



GLASGOW

— MONTANA —

MORE OF WHAT MATTERS

FINANCIAL REPORT

June 30, 2021



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CITY OF GLASGOW, MONTANA
CITY OFFICIALS
June 30, 2021

Rebecca Erickson Mayor
Dan Carr Alderman
Elvon Heitman Alderman
Rod Karst Alderman
Doug Nistler Alderman
Stan Ozark Alderman
Lisa Koski Alderman
Stacey Amundson Clerk/Treasurer/Financial Officer
Anna Rose Sullivan City Attorney
Wanda Gilbert City Judge (to July 6, 2021)
Tasha Morehouse Mix City Judge (effective July 6, 2021)
Brien Gault Chief of Police (to May 23, 2021)
Tyler Edwards Chief of Police (effective May 23, 2021 to September 28, 2021)
Robert Weber Chief of Police (effective September 28, 2021)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glasgow, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Glasgow, Montana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on the Fire Fighters Relief Association Fund

Management has not implemented the provisions of GASB No. 73 regarding the measurement and disclosure of the annual cost of providing retirement benefits to retirees in the Fire Department Relief Association Disability and Pension Fund. Accounting principles generally accepted in the United States of America require a systematic, accrual-basis measurement and recognition of such cost over a period that approximates employees' years of service, and the provision of information about the actuarial accrued liabilities associated with such costs and whether and to what extent progress has been made in funding those costs. The amount by which this departure would affect the liabilities, net position, and expenses of the statement of fiduciary net position and statement of changes in fiduciary net position is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Fire Fighters Relief Association Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fire Fighters Relief Association Fund financial statements of the City of Glasgow, Montana, as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, other than the Fire Fighters Relief Association Fund, of the City of Glasgow, Montana, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Budgetary Comparison, Schedule of Changes in Total OPEB Liability, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 5 through 13 and 72 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glasgow, Montana's basic financial statements. The Requirements of Bond Resolutions and Schedule of Insurance in Force are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Requirements of Bond Resolutions, Schedule of Insurance in Force and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Requirements of Bond Resolutions, Schedule of Insurance in Force and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, on our consideration of the City of Glasgow, Montana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City of Glasgow, Montana's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
February 10, 2022

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021

The discussion and analysis of the City of Glasgow's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

The fiscal year ended June 30, 2021 will follow the same format as the City's management and discussion analysis report filed for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent year by \$17,339,306 (net position). Of this amount \$5,006,114 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The City's total net position increased by \$1,364,741; governmental activities net position increased by \$493,074 and the business-type net position increased by \$871,667.

USING THIS ANNUAL FINANCIAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting similar to the accounting used by most private-sector companies. This accounting basis takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Net Position and the Statement of Activities distinguishes between the following activities.

Government activities, normally supported by taxes and intergovernmental revenues, include general government, public safety, public works, and parks and recreation.

Business-type activities, which recover all or a significant portion of their costs through user fees and charges, include water, sewer, and garbage.

Component unit, which consists of the City-County Library. It is supported 80% by Valley County and 20% by the City. The City is responsible for the bookkeeping. It also consists of the Valley County Friends of the Library, which allocates money to the Library for projects if requested in writing by the board.

The government-wide financial statement can be found on the pages after this management's discussion and analysis report.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the city. The emphasis of fund financial statements is to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds. The City's major governmental funds are the General Fund, Solid Waste Fund, Street Maintenance Fund, Swim Pool Fund and Capital Projects Fund. The City's major proprietary funds are the Water Utility and Sewer Utility Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate a comparison between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds.

Proprietary Funds

Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's 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.

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE CITY AS A WHOLE

The City is providing condensed comparative financial information below for fiscal year 2021 and 2020. The analysis focuses on the net position and changes in net position of the City's governmental and business-type activities.

	Governmental Activities		Percent Change
	2021	2020	
ASSETS			
Current assets	\$ 4,068,952	\$ 3,585,049	13.50%
Capital assets	<u>2,772,809</u>	<u>2,316,936</u>	<u>19.68%</u>
Total assets	<u>6,841,761</u>	<u>5,901,985</u>	<u>15.92%</u>
DEFERRED OUTFLOWS			
Pension plan and OPEB	<u>479,432</u>	<u>283,525</u>	<u>69.10%</u>
LIABILITIES			
Current liabilities	522,736	362,295	44.28%
Long term debt outstanding	<u>2,359,103</u>	<u>1,874,554</u>	<u>25.85%</u>
Total liabilities	<u>2,881,839</u>	<u>2,236,849</u>	<u>28.83%</u>
DEFERRED INFLOWS			
Deferred revenue	<u>358,716</u>	<u>361,097</u>	<u>-0.66%</u>
TOTAL NET POSITION	<u>\$ 4,080,638</u>	<u>\$ 3,587,564</u>	<u>13.74%</u>
BREAKDOWN OF TOTAL NET POSITION			
Net investment in capital assets	\$ 2,305,304	\$ 1,967,190	17.19%
Restricted for programs	1,933,823	1,258,375	53.68%
Unrestricted	<u>(158,489)</u>	<u>361,999</u>	<u>-143.78%</u>
Total net position	<u>\$ 4,080,638</u>	<u>\$ 3,587,564</u>	<u>13.74%</u>
REVENUES			
General Revenues:			
Property taxes and special assessments	\$ 1,528,584	\$ 1,498,509	2.01%
Fees in lieu of taxes	32,748	31,418	4.23%
Fines and forfeitures	40,034	32,784	22.11%
Grants and contributions	930,235	829,359	12.16%
Unrestricted investment/earnings	5,428	28,933	-81.24%
Sale of assets	8,830	42,236	-79.09%
Miscellaneous	500,854	283,763	76.50%
Transfers	<u>(41,270)</u>	<u>(39,767)</u>	<u>3.78%</u>
Total general revenues	<u>3,005,443</u>	<u>2,707,235</u>	<u>11.02%</u>
Program Revenues:			
Charges for services	1,168,909	1,076,600	8.57%
Operating grants/contributions	<u>392,786</u>	<u>459,234</u>	<u>-14.47%</u>
Total program revenues	<u>1,561,695</u>	<u>1,535,834</u>	<u>1.68%</u>
EXPENSES			
General government	482,640	483,656	-0.21%
Public safety	1,773,546	1,480,884	19.76%
Public works	1,180,129	1,079,697	9.30%
Social and economic services	-	20,330	-100.00%
Culture and recreation	559,100	528,393	5.81%
Housing and development	33,808	115,979	-70.85%
Interest expense	13,378	13,606	-1.68%
Miscellaneous	<u>31,463</u>	<u>23,860</u>	<u>31.87%</u>
Total expenses	<u>4,074,064</u>	<u>3,746,405</u>	<u>8.75%</u>
Change in net position	493,074	496,664	-0.72%
Net position, beginning of year	<u>3,587,564</u>	<u>3,090,900</u>	<u>16.07%</u>
Net position, end of year	<u>\$ 4,080,638</u>	<u>\$ 3,587,564</u>	<u>13.74%</u>

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE CITY AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was \$4,074,064 compared to \$3,746,405 last year. The largest expense is for Public Safety and Public Works, in the amount of \$2,953,675. The majority of revenue received is from property taxes and special assessments, and the state share entitlement that is a consolidation of various revenues such as motor vehicles fees, alcohol, gambling tax receipts, and personal property taxes. Property taxes fund the local programs such as culture and recreation. The City of Glasgow has, for many years, assessed property owners for street maintenance, street lights, and solid waste. There has not been an increase in special assessments in several years, as these funds have been able to maintain a stable financial condition.

The operating cost of all proprietary (business-type) activities this year was \$1,600,985. The amounts paid by users of the system was \$1,795,193. The operating cost in FY2020 was \$1,477,400 and user amounts paid were \$1,724,058. The increase in costs is associated with the City's ongoing maintenance on pump station #1, and higher interest expense on the full year of bond payments, while the increase in amounts paid by the users of the system are due to the dry summer months.

	Business Type Activities		Percent Change
	2021	2020	
ASSETS			
Current assets	\$ 477,502	\$ 919,970	-48.10%
Non-current assets	7,423,803	6,768,225	9.69%
Capital assets	<u>16,444,219</u>	<u>15,670,662</u>	<u>4.94%</u>
Total assets	<u>24,345,524</u>	<u>23,358,857</u>	<u>4.22%</u>
DEFERRED OUTFLOWS			
Pension plan and OPEB	<u>112,614</u>	<u>74,263</u>	<u>51.64%</u>
LIABILITIES			
Current liabilities	1,019,600	1,094,792	-6.87%
Long-term debt outstanding	<u>10,144,842</u>	<u>9,920,799</u>	<u>2.26%</u>
Total liabilities	<u>11,164,442</u>	<u>11,015,591</u>	<u>1.35%</u>
DEFERRED INFLOWS			
Pension plan	<u>35,028</u>	<u>30,528</u>	<u>14.74%</u>
TOTAL NET POSITION	<u>\$ 13,258,668</u>	<u>\$ 12,387,001</u>	<u>7.04%</u>
BREAKDOWN OF TOTAL NET POSITION			
Net investment in capital assets	\$ 6,673,415	\$ 6,088,195	9.61%
Restricted for:			
Revenue bond operations	402,326	402,326	0.00%
Revenue bond sinking fund	178,442	178,442	0.00%
Revenue bond replacement & depreciation	789,616	789,616	0.00%
Rental activities	50,266	49,566	1.41%
Unrestricted	<u>5,164,603</u>	<u>4,878,756</u>	<u>5.86%</u>
Total net position	<u>\$ 13,258,668</u>	<u>\$ 12,386,901</u>	<u>7.04%</u>
REVENUES			
Charges for services	\$ 1,795,193	\$ 1,724,058	4.13%
Capital grants	<u>87,586</u>	<u>29,831</u>	<u>193.61%</u>
Total revenues	<u>1,882,779</u>	<u>1,753,889</u>	<u>7.35%</u>
EXPENSES			
Operating expenses	1,600,985	1,477,400	8.37%
Net non-operating income (expenses)	<u>(589,873)</u>	<u>64,868</u>	<u>-1009.34%</u>
Total expenses	<u>1,011,112</u>	<u>1,542,268</u>	<u>-34.44%</u>
Change in net position	871,667	211,621	311.90%
Net position, beginning of year	<u>12,387,001</u>	<u>12,175,380</u>	<u>1.74%</u>
Net position, end of year	<u>\$ 13,258,668</u>	<u>\$ 12,387,001</u>	<u>7.04%</u>

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE CITY'S FUNDS

The following is an analysis of the balances in the City's major governmental funds. Condensed comparative information for fiscal years 2021 and 2020 is provided below.

	Governmental Funds		Percent Change
	2021	2020	
GENERAL FUND			
Total assets	<u>\$ 1,441,824</u>	<u>\$ 1,177,794</u>	<u>22.42%</u>
Total liabilities	128,710	120,251	7.03%
Total deferred inflows	327,591	229,968	42.45%
Total fund balance	<u>985,523</u>	<u>827,575</u>	<u>19.09%</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,441,824</u>	<u>\$ 1,177,794</u>	<u>22.42%</u>
STREET MAINTENANCE FUND			
Total assets	<u>\$ 174,650</u>	<u>\$ 197,833</u>	<u>-11.72%</u>
Total liabilities	19,487	23,747	-17.94%
Total deferred inflows	83,273	72,990	14.09%
Total fund balance	<u>71,890</u>	<u>101,096</u>	<u>-28.89%</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 174,650</u>	<u>\$ 197,833</u>	<u>-11.72%</u>
SOLID WASTE FUND			
Total assets	<u>\$ 769,794</u>	<u>\$ 765,851</u>	<u>0.51%</u>
Total liabilities	2,745	1,163	136.03%
Total deferred inflows	36,461	43,781	-16.72%
Total fund balance	<u>730,588</u>	<u>720,907</u>	<u>1.34%</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 769,794</u>	<u>\$ 765,851</u>	<u>0.51%</u>
SWIM POOL FUND			
Total assets	<u>\$ 838,784</u>	<u>\$ 386,706</u>	<u>116.90%</u>
Total liabilities	-	-	0.00%
Total deferred inflows	-	-	0.00%
Total fund balance	<u>838,784</u>	<u>386,706</u>	<u>116.90%</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 838,784</u>	<u>\$ 386,706</u>	<u>116.90%</u>
CAPITAL PROJECTS FUND			
Total assets	<u>\$ 147,873</u>	<u>\$ 208,837</u>	<u>-29.19%</u>
Total liabilities	-	-	0.00%
Total deferred inflows	60,804	-	100.00%
Total fund balance	<u>87,069</u>	<u>208,837</u>	<u>-58.31%</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 147,873</u>	<u>\$ 208,837</u>	<u>-29.19%</u>
GENERAL FUND			
Total revenue	\$ 2,563,777	\$ 2,290,136	11.95%
Total expenses	<u>2,255,191</u>	<u>2,192,476</u>	<u>2.86%</u>
Excess of revenue over expenditures	308,586	97,660	215.98%
Other financing uses	<u>(150,638)</u>	<u>(110,162)</u>	<u>36.74%</u>
Net change in fund balance	<u>\$ 157,948</u>	<u>\$ (12,502)</u>	<u>-1363.38%</u>
STREET MAINTENANCE FUND			
Total revenue	\$ 508,704	\$ 459,821	10.63%
Total expenses	<u>471,453</u>	<u>395,766</u>	<u>19.12%</u>
Excess of revenue over expenditures	37,251	64,055	-41.85%
Other financing uses	<u>(66,457)</u>	<u>(27,662)</u>	<u>140.25%</u>
Net change in fund balance	<u>\$ (29,206)</u>	<u>\$ 36,393</u>	<u>-180.25%</u>

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE CITY'S FUNDS (CONTINUED)

	Governmental Funds		Percent Change
	2021	2020	
SOLID WASTE FUND			
Total revenue	\$ 340,249	\$ 321,172	5.94%
Total expenses	<u>330,568</u>	<u>307,686</u>	7.44%
Excess (deficiency) of revenue over expenditures	9,681	13,486	-28.21%
Other financing sources (uses)	-	-	0.00%
Net change in fund balance	<u>\$ 9,681</u>	<u>\$ 13,486</u>	<u>-28.21%</u>
SWIM POOL FUND			
Total revenue	\$ 486,901	\$ 249,098	95.47%
Total expenses	<u>54,823</u>	-	100.00%
Excess of revenue over expenditures	432,078	249,098	73.46%
Other financing uses	20,000	-	100.00%
Net change in fund balance	<u>\$ 452,078</u>	<u>\$ 249,098</u>	<u>81.49%</u>
CAPITAL PROJECTS FUND			
Total revenue	\$ 38,856	\$ -	100.00%
Total expenses	<u>491,534</u>	<u>38,970</u>	1161.31%
Excess of revenue over expenditures	(452,678)	(38,970)	1061.61%
Other financing uses	330,910	112,741	193.51%
Net change in fund balance	<u>\$ (121,768)</u>	<u>\$ 73,771</u>	<u>-265.06%</u>

The City has two major proprietary funds, consisting of the Water Utility and Sewer Utility funds. The basic financial statements for these major funds are included in this report. As shown in the statement of revenues, expenses and changes in net position, the operating income for 2021 for the water fund was \$50,760, while 2020 was \$151,191. The operating income for 2021 for the sewer fund was \$137,085, while 2020 was \$90,972. In October 2016, the City acquired a 12-unit apartment complex which is considered a non-major enterprise fund and is included below.

	Proprietary Funds		Percent Change
	2021	2020	
WATER UTILITY			
Current assets	\$ 152,894	\$ 322,934	-52.65%
Non-current assets	4,156,952	3,578,261	16.17%
Capital assets	<u>10,960,785</u>	<u>10,749,282</u>	1.97%
Total assets	<u>15,270,631</u>	<u>14,650,477</u>	4.23%
Deferred outflows	<u>30,661</u>	<u>20,651</u>	48.47%
Current liabilities	656,343	997,117	-34.18%
Long-term debt outstanding	<u>7,046,514</u>	<u>6,797,531</u>	3.66%
Total liabilities	<u>7,702,857</u>	<u>7,794,648</u>	-1.18%
Deferred inflows	<u>8,125</u>	<u>8,489</u>	-4.29%
Net position			
Net investment in capital assets	3,938,624	3,971,850	-0.84%
Restricted	703,281	703,281	0.00%
Unrestricted	<u>2,948,405</u>	<u>2,192,860</u>	34.45%
Total net position	<u>\$ 7,590,310</u>	<u>\$ 6,867,991</u>	<u>10.52%</u>
SEWER UTILITY			
Total operating revenue	\$ 749,142	\$ 716,926	4.49%
Total operating expenses	<u>698,382</u>	<u>565,735</u>	23.45%
Operating income	<u>50,760</u>	<u>151,191</u>	-66.43%
Non-operating revenue	779,488	54,751	1323.70%
Non-operating expenses	<u>131,813</u>	<u>91,991</u>	43.29%
Total non-operating income (loss)	<u>647,675</u>	<u>(37,240)</u>	-1839.19%
Capital contributions	<u>23,884</u>	<u>8,281</u>	188.42%
Change in net position	<u>\$ 722,319</u>	<u>\$ 122,232</u>	<u>490.94%</u>

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

THE CITY'S FUNDS (CONTINUED)

	Proprietary Funds (Continued)		Percent Change
	2021	2020	
SEWER UTILITY			
Current assets	\$ 297,897	\$ 581,497	-48.77%
Non-current assets	3,216,585	3,140,298	2.43%
Capital assets	<u>5,328,069</u>	<u>4,761,848</u>	11.89%
Total assets	<u>8,842,551</u>	<u>8,483,643</u>	4.23%
Deferred outflows	<u>81,953</u>	<u>53,612</u>	52.86%
Current liabilities	353,052	86,364	308.80%
Long-term debt outstanding	<u>2,946,050</u>	<u>2,966,697</u>	-0.70%
Total liabilities	<u>3,299,102</u>	<u>3,053,061</u>	8.06%
Deferred inflows	<u>26,903</u>	<u>22,039</u>	22.07%
Net position			
Net investment in capital assets	2,735,987	2,117,536	29.21%
Restricted	667,103	667,103	0.00%
Unrestricted	<u>2,195,409</u>	<u>2,677,516</u>	-18.01%
Total net position	<u>\$ 5,598,499</u>	<u>\$ 5,462,155</u>	2.50%
SEWER UTILITY			
Total operating revenue	\$ 986,959	\$ 947,467	4.17%
Total operating expenses	<u>849,874</u>	<u>856,495</u>	-0.77%
Operating income	<u>137,085</u>	<u>90,972</u>	50.69%
Non-operating revenue	7,624	48,580	-84.31%
Non-operating expenses	<u>72,067</u>	<u>73,481</u>	-1.92%
Total non-operating income (expense)	<u>(64,443)</u>	<u>(24,901)</u>	158.80%
Capital contributions	<u>63,702</u>	<u>21,550</u>	195.60%
Change in net position	<u>\$ 136,344</u>	<u>\$ 87,621</u>	55.61%
VALLEY COURT APARTMENTS			
Current assets	\$ 26,711	\$ 15,539	71.90%
Non-current assets	50,266	49,666	1.21%
Capital assets	<u>155,365</u>	<u>159,532</u>	-2.61%
Total assets	<u>232,342</u>	<u>224,737</u>	3.38%
Current liabilities	10,205	11,311	-9.78%
Long-term debt outstanding	<u>152,278</u>	<u>156,571</u>	-2.74%
Total liabilities	<u>162,483</u>	<u>167,882</u>	-3.22%
Net position			
Net investment in capital assets	(1,196)	(1,191)	0.42%
Restricted	50,266	49,666	1.21%
Unrestricted	<u>20,789</u>	<u>8,380</u>	148.08%
Total net position	<u>\$ 69,859</u>	<u>\$ 56,855</u>	22.87%
VALLEY COURT APARTMENTS			
Total operating revenue	\$ 59,092	\$ 59,665	-0.96%
Total operating expenses	<u>52,729</u>	<u>55,170</u>	-4.42%
Operating income	<u>6,363</u>	<u>4,495</u>	41.56%
Non-operating revenue	9,250	-	100.00%
Non-operating expenses	<u>2,609</u>	<u>2,727</u>	-4.33%
Total non-operating expense	<u>6,641</u>	<u>(2,727)</u>	-343.53%
Change in net position	<u>\$ 13,004</u>	<u>\$ 1,768</u>	635.52%

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets, net of accumulated depreciation and related debt, were \$8,978,719 and \$8,055,386 for the governmental activities and business-type activities, as of June 30, 2021 and 2020. Further detail on capital assets is presented in Note 9 on pages 37 and 38.

Debt Administration

The City incurred the remaining debt of \$367,568 in FY2021 upon the Water System Improvements project completion. The City also incurred new debt of \$200,000 to purchase a new fire truck. The sewer lagoon project was completed in December 2013, and the city makes monthly payments to Rural Development to decrease the amount of debt on the bonds. When the City acquired the Valley Court Apartment Complex, a loan in the amount of \$175,000 was also transferred to the City. The loan payments are made from the subsidy payment received from Rural Development. The loan will be paid back over the course of 40 years. Further detail on long-term debt is presented in Note 10 on pages 39 through 45.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Police Department continues to manage the MT Hi-Line Community Grant (formerly the Victim Witness Advocate grant); and was awarded another \$398,780 for FY2022 and FY2023.

The City's Water System Improvement Project was completed during FY2021. The City has two bonds with USDA Rural Development that will be paid off over the next forty years.

The Swim Pool committee continues fundraising for a new swim pool and currently has raised around \$838,000. The cost of the new pool will be approximately two million dollars. The City's grant manager is also applying for funding to assist with this project.

In FY2016, the City applied for a non-competitive grant to help rehabilitate single family homes for those who fall within the income guidelines. The City was awarded this grant and is eligible for funding for a five (5) year period. The City finished the second project, at a total cost of \$44,513, and if the property owner chooses to sell the home within the first year, they will have to pay back the full amount of the project. For every year the owner stays in the house, 6.6% of the loan will be reduced up to 15 years. The housing board will meet to prioritize the next project.

The City also applied for CARES Act money and was awarded a total of \$327,878 to be used towards additional cleaning expenses and Police Officer wages due to the pandemic.

The City received its first half of ARPA funding in June 2021 and the council decided to use this funding for an upcoming water project to start replacing our 1987 Water Transmission Main in the next couple of years. Non-federal funds have also been put aside over previous fiscal years to assist with the match to any grants or other funding opportunities that arise.

CITY OF GLASGOW, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

Primary expenditures through the general fund continue to be Law Enforcement, Cemetery, Administration, and Recreation.

The City established Special Assessment Districts many years ago. These districts continue to be a main source of revenue for the respective districts (Street Lights, Street Maintenance and Solid Waste). In the past few years the City has been able to maintain these funds without increasing the assessment and we hope to continue this in the future. The City contracts with private individuals for garbage collection. The contractor provides excellent coverage with very few complaints. The landfill is operated by Valley County.

Currently the City of Glasgow is in a good financial position and with the help of all departments, will continue to flourish.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have any questions about this report or need additional information, contact the Clerk at City of Glasgow, 319 3rd Street South, Glasgow, MT 59230, telephone 1-406-228-2476 or fax 1-406-228-2479.

FINANCIAL STATEMENTS

CITY OF GLASGOW, MONTANA
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and investments	\$ 3,405,439	\$ 329,487	\$ 3,734,926	\$ 428,562
Receivables:				
Property taxes and assessments receivable	337,773	-	337,773	-
Accounts receivable	65,284	148,015	213,299	-
Due from other governments	123,423	-	123,423	-
Total current assets	<u>3,931,919</u>	<u>477,502</u>	<u>4,409,421</u>	<u>428,562</u>
NON-CURRENT ASSETS				
Loans receivable	137,033	-	137,033	-
Restricted cash and investments	-	7,423,803	7,423,803	-
Capital assets, net of accumulated depreciation	2,772,809	16,444,219	19,217,028	25,087
Total non-current assets	<u>2,909,842</u>	<u>23,868,022</u>	<u>26,777,864</u>	<u>25,087</u>
Total assets	<u>6,841,761</u>	<u>24,345,524</u>	<u>31,187,285</u>	<u>453,649</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB adjustments	1,984	476	2,460	-
Pension plan contributions	477,448	112,138	589,586	-
Total deferred outflows of resources	<u>479,432</u>	<u>112,614</u>	<u>592,046</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,321,193</u>	<u>\$ 24,458,138</u>	<u>\$ 31,779,331</u>	<u>\$ 453,649</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 115,261	\$ 326,824	\$ 442,085	\$ 3,032
Accrued salaries and benefits	67,118	15,252	82,370	5,517
Deposits payable	-	54,269	54,269	-
Deferred revenue, grants	134,231	424,285	558,516	-
Compensated absences, current portion	107,468	17,959	125,427	6,739
Loans payable, current portion	98,658	-	98,658	-
Bonds payable, current portion	-	181,011	181,011	-
Total current liabilities	<u>522,736</u>	<u>1,019,600</u>	<u>1,542,336</u>	<u>15,288</u>
NON-CURRENT LIABILITIES				
Compensated absences, net of current portion	51,531	41,905	93,436	9,981
Loans payable, net of current portion	368,847	-	368,847	-
Bonds payable, net of current portion	-	9,589,793	9,589,793	-
OPEB liability	112,913	27,059	139,972	-
Net pension liabilities	1,825,812	486,085	2,311,897	-
Total non-current liabilities	<u>2,359,103</u>	<u>10,144,842</u>	<u>12,503,945</u>	<u>9,981</u>
Total liabilities	<u>2,881,839</u>	<u>11,164,442</u>	<u>14,046,281</u>	<u>25,269</u>
DEFERRED INFLOWS OF RESOURCES				
Other unavailable revenue	202,317	-	202,317	-
OPEB adjustments	57,737	13,836	71,573	-
Pension deferrals	98,662	21,192	119,854	-
Total deferred inflows of resources	<u>358,716</u>	<u>35,028</u>	<u>393,744</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,305,304	6,673,415	8,978,719	25,087
Restricted for:				
Debt service	-	178,442	178,442	-
Operations and maintenance	1,933,823	402,326	2,336,149	-
Replacement and depreciation	-	789,616	789,616	-
Rental activities	-	50,266	50,266	-
Unrestricted	(158,489)	5,164,603	5,006,114	403,293
Total net position	<u>4,080,638</u>	<u>13,258,668</u>	<u>17,339,306</u>	<u>428,380</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,321,193</u>	<u>\$ 24,458,138</u>	<u>\$ 31,779,331</u>	<u>\$ 453,649</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 482,640	\$ 65,840	\$ -	\$ -	\$ (416,800)	\$ -	\$ (416,800)	\$ -
Public safety	1,773,546	25,462	226,079	-	(1,522,005)	-	(1,522,005)	-
Public works	1,180,129	986,112	141,430	-	(52,587)	-	(52,587)	-
Social and economic services	-	-	-	-	-	-	-	-
Culture and recreation	559,100	91,495	10,000	-	(457,605)	-	(457,605)	-
Housing and community development	33,808	-	15,277	-	(18,531)	-	(18,531)	-
Interest on long-term debt	13,378	-	-	-	(13,378)	-	(13,378)	-
Miscellaneous	<u>31,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,463)</u>	<u>-</u>	<u>(31,463)</u>	<u>-</u>
Total governmental activities	<u>4,074,064</u>	<u>1,168,909</u>	<u>392,786</u>	<u>-</u>	<u>(2,512,369)</u>	<u>-</u>	<u>(2,512,369)</u>	<u>-</u>
Business-type activities:								
Water	830,195	749,142	-	23,884	-	(57,169)	(57,169)	-
Sewer	921,941	986,959	-	63,702	-	128,720	128,720	-
Nonmajor	<u>55,338</u>	<u>59,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,754</u>	<u>3,754</u>	<u>-</u>
Total business-type activities	<u>1,807,474</u>	<u>1,795,193</u>	<u>-</u>	<u>87,586</u>	<u>-</u>	<u>75,305</u>	<u>75,305</u>	<u>-</u>
Total primary government	<u>\$ 5,881,538</u>	<u>\$ 2,964,102</u>	<u>\$ 392,786</u>	<u>\$ 87,586</u>	<u>(2,512,369)</u>	<u>75,305</u>	<u>(2,437,064)</u>	<u>-</u>
Component Unit:								
City-County Library	<u>\$ 257,543</u>	<u>\$ 1,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,657)</u>
Total component unit	<u>\$ 257,543</u>	<u>\$ 1,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,657)</u>
General revenues:								
Property taxes					1,528,584	-	1,528,584	-
Licenses and permits					32,748	-	32,748	-
Fines and forfeitures					40,034	-	40,034	-
Intergovernmental revenue					930,235	780,504	1,710,739	230,942
Investment earnings					5,428	15,858	21,286	59,565
Miscellaneous					500,854	-	500,854	12,598
Gain on sale of capital assets					8,830	-	8,830	-
Transfers					<u>(41,270)</u>	<u>-</u>	<u>(41,270)</u>	<u>41,270</u>
Total general revenues					<u>3,005,443</u>	<u>796,362</u>	<u>3,801,805</u>	<u>344,375</u>
Change in net position					493,074	871,667	1,364,741	88,718
Net position, beginning of year					<u>3,587,564</u>	<u>12,387,001</u>	<u>15,974,565</u>	<u>339,662</u>
Net position, end of year					<u>\$ 4,080,638</u>	<u>\$ 13,258,668</u>	<u>\$ 17,339,306</u>	<u>\$ 428,380</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Solid Waste Fund	Street Maintenance Fund	Swim Pool Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 1,181,208	\$ 733,333	\$ 91,377	\$ 838,784	\$ 147,873	\$ 412,864	\$ 3,405,439
Property taxes and assessments receivable	188,880	36,461	83,273	-	-	29,159	337,773
Accounts receivable	65,284	-	-	-	-	-	65,284
Due from other governments	6,452	-	-	-	-	116,971	123,423
Loans receivable	-	-	-	-	-	137,033	137,033
Total assets	<u>\$ 1,441,824</u>	<u>\$ 769,794</u>	<u>\$ 174,650</u>	<u>\$ 838,784</u>	<u>\$ 147,873</u>	<u>\$ 696,027</u>	<u>\$ 4,068,952</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 74,668	\$ 1,621	\$ 10,192	\$ -	\$ -	\$ 28,780	\$ 115,261
Accrued salaries and benefits	54,042	1,124	9,295	-	-	2,657	67,118
Total liabilities	<u>128,710</u>	<u>2,745</u>	<u>19,487</u>	<u>-</u>	<u>-</u>	<u>31,437</u>	<u>182,379</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable tax and assessment revenues	188,880	36,461	83,273	-	-	29,159	337,773
Other unavailable revenues	138,711	-	-	-	60,804	137,033	336,548
Total deferred inflows of resources	<u>327,591</u>	<u>36,461</u>	<u>83,273</u>	<u>-</u>	<u>60,804</u>	<u>166,192</u>	<u>674,321</u>
FUND BALANCES							
Non-spendable	-	-	-	-	-	82,545	82,545
Restricted	-	730,588	71,890	838,784	-	292,561	1,933,823
Committed	-	-	-	-	-	836	836
Assigned	673,872	-	-	-	87,069	122,456	883,397
Unassigned	311,651	-	-	-	-	-	311,651
Total fund balances	<u>985,523</u>	<u>730,588</u>	<u>71,890</u>	<u>838,784</u>	<u>87,069</u>	<u>498,398</u>	<u>3,212,252</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,441,824</u>	<u>\$ 769,794</u>	<u>\$ 174,650</u>	<u>\$ 838,784</u>	<u>\$ 147,873</u>	<u>\$ 696,027</u>	<u>\$ 4,068,952</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances - governmental funds	\$ 3,212,252
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$14,241,366 and the accumulated depreciation is \$11,468,557.	2,772,809
Pension and OPEB deferred outflows and deferred inflows of resources that do not provide current financial resources are not reported as revenues in the funds.	323,033
Tax revenue is recognized when earned (and the claim to resources is established) rather than when "available."	337,773
Long-term liabilities, including bonds payable, compensated absences, other post employment benefits and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,565,229)</u>
Net position - governmental activities	<u>\$ 4,080,638</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	General Fund	Solid Waste Fund	Street Maintenance Fund	Swim Pool Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes and assessments	\$ 1,465,722	\$ 338,754	\$ 507,174	\$ -	\$ -	\$ 210,215	\$ 2,521,865
Licenses and permits	18,826	-	-	-	-	13,922	32,748
Intergovernmental	896,005	-	-	10,000	34,231	385,948	1,326,184
Charges for services	119,498	-	-	-	4,625	15,477	139,600
Fines and forfeitures	38,128	-	-	-	-	1,906	40,034
Miscellaneous revenues	23,601	-	1,360	475,893	-	-	500,854
Investment earnings	1,997	1,495	170	1,008	-	758	5,428
Total revenue	<u>2,563,777</u>	<u>340,249</u>	<u>508,704</u>	<u>486,901</u>	<u>38,856</u>	<u>628,226</u>	<u>4,566,713</u>
EXPENDITURES							
Current:							
General government	264,122	45,162	67,085	-	-	80,115	456,484
Public safety	1,301,314	-	-	-	-	224,547	1,525,861
Public works	116,553	263,819	357,260	-	31,355	184,405	953,392
Housing and community development	1,000	-	-	-	-	30,113	31,113
Culture and recreation	466,659	-	-	1,570	-	-	468,229
Miscellaneous	16,961	-	14,502	-	-	-	31,463
Debt service:							
Principal	41,219	-	27,624	-	13,398	-	82,241
Interest	6,410	-	4,982	-	1,985	-	13,377
Capital outlay	40,953	21,587	-	53,253	444,796	268,779	829,368
Total expenditures	<u>2,255,191</u>	<u>330,568</u>	<u>471,453</u>	<u>54,823</u>	<u>491,534</u>	<u>787,959</u>	<u>4,391,528</u>
Excess of revenues over expenditures	<u>308,586</u>	<u>9,681</u>	<u>37,251</u>	<u>432,078</u>	<u>(452,678)</u>	<u>(159,733)</u>	<u>175,185</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from disposal of capital assets	4,520	-	500	-	5,322	-	10,342
Proceeds from long-term debt	-	-	-	-	200,000	-	200,000
Transfers in	7,212	-	3,761	20,000	125,588	52,889	209,450
Transfers out	(162,370)	-	(70,718)	-	-	(17,632)	(250,720)
Total other financing sources (uses)	<u>(150,638)</u>	<u>-</u>	<u>(66,457)</u>	<u>20,000</u>	<u>330,910</u>	<u>35,257</u>	<u>169,072</u>
Excess (deficit) of revenues and other financing sources (uses) over expenditures	157,948	9,681	(29,206)	452,078	(121,768)	(124,476)	344,257
Fund balances, beginning of year	<u>827,575</u>	<u>720,907</u>	<u>101,096</u>	<u>386,706</u>	<u>208,837</u>	<u>622,874</u>	<u>2,867,995</u>
Fund balances, end of year	<u>\$ 985,523</u>	<u>\$ 730,588</u>	<u>\$ 71,890</u>	<u>\$ 838,784</u>	<u>\$ 87,069</u>	<u>\$ 498,398</u>	<u>\$ 3,212,252</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ 344,257

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 those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which depreciation exceeded capital outlay in the current
period. 457,385

In the Statement of Activities, the gain on the sale or disposal of capital
assets is recognized. The fund financial statements recognize only the
proceeds from the sale of these assets. (1,512)

Tax and assessment revenues in the statement of activities that do not
provide current financial resources are not reported as revenues in the
funds. 32,864

The governmental funds report repayment of debt principal as an
expenditure and proceeds from issuing debt as other financing sources.
These payments and proceeds have no effect on net assets and are,
therefore, not shown on the statement of activities. (117,759)

The current period net increase in compensated absences did not require
the use of current financial resources and, therefore, generated no
expenditure to be reported in the governmental funds. (10,432)

The current period net change in the other post employment benefits
increased by this amount during the fiscal year. 11,319

Recognition of on-behalf payments to pension plans and OPEB that do not
provide current financial resources are not reported as revenues in the
funds. Recognition of pension expense to pension plans and OPEB also
do not require the use of current financial resources and are not reported as
expenditures in the funds. (223,048)

Change in net position of governmental activities \$ 493,074

CITY OF GLASGOW, MONTANA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and investments	\$ 84,843	\$ 217,933	\$ 26,711	\$ 329,487
Accounts receivable	<u>68,051</u>	<u>79,964</u>	-	<u>148,015</u>
Total current assets	<u>152,894</u>	<u>297,897</u>	<u>26,711</u>	<u>477,502</u>
NON-CURRENT ASSETS				
Restricted cash and investments	4,156,952	3,216,585	50,266	7,423,803
Capital assets, net of accumulated depreciation	<u>10,960,785</u>	<u>5,328,069</u>	<u>155,365</u>	<u>16,444,219</u>
Total non-current assets	<u>15,117,737</u>	<u>8,544,654</u>	<u>205,631</u>	<u>23,868,022</u>
Total assets	<u>15,270,631</u>	<u>8,842,551</u>	<u>232,342</u>	<u>24,345,524</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB adjustments	81	395	-	476
Pension plan contributions	<u>30,580</u>	<u>81,558</u>	-	<u>112,138</u>
Total deferred outflows of resources	<u>30,661</u>	<u>81,953</u>	-	<u>112,614</u>
Total assets and deferred outflows of resources	<u>\$ 15,301,292</u>	<u>\$ 8,924,504</u>	<u>\$ 232,342</u>	<u>\$ 24,458,138</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ 50,840	\$ 274,331	\$ 1,653	\$ 326,824
Accrued salaries and benefits	3,791	11,461	-	15,252
Deposits payable	50,000	-	4,269	54,269
Unavailable revenue - grants	424,285	-	-	424,285
Compensated absences, current portion	4,391	13,568	-	17,959
Bonds payable, current portion	<u>123,036</u>	<u>53,692</u>	<u>4,283</u>	<u>181,011</u>
Total current liabilities	<u>656,343</u>	<u>353,052</u>	<u>10,205</u>	<u>1,019,600</u>
NON-CURRENT LIABILITIES				
Compensated absences, net of current portion	10,246	31,659	-	41,905
Bonds payable, net of current portion	6,899,125	2,538,390	152,278	9,589,793
OPEB liability	4,588	22,471	-	27,059
Net pension liabilities	<u>132,555</u>	<u>353,530</u>	-	<u>486,085</u>
Total non-current liabilities	<u>7,046,514</u>	<u>2,946,050</u>	<u>152,278</u>	<u>10,144,842</u>
Total liabilities	<u>7,702,857</u>	<u>3,299,102</u>	<u>162,483</u>	<u>11,164,442</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB adjustments	2,346	11,490	-	13,836
Pension deferrals	<u>5,779</u>	<u>15,413</u>	-	<u>21,192</u>
Total deferred inflows of resources	<u>8,125</u>	<u>26,903</u>	-	<u>35,028</u>
NET POSITION				
Net investment in capital assets	3,938,624	2,735,987	(1,196)	6,673,415
Restricted for debt service	178,442	-	-	178,442
Restricted for operations and maintenance	278,907	123,419	-	402,326
Restricted for replacement and depreciation	245,932	543,684	-	789,616
Restricted for rental activities	-	-	50,266	50,266
Unrestricted	<u>2,948,405</u>	<u>2,195,409</u>	<u>20,789</u>	<u>5,164,603</u>
Total net position	<u>7,590,310</u>	<u>5,598,499</u>	<u>69,859</u>	<u>13,258,668</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,301,292</u>	<u>\$ 8,924,504</u>	<u>\$ 232,342</u>	<u>\$ 24,458,138</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
OPERATING REVENUES				
Charges for services	\$ 749,142	\$ 986,959	\$ 59,092	\$ 1,795,193
Total operating revenues	<u>749,142</u>	<u>986,959</u>	<u>59,092</u>	<u>1,795,193</u>
OPERATING EXPENSES				
Personal services	118,686	395,384	15,204	529,274
Purchased services	224,893	66,744	24,759	316,396
Supplies and materials	64,519	105,227	4,009	173,755
Fixed charges	32,503	24,315	4,590	61,408
Miscellaneous expense	-	2,287	-	2,287
Depreciation	<u>257,781</u>	<u>255,917</u>	<u>4,167</u>	<u>517,865</u>
Total operating expenses	<u>698,382</u>	<u>849,874</u>	<u>52,729</u>	<u>1,600,985</u>
Operating income	<u>50,760</u>	<u>137,085</u>	<u>6,363</u>	<u>194,208</u>
NONOPERATING REVENUE (EXPENSE)				
Interest expense	(131,813)	(72,067)	(2,609)	(206,489)
Grants and contributions	771,254	-	9,250	780,504
Interest income	<u>8,234</u>	<u>7,624</u>	<u>-</u>	<u>15,858</u>
Total nonoperating revenue (expense)	<u>647,675</u>	<u>(64,443)</u>	<u>6,641</u>	<u>589,873</u>
Income before contributions	698,435	72,642	13,004	784,081
Capital contributions	<u>23,884</u>	<u>63,702</u>	<u>-</u>	<u>87,586</u>
Change in net position	722,319	136,344	13,004	871,667
Net position, beginning of year	<u>6,867,991</u>	<u>5,462,155</u>	<u>56,855</u>	<u>12,387,001</u>
Net position, end of year	<u>\$ 7,590,310</u>	<u>\$ 5,598,499</u>	<u>\$ 69,859</u>	<u>\$ 13,258,668</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 731,726	\$ 979,755	\$ 59,120	\$ 1,770,601
Payments to suppliers	(1,080,501)	65,791	(34,623)	(1,049,333)
Payments to employees	(126,144)	(396,049)	(15,204)	(537,397)
Net cash flows from operating activities	<u>(474,919)</u>	<u>649,497</u>	<u>9,293</u>	<u>183,871</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Subsidies from taxes and other governments	<u>1,219,423</u>	<u>63,702</u>	<u>9,250</u>	<u>1,292,375</u>
Net cash flows from non-capital financing activities	<u>1,219,423</u>	<u>63,702</u>	<u>9,250</u>	<u>1,292,375</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from debt	367,568	-	-	367,568
Purchases of capital assets	(469,284)	(822,138)	-	(1,291,422)
Principal paid on debt	(122,839)	(52,230)	(4,162)	(179,231)
Interest paid on debt	(131,813)	(72,067)	(2,609)	(206,489)
Net cash flows from capital and related financing activities	<u>(356,368)</u>	<u>(946,435)</u>	<u>(6,771)</u>	<u>(1,309,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	<u>8,234</u>	<u>7,624</u>	<u>-</u>	<u>15,858</u>
Net cash flows from investing activities	<u>8,234</u>	<u>7,624</u>	<u>-</u>	<u>15,858</u>
Net change in cash and cash equivalents	396,370	(225,612)	11,772	182,530
Cash and cash equivalents, beginning of year	<u>3,843,160</u>	<u>3,649,035</u>	<u>65,205</u>	<u>7,557,400</u>
Cash and cash equivalents, end of year	<u>\$ 4,239,530</u>	<u>\$ 3,423,423</u>	<u>\$ 76,977</u>	<u>\$ 7,739,930</u>
CASH AND CASH EQUIVALENTS ON STATEMENTS OF NET POSITION				
Cash and cash equivalents	\$ 84,843	\$ 217,933	\$ 26,711	\$ 329,487
Restricted cash and cash equivalents	<u>4,156,952</u>	<u>3,216,585</u>	<u>50,266</u>	<u>7,423,803</u>
	<u>\$ 4,241,795</u>	<u>\$ 3,434,518</u>	<u>\$ 76,977</u>	<u>\$ 7,753,290</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income	\$ 50,760	\$ 137,085	\$ 6,363	\$ 194,208
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	257,781	255,917	4,167	517,865
Change in accounts receivable	(10,016)	(7,204)	-	(17,220)
Change in customer deposits	(7,400)	-	28	(7,372)
Change in accounts payable	(758,586)	264,364	(1,265)	(495,487)
Change in accrued salaries	213	1,250	-	1,463
Change in compensated absences	(2)	3,260	-	3,258
Change in OPEB liability	(7,812)	(13,187)	-	(20,999)
Change in net pension liability	<u>143</u>	<u>8,012</u>	<u>-</u>	<u>8,155</u>
Net cash flows from operating activities	<u>\$ (474,919)</u>	<u>\$ 649,497</u>	<u>\$ 9,293</u>	<u>\$ 183,871</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
STATEMENT OF NET POSITION AND STATEMENT OF CHANGES IN NET POSITION –
FIDUCIARY FUNDS
June 30, 2021

	Private Purpose Trust Funds	Custodial Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 82,445	232,722
Property taxes receivable	<u> -</u>	<u> 66</u>
Total assets	<u><u>\$ 82,445</u></u>	<u><u>\$ 232,788</u></u>
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 519</u>
Total liabilities	<u> -</u>	<u> 519</u>
NET POSITION		
Held in trust for beautification	82,445	-
Held for tourism business improvement	-	85,549
Held for fire relief association	-	132,029
Held for firefighters	<u> -</u>	<u> 14,691</u>
Total net position	<u>82,445</u>	<u>232,269</u>
Total liabilities and net position	<u><u>\$ 82,445</u></u>	<u><u>\$ 232,788</u></u>
ADDITIONS		
Miscellaneous revenues	\$ 1,298	\$ 1,100
Investment income (loss)	290	(53)
Grant revenues	-	14,588
Tax revenues	<u> -</u>	<u> 81,448</u>
Total additions	1,588	97,083
DEDUCTIONS		
Professional and contracted services	<u> 1,982</u>	<u> 84,224</u>
Change in net position	(394)	12,859
Net position, beginning of year	<u>82,839</u>	<u>219,410</u>
Net position, end of year	<u><u>\$ 82,445</u></u>	<u><u>\$ 232,269</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Glasgow, Montana (the City) was incorporated in 1911, under the provisions of Montana Municipal Statutes. The City operates under a Council/Mayor form of government. The City provides the following services: solid waste disposal, water and sewer, cemetery, public safety (police and fire), recreation, streets and library.

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City (the primary government) and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Unit

A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the financial statements to be misleading or incomplete. This type of component unit is reported in a separate column to emphasize it is legally separate from the City. The component unit shown on these financial statements has a June 30 year-end.

- The City-County Library (the Library) is owned and operated jointly by Valley County (the County) and the City. The Library is administered by a five member board, consisting of three members appointed by the City and two members appointed by the County. Library board members are appointed for five-year terms. The original budget is submitted to both of the controlling governments, with the County budgeting for its share within its budget, and the City budgeting for the entire operation within its budget. Library revenues may be derived from tax levies by the County and the City, rentals, sales of books, fines, federal and state grants or loans, and investment income. The City approves all Library expenditures. The capital assets are to be accounted for by the City.

Related Organization

The accounts of the Housing Authority of Glasgow are excluded from the accompanying financial statements. The City Council appoints the Board of Directors of the Housing Authority, however, the Board of Directors is responsible for the hiring of its executive director. The City has no responsibility for financing deficits of the Housing Authority.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting

Government-Wide Statements

The statement of net position and the statement of activities show information about the overall financial position and activities of the City with the exception of the Tourism Business Improvement District Fund, Park Beautification Trust Fund, the Roy M. Nelson Maple Tree Fund and The Fire Fighter's Relief Association Fund, which are used to report assets held by the City in a fiduciary capacity. These are reported as private purpose trust funds and custodial funds in the fund financial statements section. Eliminations have been made to minimize the double counting of internal activities of the overall government.

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the City are generally financed through property taxes and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City does not charge indirect expenses to programs or functions. Program revenues include fees for services and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenue, including all property taxes, are presented as general revenues.

Fund Financial Statements

These statements provide information about the City's funds. The emphasis of fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as non-major funds.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or within two months after year end. State and other governmental revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Unavailable revenues are recorded in the governmental funds for these receivables.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Basis of Accounting (Continued)

Fund Financial Statements (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when they are incurred. These funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing goods and services in connection with the funds ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating.

The City reports the following major governmental funds:

General Fund - the City's primary operating fund which accounts for all financial resources of the City except those required to be accounted for in other funds.

Solid Waste Fund - This fund is to account for the provision of garbage collection services provided to the residential and commercial users of the City.

Street Maintenance Fund - This fund is to account for the revenues and expenditures related to money received from maintenance assessments for city streets.

Swim Pool Fund - This fund is to account for the collection of donations and other funds, and associated expenditures, related to users of the City pool.

Capital Projects Fund - This fund is to account for the revenues and expenditures related to significant capital asset purchases for City projects.

The City reports the following major proprietary funds:

Water Utility Fund - This fund is to account for the provision of water treatment and distribution to the residential and commercial users of the City.

Sewer Utility Fund - This fund is to account for sewer services provided to the residential and commercial users of the City.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The City's budgets are adopted and submitted to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue, as required by Montana Code Annotated 7-6-4003. Budgets for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Trust Funds are adopted on a basis consistent with GAAP. All governmental fund budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The City Council may amend the budget during the fiscal year as stipulated in Montana Code Annotated 7-6-4006.

New Accounting Pronouncement

The City implemented the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement for the year ended June 30, 2021:

- Statement No. 84, *Fiduciary Activities*. The objectives of this Statement is to improve the guidance for the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for years beginning after December 15, 2019.

The City has previously chosen not to implement the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pension plans that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans that are within their respective scopes.

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits and short term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments in all funds.

Reserve for Uncollectible Accounts

The City Council assumes that all property taxes receivable and all accounts receivable for proprietary fund services provided are fully collectible. Therefore, no reserve for uncollectible accounts has been provided for in the financial statements. The direct write-off method is used for these accounts.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained, which is not in accordance with generally accepted accounting principles. The amounts on hand are not material to the basic financial statements taken as a whole.

Restricted Assets

Certain proceeds of proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "construction" account is used to receive all bond proceeds and to pay for costs of the project for which the bonds were sold. The "operating" account is used to report solely for the payment of operating expenses, which include those expenses for operation, maintenance and current repair of the system and its facilities. The "revenue bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve and surplus" accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond sinking account. The "replacement and depreciation" account is used to report resources set aside to fund asset renewals and replacements or to meet unexpected contingencies.

Capital Assets

Capital assets includes plant, property, equipment and infrastructure assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure assets are also capitalized. Depreciation is computed using the straight-line method. Assets are capitalized which cost more than \$5,000 and have a useful life of more than 5 years.

The following is a summary of asset classifications and range of depreciable lives:

Buildings	20 to 100 years
Improvements other than buildings	10 to 30 years
Machinery and Equipment	5 to 50 years

Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment owned by the proprietary funds are stated at cost. Depreciation has been provided for over the estimated useful lives using the straight-line method. The following is a summary of asset classifications and range of depreciable lives.

Transportation land	3 to 7 years
Improvements	20 years
Water utilities	50 years
Office furniture, fixtures and equipment	8 to 12 years
Information systems	5 to 7 years
Data handling equipment, except computers	5 to 7 years

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Liabilities incurred because of accumulated unused vacation, sick pay and other employee benefits which are payable upon termination are included in the financial statements. The liability for vacation pay is recorded as a current liability payable within one year in the government wide financial statements. The liability for unused sick leave is recorded as a non-current liability.

Bond Issuance Costs

Bond issuance costs for proprietary fund types are written off as an expense in the period incurred.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The City does not utilize a formal encumbrance accounting system.

Interfund Transactions

Interfund transactions consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as revenue in the fund performing the services. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of the expenditures in the fund that is reimbursed.

All other interfund transfers are classified as operating transfers. These transfers are reported as other financing sources or uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These are eliminated in the government-wide financial statements.

Fund Balance

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in the following classifications which reflect the extent to which the City is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned and unassigned. In the basic financial statements, the fund balance classifications are presented in the aggregate for the following fund balance classifications:

Non-spendable

Represents the portion of fund balances that cannot be spent either because: (1) it is not in spendable form such as inventories, the long-term portion of notes and loans receivable, land held for resale of which the future proceeds are not committed, and prepaid expenses, or (2) due to legal or contractual constraints such as the corpus of a permanent fund. The City has \$82,545 in non-spendable form for the Cemetery Perpetual Care Permanent Fund.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Restricted

Amounts that can be spent only for specific purposes which are externally imposed either by:

- a) Providers such as creditors (such as through debt covenants), grantors, contributors, and laws and regulations of other governments; or
- b) Imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, the City Council, through resolution and does not lapse at year-end.

Assigned

Amounts that are intended to be used by the government for a specific purpose that does not meet the criteria to be classified as restricted or committed. Assignments of fund balance may be created in conjunction by the City Council and the Mayor.

Unassigned

The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In governmental funds other than the general fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources meeting more than one of the classifications (excluding nonspendable), assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

Net Position

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets.

Restricted – presents external restrictions imposed by creditors, grantors, or contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects and debt service established by the City Council.

Unrestricted – represents the net position of the City that are not restricted for any project or other purpose.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated subsequent events through February 10, 2022, the date which the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

Cash and investments of the City are classified in the accompanying financial statements as of June 30, 2021 as follows:

Governmental Activities	
Cash and investments	\$ 3,405,439
Business-Type Activities	
Cash and investments	329,487
Restricted cash and investments	7,423,803
Fiduciary Fund	
Cash and investments	<u>82,445</u>
Total cash and investments	<u>\$ 11,241,174</u>

The composition of cash and investments of the City on June 30, 2021 was as follows:

Cash on hand	\$ 1,346
Cash in banks:	
Petty cash checking	1,100
Demand deposits:	
Demand deposits in financial institutions	(133,336)
Time and savings deposits in financial institutions	43,246
Repurchase agreements	11,206,155
Securities issued by agencies of the U.S. Government	<u>122,663</u>
Total	<u>\$ 11,241,174</u>

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The composition of cash and investments of the component unit on June 30, 2021 was as follows:

Cash and savings	\$ 58,567
Petty cash on hand	600
Repurchase agreement	147,355
Mutual funds	<u>222,040</u>
Total cash and investments	<u>\$ 428,562</u>

Repurchase Agreements

Repurchase agreements are agreements in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

Cash and investments may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State Short-Term Investment Pool (S.T.I.P.); obligations of the United States Government and securities issued by agencies of the United States; repurchase agreements; and registered warrants.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The rated debt investments as of June 30, 2021 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the rating agencies name rating scale.

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Repurchase agreements	\$ 11,206,155	\$ -	\$ -	\$ -
U.S. Government agency securities	122,663	-	-	-
Repurchase agreements - component unit	147,355	-	-	-
Mutual funds - component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,040</u>
	<u>\$ 11,476,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,040</u>

Concentration of Credit Risk

The investment policy of the City and component unit contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the Montana Code Annotated.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. A governmental entity's money is insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) for each "public unit" based on how the account is titled at the financial institution. The City is considered to have \$250,000 FDIC insurance per public unit per financial institution within the state.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Montana statutes require that the City and component unit obtain securities for the uninsured portion of the 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) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for City deposits, including the component unit at June 30, 2021, equaled or exceeded the amount required by state statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the City's and component unit's investments to interest rate fluctuations is provided by the following table that shows the maturity date of each investment.

	Less than 1 Year	1 to 5 Years	6 to 10 Years	10 Year+
Repurchase agreements	\$ 11,206,155	\$ -	\$ -	\$ -
U.S. Government agency securities	99,936	-	-	22,727
Repurchase agreements - component unit	147,355	-	-	-
Mutual funds - component unit	222,040	-	-	-
	<u>\$ 11,675,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,727</u>

Fair Value of Investments

Investments are shown at fair value. The City and component unit categorizes its fair value measurements within the fair value hierarchy established by GAAP.

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Repurchase agreements	\$ 11,206,155	\$ -	\$ 11,206,155	\$ -
U.S. Government agency securities	122,663	-	122,663	-
Repurchase agreements - component unit	147,355	-	147,355	-
Mutual funds - component unit	222,040	-	222,040	-
	<u>\$ 11,698,213</u>	<u>\$ -</u>	<u>\$ 11,698,213</u>	<u>\$ -</u>

The fair value hierarchy is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1: quoted prices in active markets for identical assets; these investments are valued using prices quoted in active markets.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments (Continued)

Level 2: significant other observable inputs; these investments are valued using inputs other than Level 1 that are observable, either indirectly, such as quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by market data for the full term of the assets or liabilities.

Level 3: significant unobservable inputs.

NOTE 3. PROPERTY TAXES

All property taxes and special assessments are collected by the County and remitted to the City on a monthly basis. Property tax revenues are recognized when levied on the government-wide statements. However, the revenues are reduced at year-end by the amount of the current delinquent receivables, and are increased by the amount of the delinquent collections from prior fiscal years on the fund financial statements. Property taxes attach as an enforceable lien on property as of January 1, and are levied on the 2nd Monday in August.

Property taxes are due in two equal installments on November 30th and May 31st, following the levy date. The City of Glasgow adopted self-governing powers in 1976 while undergoing local government review. According to MCA 7-1-114(9), the mill levy limits established by State law shall not apply to cities with self-governing powers. However, on November 4, 1986, voters in the State of Montana passed Initiative 105 limiting certain property taxes to their 1986 dollar limits. This initiative was amended by the 1997 Legislature. The amendment limited certain property taxes to their 1996 dollar limits. The City of Glasgow was in full compliance with this legislation for the year ended June 30, 2021.

NOTE 4. ACCOUNTS RECEIVABLE

On July 24, 1997, the former City Judge pled guilty to theft of City Court receipts and official misconduct. On October 6, 1997, sentencing was held and restitution was ordered in the amount of \$80,000 to be paid in monthly installments of \$750 over a ten year period. Of this total amount, \$75,760 is owed to the City and \$4,240 is owed to the County, with the County receiving their payments first. The balance at June 30, 2021 was \$65,284, with payments of \$4,986 received during the fiscal year. Due to the collection time exceeding the original ten year period, the City has provided for an allowance for the total within other unavailable revenue.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 4. ACCOUNTS RECEIVABLE (CONTINUED)

The business-type activities also has accounts receivable at June 30, 2021, consisting of:

Water services	\$ 68,051
Sewer services	<u>79,964</u>
Total	<u>\$ 148,015</u>

NOTE 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments for the year ended June 30, 2021 are as follows:

Primary Government:

General Fund

State grant funds - Vision Zero \$ 114

County grant funds - Stone Garden 6,338

Victim Assistance Grant Fund

Federal grant funds 116,524

Bulletproof Vest Grant Fund

Federal grant funds 447

\$ 123,423

NOTE 6. INTERFUND TRANSFERS

The following interfund transfers, to increase balances designated for capital improvements, were made during the year ended June 30, 2021:

General Fund to Capital Projects Fund	\$ 121,100
Street Maintenance Fund to Capital Projects Fund	70,718
Permissive Med Levy Fund to multiple funds	13,848
Capital Projects Fund to Gas Tax HB #473 Fund	<u>3,784</u>
Total	<u>\$ 209,450</u>

The City also transferred \$41,270 from the General Fund to the component unit, in accordance with the interlocal agreement with the County.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 7. LOANS RECEIVABLE

The loans receivable of \$137,033 consists of three direct loans and interest subsidized loans through the Community Development Block Grant Fund and the Farmers Home Administration Grant Fund. These loans are to be paid back to the City by the individuals who received money through this Federal Grant Program. Due to the collection time exceeding the original loan period, the City has provided for an allowance for the total within other unavailable revenue. The City also has a lien on the property and will collect the balance due upon the sale of the property.

NOTE 8. RESTRICTED CASH AND INVESTMENTS

The following restricted cash and investments were held by the City as of June 30, 2021, in the business-type activities.

Water Utility Fund	
Water Reserve - Series 2020A	\$ 23,676
Water Reserve - Series 2020B	1,788
Surplus	198,907
Replacement and Depreciation	245,932
Short Lived Asset Replacement Reserve - USDA	5,460
1987 Waterline Improvements	3,256,904
ARPA Funds	<u>424,285</u>
	<u>4,156,952</u>
Sewer Utility Fund	
Sewer Reserve - Series 2012A	107,292
Sewer Reserve - Series 2012B	17,004
Surplus	123,419
Replacement & Depreciation	1,181,348
Short Lived Asset Replacement Reserve - USDA	479,315
Sewer Construction Projects	<u>1,308,207</u>
	<u>3,216,585</u>
Valley Court Apartments Fund	
Security Deposits	4,841
Reserve Account	<u>45,425</u>
	<u>50,266</u>
	<u>\$ 7,423,803</u>

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 9. CAPITAL ASSETS

Capital asset balances and activity for governmental activities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 425,349	\$ -	\$ (1,512)	\$ 423,837
Total non-depreciable assets	<u>425,349</u>	<u>-</u>	<u>(1,512)</u>	<u>423,837</u>
Other capital assets				
Buildings and improvements	1,059,632	-	-	1,059,632
Improvements other than buildings	9,533,698	461,933	-	9,995,631
Machinery and equipment	<u>2,550,887</u>	<u>367,435</u>	<u>(156,056)</u>	<u>2,762,266</u>
Total other capital assets at historical cost	<u>13,144,217</u>	<u>829,368</u>	<u>(156,056)</u>	<u>13,817,529</u>
Total assets	<u>13,569,566</u>	<u>829,368</u>	<u>(157,568)</u>	<u>14,241,366</u>
Less accumulated depreciation for				
Buildings and improvements	979,063	1,793	-	980,856
Improvements other than buildings	8,331,328	213,329	-	8,544,657
Machinery and equipment	<u>1,942,239</u>	<u>156,861</u>	<u>(156,056)</u>	<u>1,943,044</u>
Total accumulated depreciation	<u>11,252,630</u>	<u>371,983</u>	<u>(156,056)</u>	<u>11,468,557</u>
Total Governmental Activities	<u>\$ 2,316,936</u>	<u>\$ 457,385</u>	<u>\$ (1,512)</u>	<u>\$ 2,772,809</u>

Reconciliation of capital outlay to additions to capital assets:

Capital outlay	\$ 829,368
Reclassify construction in progress to other capital assets	<u>-</u>
Additions to capital assets	<u>\$ 829,368</u>

Depreciation expense was charged to functions as follows:

General government	\$ 4,354
Public safety	100,509
Public works	198,765
Culture and recreation	65,660
Housing and community development	<u>2,695</u>
Total	<u>\$ 371,983</u>

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 9. CAPITAL ASSETS (CONTINUED)

Capital asset balances and activity for business-type (proprietary) activities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated					
Land	\$ 134,929	\$ -	\$ -	\$ -	\$ 134,929
Construction in process	<u>8,391,054</u>	<u>54,758</u>	<u>-</u>	<u>(8,357,135)</u>	<u>88,677</u>
Total non-depreciable assets	<u>8,525,983</u>	<u>54,758</u>	<u>-</u>	<u>(8,357,135)</u>	<u>223,606</u>
Other capital assets					
Source of supply	3,338,754	-	-	-	3,338,754
Pumping plant	217,628	-	-	-	217,628
Treatment plant	8,216,706	573,501	-	8,357,135	17,147,342
Transmission and distribution	10,684,911	647,653	-	-	11,332,564
General plant	275,959	15,510	(32,000)	-	259,469
Apartment complex	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Total other capital assets at historical costs	<u>22,858,958</u>	<u>1,236,664</u>	<u>(32,000)</u>	<u>8,357,135</u>	<u>32,420,757</u>
Less accumulated depreciation for					
Source of supply	2,373,851	63,039	-	-	2,436,890
Pumping plant	199,288	2,258	-	-	201,546
Treatment plant	3,831,012	331,996	-	-	4,163,008
Transmission and distribution	9,091,065	107,301	-	-	9,198,366
General plant	203,595	9,104	(32,000)	-	180,699
Apartment complex	<u>15,468</u>	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>19,635</u>
Total accumulated depreciation	<u>15,714,279</u>	<u>517,865</u>	<u>(32,000)</u>	<u>-</u>	<u>16,200,144</u>
Net depreciable assets	<u>7,144,679</u>	<u>718,799</u>	<u>-</u>	<u>8,357,135</u>	<u>16,220,613</u>
Total Business-Type Activities	<u>\$ 15,670,662</u>	<u>\$ 773,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,444,219</u>

Capital asset balances and activity for component unit activities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 6,688	\$ -	\$ -	\$ 6,688
Total non-depreciable assets	<u>6,688</u>	<u>-</u>	<u>-</u>	<u>6,688</u>
Other capital assets				
Buildings & improvements	214,552	714	-	215,266
Machinery and equipment	<u>206,833</u>	<u>-</u>	<u>-</u>	<u>206,833</u>
Total other capital assets at historical cost	<u>421,385</u>	<u>714</u>	<u>-</u>	<u>422,099</u>
Less accumulated depreciation for				
Buildings and improvements	194,261	5,437	-	199,698
Machinery and equipment	<u>200,685</u>	<u>3,317</u>	<u>-</u>	<u>204,002</u>
Total accumulated depreciation	<u>394,946</u>	<u>8,754</u>	<u>-</u>	<u>403,700</u>
	<u>26,439</u>	<u>(8,040)</u>	<u>-</u>	<u>18,399</u>
Total Component Unit	<u>\$ 33,127</u>	<u>\$ (8,040)</u>	<u>\$ -</u>	<u>\$ 25,087</u>

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Long-term debt for governmental activities at June 30, 2021 is as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>June 30, 2021</u>
Compensated absences	\$ 107,468	\$ 51,531	\$ 158,999
FCB Recreation department renovation	18,062	9,089	27,151
FCB Equipment purchases	53,426	200,323	253,749
FCB Fire truck purchase	<u>27,170</u>	<u>159,435</u>	<u>186,605</u>
Total	<u>\$ 206,126</u>	<u>\$ 420,378</u>	<u>\$ 626,504</u>

Compensated absences payable represents vacation and sick leave earned which is payable upon termination. Compensated absences are liquidated from the same governmental funds used to pay each individual employee's salary.

FCB Recreation Department Renovation payable represents a direct borrowing loan from First Community Bank which is payable semiannually. The original loan was for \$150,000 with an interest rate of 5%.

Future maturities of the FCB Recreation Department Renovation payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 18,062	\$ 1,162	\$ 19,224
2023	<u>9,089</u>	<u>247</u>	<u>9,336</u>
Total	<u>\$ 27,151</u>	<u>\$ 1,409</u>	<u>\$ 28,560</u>

FCB Equipment Purchases payable represents a direct borrowing loan from First Community Bank which is payable semiannually. The original loan was for \$381,500 with an interest rate of 3.15%. Future maturities of the FCB Equipment Purchases payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 53,426	\$ 7,585	\$ 61,011
2023	55,123	5,889	61,012
2024	56,873	4,139	61,012
2025	58,678	2,334	61,012
2026	<u>29,649</u>	<u>472</u>	<u>30,121</u>
Total	<u>\$ 253,749</u>	<u>\$ 20,419</u>	<u>\$ 274,168</u>

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

FCB Fire Truck Purchase payable represents a direct borrowing loan from First Community Bank which is payable semiannually. The original loan was for \$200,000 with an interest rate of 1.99%. Future maturities of the FCB Fire Truck Purchase payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 27,170	\$ 3,579	\$ 30,749
2023	27,714	3,036	30,750
2024	28,268	2,482	30,750
2025	28,833	1,916	30,749
2026	29,410	1,340	30,750
2027-2028	<u>45,210</u>	<u>902</u>	<u>46,112</u>
Total	<u>\$ 186,605</u>	<u>\$ 13,255</u>	<u>\$ 199,860</u>

Proprietary Funds

Long-term debt in these funds at June 30, 2021 is as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>June 30, 2021</u>
Revenue Bonds (2012A Issue) Sewer Fund	\$ 46,342	\$ 2,191,297	\$ 2,237,639
Revenue Bonds (2012B Issue) Sewer Fund	7,350	347,093	354,443
USDA Rural Development VCA Fund	4,283	152,278	156,561
USDA Rural Development (2020A Issue) Water Fund	114,426	6,417,370	6,531,796
USDA Rural Development (2020B Issue) Water Fund	8,610	481,755	490,365
Compensated Absences Water and Sewer	<u>17,959</u>	<u>41,905</u>	<u>59,864</u>
Total	<u>\$ 198,970</u>	<u>\$ 9,631,698</u>	<u>\$ 9,830,668</u>

The 2012 Series A bonds were sold to the United States of America acting through the Rural Utilities Services, United States Department of Agriculture in the amount of \$2,599,000. The interest rate on the bonds is 2.75%. The bonds were sold to finance a sewer lagoon project, and are considered a direct borrowing. The bonds are to be repaid in monthly installments over a 40 year period. The final payment is July 1, 2052. The bonds will be repaid from fees charged to sewer users. The City of Glasgow is in compliance with all requirements of the bond issue.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

The annual requirements to amortize the 2012 Series A issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 46,342	\$ 60,950	\$ 107,292
2023	47,632	59,660	107,292
2024	48,959	58,333	107,292
2025	50,322	56,970	107,292
2026	51,724	55,568	107,292
2027-2031	281,045	255,415	536,460
2032-2036	322,420	214,040	536,460
2037-2041	369,887	166,570	536,457
2042-2046	424,342	112,118	536,460
2047-2051	486,815	49,646	536,461
2052-2053	<u>108,151</u>	<u>1,651</u>	<u>109,802</u>
Total	<u>\$ 2,237,639</u>	<u>\$ 1,090,921</u>	<u>\$ 3,328,560</u>

The 2012 Series B bonds were sold to the United States of America acting through the Rural Utilities Services, United States Department of Agriculture in the amount of \$406,000. The interest rate on the bonds is 2.75%. The bonds were sold to finance a sewer lagoon project, and are considered a direct borrowing. The bonds are to be repaid in monthly installments over a 40 year period. The final payment is June 1, 2052. The bonds will be repaid from fees charged to sewer users. The City of Glasgow is in compliance with all requirements of the bond issue.

The annual requirements to amortize the 2012 Series B issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,350	\$ 9,654	\$ 17,004
2023	7,554	9,450	17,004
2024	7,765	9,239	17,004
2025	7,981	9,023	17,004
2026	8,252	8,801	17,053
2027-2031	44,572	40,448	85,020
2032-2036	51,134	33,886	85,020
2037-2041	58,662	26,361	85,023
2042-2046	67,299	17,721	85,020
2047-2051	77,206	7,813	85,019
2052-2053	<u>16,668</u>	<u>249</u>	<u>16,917</u>
Total	<u>\$ 354,443</u>	<u>\$ 172,645</u>	<u>\$ 527,088</u>

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

The City acquired the Valley Court Apartments by assuming the existing debt owed to USDA Rural Development in the amount of \$175,000, and is considered a direct borrowing. The interest rate on the loan is 2.875%. The loan is to be repaid in monthly installments over a 30 year period. The final payment is October 1, 2046. The loan will be repaid from fees charged to tenants. The City of Glasgow is in compliance with all requirements of the loan.

The annual requirements to amortize the USDA Rural Development loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,283	\$ 2,498	\$ 6,781
2023	4,397	2,373	6,770
2024	4,525	2,245	6,770
2025	4,657	2,113	6,770
2026	4,793	1,978	6,771
2027-2031	26,142	7,711	33,853
2032-2036	30,178	3,674	33,852
2037-2041	34,838	225	35,063
2042-2046	40,217	-	40,217
2047	<u>2,531</u>	<u>-</u>	<u>2,531</u>
Total	<u>\$ 156,561</u>	<u>\$ 22,817</u>	<u>\$ 179,378</u>

The 2020 Series A bonds were sold to the United States of America acting through the Rural Utilities Services, United States Department of Agriculture in the amount of \$6,645,000. The interest rate on the bonds is 1.89%. The bonds were sold to finance a water improvement project, and are considered a direct borrowing. The bonds are to be repaid in monthly installments over a 40 year period. The final payment is June 1, 2060. The bonds will be repaid from fees charged to water users. The City of Glasgow is in compliance with all requirements of the bond issue.

The annual requirements to amortize the 2020 Series A issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 114,426	\$ 122,416	\$ 236,842
2023	116,606	120,235	236,841
2024	118,828	118,013	236,841
2025	121,092	115,749	236,841
2026	123,399	113,442	236,841
2027-2031	653,176	531,031	1,184,207
2032-2036	717,822	466,385	1,184,207
2037-2041	788,865	395,340	1,184,205
2042-2046	866,943	317,264	1,184,207
2047-2051	952,747	231,460	1,184,207
2052-2056	1,047,043	137,164	1,184,207
2057-2060	<u>910,849</u>	<u>35,597</u>	<u>946,446</u>
Total	<u>\$ 6,531,796</u>	<u>\$ 2,704,096</u>	<u>\$ 9,235,892</u>

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

The 2020 Series B bonds were sold to the United States of America acting through the Rural Utilities Services, United States Department of Agriculture in the amount of \$500,000. The interest rate on the bonds is 1.89%. The bonds were sold to finance a water improvement project, and are considered a direct borrowing. The bonds are to be repaid in monthly installments over a 40 year period. The final payment is June 1, 2060. The bonds will be repaid from fees charged to water users. The City of Glasgow is in compliance with all requirements of the bond issue.

The annual requirements to amortize the 2020 Series B issue are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 8,610	\$ 9,211	\$ 17,821
2023	8,774	9,047	17,821
2024	8,941	8,880	17,821
2025	9,111	8,710	17,821
2026	9,285	8,536	17,821
2027-2031	49,147	39,957	89,104
2032-2036	54,012	35,093	89,105
2037-2041	59,357	29,747	89,104
2042-2046	65,233	23,873	89,106
2047-2051	71,690	17,416	89,106
2052-2056	78,784	10,321	89,105
2057-2060	<u>67,421</u>	<u>2,679</u>	<u>70,100</u>
Total	<u>\$ 490,365</u>	<u>\$ 203,470</u>	<u>\$ 693,835</u>

Compensated absences payable represents vacation and sick leave earned which is payable upon termination. Compensated absences are liquidated from the same funds used to pay each individual employee's salary.

The following is a summary of the long-term liability transactions of the City for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>New Debt</u>	<u>Retired Debt</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
FCB Recreation Department	\$ 44,343	\$ -	\$ (17,192)	\$ 27,151
FCB Equipment Purchases	305,403	-	(51,654)	253,749
FCB Fire Truck Purchase	<u>-</u>	<u>200,000</u>	<u>186,605</u>	<u>186,605</u>
Total	<u>\$ 349,746</u>	<u>\$ 200,000</u>	<u>\$ 117,759</u>	<u>\$ 467,505</u>
Proprietary Funds				
Revenue Bonds (2012A Issue) Sewer Fund	\$ 2,282,719	\$ -	\$ (45,080)	\$ 2,237,639
Revenue Bonds (2012B Issue) Sewer Fund	361,593	-	(7,150)	354,443
USDA Rural Development VCA Fund	160,723	-	(4,162)	156,561
USDA Rural Development (2020A Issue) Water Fund	6,645,000	-	(113,204)	6,531,796
USDA Rural Development (2020B Issue) Water Fund	<u>132,432</u>	<u>367,568</u>	<u>(9,635)</u>	<u>490,365</u>
Total	<u>\$ 9,582,467</u>	<u>\$ 367,568</u>	<u>\$ (179,231)</u>	<u>\$ 9,770,804</u>

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Compensated absences payable, which represent vacation and sick leave earned by employees and is payable upon termination, were as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021
Governmental Activities	\$ 148,567	\$ 10,432	\$ -	\$ 158,999
Proprietary Funds	<u>56,606</u>	<u>3,258</u>	<u>-</u>	<u>59,864</u>
Total	<u>\$ 205,173</u>	<u>\$ 13,690</u>	<u>\$ -</u>	<u>\$ 218,863</u>

The annual maturities of the long-term liabilities are as follows:

	Principal	Interest	Total
2022	\$ 279,669	\$ 217,055	\$ 496,724
2023	276,889	209,937	486,826
2024	274,159	203,331	477,490
2025	280,674	196,815	477,489
2026	256,512	190,137	446,649
2027-2031	1,099,292	875,464	1,974,756
2032-2036	1,175,566	753,078	1,928,644
2037-2041	1,311,609	588,496	1,900,105
2042-2046	1,464,034	447,103	1,911,137
2047-2051	1,590,989	288,919	1,879,908
2052-2056	1,250,646	139,064	1,389,710
2057-2060	<u>978,270</u>	<u>38,276</u>	<u>1,016,546</u>
Total	<u>\$ 10,238,309</u>	<u>\$ 4,147,675</u>	<u>\$ 14,385,984</u>

The City's outstanding notes from direct borrowings related to governmental activities of \$467,505 contain the following provision:

- Under the following defaults the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and then the borrower will pay that amount; defaults include payment, others, false statements, death or insolvency, creditor or forfeiture proceedings, events affecting guarantor, adverse change and cure provisions.

The City's outstanding Revenue Bonds and USDA RD Loans from direct borrowings related to business-type activities of \$9,770,804 contains the following provision:

- The USDA RD Loans state if default should occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should the parties names as Borrower die or be declared incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare entire amount including any past due installment(s) and accrual of interest on unpaid principal, unpaid under the note and any indebtedness to the Government here by secured immediately due and payable.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

The City's outstanding notes and revenue bonds from direct borrowings related to governmental/business-type activities of \$10,238,309 are secured with equipment that was purchased with the loan proceeds, the apartment complex for USDA Rural Development, and the bonds. The City does not have an unused line of credit.

Component Unit

Debt in the component unit at June 30, 2021 is as follows:

	Current Portion	Long-Term Portion	Total
Compensated absences	\$ 6,739	\$ 9,981	\$ 16,720

Compensated absences payable, which represent vacation and sick leave earned by employees and is payable upon termination. A summary of the liability transactions of the component unit is as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021
City-County Library	\$ 15,949	\$ 771	\$ -	\$ 16,720

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Post-Employment Benefits

The City allows its retired employees to continue to participate in its group health insurance plan at a premium rate that may or may not cover all of the related health care costs. This may result in an other post-employment benefit (OPEB) referred to as an “implicit rate subsidy”. OPEB is considered to be a long term liability and as required by GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City has calculated a postemployment benefit liability for the fiscal year ended June 30, 2021.

Plan Description

The City is a member of the Montana Municipal Inter-local Authority (MMIA), a local government risk retention pool that administers the City’s group health insurance plan, an agent multiple-employer defined benefit plan. As required by State law (MCA 2-18-704), the City provides its employees who retire, along with their eligible spouses and dependents, the option to continue to participate in the City’s group health insurance plan. To continue this health insurance coverage, the retirees are required to pay the full amount of their premium. State law does not require that the City provide the same premium rates to retirees as it pays for its active employees, nor does it require that the City pay any portion of the retiree premiums. Premium rates and healthcare benefits may be administratively altered at the end of any contract year.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

MMIA issues an annual financial report that can be obtained at:

Montana Municipal Interlocal Authority
 P.O. Box 6669
 Helena, MT 59604-6669

Funding Policy

The City provides no direct subsidy to the health insurance premiums for retirees. Retirees pay the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. At June 30, 2021 the City had no retired employees, no spouses and no employees covered under COBRA insurance coverage. In 2021, no retirees contributed towards the cost of the City's annual premium. There were 11 active employees covered by the benefit terms.

Annual OPEB Cost Obligation

The City's annual OPEB cost (expense) is calculated based on the projected unit credit cost method as of June 30, 2021 using MMIA's alternative measurement method calculations. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

The City's annual total OPEB obligation for the fiscal year ended June 30, 2021 was as follows:

Total OPEB Liability

Service cost	\$	35,471
Interest		4,716
Differences between expected and actual experience		(71,573)
Changes of assumptions or other inputs		2,460
Benefit payments		(3,392)
Net change in total OPEB liability		(32,318)
Total OPEB liability - beginning		172,290
Total OPEB liability - ending	\$	139,972

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual fund limitations on the pattern of cost sharing between employer and plan members in the future. The methods used are designed to reduce effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long term perspective of the calculations.

The total OPEB liability as of June 30, 2021 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	OPEB Valuation
Average age of retirement based on historical data	55.3
Turnover rate	0.00%
Discount rate	2.27%
Average salary increase	4.00%

Healthcare cost trend rates

From Year	To Year	Annual % Increase	From Year	To Year	Annual % Increase
2021	2022	7.00%	2052	2056	4.80%
2022	2023	6.50%	2056	2061	4.70%
2023	2024	6.00%	2061	2068	4.60%
2024	2025	5.90%	2068	2069	4.50%
2025	2026	5.70%	2069	2070	4.40%
2026	2027	5.60%	2070	2071	4.30%
2027	2028	5.50%	2071	2073	4.20%
2028	2029	5.30%	2073	2074	4.10%
2029	2046	5.20%	2074	2076	4.00%
2046	2047	5.10%	2076	2077	3.90%
2047	2049	5.00%	2077	+	3.80%
2049	2052	4.90%			

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability reported by the City, as well as how that liability would change if the discount rate used to calculate the total OPEB liability were decreased or increased by 1 percent:

	1.0% Decrease (1.27%)	Discount Rate (2.27%)	1.0% Increase (3.27%)
Total OPEB Liability	\$ 147,844	\$ 139,972	\$ 129,427

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability reported by the City, as well as how that liability would change if the healthcare cost trend rate used in projecting benefit payments were to decrease or increased by 1 percent:

	<u>1.0% Decrease*</u>	<u>Trend Rates*</u>	<u>1.0% Increase*</u>
Total OPEB Liability	\$ <u>117,695</u>	\$ <u>139,972</u>	\$ <u>168,170</u>

* See the actuarial assumptions and other inputs disclosure above to determine the healthcare cost trend rates used to calculate the total OPEB liability.

OPEB Expense, Deferred Outflows and Inflows

For the year ended June 30, 2021, the City recognized OPEB expense of \$40,187. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71,573
Changes in assumptions or other inputs	<u>2,460</u>	<u>-</u>
Total	<u>\$ 2,460</u>	<u>\$ 71,573</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ <u>(69,113)</u>

NOTE 12. LOCAL RETIREMENT PLANS

The Fire Department Relief Association Disability and Pension Fund administers the City's volunteer firefighter's pension benefits paid to retired firefighters. In accordance with the provisions of MCA 19-18-503, the fund is considered soundly funded if the assets in the fund are maintained at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater; or funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound. As of June 30, 2021, the total assets of the fund were in the amount of \$132,029.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 12. LOCAL RETIREMENT PLANS (CONTINUED)

The employees of the Library are not members of the Public Employees' Retirement System, but instead contribute to the Kemper Fund. The employer and employee each contribute 6% to this fund. The employee may contribute up to 20%, but total contributions (employee and employer portions) may not exceed 25% of gross pay. The amounts contributed by both the Library and its employees for the past three years were as follows:

	2019	2020	2021
Kemper	<u>\$ 3,600</u>	<u>\$ 3,643</u>	<u>\$ 3,764</u>

NOTE 13. RETIREMENT PLANS

Plan Description and Provisions

The City participates in two statewide, cost-sharing, multiple-employer, retirement benefit plans, the Public Employees' Retirement System and the Municipal Police Officers' Retirement System. The plans cover all employees, except certain part-time employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies and plan audited financial statements. Those reports may be obtained from the Public Employees' Retirement Board, P.O. Box 200131, Helena, MT 59620-0131, or the Montana Public Employee Retirement Administration website at <http://mpera.mt.gov/index.shtml>.

The information provided below is for employers who are using a June 30, 2020 measurement date for the 2021 reporting. Employers are provided guidance in GASB 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employers are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

	The employer's proportionate shared associated with PERS	The employer's proportionate shared associated with MPORS	The employer's total pension amounts
Total pension liability	\$ 2,242,357	\$ 1,825,512	\$ 4,067,869
Fiduciary net position	\$ 535,555	\$ 1,220,417	\$ 1,755,972
Net pension liability	\$ 1,706,802	\$ 605,095	\$ 2,311,897
Deferred outflows of resources	\$ 393,754	\$ 195,832	\$ 589,586
Deferred inflows of resources	\$ 74,413	\$ 45,441	\$ 119,854
Pension expense	\$ 357,342	\$ 229,574	\$ 586,916

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability (NPL), pension expense, and deferred inflows and deferred outflows of resources associated with pensions.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

The proportionate shares of the City's and the State of Montana's NPL for June 30, 2021 and 2020, are displayed below. The City's proportionate share equals the ratio of the City's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The City recorded a liability of \$1,706,802 and the City's proportionate share was 0.0647 percent.

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
CITY OF GLASGOW					
Proportionate share	\$ 1,706,802	\$ 1,355,200	0.0647%	0.0648%	-0.0001%
STATE OF MONTANA					
Proportionate share associated with employer	<u>535,555</u>	<u>439,408</u>	<u>0.0203%</u>	<u>0.0210%</u>	<u>-0.0007%</u>
Total	<u>\$ 2,242,357</u>	<u>\$ 1,794,608</u>	<u>0.0850%</u>	<u>0.0858%</u>	<u>-0.0800%</u>

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Changes in Actuarial Assumptions and Methods

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was lowered from 7.65% to 7.34%
- The investment rate of return was lowered from 7.65% to 7.34%
- The inflation rate was reduced from 2.75% to 2.40%

Changes in Benefit Terms

There were no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the NPL, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective NPL, if known.

Pension Expense

	Pension Expense as of June 30, 2021
CITY OF GLASGOW	
Proportionate share	\$ 269,756
CITY OF GLASGOW	
Grant Revenue - State of Montana Proportionate Share for employer	87,586
	\$ 357,342

At June 30, 2021, the City recognized a pension expense of \$269,756 for its proportionate share of the PERS' pension expense and recognized grant revenue of \$87,586 for the State of Montana proportionate share of the pension expense associated with the City.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2021, the City reported its proportionate share of the PERS' deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,551	\$ 48,800
Differences between projected and actual investment earnings	147,794	-
Changes in actuarial assumptions	118,190	-
Difference between actual and expected contributions	-	25,613
*Contributions paid to PERS subsequent to the measurement date - FY 2021 Contributions	100,219	-
Total	\$ 393,754	\$ 74,413

* Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension
2022	\$ 37,832
2023	92,725
2024	51,640
2025	36,924
Thereafter	-

Plan Description

The 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 & 3, MCA. This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Plan Description (Continued)

All new members are initially members of the PERS-DBRP and have a 12-month window during which they 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. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC).

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service;
or	Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early Retirement

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

- 1) 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:
 - a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits (Continued)

Second Retirement (requires returning to PERS-covered employer or PERS service):

- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of member's highest average compensation.

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- 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 0.1% for each 2% PERS is funded below 90%; and (c) 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State &				
			Universities	Local Government		School Districts	
	Hired <7/01/11	Hired >7/01/11	Employer	Employer	State	Employer	State
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.040%	6.935%	0.100%	6.800%	0.235%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Overview of Contributions (Continued)

2. Employer contributions to the system:

- a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1 % a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- c. The portion of employer contributions allocated to the PCR are included in the employer reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to the member accounts.

3. Non Employer Contributions

a. Special Funding

- i. The State contributed 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a Statutory Appropriation from the General Fund of \$33,951,150.

Actuarial Assumptions

The TPL in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

- | | |
|--|------------|
| • Investment Return (net of admin expense) | 7.34% |
| • Admin expense as a % of payroll | 0.30% |
| • General Wage Growth* | 3.50% |
| *includes Inflation at | 2.40% |
| • Merit Increases | 0% to 4.8% |

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions (Continued)

- Postretirement Benefit Increases
Guaranteed Annual Benefit Adjustment (GABA)
 After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the members' benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - 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 0.1% for each 2% PERS is funded below 90%; and
 - c) 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	2.00%	0.11%
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Total	<u>100.00%</u>	

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.34%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
The CITY OF GLASGOW's proportion of Net Pension Liability	<u>\$ 2,349,312</u>	<u>\$ 1,706,802</u>	<u>\$ 1,167,098</u>

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

PERS Disclosure for the Defined Contribution Plan

The City 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, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

Municipal Police Officers' Retirement System

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Municipal Police Officers' Retirement System (MPORS or the Plan). This includes the proportionate share of the collective NPL, pension expense, and deferred inflows and deferred outflows of resources associated with pensions.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Net Pension Liability (Continued)

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020 was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the Fiduciary Net Position equals the NPL. The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. Due to the existence of the special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$605,095 and the employer's proportionate share was 0.2474 percent.

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
CITY OF GLASGOW					
Proportionate share	\$ 605,095	\$ 494,788	0.2474%	0.2486%	-0.0012%
STATE OF MONTANA					
Proportionate share associated with employer	<u>1,220,417</u>	<u>1,007,559</u>	<u>0.4990%</u>	<u>0.5062%</u>	<u>-0.0072%</u>
Total	<u>\$ 1,825,512</u>	<u>\$ 1,502,347</u>	<u>0.7464%</u>	<u>0.7548%</u>	<u>-0.0084%</u>

Changes in Actuarial Assumptions and Methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was lowered from 7.65% to 7.34%
- The investment rate of return was lowered from 7.65% to 7.34%
- The inflation rate was reduced from 2.75% to 2.40%

Changes in Benefit Terms:

There have been no changes in benefit terms since the previous measurement date.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Net Pension Liability (Continued)

Changes in Proportionate Share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the NPL, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective NPL, if known.

Pension Expense

At June 30, 2021, the City recognized its proportionate share of the MPORS' pension expense of \$74,610. The City also recognized grant revenue of \$154,964 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the City.

	Pension Expense as of June 30, 2021
CITY OF GLASGOW	
Proportionate share	\$ 74,610
STATE OF MONTANA	
Proportionate share associated with employer	154,964
	\$ 229,574

Recognition of Deferred Inflows and Outflows

At June 30, 2021, the City reported its proportionate share of MPORS' deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 29,004	\$ 1,910
Differences between projected and actual investment earnings	47,056	-
Changes in actuarial assumptions	51,421	-
Difference between actual and expected contributions	-	43,531
*Contributions paid to MPORS subsequent to the measurement date - FY 2021 Contributions	68,351	-
Total	\$ 195,832	\$ 45,441

* Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2022.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Recognition of Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension
2022	\$ 13,557
2023	26,141
2024	31,469
2025	10,873
Thereafter	-

Plan Description

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.

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 only participate in the DROP 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 date as 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.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Summary of Benefits

The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after 5 years of service.

Service Retirement and Monthly Benefit Formula

- 20 years of membership service, regardless of age.
- Age 50 with 5 years of membership service (early retirement).
- 2.5% of F AC x years of service credit.

Second Retirement:

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.
- 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.

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.
- 2) 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:
 - a. Is awarded service credit for the period of reemployment;
 - b. 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

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Summary of Benefits (Continued)

Second Retirement (Continued):

- c. 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.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Member's Final Average Compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Guaranteed Annual Benefit Adjustment (GABA)

- Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum Benefit Adjustment (Non-GABA)

- The minimum benefit provided 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.

Overview of Contributions

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

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Special Funding

MCA 19-9-702 requires the State of Montana to contribute a percentage of total compensation directly to the Plan annually after the end of each fiscal year. Member, employer and State contribution rates are shown in the table below.

Fiscal Year	Member				Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired >6/30/97 GABA		
2000-2021	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

Actuarial Assumptions

The TPL in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.34%
- Admin expense as a % of payroll 0.15%
- General Wage Growth* 3.5%
- *includes inflation at 2.40%
- Merit Increases 0% to 6.60%
- Postretirement Benefit Increases
 - Guaranteed Annual Benefit Adjustment (GABA)
 - Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.
 - If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Actuarial Assumptions (Continued)

The TPL in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.65%
- Admin expense as a % of payroll 0.23%
- General Wage Growth* 3.5%
- *includes inflation at 2.75%
- Merit Increases 0% to 6.60%
- Postretirement Benefit Increases
 - Guaranteed Annual Benefit Adjustment (GABA)
 - Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.
 - If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.
 - Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, set back one year for males.
 - Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

The most recent experience study, performed for the period covering fiscal years 2011 to 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%.

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	2.00%	0.11%
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.34%, as well as what the NPL would be if it were calculated using a discount rate 1.0% lower or 1.00% higher than the current rate.

	<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
The CITY OF GLASGOW's proportion of Net Pension Liability	<u>\$ 862,601</u>	<u>\$ 605,095</u>	<u>\$ 399,664</u>

CITY OF GLASGOW, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

NOTE 14. FUND BALANCES

GASB Statement No. 54 requires the City to present the governmental fund balances and each major special revenue fund balances by specific purposes. In the basic financial statements, the fund balance classifications are presented in the aggregate. The table presented below further displays the fund balance classifications by major purposes:

	General Fund	Solid Waste Fund	Street Maintenance Fund	Swim Pool Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Non-spendable							
Permanent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,545	\$ 82,545
Restricted							
General government	-	102,282	9,333	-	-	-	111,615
Public safety	-	-	6,559	-	-	59,237	65,796
Public works	-	628,306	55,998	-	-	233,324	917,628
Culture and recreation	-	-	-	838,784	-	-	838,784
Committed							
Culture and recreation	-	-	-	-	-	836	836
Assigned							
General government	673,872	-	-	-	-	-	673,872
Public works	-	-	-	-	87,069	122,456	209,525
Unassigned	311,651	-	-	-	-	-	311,651
Total	<u>\$ 985,523</u>	<u>\$ 730,588</u>	<u>\$ 71,890</u>	<u>\$ 838,784</u>	<u>\$ 87,069</u>	<u>\$ 498,398</u>	<u>\$ 3,212,252</u>

There was one fund with a deficit fund balance at June 30, 2021, the CDBG Housing Fund.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 15. TAX ABATEMENTS

The City's property tax revenue is subject to tax abatement agreements it enters into directly, as well as indirectly by those entered into by the County. Tax abatement agreements are entered into on an individual basis with businesses under the Montana Code Annotated 2015, Title 15 Taxation (the Code). Under the Code, local governments may grant property tax abatements to business with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry (15-24-1402). In the first five years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the tenth year. In subsequent years, the property is taxed at its full taxable value (15-10-420). For the year ended June 30, 2021, the City has not entered into any tax abatement agreements, nor has the City received any information from the County regarding any indirect effects to the City, if any, regarding tax abatement agreements entered into by those entities during the fiscal year.

NOTE 16. RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, employee torts, professional liability (i.e., errors and omissions), environmental damage, workers' compensation (i.e., employee injuries), and medical insurance costs of employees). A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for employee medical costs and professional liabilities. The City participates in three statewide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation, tort liability coverage, and for property and content damage. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for property and content damage and the employee medical plan are allocated between all applicable City funds. The premiums for professional liability are allocated between the City's enterprise funds and the general fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan, both public entity risk pools currently operating as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence, and \$12.5 million per occurrence for any claim that is not subject to the limitations on governmental liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with a \$3,750 deductible per government. State tort law limits the City's liability to \$1.5 million.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 16. RISK MANAGEMENT (CONTINUED)

The City entered into a promissory note, in the amount of \$51,147, to the Montana Municipal Insurance Authority for the City's proportionate share of the principal amount of the debt service on the bonds sold to secure excess coverage for Montana Municipalities for liability coverage up to \$1,500,000. The City entered into a promissory note, in the amount of \$56,713, to the Montana Municipal Insurance Authority for the City's proportionate share of the principal amount of the debt service on the bonds sold to establish and capitalize an Excess Claims Payment Fund for workers' compensation coverage to pay "specific excess claims".

The City of Glasgow has made no provisions for the potential liability. There have been no changes in the risk coverages from prior years and no losses have been incurred in the previous three years in regards to the potential debt liabilities. Based on the plans' current financial position, the City doesn't expect to make any payment on these notes.

NOTE 17. INTERLOCAL AND LEASE AGREEMENTS

Animal Shelter

The City has contracted with Matt and Lisa Baxter, d/b/a Valley Visions Paints, to provide animal shelter services. The contract period is from July 1, 2020 to June 30, 2021, and is negotiated yearly. The City pays \$625 per month, and \$20 per cat or dog impounded, not to exceed the sum of \$120 per month. This agreement was extended through June 30, 2022.

City Police

The City is leasing property at 81 Airport Road from the State of Montana, Department of Military Affairs, to provide office space for the operations of the City Police Department. The lease agreement period is from July 1, 2021 to December 4, 2021, with the option to extend the lease for an additional six months. There is no monthly cost to the City. This agreement was extended subsequent to December 4, 2021.

City Court

The City is leasing property at 501 Court Square from Valley County, to provide office space for the operations of the City Court. The lease agreement period is from October 1, 2018 to September 30, 2021. The City is paying \$650 per month, with a 2% increase in October 2020. This agreement was extended through September 30, 2024, with the City paying \$690 per month.

Office Space

The City is leasing property at 81 Airport Road from the State of Montana, Department of Military Affairs, to provide office space, a waiting area, and a child holding area. The lease agreement period is from July 1, 2021 to December 4, 2021, with the option to extend the lease for an additional six months. There is no monthly cost to the City. This agreement was extended subsequent to December 4, 2021.

CITY OF GLASGOW, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021

NOTE 17. INTERLOCAL AND LEASE AGREEMENTS (CONTINUED)

Refuse Collection Services

T & R Trucking is providing refuse collection services to the City. The agreement period is from July 1, 2020 to June 30, 2023, with the City paying the company \$21,772 per month in fiscal year 2021. The City is scheduled to pay the company \$22,015 per month in fiscal year 2022.

Phillips County

Phillips County passed a resolution, requesting that surcharges collected by the Phillips County Justice Court be paid to the City's Police Department Victim/Witness Advocate Fund, as the City provides a victim/witness advocate program. The agreement period is from July 13, 2016 and is ongoing.

Sheridan County

Sheridan County passed a resolution, requesting that surcharges collected by the Sheridan County Justice Court be paid to the City's Police Department Victim/Witness Advocate Fund, as the City provides a victim/witness advocate program. The agreement period is from May 10, 2018 and is ongoing.

Legal Services

Helland Law Firm, PLLC is providing legal services to the City. The agreement period is from May 6, 2019 through November 30, 2019, with the City paying the firm an hourly rate of \$195 for attorney services and an hourly rate of \$120 for legal assistant services. This agreement was subsequently amended, effective May 18, 2020 until the completion of the State of Montana v. SB, District Court Cause No. DC-2019-37. This case was completed subsequent to June 30, 2021.

City Attorney

Sullivan Law is providing legal services, in the form of prosecuting civil matters and criminal actions in City Court, for the City. The agreement period is from May 1, 2019 to May 1, 2020, with the City paying the firm \$78,650 in fiscal year 2021. This agreement was extended through May 1, 2024, with the City paying the firm \$79,000 in fiscal year 2022.

NOTE 18. SUBSEQUENT EVENTS

In June 2021, the City received \$424,285 from the American Rescue Plan Act. No amount has been expended and all revenue was deferred at the end of fiscal year 2021. The City also deferred \$134,231 remaining from the Coronavirus Relief Fund at the end of fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2021

	General Fund			Variance From Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes and assessments	\$ 1,498,313	\$ 1,498,313	\$ 1,465,722	\$ (32,591)
Licenses and permits	18,250	18,250	18,826	576
Intergovernmental	783,238	981,165	896,005	(85,160)
Charges for services	93,728	105,312	119,498	14,186
Fine and forfeitures	27,100	27,100	38,128	11,028
Miscellaneous	14,605	14,605	23,601	8,996
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>1,997</u>	<u>(8,003)</u>
Total revenue	<u>2,445,234</u>	<u>2,654,745</u>	<u>2,563,777</u>	<u>(90,968)</u>
EXPENDITURES				
Current:				
General government	303,677	304,272	264,122	40,150
Public safety	1,201,203	1,384,309	1,301,314	82,995
Public works	345,670	345,670	116,553	229,117
Culture and recreation	495,945	503,976	466,659	37,317
Housing and community development	4,550	4,550	1,000	3,550
Miscellaneous	16,961	40,386	16,961	23,425
Debt service:				
Principal	41,341	41,341	41,219	122
Interest	6,339	6,339	6,410	(71)
Capital outlay	<u>66,708</u>	<u>66,708</u>	<u>40,953</u>	<u>25,755</u>
Total expenditures	<u>2,482,394</u>	<u>2,697,551</u>	<u>2,255,191</u>	<u>442,360</u>
Revenues over expenditures	<u>(37,160)</u>	<u>(42,806)</u>	<u>308,586</u>	<u>351,392</u>
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	-	-	4,520	4,520
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	<u>(118,630)</u>	<u>(118,630)</u>	<u>(155,158)</u>	<u>(36,528)</u>
Total other financing sources	<u>(118,630)</u>	<u>(118,630)</u>	<u>(150,638)</u>	<u>(32,008)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (155,790)</u>	<u>\$ (161,436)</u>	<u>\$ 157,948</u>	<u>\$ 319,384</u>

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2021

	Solid Waste Fund			Variance From Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes and assessments	\$ 331,975	\$ 331,975	\$ 338,754	\$ 6,779
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	9,500	9,500	1,495	(8,005)
Total revenue	<u>341,475</u>	<u>341,475</u>	<u>340,249</u>	<u>(1,226)</u>
EXPENDITURES				
Current:				
General government	49,400	49,400	45,162	4,238
Public safety	-	-	-	-
Public works	272,465	272,465	263,819	8,646
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	400,000	400,000	21,587	378,413
Total expenditures	<u>721,865</u>	<u>721,865</u>	<u>330,568</u>	<u>391,297</u>
Revenues over expenditures	<u>(380,390)</u>	<u>(380,390)</u>	<u>9,681</u>	<u>390,071</u>
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (380,390)</u>	<u>\$ (380,390)</u>	<u>\$ 9,681</u>	<u>\$ 390,071</u>

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2021

	Steet Maintenance Fund			Variance From Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes and assessments	\$ 508,370	\$ 508,370	\$ 507,174	\$ (1,196)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	800	800	1,360	560
Investment earnings	700	700	170	(530)
Total revenue	<u>509,870</u>	<u>509,870</u>	<u>508,704</u>	<u>(1,166)</u>
EXPENDITURES				
Current:				
General government	72,390	72,390	67,085	5,305
Public safety	-	-	-	-
Public works	383,448	383,448	357,260	26,188
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Miscellaneous	16,002	16,002	14,502	1,500
Debt service:				
Principal	27,754	27,754	27,624	130
Interest	4,948	4,948	4,982	(34)
Capital outlay	-	-	-	-
Total expenditures	<u>504,542</u>	<u>504,542</u>	<u>471,453</u>	<u>33,089</u>
Revenues over expenditures	<u>5,328</u>	<u>5,328</u>	<u>37,251</u>	<u>31,923</u>
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	-	-	500	500
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	(67,882)	(67,882)	(66,957)	925
Total other financing sources	<u>(67,882)</u>	<u>(67,882)</u>	<u>(66,457)</u>	<u>1,425</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (62,554)</u>	<u>\$ (62,554)</u>	<u>\$ (29,206)</u>	<u>\$ 33,348</u>

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2021

	Swim Pool Fund			Variance From Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	10,000	10,000	10,000	-
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	150,000	150,000	475,893	325,893
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>1,008</u>	<u>(1,992)</u>
Total revenue	<u>163,000</u>	<u>163,000</u>	<u>486,901</u>	<u>323,901</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	1,570	(1,570)
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>390,000</u>	<u>390,000</u>	<u>53,253</u>	<u>336,747</u>
Total expenditures	<u>390,000</u>	<u>390,000</u>	<u>54,823</u>	<u>335,177</u>
Revenues over expenditures	<u>(227,000)</u>	<u>(227,000)</u>	<u>432,078</u>	<u>659,078</u>
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (207,000)</u>	<u>\$ (207,000)</u>	<u>\$ 452,078</u>	<u>\$ 659,078</u>

CITY OF GLASGOW, MONTANA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 35,471	\$ 18,794	\$ 23,202	\$ 33,742
Interest**	4,716	3,627	5,217	7,675
Differences between expected and actual experience	(71,573)	5,157	(28)	3,334
Changes of assumptions or other inputs	2,460	(5,903)	(67,394)	(5,228)
Benefit payments	<u>(3,392)</u>	<u>(4,882)</u>	<u>(3,983)</u>	<u>(5,625)</u>
Net change in total OPEB liability	(32,318)	16,793	(42,986)	33,898
Total OPEB liability - beginning	<u>172,290</u>	<u>155,497</u>	<u>198,483</u>	<u>164,585</u>
Total OPEB liability - ending	<u>\$ 139,972</u>	<u>\$ 172,290</u>	<u>\$ 155,497</u>	<u>\$ 198,483</u>
Covered-employee payroll	\$ 668,809	\$ 522,850	\$ 588,966	\$ 848,295
Total OPEB liability as a percentage of its covered-employee payroll	20.93%	32.95%	26.40%	23.40%

**The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years. Additional years will be
displayed as they become available.*

Notes to Schedule

**Interest includes beginning of year Total OPEB Liability and Service Cost.

Changes of benefit terms:

None

Changes of assumptions:

Revised discount rate per Bond Buyer's 20-year municipal bond rate as of June 30, 2021.

CITY OF GLASGOW, MONTANA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Year Ended June 30, 2021

Reporting date	PERS						
	2021	2020	2019	2018	2017	2016	2015
Measurement date	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability as an amount	\$ 1,706,802	\$ 1,355,200	\$ 1,304,986	\$ 1,395,013	\$ 1,152,189	\$ 754,238	\$ 792,219
Employer's proportionate share of the net pension liability as a percentage	0.0647%	0.0648%	0.0625%	0.0716%	0.0676%	0.0540%	0.0636%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 535,555	\$ 439,408	\$ 435,229	\$ 18,475	\$ 14,078	\$ 9,264	\$ 9,674
Total	\$ 2,242,357	\$ 1,794,608	\$ 1,740,215	\$ 1,413,488	\$ 1,166,267	\$ 763,502	\$ 801,893
Employer's covered payroll	\$ 1,085,479	\$ 1,069,728	\$ 1,028,263	\$ 888,535	\$ 810,241	\$ 629,679	\$ 719,729
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.2400%	126.6900%	126.9100%	157.0000%	142.2000%	119.7810%	110.0720%
Plan fiduciary net position as a percentage of the total pension liability	68.9000%	73.8500%	73.4700%	73.7500%	74.7100%	78.4000%	79.9000%

Reporting date	MPORS						
	2021	2020	2019	2018	2017	2016	2015
Measurement date	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability as an amount	\$ 605,095	\$ 494,788	\$ 498,285	\$ 544,556	\$ 589,145	\$ 588,037	\$ 554,423
Employer's proportionate share of the net pension liability as a percentage	0.2474%	0.2486%	0.2901%	0.3061%	0.3273%	0.0355%	0.3528%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 1,220,417	\$ 1,007,559	\$ 1,018,588	\$ 1,109,896	\$ 1,169,479	\$ 1,191,419	\$ 1,191,419
Total	\$ 1,825,512	\$ 1,502,347	\$ 1,516,873	\$ 1,654,452	\$ 1,758,624	\$ 1,779,456	\$ 1,745,842
Employer's covered payroll	\$ 423,793	\$ 409,691	\$ 461,101	\$ 457,719	\$ 462,009	\$ 491,991	\$ 473,406
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.7800%	120.7700%	107.9500%	118.9700%	127.5200%	119.5220%	117.1140%
Plan fiduciary net position as a percentage of the total pension liability	64.8400%	68.8400%	70.9500%	68.3400%	65.6200%	66.9000%	67.0000%

**The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

CITY OF GLASGOW, MONTANA
SCHEDULE OF CONTRIBUTIONS
Year Ended June 30, 2021

	PERS						
	2021	2020	2019	2018	2017	2016	2015
Reporting date	2021	2020	2019	2018	2017	2016	2015
Measurement date	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 100,219	\$ 94,434	\$ 92,093	\$ 87,813	\$ 81,798	\$ 69,301	\$ 61,818
Contributions in relation to the contractually required contributions	\$ 100,219	\$ 94,434	\$ 92,093	\$ 87,813	\$ 81,798	\$ 69,301	\$ 61,818
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 1,142,754	\$ 1,089,672	\$ 1,074,587	\$ 1,028,263	\$ 888,535	\$ 810,241	\$ 629,679
Contributions as a percentage of covered payroll	8.7700%	8.6663%	8.5701%	8.5399%	9.2059%	8.5531%	9.8174%

	MPORS						
	2021	2020	2019	2018	2017	2016	2015
Reporting date	2021	2020	2019	2018	2017	2016	2015
Measurement date	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 68,351	\$ 61,069	\$ 59,037	\$ 65,489	\$ 67,152	\$ 67,761	\$ 71,319
Contributions in relation to the contractually required contributions	\$ 68,351	\$ 61,069	\$ 59,037	\$ 65,489	\$ 67,152	\$ 67,761	\$ 71,319
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 474,331	\$ 423,793	\$ 409,691	\$ 461,601	\$ 457,719	\$ 462,009	\$ 491,991
Contributions as a percentage of covered payroll	14.4100%	14.4101%	14.4101%	14.1874%	14.6710%	14.6666%	14.4960%

**The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

CITY OF GLASGOW, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

Changes of Benefit Terms - PERS

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

2017:

Working Retiree Limitations

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

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) 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.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from .025% to .077%.

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.

CITY OF GLASGOW, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 Year Ended June 30, 2021

Changes of Benefit Terms – PERS (Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2017 experience study:

General Wage Growth*	3.50%
Investment rate of return:	7.65%
*Includes inflation at	2.75%
Merit increase	0.00% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy Members)	For males and females: RP 2000 combined employee and annuitant mortality table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disable Members)	For males and females: RP 2000 combined mortality table, with no projections
Admin Expense as % of payroll	0.30%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

CITY OF GLASGOW, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2021

Changes of Benefit Terms - MPORS

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

2017:

Working Retiree Limitations

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a) May not become an active member in the system; and
 - b) Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- 3) Members who return for 480 or more hours in a calendar year:
 - a) Must become an active member of the system;
 - b) Will stop receiving a retirement benefit from the system; and
 - c) Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
 - a) Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b) 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

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) 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.

CITY OF GLASGOW, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2021

Changes of Benefit Terms – MPORS (Continued)

Second Retirement Benefit (Continued)

- 3) 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:
 - a) Is awarded service credit for the period of reemployment;
 - b) 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
 - c) 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.
- 4) A member who returns to covered service is not eligible for a disability benefit.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) 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.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

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.

CITY OF GLASGOW, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 Year Ended June 30, 2021

Changes of Benefit Terms – MPORS (Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2018 actuarial valuation:

General Wage Growth*	3.50%
Investment rate of return:	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 6.60%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy Members)	For males and females: RP 2000 combined employee and annuitant mortality table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled Members)	For males and females: RP 2000 combined mortality table
Admin Expense as % of payroll	0.15%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

SUPPLEMENTARY INFORMATION

CITY OF GLASGOW, MONTANA
 REQUIREMENTS OF BOND RESOLUTIONS
 For the Year Ended June 30, 2021

Resolution No. 1564 is a resolution authorizing the issuance and sale of \$1,048,000 sewer system revenue bonds to finance and pay for the costs of a sanitary storm sewer separation project on the south side of the City, establishing the form and terms thereof, and creating special funds and accounts and pledging certain revenues as the sole sources of security and payment for such bonds. Resolution No. 1612 is a resolution authorizing the issuance and sale of \$995,000 sewer system revenue bonds to finance and pay for the costs of a sanitary storm sewer separation project on the north side of the City, establishing the form and terms thereof, and creating special funds and accounts and pledging certain revenues as the sole sources of security and payment for such bonds. Resolution No. 1880 is to authorize the issuance and sale of \$2,599,000 sewer system revenue bonds, series 2012A, and \$406,000 in sewer system revenue bonds, series 2012B, establishing the form and terms thereof and creating special funds and accounts and pledging certain revenues as the sole sources of security and payment for such bonds. Resolution No. 1907 is to amend and restate the 1997 series and 1999 series sewer system bonds as SRF-98036R in the amount of \$314,000 and SRF-00055R in the amount of \$310,000.

In accordance with Resolution No. 1564, Section 2.2, Resolution No. 1612 and Resolution No. 1880 as amended by Resolution No. 1907 the following information is provided:

- a. A statement of the revenues, expenses and changes in net position of the system, see page 21.
- b. The statement of net position as of June 30, 2021, see page 20.
- c. As of June 30, 2021, the number of sewer users is as follows:

Residential	1,299
Commercial	194
Multi-plex units	<u>20</u>
Total	<u><u>1,513</u></u>

- d. The amount of cash on hand in each sewer account at June 30, 2021, is as follows:

Operating	\$ 217,933
Replacement & Depreciation	1,181,348
Sewer Reserve - Series 2012A	107,292
Sewer Reserve - Series 2012B	17,004
Short Lived Asset Replacement Reserve - USDA	479,315
Surplus	123,419
Sewer Construction Projects	<u>1,308,207</u>
	<u><u>\$ 3,434,518</u></u>

- e. See page 88 for a list of the insurance policies in force.

CITY OF GLASGOW, MONTANA
 REQUIREMENTS OF BOND RESOLUTIONS (CONTINUED)
 For the Year Ended June 30, 2021

- f. Cash requirements – cash and investment balances required by Resolution No. 1564 and Resolution No. 1612, and actual cash balances maintained at June 30, 2021, are compared as follows:

	<u>Required</u>	<u>Actual</u>	<u>Over (Short)</u>
Operating	Established	\$ 217,933	\$ 217,933
Replacement & Depreciation	Reasonable	1,181,348	1,181,348
Sewer Reserves - Series 2012A and B	\$ 124,296	124,296	-
Short Lived Asset Replacement Reserve - USDA	<u>472,775</u>	<u>479,315</u>	<u>6,540</u>
	<u>\$ 597,071</u>	<u>\$ 2,002,892</u>	<u>\$ 1,405,821</u>

Bond requirements – Section 2.3 of Resolution No. 1612, required net revenues in each fiscal year to be in an amount at least equal to 125% of the maximum amount of principal and interest payable on all outstanding bonds in any subsequent fiscal year. Section 2.3 required the minimum net operating revenues to be at least \$155,431. The net revenue is \$459,567 which is \$304,136 more than the requirement stated.

Net revenues shall mean the gross revenues less the operating expenses attributable to the system. The gross revenues shall exclude the interest earnings from Construction Fund investments. The expenses shall exclude depreciation expense, amortization of bond issuance costs, capital outlay, and principal and interest on bonds.

CITY OF GLASGOW, MONTANA
 REQUIREMENTS OF BOND RESOLUTIONS (CONTINUED)
 For the Year Ended June 30, 2021

Resolution No. 2038 is a resolution authorizing the issuance and sale of \$6,645,000 water system revenue bonds to finance and pay for the costs of upgrades to the City water system, establishing the form and terms thereof, and creating special funds and accounts and pledging certain revenues as the sole sources of security and payment for such bonds. Resolution No. 2089 is to authorize the issuance and sale of \$6,645,000 water system revenue bonds, series 2020A, and \$500,000 in water system revenue bonds, series 2020B, establishing the form and terms thereof and creating special funds and accounts and pledging certain revenues as the sole sources of security and payment for such bonds. Resolution No. 3036 is to amend the interest rate and the reserve requirements.

In accordance with Resolution No. 2089 as amended by Resolution No. 3036, the following information is provided:

- a. A statement of the revenues, expenses and changes in net position of the system, see page 21.
- b. The statement of net position as of June 30, 2021, see page 20.
- c. As of June 30, 2021, the number of water users is as follows:

Residential	1,298
Commercial	199
Multi-plex units	<u>27</u>
Total	<u><u>1,524</u></u>

- d. The amount of cash on hand in each water account at June 30, 2021, is as follows:

Operating	\$ 83,743
Replacement & Depreciation	245,932
Water Reserve - Series 2020A	23,676
Water Reserve - Series 2020B	1,788
Short Lived Asset Replacement Reserve - USDA	5,460
Surplus	198,907
1987 Waterline Improvements	3,256,904
ARPA Funds	<u>424,285</u>
	<u><u>\$ 4,240,695</u></u>

- e. See page 88 for a list of the insurance policies in force.

CITY OF GLASGOW, MONTANA
 REQUIREMENTS OF BOND RESOLUTIONS (CONTINUED)
 For the Year Ended June 30, 2021

- f. Cash requirements – cash and investment balances required by Resolution No. 2089 as amended by Resolution No. 3036, and actual cash balances maintained at June 30, 2021, are compared as follows:

	<u>Required</u>	<u>Actual</u>	<u>Over (Short)</u>
Operating	Established	\$ 83,743	\$ 83,743
Replacement & Depreciation	Reasonable	245,932	245,932
Water Reserves - Series 2020A and B	\$ 25,476	25,464	(12)
Short Lived Asset Replacement Reserve - USDA	5,460	5,460	-
	<u>\$ 30,936</u>	<u>\$ 360,599</u>	<u>\$ 329,663</u>

Bond requirements – Resolution No. 2089 required net revenues in each fiscal year to be in an amount at least equal to 110% of the maximum amount of principal and interest payable on all outstanding bonds in any subsequent fiscal year. Resolution No. 2089 required the minimum net operating revenues to be at least \$280,130. The net revenue is \$336,123 which is \$55,993 more than the requirement stated.

Net revenues shall mean the gross revenues less the operating expenses attributable to the system. The gross revenues shall exclude the interest earnings from Construction Fund investments. The expenses shall exclude depreciation expense, amortization of bond issuance costs, capital outlay, and principal and interest on bonds.

CITY OF GLASGOW, MONTANA
 SCHEDULE OF INSURANCE IN FORCE
 For the Year Ended June 30, 2021

Policy No.	Insurer & Agent	Effective Date	Expiration Date	Coverage Amount	Coverage
1081WC	Montana Municipal Insurance Authority	July 1, 2020	July 1, 2021	Statutory limits	Workers' compensation and occupational disease
049-LIAB-2021-1	Montana Municipal Insurance Authority	July 1, 2020	July 1, 2021	\$2,500 - \$1,500,000 per occurrence, retained limit \$3,500,000	Personal injury, property damage, public officials errors and omissions, unfair employment practices, completed operations hazard
049-PROP-2021-1	Montana Municipal Insurance Authority	July 1, 2020	July 1, 2021	\$1,000,000,000 per occurrence, all perils, coverage's and insured's/members combined, subject to sub-limits	Coverage combined for all members of Montana Municipal Insurance Authority - all property, including vehicles, errors and omissions, \$1,000 deductible
01-346-23-38	Alliant/National Union Insurance Company of Pittsburgh, PA	July 1, 2020	July 1, 2021	\$5,000 bond on Stacey Amundson	Notary public errors and omissions fidelity bond

SINGLE AUDIT SECTION

CITY OF GLASGOW, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<i>Other Programs</i>			
United States Department of Justice			
Passed through the State of Montana Board of Crime Control			
Coronavirus Emergency Supplemental Funding Program			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	\$ 15,628	\$ -
Total Coronavirus Emergency Supplemental Funding Program		<u>15,628</u>	<u>-</u>
Crime Victim Assistance			
Hi-line Communities Grant	16.575	210,003	-
Total Crime Victim Assistance		<u>210,003</u>	<u>-</u>
Bulletproof Vest Program			
Bulletproof Vest Partnership	16.607	447	-
Total Bulletproof Vest Program		<u>447</u>	<u>-</u>
<i>Total United States Department of Justice</i>		<u>226,078</u>	<u>-</u>
Department of Housing and Urban Development			
Passed through the Montana Department of Commerce			
Community Development Block Grants/Entitlement Grants	14.218	24,527	-
Total Community Development Block Grants/Entitlement Grants		<u>24,527</u>	<u>-</u>
<i>Total Department of Housing and Urban Development</i>		<u>24,527</u>	<u>-</u>
Department of Treasury			
Direct Program			
Coronavirus Relief Fund			
COVID-19 Coronavirus Relief Fund	21.019	208,235	-
Total Coronavirus Relief Fund		<u>208,235</u>	<u>-</u>
<i>Total Department of Treasury</i>		<u>208,235</u>	<u>-</u>
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	1,107,487	-
Total Water and Waste Disposal Systems for Rural Communities		<u>1,107,487</u>	<u>-</u>
<i>Total United States Department of Agriculture</i>		<u>1,107,487</u>	<u>-</u>
<i>Total Other Programs</i>		<u>1,566,327</u>	<u>-</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 1,566,327</u>	<u>\$ -</u>

See Independent Auditor's Report.

CITY OF GLASGOW, MONTANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Glasgow, Montana under programs of the federal government for the year ended June 30, 2021. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. All federal financial assistance received, cash and noncash, is included as well as all federal financial assistance expended or consumed.

NOTE 3. COST PRINCIPLES

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).

NOTE 4. INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate described in the Uniform Guidance.

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 City Council and the Mayor
City of Glasgow
Glasgow, Montana

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glasgow, Montana (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Glasgow, Montana's basic financial statements, and have issued our report thereon dated February 10, 2022. Our report includes a qualification on the Fire Fighters Relief Association Fund, for not implementing GASB No. 73 regarding the measurement and disclosure of the annual cost of providing retirement benefits to retirees.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider deficiency #2021-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Internal Control over Financial Reporting (Continued)

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 deficiencies #2021-002 through #2021-004 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glasgow, Montana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as #2021-002 through #2021-004.

City of Glasgow's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
February 10, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Glasgow, Montana's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
February 10, 2022

CITY OF GLASGOW, MONTANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
#10.760	Water and Waste Disposal Systems for Rural Communities
#21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

CITY OF GLASGOW, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021

Section II – Findings Relating to Financial Statements

Finding #2021-001 (repeat finding)

Criteria: The City’s responsibility is to maintain proper segregation of duties for a strong system of internal control.

Condition: There is a lack of segregation of duties in the City’s Finance Office in the cash receipts process, specifically between custody and record-keeping.

Context: The Water Clerk maintains custody of the assets, via receipts of payments and performance of subsequent deposits, while also recording receipts into the accounting system.

Cause: The small size of the City’s staff does not always allow for proper segregation of duties.

Effect: The possibility exists that cash could be misappropriated and the misappropriation could be concealed by manipulation of the cash receipts duties.

Recommendation: The City should review its cash receipts process, and consider a separation of receiving payment from recording of the receipts in the accounting system, in order to maintain proper segregation of duties and help to reduce the risk of errors or fraud.

*Management
Response:*

The City is starting the process of hiring another person in the office as an administrative assistant and grant writer.

CITY OF GLASGOW, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021

Section II – Findings Relating to Financial Statements (Continued)

Finding #2021-002 (repeat finding)

Criteria: Cities and towns with fire department relief associations (FDRA) are required to compute and measure the annual cost of providing retirement benefits to retirees, in accordance with GASB Statement No. 73. In addition, in accordance with MCA 19-18-503, the City is required to maintain assets in the FDRA fund at a level equal to at least three times but no more than five times the benefits paid by the fund in the previous or current fiscal year, whichever is greater.

Condition: The City has not yet implemented GASB Statement No. 73 by obtaining an actuarial valuation. Also, FDRA fund assets are below the minimum required to be soundly funded at fiscal year-end.

Context: The City is not properly recording and reporting the annual cost of providing benefits to retirees in the FDRA. The City is underfunded by approximately \$14,000 in its FDRA fund at fiscal year-end.

Cause: The City believes the cost of implementing GASB Statement No. 73 exceeds the benefit of reporting the potential liability. In addition, the City increased the annual benefits paid since fiscal year 2018, when the FDRA fund was over-funded.

Effect: The City's liabilities reflected on the statement of net position and the expenses reflected on the statement of activities are likely misstated, although the total effect of the potential misstatement cannot be determined at this time. Also, the City is out of compliance with MCA 19-18-503.

Recommendation: The City should seek the services of a qualified actuary to obtain the information needed to properly report fire department relief association retiree costs on the City's financial statements, in accordance with GASB Statement No. 73. We also recommend the City increase net revenue in the FDRA fund, in order to increase assets in the fund, so as to remain in compliance with MCA 19-18-503.

*Management
Response:*

The City Council has determined 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, as it could cost the City approximately \$4,000 or more. In addition, the City Council approved 6 mills and an additional \$29,000 in budgeted revenue for the FDRA fund in fiscal year 2022.

CITY OF GLASGOW, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021

Section II – Findings Relating to Financial Statements (Continued)

Finding #2021-003 (repeat finding)

Criteria: Expenditures should be allowed only to the amount of cash available in each grant fund.

Condition: Several grant funds became overdrawn.

Context: Two funds were overdrawn in the amount of \$59,070.

Cause: There is inconsistent application of accounting procedures over year end accruals.

Effect: The City allowed two funds to become overdrawn, thereby reducing available cash for other expenditures in these funds.

Recommendation: The City should file for grant reimbursements timely, in order to maintain cash in grant funds and not become overdrawn.

*Management
Response:*

The City Clerk-Treasurer will evaluate each grant's revenue and expenditures in additional detail at each fiscal year end to ensure they are being accrued in a consistent manner.

CITY OF GLASGOW, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021

Section II – Findings Relating to Financial Statements (Continued)

Finding #2021-004 (repeat finding)

Criteria: The loan agreement with the United States Department of Agriculture (USDA) Rural Development Agency (RD) states that the City must contribute monthly to the Valley Court Apartments required reserve account.

Condition: The City did not contribute the monthly payments as required by the loan agreement during fiscal year 2021.

Context: Including prior fiscal years contributions, the City had not contributed a total of approximately \$53,000 to the required reserve account as of fiscal year end. Subsequent to fiscal year end, the City contributed \$17,000, leaving a total of approximately \$36,000 not contributed to the required reserve account.

Cause: The City chose not to make the monthly required contributions in order to maintain cash flow for operations of Valley Court Apartments.

Effect: The City is not in compliance with the USDA RD loan agreement.

Recommendation: The City should make the required contributions due through fiscal year end 2021 and subsequent, of approximately \$36,000, while also making the required monthly contributions due monthly for fiscal year end 2022, in accordance with the USDA RD loan agreement.

Management

Response: The City typically uses the funds that were supposed to be allocated to the reserve account to renovate the apartments as they become vacant, bypassing the transfer to the reserve account. As noted above, the City did transfer \$17,000 to the reserve account subsequent to fiscal year end 2021.

Section III – Federal Award Findings and Questioned Costs

None reported.

CITY OF GLASGOW, MONTANA
STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

Previously noted deficiencies of the City of Glasgow, Montana, and their current status are as follows:

Finding

Current Status of Recommendation

#2020-001

Lack of segregation of duties

Partially implemented. See current year finding on page 96. In fiscal year 2021, the City Court Clerk began preparing the deposits, while the City Court Judge made the subsequent deposits.

#2020-002

Actuarial valuation of FDRA

Not implemented. See current year finding on page 97.

#2020-003

Cash overdrafts

Partially implemented. See current year finding on page 98.

#2020-004

Reserve account

Partially implemented. See current year finding on page 99.



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