change in fund balances	(113,989)	(2,112,571)	(326,046)	(2,552,606)
Fund balances - beginning	<u>1,078,170</u>	<u>2,516,310</u>	<u>2,393,024</u>	<u>5,987,504</u>
Fund balances - ending	<u>\$ 964,181</u>	<u>\$ 403,739</u>	<u>\$ 2,066,978</u>	<u>\$ 3,434,898</u>

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, 2025

Net change in fund balances - total governmental funds \$ (2,552,606)

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

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.

This is the amount by which capital outlay (\$3,764,319) exceeded depreciation/amortization (\$247,940) in the current period. 3,516,379

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. 169,487

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense. 100,783

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. 138,024

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:

Other postemployment benefits (11,854)  
Compensated absences (14,666)

Change in net position of governmental activities \$ 1,345,547

CITY OF GLASGOW  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2025

	Enterprise Funds			Total
	Water	Sewer	Other Enterprise Fund	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,100	\$ 1,405,751	\$ 16,913	\$ 1,423,764
Accounts receivable:				
Utility	72,331	70,124	-	142,455
Other	-	9,866	-	9,866
Governments	86,979	97,020	-	183,999
Total current assets	<u>160,410</u>	<u>1,582,761</u>	<u>16,913</u>	<u>1,760,084</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	1,930,744	2,473,578	59,767	4,464,089
Capital assets:				
Land	13,749	71,180	50,000	134,929
Construction-in-progress	543,794	756,182	-	1,299,976
Buildings and systems	21,328,403	13,792,700	125,000	35,246,103
Less: accumulated depreciation	<u>(9,598,522)</u>	<u>(8,788,054)</u>	<u>(36,301)</u>	<u>(18,422,877)</u>
Capital assets, net	<u>12,287,424</u>	<u>5,832,008</u>	<u>138,699</u>	<u>18,258,131</u>
Total non-current assets	<u>14,218,168</u>	<u>8,305,586</u>	<u>198,466</u>	<u>22,722,220</u>
Total assets	<u>14,378,578</u>	<u>9,888,347</u>	<u>215,379</u>	<u>24,482,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plans	11,396	36,484	-	47,880
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable-vendors	267,629	369,698	1,584	638,911
Accrued salaries and benefits	4,563	14,216	-	18,779
Deposits payable	48,560	-	6,469	55,029
Compensated absences	12,897	36,936	-	49,833
Bonds and notes	133,698	59,919	4,799	198,416
Total current liabilities	<u>467,347</u>	<u>480,769</u>	<u>12,852</u>	<u>960,968</u>
Non-current liabilities:				
Compensated absences	1,618	4,620	-	6,238
Net pension liability	90,970	291,249	-	382,219
Total other postemployment benefits liability	4,765	24,347	-	29,112
Bonds and notes	6,378,028	2,308,287	133,872	8,820,187
Total non-current liabilities	<u>6,475,381</u>	<u>2,628,503</u>	<u>133,872</u>	<u>9,237,756</u>
Total liabilities	<u>6,942,728</u>	<u>3,109,272</u>	<u>146,724</u>	<u>10,198,724</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension plans	7,984	25,562	-	33,546
<b>NET POSITION</b>				
Net investment in capital assets	5,775,698	3,463,802	28	9,239,528
Restricted for debt service	326,227	247,715	-	573,942
Restricted for capital projects	1,604,517	2,225,863	-	3,830,380
Restricted for rental activities	-	-	59,767	59,767
Unrestricted (deficit)	<u>(267,180)</u>	<u>852,617</u>	<u>8,860</u>	<u>594,297</u>
Total net position	<u>\$ 7,439,262</u>	<u>\$ 6,789,997</u>	<u>\$ 68,655</u>	<u>\$ 14,297,914</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, 2025

	Enterprise Funds			Total
	Water	Sewer	Other Enterprise Fund	
<b>REVENUES</b>				
Charges for services	\$ 835,519	\$ 1,047,037	\$ 54,270	\$ 1,936,826
<b>OPERATING EXPENSES</b>				
Personal services	121,668	371,214	-	492,882
Supplies	75,231	31,715	4,628	111,574
Purchased services	288,924	251,035	25,459	565,418
Building materials	20,783	5,629	-	26,412
Fixed charges	67,939	52,080	8,114	128,133
Depreciation	353,681	228,350	4,167	586,198
Total operating expenses	928,226	940,023	42,368	1,910,617
Operating income (loss)	(92,707)	107,014	11,902	26,209
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	109,342	207,607	-	316,949
Grants and contributions	1,275	4,083	-	5,358
Gain on disposal of capital assets	920	-	-	920
Interest expense	(123,435)	(66,000)	(2,108)	(191,543)
Total non-operating revenues (expenses)	(11,898)	145,690	(2,108)	131,684
Income (loss) before capital contributions	(104,605)	252,704	9,794	157,893
Capital contributions	113,920	97,020	-	210,940
Change in net position	9,315	349,724	9,794	368,833
Net position - beginning	7,462,477	6,474,062	58,861	13,995,400
Prior period adjustments	(32,530)	(33,789)	-	(66,319)
Net position - ending	<u>\$ 7,439,262</u>	<u>\$ 6,789,997</u>	<u>\$ 68,655</u>	<u>\$ 14,297,914</u>

CITY OF GLASGOW  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2025

	Enterprise Funds			Total
	Water	Sewer	Other Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 832,182	\$ 1,055,967	\$ 54,270	\$ 1,942,419
Cash paid to employees	(128,937)	(400,138)	-	(529,075)
Cash paid to suppliers for goods and services	(445,720)	(332,025)	(36,950)	(814,695)
Net cash provided by operating activities	<u>257,525</u>	<u>323,804</u>	<u>17,320</u>	<u>598,649</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Increase in customer deposits payable	(3,100)	-	600	(2,500)
Net cash provided (used) by noncapital financing activities	<u>(3,100)</u>	<u>-</u>	<u>600</u>	<u>(2,500)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(448,530)	(355,237)	-	(803,767)
Capital contributions received	429,171	-	-	429,171
Cash received from sale of capital assets	920	-	-	920
Principal payments on debt	(131,217)	(58,296)	(4,663)	(194,176)
Interest paid	(123,435)	(66,000)	(2,108)	(191,543)
Net cash used by capital financing activities	<u>(273,091)</u>	<u>(479,533)</u>	<u>(6,771)</u>	<u>(759,395)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	109,342	207,607	-	316,949
Net cash provided by investing activities	<u>109,342</u>	<u>207,607</u>	<u>-</u>	<u>316,949</u>
Change in cash and cash equivalents	90,676	51,878	11,149	153,703
Cash and cash equivalents - beginning (including restricted cash of \$4,235,013)	1,841,168	3,827,451	65,531	5,734,150
Cash and cash equivalents - ending (including restricted cash of \$4,464,089)	<u>\$ 1,931,844</u>	<u>\$ 3,879,329</u>	<u>\$ 76,680</u>	<u>\$ 5,887,853</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (92,707)	\$ 107,014	\$ 11,902	\$ 26,209
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	353,681	228,350	4,167	586,198
Pensions	(7,967)	(26,554)	-	(34,521)
Other post-employment benefits	1,582	665	-	2,247
(Increase) decrease in accounts receivable	(3,337)	18,796	-	15,459
Increase in other receivables	-	(9,866)	-	(9,866)
Increase in accounts payable	7,157	8,434	1,251	16,842
Decrease in accrued salaries and benefits	(1,918)	(4,308)	-	(6,226)
Increase in compensated absences	1,034	1,273	-	2,307
Net cash provided by operating activities	<u>\$ 257,525</u>	<u>\$ 323,804</u>	<u>\$ 17,320</u>	<u>\$ 598,649</u>

Schedule of non-cash capital and related financing activities:

Capital contributions	\$ 86,979	\$ 97,020	\$ -	\$ 183,999
Capital assets purchased on account	249,413	349,697	-	599,110

See notes to basic financial statements.

CITY OF GLASGOW  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2025

	Private Purpose Trust Funds	Custodial Funds	Totals
<b>ASSETS</b>			
Cash and equivalents	\$ 47,354	\$ 164,160	\$ 211,514
Investments	43,246	102,527	145,773
Taxes and assessments	-	25	25
	90,600	266,712	357,312
<b>LIABILITIES</b>			
Accounts payable	-	12,658	12,658
	-	12,658	12,658
<b>NET POSITION</b>			
Restricted for:			
Individuals, organizations and other governments	90,600	254,054	344,654
	90,600	254,054	344,654
Total net position	\$ 90,600	\$ 254,054	\$ 344,654

CITY OF GLASGOW  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2025

	Private Purpose Trust Funds	Custodial Funds	Totals
ADDITIONS:			
Interest	\$ 3,852	\$ 8,404	\$ 12,256
Federal, state and local sources	<u>600</u>	<u>128,773</u>	<u>129,373</u>
Total additions	<u>4,452</u>	<u>137,177</u>	<u>141,629</u>
DEDUCTIONS:			
Distributions to others	<u>1,960</u>	<u>140,544</u>	<u>142,504</u>
Total deductions	<u>1,960</u>	<u>140,544</u>	<u>142,504</u>
Net increase (decrease) in fiduciary net position	2,492	(3,367)	(875)
Net position - beginning	<u>88,108</u>	<u>257,421</u>	<u>345,529</u>
Net position - ending	<u>\$ 90,600</u>	<u>\$ 254,054</u>	<u>\$ 344,654</u>

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.

For the year ended June 30, 2025, the government adopted the provisions of the following GASB statements:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating how governments recognize and measure liabilities for unused employee leave.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities arising from concentrations and constraints that could significantly impact financial position or operations.

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:

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.

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

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.

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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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	5-25
Building and improvements	5-50
Machinery and equipment	5-20
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

At fiscal year-end, the government recognized a liability for compensated absences totaling \$323,233, representing leave earned but not yet used that is more likely than not to be paid or settled. This includes vacation, sick leave, and other paid time off that meets the recognition criteria under GASB Statement No. 101. The liability is measured using employees' pay rates as of the financial statement date and is reported 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. The government excludes leave types such as parental, military, and jury duty leave until the leave commences, in accordance with GASB 101 guidance. The government continues to monitor and evaluate its leave policies to ensure compliance with GASB 101 and to reflect any changes in employee behavior or policy that may affect future liabilities.

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 include 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 include 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 three items that qualify for reporting in this category: pension plans, long-term special assessments and CDBG loans.

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 and CDBG loans 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	\$ 3,776,676
Business-type activities	5,887,853
Fiduciary funds	<u>357,287</u>
	<u>\$ 10,021,816</u>

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2025, 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	97,136	-	97,136
Savings deposits	9,034,345	-	9,034,345
Time deposits	-	43,246	43,246
Brokers:			
Money markets	46,087	-	46,087
U.S. Government securities	-	18,504	18,504
Time deposits	-	109,087	109,087
Mutual funds	-	225,553	225,553
Short-term Investment Program (STIP)	445,308	-	445,308
	<u>\$ 9,625,426</u>	<u>\$ 396,390</u>	<u>\$ 10,021,816</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, 2025, none of the government's bank balance of \$9,284,821 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, 2025.

Fair value measurements are as follows at June 30, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Government securities	\$ 18,504	\$ 18,504	\$ -	\$ -
Mutual funds	225,553	225,553	-	-
Total U.S. Government securities and mutual funds	244,057	<u>\$ 244,057</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	445,141			
	<u>\$ 689,198</u>			

U.S. Government 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.

Concentration of Credit Risk. The government places no limit on the amount it may invest in any one issuer.

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

*Credit Risk.* Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). 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	\$ 46,087	\$ -	\$ -	\$ 46,087	\$ 46,087
U.S. Government securities:	18,504	-	-	19,350	18,504
	<u>\$ 64,591</u>	<u>\$ -</u>	<u>\$ -</u>	65,437	64,591
Uncategorized:					
Mutual funds				167,095	225,553
STIP				445,308	445,141
				<u>\$ 677,840</u>	<u>\$ 735,285</u>

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Adjustment/ Restatement	Additions	Deletions	Balance June 30, 2025
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 457,741	\$ -	\$ -	\$ -	\$ 457,741
Construction-in-progress	1,331,725	-	3,518,399	-	4,850,124
Total capital assets, not being depreciated	<u>1,789,466</u>	<u>-</u>	<u>3,518,399</u>	<u>-</u>	<u>5,307,865</u>
Capital assets, being depreciated:					
Buildings/improvements	1,634,802	-	-	-	1,634,802
Improvements other than buildings	911,722	(21,214)	76,808	-	967,316
Machinery and equipment	3,278,427	-	169,112	(299,131)	3,148,408
Right-to-use leased equipment	200,039	-	-	-	200,039
Infrastructure	9,221,357	(1,496,464)	-	-	7,724,893
Total capital assets, being depreciated	<u>15,246,347</u>	<u>(1,517,678)</u>	<u>245,920</u>	<u>(299,131)</u>	<u>13,675,458</u>
Less accumulated depreciation for:					
Buildings/improvements	(1,240,399)	-	(13,733)	-	(1,254,132)
Improvements other than buildings	(687,871)	14,117	(43,063)	-	(716,817)
Machinery and equipment	(2,677,858)	-	(153,259)	299,131	(2,531,986)
Right-to-use leased equipment	(128,597)	-	(28,577)	-	(157,174)
Infrastructure	(8,400,454)	796,311	(9,308)	-	(7,613,451)
Total accumulated depreciation	<u>(13,135,179)</u>	<u>810,428</u>	<u>(247,940)</u>	<u>299,131</u>	<u>(12,273,560)</u>
Total capital assets, being depreciated, net	<u>2,111,168</u>	<u>(707,250)</u>	<u>(2,020)</u>	<u>-</u>	<u>1,401,898</u>
Governmental activities capital assets, net	<u>\$ 3,900,634</u>	<u>\$ (707,250)</u>	<u>\$ 3,516,379</u>	<u>\$ -</u>	<u>\$ 6,709,763</u>

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2024	Adjustment/ Restatement	Additions	Deletions	Balance June 30, 2025
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 134,929	\$ -	\$ -	\$ -	\$ 134,929
Construction-in-progress	2,258,987	-	1,136,431	(2,095,442)	1,299,976
Total capital assets, not being depreciated	<u>2,393,916</u>	<u>-</u>	<u>1,136,431</u>	<u>(2,095,442)</u>	<u>1,434,905</u>
Capital assets, being depreciated:					
Buildings and systems	32,727,873	(79,264)	2,140,761	-	34,789,370
Machinery and equipment	372,983	(27,000)	-	(14,250)	331,733
Apartment complex	125,000	-	-	-	125,000
Total capital assets, being depreciated	<u>33,225,856</u>	<u>(106,264)</u>	<u>2,140,761</u>	<u>(14,250)</u>	<u>35,246,103</u>
Less accumulated depreciation for:					
Buildings and systems	(17,651,475)	26,207	(565,278)	-	(18,190,546)
Machinery and equipment	(220,526)	27,000	(16,753)	14,250	(196,029)
Apartment complex	(32,135)	-	(4,167)	-	(36,302)
Total accumulated depreciation	<u>(17,904,136)</u>	<u>53,207</u>	<u>(586,198)</u>	<u>14,250</u>	<u>(18,422,877)</u>
Total capital assets, being depreciated, net	<u>15,321,720</u>	<u>(53,057)</u>	<u>1,554,563</u>	<u>-</u>	<u>16,823,226</u>
Business-type activities capital assets, net	<u>\$ 17,715,636</u>	<u>\$ (53,057)</u>	<u>\$ 2,690,994</u>	<u>\$ (2,095,442)</u>	<u>\$ 18,258,131</u>

Depreciation/amortization expense was charged as follows:

Governmental activities:	
General government	\$ 14,579
Public safety	107,043
Public works	76,800
Culture and recreation	49,518
Total depreciation-governmental activities	<u>\$ 247,940</u>
Business-type activities:	
Water	\$ 353,681
Sewer	228,350
Other enterprise fund	4,167
Total depreciation-business-type activities	<u>\$ 586,198</u>

Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
General	\$ 19,387	\$ (134,953)
Swim pool	30,000	-
Nonmajor governmental funds	154,035	(68,469)
Total	<u>\$ 203,422</u>	<u>\$ (203,422)</u>

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

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

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 was \$200,039. Accumulated amortization is \$157,174. Future lease payments under the lease agreement are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 32,624	\$ 2,364	\$ 34,988
2027	17,091	403	17,494
	<u>\$ 49,715</u>	<u>\$ 2,767</u>	<u>\$ 52,482</u>

Long-Term Debt

Notes from direct borrowings currently outstanding are as follows:

	Original Loan	Final Maturity	Interest Rate	Balance June 30, 2025
Fire truck (1)	\$ 200,000	December 2027	1.99%	\$ 74,540
Equipment purchases (1)	381,500	December 2025	3.15%	29,589
Armory building (1)	320,000	December 2036	1.57%	251,465
Valley Court apartments (2)	175,000	September 2046	1.57%	138,671
(1) Governmental activities				<u>\$ 494,265</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
2026	\$ 79,133	\$ 5,675	\$ 84,808	\$ 4,799	\$ 1,972	\$ 6,771
2027	50,449	4,303	54,752	4,939	1,832	6,771
2028	35,893	3,390	39,283	5,073	1,698	6,771
2029	21,101	2,903	24,004	5,231	1,540	6,771
2030	21,433	2,570	24,003	5,384	1,387	6,771
2031-2035	112,332	7,681	120,013	29,359	4,495	33,854
2036-2040	35,253	561	35,814	33,894	567	34,461
2041-2045	-	-	-	39,145	-	39,145
2046-2047	-	-	-	10,847	-	10,847
	<u>\$ 355,594</u>	<u>\$ 27,083</u>	<u>\$ 382,677</u>	<u>\$ 138,671</u>	<u>\$ 13,491</u>	<u>\$ 152,162</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, 2025
2012A Sewer revenue bonds	\$ 2,599,000	July 2052	2.75%	\$ 2,044,408
2012B Sewer revenue bonds	406,000	July 2052	2.75%	323,798
2020A Water revenue bonds	6,645,000	May 2060	1.89%	6,057,160
2020B Water revenue bonds	500,000	April 2060	1.89%	454,566
				<u>\$ 8,879,932</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
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	210,970	167,978	378,948
2031-2035	1,125,304	769,436	1,894,740
2036-2040	1,253,348	641,392	1,894,740
2041-2045	1,397,327	497,413	1,894,740
2046-2050	1,558,056	336,684	1,894,740
2051-2055	1,353,968	171,731	1,525,699
2056-2060	1,181,424	91,836	1,273,260
	<u>\$ 8,879,932</u>	<u>\$ 3,392,727</u>	<u>\$ 12,272,659</u>

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Restatement	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Governmental activities:						
Notes payable	\$ 462,965	\$ -	\$ -	\$ (107,371)	\$ 355,594	\$ 79,133
Lease payable	80,368	-	-	(30,653)	49,715	32,624
Compensated absences	195,618	56,878	14,666	-	267,162	228,340
Governmental activity long-term liabilities	<u>\$ 738,951</u>	<u>\$ 56,878</u>	<u>\$ 14,666</u>	<u>\$ (138,024)</u>	<u>\$ 672,471</u>	<u>\$ 340,097</u>
Business-type activities:						
Revenue bonds	\$ 9,069,445	\$ -	\$ -	\$ (189,513)	\$ 8,879,932	\$ 193,617
Notes payable	143,334	-	-	(4,663)	138,671	4,799
Compensated absences	40,502	13,262	2,307	-	56,071	49,833
Business-type activity long-term liabilities	<u>\$ 9,253,281</u>	<u>\$ 13,262</u>	<u>\$ 2,307</u>	<u>\$ (194,176)</u>	<u>\$ 9,074,674</u>	<u>\$ 248,249</u>

In accordance with GASB Statement No. 101, the change in the compensated absences liability presented above is a net increase.

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

Violation of Finance-related Legal or Contractual Provisions

As of June 30, 2025, 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.

Restricted Assets

The government is required by the bond covenants to maintain certain accounts and reserves, which are reported as restricted assets in the accompanying financial statements. The revenue bond and USDA RD loan reserve funds are established to protect bondholders by ensuring that funds are available to make debt service payments if the system's pledged revenues are temporarily inadequate. Customer deposits are restricted for refund to utility customers upon account closure or satisfaction of service requirements. The replacement/depreciation amounts are restricted by ordinance for the replacement and depreciation of capital assets. The restricted funds are to be used exclusively for the repair, replacement, or improvement of utility infrastructure.

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The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 6,891
Revenue bond - reserve	573,942
Replacement and depreciation	3,830,380
USDA RD loan reserve	52,876
	\$ 4,464,089

Restatement of Beginning Net Position and Fund Balance

In fiscal year 2025, the government adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. The adoption of Statement No. 101 represents a change in accounting principles under GASB Statement No. 100, *Accounting Changes and Error Corrections*, and was applied retrospectively to all periods presented in the financial statements, resulting in a restatement of beginning net position and retained earnings. The effect of adopting the provisions of GASB Statement No. 101 are shown in column A of the table below.

As a result of a prior year audit finding, management conducted a comprehensive review of the government's capital asset records, internal control and financial reporting processes. This review identified that certain infrastructure items had been erroneously reported as capital assets in prior years. These items did not meet the government's capitalization criteria as established by its accounting policies and GASB standards. As a result of these errors, these assets were inappropriately depreciated over prior periods, which led to an overstatement of both capital assets and accumulated depreciation, and a misstatement of depreciation expense in those periods. To correct this error, the government has removed the net book value of the affected assets from its capital asset balances and restated the beginning net position as of June 30, 2024. The errors resulted in an overstatement of net position in the governmental activities, business-type activities and the water and sewer funds. The correction of these errors has been applied retroactively, resulting in a restatement of beginning net position and retained earnings. The effect of correcting these errors is shown in column B of the table below.

	June 30, 2024 As Previously Reported	Implementation of GASBs No. 101 (A)	Error Correction (B)	June 30, 2024 As Restated
<b>Government-wide:</b>				
Governmental activities	\$ 7,867,196	\$ (56,878)	\$ (707,250)	\$ 7,103,068
Business-type activities	13,995,400	(13,262)	(53,057)	13,929,081
<b>Total</b>	<b>\$ 21,862,596</b>	<b>\$ (70,140)</b>	<b>\$ (760,307)</b>	<b>\$ 21,032,149</b>
<b>Proprietary funds:</b>				
<b>Major funds:</b>				
Water	\$ 7,462,477	\$ (2,923)	\$ (29,607)	\$ 7,429,947
Sewer	6,474,062	(10,339)	(23,450)	6,440,273
<b>Total proprietary funds</b>	<b>\$ 13,936,539</b>	<b>\$ (13,262)</b>	<b>\$ (53,057)</b>	<b>\$ 13,870,220</b>

Change in Accounting Estimate

During the fiscal year ended June 30, 2025, the government reviewed the estimated useful lives of its capital assets and determined that certain classes of assets, including buildings/systems, machinery and equipment, and infrastructure had useful lives that differed from previous estimates. As a result, the estimated useful lives for these asset classes were revised to better reflect their expected periods of service. This change in estimate was made to provide a more accurate allocation of the cost of these assets over their estimated useful lives. The effect of this change is reflected prospectively in the calculation of depreciation expense beginning in the current fiscal year. The change in estimate decreased depreciation expense over the prior year. This change did not affect prior periods.

**NOTE 3. OTHER INFORMATION**

Certain Risk Disclosures

In accordance with GASB Statement No. 102, the government has identified the following risks that could significantly impact its financial position or operations:

The government is subject to Section 15-10-420, MCA, which limits the maximum number of mills that a governmental entity may impose. Under Section 15-10-420, MCA the government may only impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. For the year ended June 30, 2025, property

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valuations rose by approximately 10 percent, but levy growth was capped at 2.11 percent, creating vulnerability to service-level shortfalls.

Federal and state grant funding is generally restricted to specific programmatic uses. These constraints limit the government's ability to reallocate resources in response to emerging needs or emergencies.

As of the reporting date, no events have occurred that would indicate an imminent impact from these risks. The government continues to monitor these exposures, but as of June 30, 2025, no mitigating actions have been formally implemented.

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.

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.

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 \$214,049 for the year ended June 30, 2025.

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 \$185,000 for the year ended June 30, 2025.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$755,914 for the pool and water/sewer 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.

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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 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.

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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 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, 2025, the government recorded a liability of \$1,284,401 (PERS) and \$441,019 (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:

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	Net Pension Liability June 30, 2025	
	PERS	MPORS
Employer proportionate share	\$ 1,284,401	\$ 441,019
State of Montana proportionate share associated with employer	335,976	896,899
Total	\$ 1,620,377	\$ 1,337,918

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 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, 2023, through June 30, 2024, relative to the total employer contributions received from all PERS and MPORS participating employers. At June 30, 2025, the government's proportion was .0525 and .1972 percent for PERS and MPORS, respectively.

For the year ended June 30, 2025, the government recognized \$(5,477) (PERS) and \$35,085 (MPORS) for its proportionate share of the pension expense (recovery). The government also recognized grant revenue of \$18,005 (PERS) and \$127,546 (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 \$12,528 and \$162,631 for PERS and MPORS, respectively.

At June 30, 2025, 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	\$ 64,907	\$ -	\$ 9,515	\$ -
Changes in actuarial assumptions	-	-	-	2,981
Difference between projected and actual investment earnings	-	28,562	-	6,040
Changes in the proportion and differences between actual and expected contributions	-	84,164	-	84,852
Employer contributions subsequent to measurement date	95,988	-	73,675	-
	\$ 160,895	\$ 112,726	\$ 83,190	\$ 93,873

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, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	MPORS
2026	\$ (75,514)	\$ (49,429)
2027	60,074	(6,133)
2028	(20,079)	(24,912)
2029	(12,300)	(3,884)

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Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2024 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, 2024, 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%
	<u>100.0%</u>	

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 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 year 2128. 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

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make all the projected future benefit payments of current plan members through the year 2133. 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	\$ 1,872,378	\$ 1,284,401	\$ 791,353
Net pension liability-MPORS	702,267	441,019	233,513

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, 2024, 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 351 employers that have participants in the PERS-DCRP totaled \$1,345,278.

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.

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

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2025, the employees and employer each contributed \$7,035 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 postemployment 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, 2025, 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

Total OPEB Liability

The total OPEB liability of \$121,169 was determined by using the alternative measurement method as of June 30, 2024 with a roll-forward estimate as of June 30, 2025.

Valuation date	June 30, 2024
Actuarial cost method	Entry age normal funding
Salary increases	3.5%
Discount rate	4.93% (based on the 20 year municipal bond index)
Healthcare costs trend rates	8.67% 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

CITY OF GLASGOW  
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Service cost	\$	8,546
Interest on the total OPEB liability		5,700
Changes of assumptions		1,514
Benefits payments		(1,659)
		14,101
Net change in total OPEB liability		14,101
Total OPEB liability - beginning of year		107,068
Total OPEB liability - end of year	\$	121,169

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 4.93%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (3.93%) or 1.00% higher (5.93%) than the current rate.

	1% Decrease (3.93%)	Current Discount Rate (4.93%)	1% Increase (5.93%)
Total OPEB liability	\$ 127,146	\$ 121,169	\$ 114,856

*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 (7.67% decreasing to 3.0%) or 1-percentage-point higher (9.67% decreasing to 5.0%) than the current healthcare cost trend rates:

	1% Decrease (7.67%) decreasing to 3.0%	Healthcare Cost Trend Rates (8.67%) decreasing to 4.0%	1% Increase (9.67%) decreasing to 5.0%
Total OPEB liability	\$ 108,967	\$ 121,169	\$ 135,147

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

For the year ended June 30, 2025, the government recognized OPEB expense of \$15,760. 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. 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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires: (1) certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34, (2) intangible assets to be disclosed separately by major class and, (3) requires additional disclosures for capital assets held for sale. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are 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, 2025

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Property Taxes	\$ 1,715,619	\$ 1,715,619	\$ 1,670,782	\$ -	\$ 1,670,782
Fees and fines	34,550	34,550	21,367	-	21,367
Licenses and permits	7,800	7,800	8,205	-	8,205
Intergovernmental	923,730	932,692	765,729	140,193	905,922
Charges for services	108,708	125,577	117,737	-	117,737
Investment earnings	45,000	45,000	39,652	-	39,652
Miscellaneous	4,900	12,728	17,670	-	17,670
Total revenues	<u>2,840,307</u>	<u>2,873,966</u>	<u>2,641,142</u>	<u>140,193</u>	<u>2,781,335</u>
<b>EXPENDITURES</b>					
Current:					
General government	507,994	508,184	368,257	3,749	372,006
Public safety	1,557,430	1,591,089	1,438,430	129,817	1,568,247
Public works	435,308	435,608	263,542	3,739	267,281
Culture and recreation	452,226	452,226	433,219	2,888	436,107
Housing and community development	5,500	5,500	4,442	-	4,442
Other current charges	4,000	4,000	1,500	-	1,500
Debt service:					
Principal	75,992	75,992	75,975	-	75,975
Interest and other charges	7,196	7,196	7,246	-	7,246
Capital outlay	106,538	106,538	62,126	-	62,126
Total expenditures	<u>3,152,184</u>	<u>3,186,333</u>	<u>2,654,737</u>	<u>140,193</u>	<u>2,794,930</u>
Excess (deficiency) of revenues over expenditures	<u>(311,877)</u>	<u>(312,367)</u>	<u>(13,595)</u>	<u>-</u>	<u>(13,595)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	-	-	14,682	-	14,682
Sale of capital assets	-	490	490	-	490
Transfers in	20,318	20,318	19,387	-	19,387
Transfers out	(170,465)	(170,465)	(134,953)	-	(134,953)
Total other financing sources (uses)	<u>(150,147)</u>	<u>(149,657)</u>	<u>(100,394)</u>	<u>-</u>	<u>(100,394)</u>
Net change in fund balance	<u>\$ (462,024)</u>	<u>\$ (462,024)</u>	<u>(113,989)</u>	<u>-</u>	<u>(113,989)</u>
Fund balance - beginning			<u>1,078,170</u>	<u>-</u>	<u>1,078,170</u>
Fund balance - ending			<u>\$ 964,181</u>	<u>\$ -</u>	<u>\$ 964,181</u>

CITY OF GLASGOW  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Swim Pool Fund  
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 460,987	\$ 460,987	\$ 379,044
Investment earnings	60,000	60,000	101,954
Miscellaneous	300,000	300,000	362,521
Total revenues	<u>820,987</u>	<u>820,987</u>	<u>843,519</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	4,000	4,000	216
Capital outlay	<u>2,891,072</u>	<u>2,982,172</u>	<u>2,985,874</u>
Total expenditures	<u>2,895,072</u>	<u>2,986,172</u>	<u>2,986,090</u>
Excess (deficiency) of revenues over expenditures	<u>(2,074,085)</u>	<u>(2,165,185)</u>	<u>(2,142,571)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>30,000</u>
Total other financing sources	<u>40,000</u>	<u>40,000</u>	<u>30,000</u>
Net change in fund balance	<u>\$ (2,034,085)</u>	<u>\$ (2,125,185)</u>	(2,112,571)
Fund balance - beginning			<u>2,516,310</u>
Fund balance - ending			<u>\$ 403,739</u>

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2025

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.

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	
2025	0.0525%	\$ 1,284,401	\$ 335,976	\$ 1,620,377	\$ 1,028,927	124.83%	74.77%	
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%	

<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	
2025	0.1972%	\$ 441,019	\$ 896,899	\$ 1,337,918	\$ 417,156	105.72%	73.96%	
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%	

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	
2025	\$ 95,988	\$ 95,988	\$ -	\$ 1,058,309	9.07%	
2024	93,755	93,755	-	1,028,927	9.11%	
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%	

<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	
2025	\$ 73,675	\$ 73,675	\$ -	\$ 511,280	14.41%	
2024	60,287	60,287	-	417,156	14.45%	
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%	

CITY OF GLASGOW  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION  
For the Year Ended June 30, 2025

**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.

**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, 2025

- 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, 2025

**Changes in actuarial assumptions and methods:**

**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
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 POSTEMPLOYMENT  
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS  
For the Years Ended June 30,

Schedule of Changes in the Total OPEB Liability

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 107,068	\$ 84,085	\$ 126,052	\$ 139,972	\$ 172,290	\$ 155,497	\$ 198,483	\$ 164,585
Service cost	8,546	7,579	28,762	31,147	35,471	18,794	23,202	33,742
Interest cost	5,700	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	1,514	(857)	(25,178)	(15,538)	2,460	(5,903)	(67,394)	(5,228)
Benefit payments	(1,659)	(1,659)	-	(1,761)	(3,392)	(4,882)	(3,983)	(5,625)
Total OPEB liability - end of year	<u>\$ 121,169</u>	<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	\$ 558,999	\$ 536,151	\$ 795,000	\$ 770,465	\$ 668,809	\$ 522,850	\$ 588,966	\$ 848,295
Total OPEB liability as a percentage of covered-employee payroll	21.68%	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.

4.93%	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.*

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

To the Honorable Mayor and 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, 2025, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated February 13, 2026. The report included an explanatory paragraph to describe changes 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 responses, 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 responses as items 2025-001 through 2025-004 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 responses as items 2025-005 and 2025-006 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 responses as items 2025-005 through 2025-007.

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 responses. 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'Leary & Associates, PC*

Billings, Montana  
February 13, 2026

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2025

2025-001. 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: 1). 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 and 2). independent review and approval of all journal vouchers and banking activity (EFT's, adjustments, etc.) by the Mayor and/or City Council.

Views of responsible officials: The following procedures were implemented effective July 1,2025: a check review sign off sheet for both claim and payroll checks has been established. The council approves the claims at each council meeting. The following day, claim checks are cut and the check register report is printed for all check types. Payroll is completed on a bi-weekly basis. The mayor is provided with a payroll summary report and the payroll check register, including all electronic and checks that have been issued for payroll liabilities. The mayor signs/dates the check review sheets as evidence of review and approval. Effective February 2026, the city clerk will provide all monthly journal vouchers and banking registers for the mayor to review/approve. This review and approval will be documented by the mayor's signature and date stamp.

2025-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not prepare its own financial statements in accordance with generally accepted accounting principles (GAAP). The government uses the auditor to prepare its financial statements.

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

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to prepare or evaluate the auditor prepared financial statements.

Views of responsible officials: Although the city will continue having the auditors prepare the financial statements, management will accept responsibility for the preparation and fair presentation of the financial statements and related internal controls, and will review and approve the financial statements prepared by the auditor to ensure their accuracy and completeness.

2025-003. 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, 2025.

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

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2025

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

Views of responsible officials: 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.

2025-004. 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 public utility employees split job duties between the water and sewer funds, but wages are allocated twenty-five percent to water and seventy-five percent to sewer.

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: Unsupported or inconsistent cost allocations among funds can undermine the accuracy and comparability of the financial statements, increase the risk of noncompliance with GASB standards, and impair management's ability to make informed decisions. These practices may also result in the misuse of restricted or committed resources, such as using special revenue funds for costs that do not meet their use restrictions. Additionally, incorrect or unsupported cost allocations can have legal consequences, especially when they result in the misuse of restricted or statutorily limited resources.

Recommendation: The city should develop and implement a formal policy for directly charging expenditures to the fund that benefits from the expenditure, as well as for the allocation of shared or administrative costs. Allocations must be rational, systematic, and consistently applied, with appropriate documentation to ensure compliance and reliable financial reporting. The policy should establish a clear, equitable methodology for charging costs - such as based on time spent or the proportionate benefit to each fund and require that all allocations are supported by adequate records. Additionally, the policy should be reviewed periodically to ensure continued compliance with GAAP and to reflect any changes in job duties or the city's operations.

Views of responsible officials: The city clerk will develop a spreadsheet with a listing of employees, review each of their job descriptions and allocate their wages to the funds, accordingly. Employees who work in multiple departments will be allocated by percentage of time spent. Also, the city council will review expenditure allocations during the next budget process.

2025-005. 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.

Views of responsible officials: The library board is working with their investment advisor to move the funds that are invested contrary to 7-6-202, MCA.

CITY OF GLASGOW  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2025

2025-006. BUDGETS

Criteria: Section 7-6-4034(2)(b), MCA limits the city's budgeted reserves to one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

Condition: During our audit, we noted seven funds had reserves in excess of the 50% reserve limitation.

Cause: The city budgets excess reserves intentionally as a hedge against emergency expenditures and rising costs.

Effect: Noncompliance with state budgeting laws.

Recommendation: Budgeted reserves should be limited to one-half of the total amount appropriated.

Views of responsible officials: Excess reserves are kept in case of emergency expenses or rising costs of operating expenses. During the fiscal year 2026-2027 budget process, the city council will review the cash reserves to ensure they are below the 50% reserve limitation.

2025-007. 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 2025.

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 city has underfunded the required reserve by approximately \$110,000 as of June 30, 2025.

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

Views of responsible officials: The continuous repairs and vacancies at the Valley Court Apartments results in inadequate cash flows to deposit the required reserve amount in compliance with the USDA RD loan agreement. The city has not requested a rent increase to cover the costs to keep affordable housing in Glasgow.

CITY OF GLASGOW  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2025

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2025-001 for the year ended June 30, 2025.

2024-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Status: This finding is unresolved and is repeated as finding 2025-002 for the year ended June 30, 2025.

2024-003. TOTAL PENSION LIABILITY NOT RECORDED

Status: This finding is unresolved and is repeated as finding 2025-003 for the year ended June 30, 2025.

2024-004. CAPITALIZATION POLICY

Status: This finding has been resolved.

2024-005. EXPENDITURE CODING

Status: This finding is unresolved and is repeated as finding 2025-004 for the year ended June 30, 2025.

2024-006. INVESTMENTS

Status: This finding is unresolved and is repeated as finding 2025-005 for the year ended June 30, 2025.

2024-007. BUDGETS

Status: This finding is partially resolved and is repeated as finding 2025-006 for the year ended June 30, 2025.

2024-008. VALLEY COURT USDA RURAL DEVELOPMENT RESERVE ACCOUNT

Status: This finding is unresolved and is repeated as finding 2025-007 for the year ended June 30, 2025.

2024-009. COMPETITIVE BIDDING

Status: This finding has been resolved.

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

Status: This finding has been resolved.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR  
FEDERAL AWARD PROGRAMS AUDIT

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

Status: See 2024-010 above.