City of Glasgow, Montana

Glasgow, Montana

FINANCIAL STATEMENTS AND SUPPLEMETARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

June 30, 2022

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C O N T E N T S

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(CONTINUED)

CITY OF GLASGOW, MONTANA
CITY OFFICIALS
June 30, 2022

Rod Karst	Mayor
Dan Carr	Alderman
Elvon Heitman	Alderman
Brian Austin	Alderman
Doug Nistler	Alderman
Stan Ozark	Alderman
Lisa Koski	Alderwoman
Stacey Amundson	Clerk/Treasurer/Financial Officer
Anna Rose Sullivan	City Attorney
Tasha Morehouse Mix	City Judge
Robert Weber	Chief of Police

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions
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, 2022, 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.

Qualified Opinion on the Fire Fighters Relief Association Fund
In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fire Fighters Relief Association Fund of the City of Glasgow, Montana, as of June 30, 2022, and the 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 on Governmental Activities, Business-type Activities, Discretely Presented Component Unit, Governmental Funds, Enterprise Funds, and Aggregate Remaining Fund Information
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 of the City of Glasgow, Montana, as of June 30, 2022, 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.

Basis for Qualified and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Glasgow, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion 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 has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of X, State Y's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Glasgow, Montana's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 6 through 14 and 73 through 84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Requirements of Bond Resolutions and Schedule of Insurance in Force 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 21, 2023February 21, 2023, 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.

KCoe Isom, LLP

Great Falls, Montana
February 21, 2023

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, 2022. 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, 2022 will follow the same format as the City's management and discussion analysis report filed for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent year by $18,231,498 (net position). Of this amount $5,181,941 (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 $868,053; governmental activities net position increased by $927,069 and the business-type net position decreased by $59,016.

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.

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 and Swim Pool 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.

THE CITY AS A WHOLE

The City is providing condensed comparative financial information below for fiscal year 2022 and 2021. The analysis focuses on the net position and changes in net position of the City's governmental and business-type activities.

	Governmental Activities		
	2022	2021	Percent Change
ASSETS			
Current assets	$ 4,596,351	$ 4,068,952	12.96%
Capital assets	3,387,102	2,772,809	22.15%
Total assets	7,983,453	6,841,761	16.69%
DEFERRED OUTFLOWS			
Pension plan and OPEB	374,795	479,432	-21.83%
LIABILITIES			
Current liabilities	467,071	522,736	-10.65%
Long-term debt outstanding	2,102,000	2,359,103	-10.90%
Total liabilities	2,569,071	2,881,839	-10.85%
DEFERRED INFLOWS			
Deferred revenue	754,665	358,716	110.38%
TOTAL NET POSITION	$ 5,034,512	$ 4,080,638	23.38%
BREAKDOWN OF TOTAL NET POSITION			
Net investment in capital assets	$ 2,564,340	$ 2,305,304	11.24%
Restricted for programs	2,620,626	1,933,823	35.52%
Unrestricted	(150,454)	(158,489)	-5.07%
Total net position	$ 5,034,512	$ 4,080,638	23.38%
REVENUES			
General Revenues:			
Property taxes and special assessments	$ 1,485,565	$ 1,528,584	-2.81%
Fees in lieu of taxes	17,835	32,748	-45.54%
Fines and forfietures	34,918	40,034	-12.78%
Grants and contributions	984,362	930,235	5.82%
Unrestricted investment/earnings	17,777	5,428	227.51%
Sale of assets	1,609	8,830	-81.78%
Miscellaneous	822,993	500,854	64.32%
Transfers	(100,045)	(41,270)	142.42%
Total general revenues	3,265,014	3,005,443	8.64%
Program Revenues:			
Charges for services	1,246,295	1,168,909	6.62%
Operating grants/contributions	489,334	392,786	24.58%
Total program revenues	1,735,629	1,561,695	11.14%
EXPENSES			
General government	511,083	482,640	5.89%
Public safety	1,756,925	1,773,546	-0.94%
Public works	1,158,999	1,180,129	-1.79%
Culture and recreation	547,938	559,100	-2.00%
Housing and development	16,170	33,808	-52.17%
Interest expense	22,898	13,378	71.16%
Miscellaneous	59,561	31,463	89.30%
Total expenses	4,073,574	4,074,064	-0.01%
Change in net position	927,069	493,074	88.02%
Net position, beginning of year	4,080,638	3,587,564	13.74%
Restatement	26,805	-	-100.00%
Net position, end of year	$ 5,034,512	$ 4,080,638	23.38%

THE CITY AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was $4,073,574 compared to $4,074,064 last year. The largest expense is for Public Safety and Public Works, in the amount of $2,915,924. 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 $1,824,142. The amounts paid by users of the system was $1,818,158. The operating cost in FY2021 was $1,600,985 and user amounts paid were $1,795,193. 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		
	2022	2021	Percent Change
ASSETS			
Current assets	$ 270,583	$ 477,502	-43.33%
Non-current assets	7,907,374	7,423,803	6.51%
Capital assets	16,038,441	16,444,219	-2.47%
Total assets	24,216,398	24,345,524	-0.53%
DEFERRED OUTFLOWS			
Pension plan and OPEB	83,378	112,614	-25.96%
LIABILITIES			
Current liabilities	1,182,513	1,019,600	15.98%
Long-term debt outstanding	9,764,896	10,144,842	-3.75%
Total liabilities	10,947,409	11,164,442	-1.94%
DEFERRED INFLOWS			
Pension plan	155,381	35,028	343.59%
TOTAL NET POSITION	$ 13,196,986	$ 13,258,668	-0.47%
BREAKDOWN OF TOTAL NET POSITION			
Net investment in capital assets	$ 6,425,891	$ 6,673,415	-3.71%
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	68,316	50,266	35.91%
Unrestricted	5,332,395	5,164,603	3.25%
Total net position	$ 13,196,986	$ 13,258,668	-0.47%
REVENUES			
Charges for services	$ 1,818,158	$ 1,795,193	1.28%
Capital grants	93,419	87,586	6.66%
Total revenues	1,911,577	1,882,779	1.53%
EXPENSES			
Operating expenses	1,824,142	1,600,985	13.94%
Net non-operating income (expenses)	146,451	(589,873)	-124.83%
Total expenses	1,970,593	1,011,112	94.89%
Change in net position	(59,016)	871,667	-106.77%
Net position, beginning of year	13,258,668	12,387,001	7.04%
Restatement	(2,666)	-	-100%
Net position, beginning of year, as adjusted	13,256,002	12,387,001	7.02%
Net position, end of year	$ 13,196,986	$ 13,258,668	-0.47%

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 2022 and 2021 is provided below.

	Governmental Funds 2022	Governmental Funds 2021	Percent Change
GENERAL FUND			
Total assets	$ 1,287,893	$ 1,441,824	-10.68%
Total liabilities	141,961	128,710	10.30%
Total deferred inflows	161,851	327,591	-50.59%
Total fund balance	984,081	985,523	-0.15%
Total liabilities, deferred inflows and fund balance	$ 1,287,893	$ 1,441,824	-10.68%
STREET MAINTENANCE FUND			
Total assets	$ 140,263	$ 174,650	-19.69%
Total liabilities	19,541	19,487	0.28%
Total deferred inflows	67,873	83,273	-18.49%
Total fund balance	52,849	71,890	-26.49%
Total liabilities, deferred inflows and fund balance	$ 140,263	$ 174,650	-19.69%
SOLID WASTE FUND			
Total assets	$ 748,175	$ 769,794	-2.81%
Total liabilities	6,652	2,745	142.33%
Total deferred inflows	30,730	36,461	-15.72%
Total fund balance	710,793	730,588	-2.71%
Total liabilities, deferred inflows and fund balance	$ 748,175	$ 769,794	-2.81%
SWIM POOL FUND			
Total assets	$ 1,622,952	$ 838,784	93.49%
Total liabilities	10,363	-	100.00%
Total fund balance	1,612,589	838,784	92.25%
Total liabilities, deferred inflows and fund balance	$ 1,622,952	$ 838,784	93.49%
GENERAL FUND			
Total revenue	$ 2,590,670	$ 2,563,777	1.05%
Total expenses	2,443,065	2,255,191	8.33%
Excess of revenue over expenditures	147,605	308,586	-52.17%
Other financing uses	(149,047)	(150,638)	-1.06%
Net change in fund balance	$ (1,442)	$ 157,948	-100.91%
STREET MAINTENANCE FUND			
Total revenue	$ 548,699	$ 508,704	7.86%
Total expenses	509,060	471,453	7.98%
Excess of revenue over expenditures	39,639	37,251	6.41%
Other financing uses	(58,680)	(66,457)	-11.70%
Net change in fund balance	$ (19,041)	$ (29,206)	-34.80%
SOLID WASTE FUND			
Total revenue	$ 340,375	$ 340,249	0.04%
Total expenses	360,170	330,568	8.95%
Excess (deficiency) of revenue over expenditures	(19,795)	9,681	-304.47%
Other financing sources (uses)	-	-	0.00%
Net change in fund balance	$ (19,795)	$ 9,681	-304.47%
SWIM POOL FUND			
Total revenue	$ 813,560	$ 486,901	67.09%
Total expenses	69,755	54,823	27.24%
Excess of revenue over expenditures	743,805	432,078	72.15%
Other financing sources	30,000	20,000	50.00%
Net change in fund balance	$ 773,805	$ 452,078	71.17%

THE CITY'S FUNDS (CONTINUED)

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 loss for 2022 for the water fund was $140,955, while 2021 reflected operating income of $50,760. The operating income for 2022 for the sewer fund was $125,393, while 2021 was $137,085. 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
	2022	2021	Change
WATER UTILITY			
Current assets	$ 117,373	$ 152,894	-23.23%
Non-current assets	4,051,547	4,156,952	-2.54%
Capital assets	10,769,178	10,960,785	-1.75%
Total assets	14,938,098	15,270,631	-2.18%
Deferred outflows	24,397	30,661	-20.43%
Current liabilities	649,225	656,343	-1.08%
Long-term debt outstanding	6,882,780	7,046,514	-2.32%
Total liabilities	7,532,005	7,702,857	-2.22%
Deferred inflows	46,583	8,125	473.33%
Net position			
Net investment in capital assets	3,859,014	3,938,624	-2.02%
Restricted	703,281	703,281	0.00%
Unrestricted	2,821,612	2,948,405	-4.30%
Total net position	$ 7,383,907	$ 7,590,310	-2.72%
WATER UTILITY			
Total operating revenue	$ 773,013	$ 749,142	3.19%
Total operating expenses	913,968	698,382	30.87%
Operating income (loss)	(140,955)	50,760	-377.69%
Non-operating revenue	41,792	779,488	-94.64%
Non-operating expenses	133,243	131,813	1.08%
Total non-operating income (expense)	(91,451)	647,675	-114.12%
Capital contributions	27,336	23,884	14.45%
Change in net position	$ (205,070)	$ 722,319	-128.39%

THE CITY'S FUNDS (CONTINUED)

	Proprietary Funds (Continued)		Percent
	2022	2021	Change
SEWER UTILITY			
Current assets	$ 136,557	$ 297,897	-54.16%
Non-current assets	3,787,511	3,216,585	17.75%
Capital assets	5,118,064	5,328,069	-3.94%
Total assets	9,042,132	8,842,551	2.26%
Deferred outflows	58,981	81,953	-28.03%
Current liabilities	521,949	353,052	47.84%
Long-term debt outstanding	2,734,235	2,946,050	-7.19%
Total liabilities	3,256,184	3,299,102	-1.30%
Deferred inflows	108,798	26,903	304.41%
Net position			
Net investment in capital assets	2,567,956	2,735,987	-6.14%
Restricted	667,103	667,103	0.00%
Unrestricted	2,501,072	2,195,409	13.92%
Total net position	$ 5,736,131	$ 5,598,499	2.46%
SEWER UTILITY			
Total operating revenue	$ 987,770	$ 986,959	0.08%
Total operating expenses	862,377	849,874	1.47%
Operating income	125,393	137,085	-8.53%
Non-operating revenue	19,767	7,624	159.27%
Non-operating expenses	72,278	72,067	0.29%
Total non-operating expense	(52,511)	(64,443)	-18.52%
Capital contributions	66,083	63,702	3.74%
Change in net position	$ 138,965	$ 136,344	1.92%
VALLEY COURT APARTMENTS			
Current assets	$ 16,653	$ 26,711	-37.65%
Non-current assets	68,316	50,266	35.91%
Capital assets	151,199	155,365	-2.68%
Total assets	236,168	232,342	1.65%
Current liabilities	11,339	10,205	11.11%
Long-term debt outstanding	147,881	152,278	-2.89%
Total liabilities	159,220	162,483	-2.01%
Net position			
Net investment in capital assets	(1,079)	(1,196)	-9.78%
Restricted	68,316	50,266	35.91%
Unrestricted	9,711	20,789	-53.29%
Total net position	$ 76,948	$ 69,859	10.15%
VALLEY COURT APARTMENTS			
Total operating revenue	$ 57,375	$ 59,092	-2.91%
Total operating expenses	47,797	52,729	-9.35%
Operating income	9,578	6,363	50.53%
Non-operating revenue	-	9,250	-100.00%
Non-operating expenses	2,489	2,609	-4.60%
Total non-operating income (expense)	(2,489)	6,641	-137.48%
Change in net position	$ 7,089	$ 13,004	-45.49%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
The City's net investment in capital assets, net of accumulated depreciation and related debt, were $8,990,231 and $8,978,719 for the governmental activities and business-type activities, as of June 30, 2022 and 2021. Further detail on capital assets is presented in Note 9 on pages 38 and 39.

Debt Administration
The City incurred new debt of $320,000 to purchase the Armory Building, which now houses local law enforcement. The sewer lagoon project was completed in December 2013, as well as the water improvement project in 2021, 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. The City also entered into a lease agreement for a motor grader, and an installment purchase agreement for a loader. The lease agreement will be completed in FY2026 and the installment purchase will be paid off in FY2023. Further detail on long-term debt is presented in Note 10 on pages 40 through 47.

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 Police Department has also been awarded a Homeland Security Grant in the amount of $22,750, which assisted them in purchasing tactical headsets.

The City of Glasgow was awarded a Tourism Grant through the Montana Department of Commerce in the amount of $16,833 to purchase additional wayfinding signage, and the Chamber of Commerce, TBID, and Two Rivers all contributed a total of $17,490 to assist with this purchase. The City was also awarded $10,000 from the Montana Arts Council to paint the underpass and give it new life.

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 $1,622,952. The cost of the new pool has increased and will be approximately $3.5 million. The City's grant manager is also applying for funding to assist with this project, and the City has contributed a total of $50,000 over the past two fiscal years.

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

The City finished the third project, at a total cost of $24,939, 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 received its second half of ARPA funding in June 2022. The council previously decided to use the first half of funding for an upcoming water project to start replacing our 1987 Water Transmission Main in the next couple of years. The council decided to use the second half of funding for the sewer separation project. 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.

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 the Street Light and Solid Waster funds without increasing the assessment and we hope to continue this in the future. Over the past few fiscal years the council has increased street maintenance charges with this increase being transferred into the Capital Projects Street Maintenance Fund, to allow for paving projects to be completed. 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, 2022

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and investments	$ 4,058,631	$ 118,025	$ 4,176,656	$ 431,821
Receivables:				
Property taxes and assessments receivable	228,375	-	228,375	-
Accounts receivable	58,720	152,558	211,278	-
Due from other governments	103,827	-	103,827	-
Total current assets	4,449,553	270,583	4,720,136	431,821
NON-CURRENT ASSETS				
Loans receivable	146,798	-	146,798	-
Restricted cash and investments	-	7,907,374	7,907,374	-
Capital assets, net of accumulated depreciation	3,250,871	16,038,441	19,289,312	42,773
Right-of-use asset, net of accumulated amortization	136,231	-	136,231	-
Total non-current assets	3,533,900	23,945,815	27,479,715	42,773
Total assets	7,983,453	24,216,398	32,199,851	474,594
DEFERRED OUTFLOWS OF RESOURCES				
OPEB adjustments	-	-	-	-
Pension plan contributions	374,795	83,378	458,173	-
Total deferred outflows of resources	374,795	83,378	458,173	-
Total assets and deferred outflows of resources	$ 8,358,248	$ 24,299,776	$ 32,658,024	$ 474,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	$ 118,841	$ 44,656	$ 163,497	$ 20,305
Accrued salaries and benefits	95,324	15,845	111,169	5,301
Deposits payable	-	57,869	57,869	-
Deferred revenue, grants	-	851,122	851,122	-
Compensated absences, current portion	107,052	4,944	111,996	8,687
Loans payable, current portion	145,854	23,114	168,968	-
Bonds payable, current portion	-	184,963	184,963	-
Total current liabilities	467,071	1,182,513	1,649,584	34,293
NON-CURRENT LIABILITIES				
Compensated absences, net of current portion	45,879	13,517	59,396	8,487
Loans payable, net of current portion	676,908	-	676,908	-
Bonds payable, net of current portion	-	9,404,473	9,404,473	-
OPEB liability	111,884	14,168	126,052	-
Net pension liabilities	1,267,329	332,738	1,600,067	-
Total non-current liabilities	2,102,000	9,764,896	11,866,896	8,487
Total liabilities	2,569,071	10,947,409	13,516,480	42,780
DEFERRED INFLOWS OF RESOURCES				
Other unavailable revenue	205,518	-	205,518	-
OPEB adjustments	44,545	5,641	50,186	-
Pension deferrals	504,602	149,740	654,342	-
Total deferred inflows of resources	754,665	155,381	910,046	-
NET POSITION				
Net investment in capital assets	2,564,340	6,425,891	8,990,231	42,773
Restricted for:				
Debt service	-	178,442	178,442	-
Operations and maintenance	2,620,626	402,326	3,022,952	-
Replacement and depreciation	-	789,616	789,616	-
Rental activities	-	68,316	68,316	-
Unrestricted	(150,454)	5,332,395	5,181,941	389,041
Total net position	5,034,512	13,196,986	18,231,498	431,814
Total liabilities, deferred inflows of resources and net position	$ 8,358,248	$ 24,299,776	$ 32,658,024	$ 474,594

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

CITY OF GLASGOW, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Governmental activities:								
General government	$ 511,083	$ 34,918	$ -	$ -	$ (476,165)	$ -	$ (476,165)	$ -
Public safety	1,756,925	32,448	252,093	-	(1,472,384)	-	(1,472,384)	-
Public works	1,158,999	1,073,509	140,552	-	55,062	-	55,062	-
Culture and recreation	547,938	105,420	74,540	-	(367,978)	-	(367,978)	-
Housing and community development	16,170	-	22,149	-	5,979	-	5,979	-
Interest on long-term debt	22,898	-	-	-	(22,898)	-	(22,898)	-
Miscellaneous	59,561	-	-	-	(59,561)	-	(59,561)	-
Total governmental activities	4,073,574	1,246,295	489,334	-	(2,337,945)	-	(2,337,945)	-
Business-type activities:								
Water	1,047,211	773,013	-	27,336	-	(246,862)	(246,862)	-
Sewer	934,655	987,770	-	66,083	-	119,198	119,198	-
Nonmajor	50,286	57,375	-	-	-	7,089	7,089	-
Total business-type activities	2,032,152	1,818,158	-	93,419	-	(120,575)	(120,575)	-
Total primary government	$ 6,105,726	$ 3,064,453	$ 489,334	$ 93,419	(2,337,945)	(120,575)	(2,458,520)	-
Component Unit:								
City-County Library	$ 277,483	$ 2,612	$ -	$ -	-	-	-	(274,871)
Total component unit	$ 277,483	$ 2,612	$ -	$ -	-	-	-	(274,871)
			General revenues:					
			Property taxes		1,485,565	-	1,485,565	-
			Licenses and permits		17,835	-	17,835	-
			Fines and forfeitures		34,918	-	34,918	-
			Intergovernmental revenue		984,362	16,623	1,000,985	229,646
			Investment earnings (loss)		17,777	44,436	62,213	(35,866)
			Miscellaneous		822,993	-	822,993	42,482
			Gain on sale of capital assets		1,609	500	2,109	-
			Transfers		(100,045)	-	(100,045)	42,043
			Total general revenues		3,265,014	61,559	3,326,573	278,305
			Change in net position		927,069	(59,016)	868,053	3,434
			Net position, beginning of year		4,080,638	13,258,668	17,339,306	428,380
			Restatements		26,805	(2,666)	24,139	-
			Net position, restated		4,107,443	13,256,002	17,363,445	428,380
			Net position, end of year		$ 5,034,512	$ 13,196,986	$ 18,231,498	$ 431,814

CITY OF GLASGOW, MONTANA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Solid Waste Fund	Street Maintenance Fund	Swim Pool Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 1,125,541	$ 717,445	$ 72,390	$ 1,622,952	$ 520,303	$ 4,058,631
Property taxes and assessments receivable	103,131	30,730	67,873	-	26,641	228,375
Accounts receivable	58,720	-	-	-	-	58,720
Due from other governments	501	-	-	-	103,326	103,827
Loans receivable	-	-	-	-	146,798	146,798
Total assets	$ 1,287,893	$ 748,175	$ 140,263	$ 1,622,952	$ 797,068	$ 4,596,351
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 65,712	$ 1,634	$ 6,872	$ 10,363	$ 34,260	$ 118,841
Accrued salaries and benefits	76,249	5,018	12,669	-	1,388	95,324
Total liabilities	141,961	6,652	19,541	10,363	35,648	214,165
DEFERRED INFLOWS OF RESOURCES						
Unavailable tax and assessment revenues	103,131	30,730	67,873	-	26,641	228,375
Other unavailable revenues	58,720	-	-	-	146,798	205,518
Total deferred inflows of resources	161,851	30,730	67,873	-	173,439	433,893
FUND BALANCES						
Non-spendable	-	-	-	-	86,299	86,299
Restricted	-	710,793	52,849	1,612,589	244,395	2,620,626
Committed	-	-	-	-	221,439	221,439
Assigned	581,305	-	-	-	32,943	614,248
Unassigned	402,776	-	-	-	2,905	405,681
Total fund balances	984,081	710,793	52,849	1,612,589	587,981	3,948,293
Total liabilities, deferred inflows of resources and fund balances	$ 1,287,893	$ 748,175	$ 140,263	$ 1,622,952	$ 797,068	$ 4,596,351

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, 2022

Total fund balances - governmental funds	$ 3,948,293
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 $15,152,550 and the accumulated depreciation is $11,901,679.	3,250,871
Leased/right of use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $157,001 and the accumulated depreciation is $20,770.	136,231
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.	(174,352)
Tax revenue is recognized when earned (and the claim to resources is established) rather than when "available."	228,375
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.	(2,354,906)
Net position - governmental activities	$ 5,034,512

CITY OF GLASGOW, MONTANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	General Fund	Solid Waste Fund	Street Maintenance Fund	Swim Pool Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes and assessments	$ 1,574,068	$ 336,331	$ 547,467	$ -	$ 212,356	$ 2,670,222
Licenses and permits	9,479	-	-	-	8,356	17,835
Intergovernmental	807,957	-	-	-	468,088	1,276,045
Charges for services	143,981	-	-	-	16,559	160,540
Fines and forfeitures	34,918	-	-	-	-	34,918
Miscellaneous revenues	14,659	-	969	807,365	-	822,993
Investment earnings	5,608	4,044	263	6,195	1,667	17,777
Total revenue	2,590,670	340,375	548,699	813,560	707,026	5,000,330
EXPENDITURES						
Current:						
General government	266,443	48,356	71,516	-	114,989	501,304
Public safety	1,297,200	-	-	-	204,776	1,501,976
Public works	142,198	273,709	332,782	-	150,034	898,723
Housing and community development	6,162	-	-	-	7,313	13,475
Culture and recreation	471,863	-	-	6,395	-	478,258
Miscellaneous	32,417	-	21,438	-	-	53,855
Debt service:						
Principal	80,099	-	70,698	-	-	150,797
Interest	10,273	-	12,626	-	-	22,899
Capital outlay	136,410	38,105	-	63,360	626,691	864,566
Total expenditures	2,443,065	360,170	509,060	69,755	1,103,803	4,485,853
Excess (defecit) of revenues over expenditures	147,605	(19,795)	39,639	743,805	(396,777)	514,477
OTHER FINANCING SOURCES (USES)						
Proceeds from disposal of capital assets	1,609	-	-	-	-	1,609
Proceeds from long-term debt	20,000	-	-	-	300,000	320,000
Transfers in	8,915	-	5,405	30,000	121,053	165,373
Transfers out	(179,571)	-	(64,085)	-	(21,762)	(265,418)
Total other financing sources (uses)	(149,047)	-	(58,680)	30,000	399,291	221,564
Excess (deficit) of revenues and other financing sources (uses) over expenditures	(1,442)	(19,795)	(19,041)	773,805	2,514	736,041
Fund balances, beginning of year	985,523	730,588	71,890	838,784	585,467	3,212,252
Fund balances, end of year	$ 984,081	$ 710,793	$ 52,849	$ 1,612,589	$ 587,981	$ 3,948,293

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, 2022

Net change in fund balances - total governmental funds	$ 736,041
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.	422,171
Governmental funds report leases incurred as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lease term and reported as amortization expense. This is the amount by which amortization exceeded new leases incurred in the current period.	(20,770)
Tax and assessment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(109,398)
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.	(169,203)
The current period net decrease in compensated absences did not require the use of current financial resources and, therefore, generated no expenditure to be reported in the governmental funds.	6,068
The current period net change in the other post employment benefits liability decreased by this amount during the fiscal year.	1,029
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.	61,131
Change in net position of governmental activities	$ 927,069

CITY OF GLASGOW, MONTANA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2022

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and investments	$ 50,536	$ 50,836	$ 16,653	$ 118,025
Accounts receivable	66,837	85,721	-	152,558
Total current assets	117,373	136,557	16,653	270,583
NON-CURRENT ASSETS				
Restricted cash and investments	4,051,547	3,787,511	68,316	7,907,374
Capital assets, net of accumulated depreciation	10,769,178	5,118,064	151,199	16,038,441
Total non-current assets	14,820,725	8,905,575	219,515	23,945,815
Total assets	14,938,098	9,042,132	236,168	24,216,398
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan contributions	24,397	58,981	-	83,378
Total deferred outflows of resources	24,397	58,981	-	83,378
Total assets and deferred outflows of resources	$ 14,962,495	$ 9,101,113	$ 236,168	$ 24,299,776
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	$ 27,355	$ 15,828	$ 1,473	$ 44,656
Accrued salaries and benefits	5,174	10,671	-	15,845
Deposits payable	52,400	-	5,469	57,869
Unavailable revenue - grants	425,561	425,561	-	851,122
Compensated absences, current portion	1,952	2,992	-	4,944
Loans payable, current portion	11,403	11,711	-	23,114
Bonds payable, current portion	125,380	55,186	4,397	184,963
Total current liabilities	649,225	521,949	11,339	1,182,513
NON-CURRENT LIABILITIES				
Compensated absences, net of current portion	5,086	8,431	-	13,517
Bonds payable, net of current portion	6,773,381	2,483,211	147,881	9,404,473
OPEB liability	6,951	7,217	-	14,168
Net pension liabilities	97,362	235,376	-	332,738
Total non-current liabilities	6,882,780	2,734,235	147,881	9,764,896
Total liabilities	7,532,005	3,256,184	159,220	10,947,409
DEFERRED INFLOWS OF RESOURCES				
OPEB adjustments	2,768	2,873	-	5,641
Pension deferrals	43,815	105,925	-	149,740
Total deferred inflows of resources	46,583	108,798	-	155,381
NET POSITION				
Net investment in capital assets	3,859,014	2,567,956	(1,079)	6,425,891
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	-	-	68,316	68,316
Unrestricted	2,821,612	2,501,072	9,711	5,332,395
Total net position	7,383,907	5,736,131	76,948	13,196,986
Total liabilities, deferred inflows of resources and net position	$ 14,962,495	$ 9,101,113	$ 236,168	$ 24,299,776

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, 2022

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
OPERATING REVENUES				
Charges for services	$ 773,013	$ 987,770	$ 57,375	$ 1,818,158
Total operating revenues	773,013	987,770	57,375	1,818,158
OPERATING EXPENSES				
Personal services	153,684	331,728	10,583	495,995
Purchased services	312,148	103,142	22,652	437,942
Supplies and materials	65,772	111,716	5,728	183,216
Fixed charges	41,336	33,671	4,668	79,675
Depreciation	341,028	282,120	4,166	627,314
Total operating expenses	913,968	862,377	47,797	1,824,142
Operating income (loss)	(140,955)	125,393	9,578	(5,984)
NONOPERATING REVENUE (EXPENSE)				
Interest expense	(133,243)	(72,278)	(2,489)	(208,010)
Grants and contributions	16,623	-	-	16,623
Interest income	24,669	19,767	-	44,436
Gain on sale of assets	500	-	-	500
Total nonoperating revenue (expense)	(91,451)	(52,511)	(2,489)	(146,451)
Income (loss) before contributions	(232,406)	72,882	7,089	(152,435)
Capital contributions	27,336	66,083	-	93,419
Change in net position	(205,070)	138,965	7,089	(59,016)
Net position, beginning of year	7,590,310	5,598,499	69,859	13,258,668
Restatement	(1,333)	(1,333)	-	(2,666)
Net position, beginning of year, as restated	7,588,977	5,597,166	69,859	13,256,002
Net position, end of year	$ 7,383,907	$ 5,736,131	$ 76,948	$ 13,196,986

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, 2022

	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 776,627	$ 982,013	$ 58,575	$ 1,817,215
Payments to suppliers	(442,741)	(507,032)	(33,228)	(983,001)
Payments to employees	(148,008)	(394,863)	(10,583)	(553,454)
Net cash flows from operating activities	185,878	80,118	14,764	280,760
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Subsidies from taxes and other governments	45,235	491,644	-	536,879
Net cash flows from non-capital financing activities	45,235	491,644	-	536,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(117,827)	(39,915)	-	(157,742)
Proceeds for capital assets	500	-	-	500
Principal paid on debt	(144,924)	(75,507)	(4,283)	(224,714)
Interest paid on debt	(133,243)	(72,278)	(2,489)	(208,010)
Net cash flows from capital and related financing activities	(395,494)	(187,700)	(6,772)	(589,966)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	24,669	19,767	-	44,436
Net cash flows from investing activities	24,669	19,767	-	44,436
Net change in cash and cash equivalents	(139,712)	403,829	7,992	272,109
Cash and cash equivalents, beginning of year	4,241,795	3,434,518	76,977	7,753,290
Cash and cash equivalents, end of year	$ 4,102,083	$ 3,838,347	$ 84,969	$ 8,025,399

CASH AND CASH EQUIVALENTS ON STATEMENTS OF NET POSITION	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Total
Cash and cash equivalents	$ 50,536	$ 50,836	$ 16,653	$ 118,025
Restricted cash and cash equivalents	4,051,547	3,787,511	68,316	7,907,374
	$ 4,102,083	$ 3,838,347	$ 84,969	$ 8,025,399

Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$ (140,955)	$ 125,393	$ 9,578	$ (5,984)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	341,028	282,120	4,166	627,314
Change in accounts receivable	1,214	(5,757)	-	(4,543)
Change in customer deposits	2,400	-	1,200	3,600
Change in accounts payable	(23,485)	(258,503)	(180)	(282,168)
Change in accrued salaries	1,383	(790)	-	593
Change in compensated absences	(7,599)	(33,804)	-	(41,403)
Change in OPEB liability	2,363	(15,254)	-	(12,891)
Change in net pension liability	9,529	(13,287)	-	(3,758)
Net cash flows from operating activities	$ 185,878	$ 80,118	$ 14,764	$ 280,760

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, 2022

	Private Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and investments	$ 81,727	251,692
Property taxes receivable	-	44
Total assets	$ 81,727	$ 251,736
LIABILITIES		
Accounts payable	$ -	$ 5,186
Total liabilities	-	5,186
NET POSITION		
Held in trust for beautification	81,727	-
Held for tourism business improvement	-	86,045
Held for fire relief association	-	145,773
Held for firefighters	-	14,732
Total net position	81,727	246,550
Total liabilities and net position	$ 81,727	$ 251,736
ADDITIONS		
Miscellaneous revenues	$ 510	$ 40
Investment income (loss)	227	(2,906)
Tax revenues	-	92,168
Total additions	737	89,302
DEDUCTIONS		
Professional and contracted services	1,455	133,023
TRANSFERS		
Transfers in	-	58,002
Change in net position	(718)	14,281
Net position, beginning of year	82,445	232,269
Net position, end of year	$ 81,727	$ 246,550

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

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.

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.

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.

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.

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement
The City implemented the provisions of the following Governmental Accounting Standards Board (GASB) pronouncement for the year ended June 30, 2022:

- Statement No. 87, *Leases*. The objectives of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract· This Statement is effective for fiscal years beginning after June 15, 2021. See Note 18 for the adjustments to beginning net position.

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.

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 GAAP. The amounts on hand are not material to the basic financial statements taken as a whole.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

lnterfund Transactions
lnterfund 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:

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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 $86,299 in non-spendable form for the Cemetery Perpetual Care Permanent Fund.

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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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.

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 21, 2023, 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, 2022 as follows:

Governmental Activities	
Cash and investments	$ 4,058,631
Business-Type Activities	
Cash and investments	118,025
Restricted cash and investments	7,907,374
Fiduciary Fund	
Cash and investments	81,727
Total cash and investments	$ 12,165,757

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The composition of cash and investments of the City on June 30, 2022 was as follows:

Cash on hand	$ 1,347
Cash in banks:	
Petty cash checking	1,100
Demand deposits:	
Demand deposits in financial institutions	12,000,307
Time and savings deposits in financial institutions	43,246
Securities issued by agencies of the U.S. Government	119,757
Total	$ 12,165,757

The composition of cash and investments of the component unit on June 30, 2022 was as follows:

Cash and savings	$ 246,720
Petty cash on hand	600
Mutual funds	184,501
Total cash and investments	$ 431,821

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, 2022 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.

	AAA	AA	A	Unrated
U.S. Government agency securities	$ 119,757	$ -	$ -	$ -
Mutual funds - component unit	-	-	-	184,501
	$ 119,757	$ -	$ -	$ 184,501

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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The City is considered to have $250,000 FDIC insurance per public unit per financial institution within the state.

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 statues 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, 2022, left the City uninsured by $1,178,180.

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+
U.S. Government agency securities	$ 100,571	$ -	$ -	$ 19,186
Mutual funds - component unit	184,501	-	-	-
	$ 285,072	$ -	$ -	$ 19,186

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
U.S. Government agency securities	$ 119,757	$ -	$ 119,757	$ -
Mutual funds - component unit	184,501	184,501	-	-
	$ 304,258	$ 184,501	$ 119,757	$ -

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.

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 date 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, 2022.

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, 2022 was $58,720, with payments of $6,564 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.

NOTE 4. ACCOUNTS RECEIVABLE (CONTINUED)

The business-type activities also has accounts receivable at June 30, 2022, consisting of:

Water services	$ 66,837
Sewer services	85,721
Total	$ 152,558

NOTE 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments for the year ended June 30, 2022 are as follows:

Primary Government:	
General Fund	
County grant funds - Stone Garden	$ 501
Victim Assistance Grant Fund	
Federal grant funds	80,375
Homeland Security Grant Fund	
Federal grant funds	21,486
Bulletproof Vest Grant Fund	
Federal grant funds	1,465
	$ 103,827

NOTE 6. INTERFUND TRANSFERS

The following interfund transfers were made during the year ended June 30, 2022:

General Fund to Capital Projects Fund	$ 49,526
General Fund to Swim Pool Fund	30,000
Street Maintenance Fund to Capital Projects Fund	64,085
Permissive Med Levy Fund to multiple funds	17,988
Capital Projects Fund to Gas Tax HB #473 Fund	3,774
General Fund to Fire Relief Fund	58,002
Total	$ 223,375

The City also transferred $42,043 from the General Fund to the component unit, in accordance with the interlocal agreement with the County.

NOTE 7. LOANS RECEIVABLE

The loans receivable of $146,798 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, 2022, in the business-type activities.

Water Utility Fund	
Water Reserve - Series 2020A	$ 47,352
Water Reserve - Series 2020B	3,576
Surplus	198,907
Replacement and Depreciation	245,932
Short Lived Asset Replacement Reserve - USDA	10,920
1987 Waterline Improvements	3,119,299
ARPA Funds	425,561
	4,051,547
Sewer Utility Fund	
Sewer Reserve - Series 2012A	107,292
Sewer Reserve - Series 2012B	17,004
Surplus	123,419
Replacement & Depreciation	1,316,108
Short Lived Asset Replacement Reserve - USDA	485,855
Sewer Construction Projects	1,312,272
ARPA Funds	425,561
	3,787,511
Valley Court Apartments Fund	
Security Deposits	5,891
Reserve Account	62,425
	68,316
	$ 7,907,374

NOTE 9. CAPITAL ASSETS AND RIGHT-OF-USE ASSETS

Capital asset balances and activity for governmental activities for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated					
Land	$ 423,837	$ -	$ -	$ -	$ 423,837
Total non-depreciable assets	423,837	-	-	-	423,837
Other capital assets					
Buildings and improvements	1,059,632	-	329,827	-	1,389,459
Improvements other than buildings	9,995,631	-	341,801	-	10,337,432
Machinery and equipment	2,762,266	58,351	192,938	(11,731)	3,001,824
Total other capital assets at historical cost	13,817,529	58,351	864,566	(11,731)	14,728,715
Total assets	14,241,366	58,351	864,566	(11,731)	15,152,552
Less accumulated depreciation for					
Buildings and improvements	980,856	-	8,751	-	989,607
Improvements other than buildings	8,544,657	-	249,801	-	8,794,458
Machinery and equipment	1,943,044	2,460	183,843	(11,731)	2,117,616
Total accumulated depreciation	11,468,557	2,460	442,395	(11,731)	11,901,681
Total Governmental Activities	$ 2,772,809	$ 55,891	$ 422,171	$ -	$ 3,250,871

Depreciation expense was charged to functions as follows:

General government	$ 4,353
Public safety	135,182
Public works	234,507
Culture and recreation	65,658
Housing and community development	2,695
Total	$ 442,395

Right-of-use asset balances and activity for governmental activities for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2022
Right-of-use assets being amortized					
Machinery and equipment	$ -	$ 185,873	$ -	$ -	$ 185,873
Total right-of-use assets	-	185,873	-	-	185,873
Less accumulated amortization for					
Machinery and equipment	-	28,872	20,770	-	49,642
Total accumulated amortization	-	28,872	20,770	-	49,642
Total Governmental Activities	$ -	$ 157,001	$ (20,770)	$ -	$ 136,231

Amortization expense of $20,770 was charged to the Public Works function.

NOTE 9. CAPITAL ASSETS AND RIGHT-OF-USE ASSETS (CONTINUED)

Capital asset balances and activity for business-type (proprietary) activities for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Prior Period Adjustment	Additions	Deletions	Transfers	Balance June 30, 2022
Capital assets not being depreciated						
Land	$ 134,929	$ -	$ -	$ -	$ -	$ 134,929
Construction in process	88,677	-	85,690	-	-	174,367
Total non-depreciable assets	223,606	-	85,690	-	-	309,296
Other capital assets						
Source of supply	3,338,754	-	-	-	-	3,338,754
Pumping plant	217,628	-	-	-	-	217,628
Treatment plant	17,147,342	-	-	-	-	17,147,342
Transmission and distribution	11,332,564	-	72,052	-	-	11,404,616
General plant	259,469	61,804	-	-	-	321,273
Apartment complex	125,000	-	-	-	-	125,000
Total other capital assets at historical costs	32,420,757	61,804	72,052	-	-	32,554,613
Less accumulated depreciation for						
Source of supply	2,436,890	-	63,039	-	-	2,499,929
Pumping plant	201,546	-	2,258	-	-	203,804
Treatment plant	4,163,008	-	400,455	-	-	4,563,463
Transmission and distribution	9,198,366	-	135,282	-	-	9,333,648
General plant	180,699	2,666	17,457	-	-	200,822
Apartment complex	19,635	-	4,167	-	-	23,802
Total accumulated depreciation	16,200,144	2,666	622,658	-	-	16,825,468
Net depreciable assets	16,220,613	59,138	(550,606)	-	-	15,729,145
Total Business-Type Activities	$ 16,444,219	$ 59,138	$ (464,916)	$ -	$ -	$ 16,038,441

Capital asset balances and activity for component unit activities for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 6,688	$ -	$ -	$ 6,688
Total non-depreciable assets	6,688	-	-	6,688
Other capital assets				
Buildings & improvements	215,266	26,077	-	241,343
Machinery and equipment	206,833	-	-	206,833
Total other capital assets at historical cost	422,099	26,077	-	448,176
Less accumulated depreciation for				
Buildings and improvements	199,698	6,412	-	206,110
Machinery and equipment	204,002	1,979	-	205,981
Total accumulated depreciation	403,700	8,391	-	412,091
	18,399	17,686	-	36,085
Total Component Unit	$ 25,087	$ 17,686	$ -	$ 42,773

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Long-term debt for governmental activities at June 30, 2022 is as follows:

	Current Portion	Long-Term Portion	June 30, 2022
Compensated absences	$ 107,052	$ 45,879	$ 152,931
FCB Recreation department renovation	9,089	-	9,089
FCB Equipment purchases	55,123	145,071	200,194
FCB Fire truck purchase	27,714	131,731	159,445
JD Loader	7,658	-	7,658
JD Grader	27,062	109,168	136,230
Armory Building	19,208	290,938	310,146
Total	$ 252,906	$ 722,787	$ 975,693

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:

	Principal	Interest	Total
2023	$ 9,089	$ 247	$ 9,336

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:

	Principal	Interest	Total
2023	$ 55,123	$ 5,889	$ 61,012
2024	56,873	4,139	61,012
2025	58,678	2,334	61,012
2026	29,520	472	29,992
Total	$ 200,194	$ 12,834	$ 213,028

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%.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Future maturities of the FCB Fire Truck Purchase payable are as follows:

	Principal	Interest	Total
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	45,220	902	46,122
Total	$ 159,445	$ 9,676	$ 169,121

JD Loader payable represents a direct borrowing loan from John Deere Financial, in the form of an installment purchase agreement, which is payable semiannually. The original loan was for $120,150 with an interest rate of 3.45%. Future maturities of the JD Loader payable are as follows:

	Principal	Interest	Total
2023	$ 7,658	$ -	$ 7,658

JD Grader payable represents a direct borrowing loan from John Deere Financial, in the form of a lease agreement, which is payable quarterly. The original loan was for $165,800 with an effective interest rate of 1.57%. The grader will be returned upon maturity of the lease. Future maturities of the JD Grader payable are as follows:

	Principal	Interest	Total
2023	$ 27,062	$ 7,926	$ 34,988
2024	28,801	6,186	34,987
2025	30,653	4,335	34,988
2026	32,624	2,364	34,988
2027	17,090	404	17,494
Total	$ 136,230	$ 21,215	$ 157,445

Armory Building payable represents a direct borrowing loan from First Community Bank, which is payable semiannually. The original loan was for $320,00 with an interest rate of 1.57%. Future maturities of the Armory Building payable are as follows:

	Principal	Interest	Total
2023	$ 19,208	$ 4,794	$ 24,002
2024	19,511	4,494	24,005
2025	19,819	4,184	24,003
2026	20,131	3,872	24,003
2027	20,448	3,554	24,002
2028-2032	107,178	12,834	120,012
2033-2037	103,851	4,088	107,939
Total	$ 310,146	$ 37,820	$ 347,966

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds

Long-term debt in these funds at June 30, 2022 is as follows:

	Current Portion	Long-Term Portion	June 30, 2022
Revenue Bonds (2012A Issue) Sewer Fund	$ 47,632	$ 2,143,671	$ 2,191,303
Revenue Bonds (2012B Issue) Sewer Fund	7,554	339,540	347,094
USDA Rural Development VCA Fund	4,397	147,881	152,278
USDA Rural Development (2020A Issue) Water Fund	116,606	6,300,498	6,417,104
USDA Rural Development (2020B Issue) Water Fund	8,774	472,883	481,657
JD Loader	23,114	-	23,114
Compensated Absences Water and Sewer	4,944	13,517	18,461
Total	$ 213,021	$ 9,417,990	$ 9,631,011

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.

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

	Principal	Interest	Total
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	53,164	54,128	107,292
2028-2032	288,871	247,588	536,459
2033-2037	331,400	205,061	536,461
2038-2042	380,189	156,269	536,458
2043-2047	436,159	100,301	536,460
2048-2052	500,372	36,089	536,461
2053	2,511	5	2,516
Total	$ 2,191,303	$ 1,029,972	$ 3,221,275

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.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

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

	Principal	Interest	Total
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	8,432	8,572	17,004
2028-2032	45,814	39,206	85,020
2033-2037	52,558	32,462	85,020
2038-2042	60,296	24,727	85,023
2043-2047	69,173	15,847	85,020
2048-2052	79,269	5,662	84,931
Total	$ 347,094	$ 162,989	$ 510,083

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:

	Principal	Interest	Total
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	4,933	1,838	6,771
2028-2032	26,904	6,948	33,852
2033-2037	31,057	2,795	33,852
2038-2042	35,853	27	35,880
2043-2047	35,159	-	35,159
Total	$ 152,278	$ 20,317	$ 172,595

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, with the exception of the minimum net revenue/debt coverage requirement.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

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

	Principal	Interest	Total
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	125,751	111,091	236,842
2028-2032	665,622	518,585	1,184,207
2033-2037	731,499	452,707	1,184,206
2038-2042	803,897	380,309	1,184,206
2043-2047	883,462	300,745	1,184,207
2048-2052	970,901	213,306	1,184,207
2053-2057	1,066,993	117,214	1,184,207
2058-2060	689,054	20,286	709,340
Total	$ 6,417,104	$ 2,581,682	$ 8,998,786

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, with the exception of the minimum net revenue/debt coverage requirement.

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

	Principal	Interest	Total
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	9,462	8,359	17,821
2028-2032	50,083	39,021	89,104
2033-2037	55,042	34,064	89,106
2038-2042	60,488	28,616	89,104
2043-2047	66,476	22,630	89,106
2048-2052	73,056	16,050	89,106
2053-2057	80,285	8,820	89,105
2058-2060	50,654	1,527	52,181
Total	$ 481,657	$ 194,260	$ 675,917

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds (Continued)

The City acquired a John Deere loader from John Deere Financial in the amount of $120,150, and is considered a direct borrowing, in the form of an installment purchase agreement. The interest rate on the loan is 3.45%. The loan is to be repaid in semiannual installments over a 2-year period.

The annual requirements to amortize the John Deer Financial loan are as follows:

	Principal	Interest	Total
2023	$ 23,114	$ 535	$ 23,649

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, 2022:

	Balance July 1, 2021	Prior Period Adjustment	New Debt	Retired Debt	Balance June 30, 2022
Governmental Activities					
FCB Recreation Department	$ 27,151	$ -	$ -	$ (18,062)	$ 9,089
FCB Equipment Purchases	253,749	-	-	(53,555)	200,194
FCB Fire Truck Purchase	186,605	-	-	(27,160)	159,445
JD Loader	-	29,086	-	(21,428)	7,658
JD Grader	-	157,001	-	(20,771)	136,230
Armory Building	-	-	320,000	(9,854)	310,146
Total	$ 467,505	$ 186,087	$ 320,000	$ (150,830)	$ 822,762
Proprietary Funds					
Revenue Bonds (2012A Issue) Sewer Fund	$ 2,237,639	$ -	$ -	$ (46,336)	$ 2,191,303
Revenue Bonds (2012B Issue) Sewer Fund	354,443	-	-	(7,349)	347,094
USDA Rural Development VCA Fund	156,561	-	-	(4,283)	152,278
USDA Rural Development (2020A Issue) Water Fund	6,531,796	-	-	(114,692)	6,417,104
USDA Rural Development (2020B Issue) Water Fund	490,365	-		(8,708)	481,657
JD Loader	-	61,804	-	(38,690)	23,114
Total	$ 9,770,804	$ 61,804	$ -	$ (220,058)	$ 9,612,550

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

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022
Governmental Activities	$ 158,999	$ -	$ (6,068)	$ 152,931
Proprietary Funds	59,864	-	(41,403)	18,461
Total	$ 218,863	$ -	$ (47,471)	$ 171,392

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

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

	Principal	Interest
2023	$ 353,931	$ 223,192
2024	322,471	214,011
2025	331,146	205,334
2026	309,138	196,373
2027	284,500	188,848
2028-2032	1,184,472	864,182
2033-2037	1,305,407	731,177
2038-2042	1,340,723	561,332
2043-2047	1,490,429	416,893
2048-2052	1,623,598	255,057
2053-2057	1,149,789	117,219
2058-2060	739,708	21,813
Total	$ 10,435,312	$ 3,995,431

The City's outstanding notes from direct borrowings related to governmental activities of $822,762 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, USDA RD Loans and John Deere Financial Loans from direct borrowings related to business-type activities of $9,612,550 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 named 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 hereby secured immediately due and payable.

The City's outstanding notes and revenue bonds from direct borrowings related to governmental/business-type activities of $10,435,312 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.

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Component Unit
Debt in the component unit at June 30, 2022 is as follows:

	Current Portion	Long-Term Portion	Total
Compensated absences	$ 8,687	$ 8,487	$ 17,174

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, 2021	Increase	Decrease	Balance June 30, 2022
City-County Library	$ 16,720	$ 454	$ -	$ 17,174

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, 2022.

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.

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

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

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2022 the City had no retired employees, no spouses and no employees covered under COBRA insurance coverage. In 2022, no retirees contributed towards the cost of the City's annual premium. There were 13 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, 2022 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, 2022 was as follows:

Total OPEB Liability

Service cost	$	31,147
Interest		6,880
Differences between expected and actual experience		(34,648)
Changes of assumptions or other inputs		(15,538)
Benefit payments		(1,761)
Net change in total OPEB liability		(13,920)
Total OPEB liability - beginning		139,972
Total OPEB liability - ending	$	126,052

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.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)
The total OPEB liability as of June 30, 2022 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	54.8
Turnover rate	0.00%
Discount rate	4.02%
Average salary increase	4.00%

Healthcare cost trend rates

From Year	To Year	Annual % Increase	From Year	To Year	Annual % Increase
2022	2023	-11.16%	2053	2057	4.80%
2023	2024	6.50%	2057	2062	4.70%
2024	2025	6.00%	2062	2069	4.60%
2025	2026	5.90%	2069	2070	4.50%
2026	2027	5.70%	2070	2071	4.40%
2027	2028	5.60%	2071	2072	4.30%
2028	2029	5.50%	2072	2074	4.20%
2029	2046	5.30%	2074	2075	4.10%
2030	2047	5.20%	2075	2077	4.00%
2047	2049	5.10%	2077	2078	3.90%
2048	2052	5.00%	2078	+	3.80%
2050	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 (3.02%)	Discount Rate (4.02%)	1.0% Increase (5.02%)
Total OPEB Liability	$ 136,601	$ 126,052	$ 114,701

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:

	1.0% Decrease*	Trend Rates*	1.0% Increase*
Total OPEB Liability	$ 105,054	$ 126,052	$ 152,525

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

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense, Deferred Outflows and Inflows
For the year ended June 30, 2022, the City recognized OPEB expense of $38,027. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 34,648
Changes in assumptions or other inputs	-	15,538
Total	$ -	$ 50,186

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:	
2023	$ (50,186)

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, 2022, the total assets of the fund were in the amount of $145,773.

The employees of the Library were previously not members of the Public Employees' Retirement System, but instead contributed 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. Effective December 2021, the employees of the Library were added to the Public Employees' Retirement System 457(b) Deferred Compensation Plan. The employer and employee each contribute 6% to this plan.

NOTE 12. LOCAL RETIREMENT PLANS (CONTINUED)

The amounts contributed by both the Library and its employees for the past three years were as follows:

	2020	2021	2022
Kemper	$ 3,643	$ 3,764	$ 1,742
MPERA	-	-	6,747
Total	$ 3,643	$ 3,764	$ 8,489

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, 2021 measurement date for the 2022 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	$ 1,453,328	$ 1,446,055	$ 2,899,383
Fiduciary net position	$ 330,104	$ 969,212	$ 1,299,316
Net pension liability	$ 1,123,224	$ 476,843	$ 1,600,067
Deferred outflows of resources	$ 281,461	$ 176,712	$ 458,173
Deferred inflows of resources	$ 505,477	$ 148,865	$ 654,342
Pension expense	$ 153,049	$ 185,903	$ 338,952

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, 2021, was determined by taking the results of the June 30, 2020 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 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.

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Net Pension Liability (Continued)

The proportionate shares of the City's and the State of Montana's NPL for June 30, 2022 and 2021, 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 $1,123,224 and the City's proportionate share was 0.0619%.

	Net Pension Liability as of June 30, 2022	Net Pension Liability as of June 30, 2021	Percent of Collective NPL as of June 30, 2022	Percent of Collective NPL as of June 30, 2021	Change in Percent of Collective NPL
CITY OF GLASGOW					
Proportionate share	$ 1,123,224	$ 1,706,802	0.0619%	0.0647%	-0.0028%
STATE OF MONTANA					
Proportionate share					
associated with employer	330,104	535,555	0.0182%	0.0203%	-0.0021%
Total	$ 1,453,328	$ 2,242,357	0.0801%	0.0850%	-0.0049%

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 7.34% to 7.06%
- The investment rate of return was lowered from 7.34% to 7.06%

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.

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Pension Expense

		Pension Expense as of June 30, 2022
CITY OF GLASGOW Proportionate share		$ 59,630
CITY OF GLASGOW Grant Revenue - State of Montana	Proportionate Share for employer	93,419
		$ 153,049

At June 30, 2022, the City recognized a pension expense of $59,630 for its proportionate share of the PERS' pension expense and recognized grant revenue of $93,419 for the State of Montana proportionate share of the pension expense associated with the City.

Recognition of Deferred Inflows and Outflows

At June 30, 2022, 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	$ 11,986	$ 8,131
Differences between projected and actual investment earnings	-	455,029
Changes in actuarial assumptions	166,370	-
Difference between actual and expected contributions	-	42,317
*Contributions paid to PERS subsequent to the measurement date - FY 2022 Contributions	103,105	-
Total	$ 281,461	$ 505,477

* 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, 2023.

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
2023	$ (16,331)
2024	(55,631)
2025	(109,901)
2026	(145,257)
Thereafter	-

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

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. Benefits are established by state law and can only be amended by the Legislature.

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 service; 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;

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):

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
   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.

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits (Continued)

Monthly Benefit Formula (Continued)

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.

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
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
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%

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Overview of Contributions (Continued)

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.

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 $34,290,660.

Actuarial Assumptions

The TPL in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

• Investment Return (net of admin expense)	7.06%
• Admin expense as a % of payroll	0.28%
• General Wage Growth*	3.50%
*includes Inflation at	2.40%
• Merit Increases	0% to 4.8%

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.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2021 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 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Targe Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

NOTE 13. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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 2126. 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 7.06%, 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 (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
The CITY OF GLASGOW's proportion of Net Pension Liability	$ 1,782,941	$ 1,123,224	$ 569,872

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 GAAP and applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled $1,103,889.

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.

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, 2021 was determined by taking the results of the June 30, 2020 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, 2022 and 2021, 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 $476,843 and the employer's proportionate share was 0.2623%.

	Net Pension Liability as of June 30, 2022	Net Pension Liability as of June 30, 2021	Percent of Collective NPL as of June 30, 2022	Percent of Collective NPL as of June 30, 2021	Change in Percent of Collective NPL
CITY OF GLASGOW					
Proportionate share	$ 476,843	$ 605,095	0.2623%	0.2474%	0.0149%
STATE OF MONTANA					
Proportionate share associated with employer	969,212	1,220,417	0.5332%	0.4990%	0.0342%
Total	$ 1,446,055	$ 1,825,512	0.7955%	0.7464%	0.0491%

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 7.34% to 7.06%
- The investment rate of return was lowered from 7.34% to 7.06%

Changes in Benefit Terms:

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

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, 2022, the City recognized its proportionate share of the MPORS' pension expense of $61,479. The City also recognized grant revenue of $124,424 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, 2022
CITY OF GLASGOW	
Proportionate share	$ 61,479
STATE OF MONTANA	
Proportionate share associated with employer	124,424
	$ 185,903

Recognition of Deferred Inflows and Outflows
At June 30, 2022, 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	$ 15,166	$ 5,207
Differences between projected and actual investment earnings	-	143,658
Changes in actuarial assumptions	91,107	-
Difference between actual and expected contributions	3,218	-
*Contributions paid to MPORS subsequent to the measurement date - FY 2022 Contributions	67,221	-
Total	$ 176,712	$ 148,865

* 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, 2023.

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
2023	$ 6,613
2024	11,193
2025	(10,676)
2026	(46,505)
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.

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

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.

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.

			Member			
Fiscal Year	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired >6/30/97 GABA	Employer	State
2000-2022	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, 2020 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.06%
- Admin expense as a % of payroll 0.18%
- 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.

NOTE 13. RETIREMENT PLANS (CONTINUED)

Municipal Police Officers' Retirement System (Continued)

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2021 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 7.06%.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized below.

Asset Class	Targe Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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 7.06%, 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.

	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
The CITY OF GLASGOW's proportion of Net Pension Liability	$ 780,173	$ 476,843	$ 235,718

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	Nonmajor Governmental Funds	Total
Non-spendable						
Permanent	$ -	$ -	$ -	$ -	$ 86,299	$ 86,299
Restricted						
General government	-	92,403	7,048	-	-	99,451
Public safety	-	-	2,926	-	20,141	23,067
Public works	-	618,390	42,875	-	224,254	885,519
Culture and recreation	-	-	-	1,612,589	-	1,612,589
Committed						
General government	-	-	-	-	30,846	30,846
Public safety	-	-	-	-	100,605	100,605
Public works	-	-	-	-	84,460	84,460
Culture and recreation	-	-	-	-	5,528	5,528
Assigned						
General government	581,305	-	-	-	-	581,305
Public works	-	-	-	-	32,943	32,943
Unassigned	402,776	-	-	-	2,905	405,681
Total	$ 984,081	$ 710,793	$ 52,849	$ 1,612,589	$ 587,981	$ 3,948,293

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% 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, 2022, 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.

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, 2021 to June 30, 2022, 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, 2023.

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 original lease agreement period was from October 1, 2018 to September 30, 2021. The City was 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.

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 $22,015 per month in fiscal year 2022. The City is scheduled to pay the company $22,193 per month in fiscal year 2023.

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.

NOTE 17. INTERLOCAL AND LEASE AGREEMENTS (CONTINUED)

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.

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 scheduled to pay the firm $79,000 in fiscal year 2022. This agreement was extended through May 1, 2024, but was then terminated effective August 31, 2022.

The City subsequently engaged Lee Pekovitch of Cole, Amestoy & O'Brien to provide legal services, in the form of prosecuting civil matters and criminal actions in City Court, for the City. The agreement period is from August 16, 2022 to June 30, 2023, with the City scheduled to pay the firm $65,000 in fiscal year 2023.

NOTE 18. PRIOR PERIOD AJDUSTMENTS

The City recorded two prior period adjustments for the year ended June 30, 2022, to account for a prior capital lease agreement entered into and to implement GASB No. 87.

	Governmental Activities	Business-type Activities
Beginning net position, as originally reported	$ 4,080,638	$ 13,258,668
Adjustment to add capital assets, net of accumulated depreciation; right-of-use assets, net of accumulated amortization; and related debt	26,805	(2,666)
Beginning net position, as restated	$ 4,107,443	$ 13,256,002

	Governmental Activities	Business-type Activities
Addition to capital assets	$ 58,351	$ 61,804
Addition to accumulated depreciation	(2,460)	(2,666)
	55,891	59,138
Addition to right-of-use assets	185,873	-
Addition to accumulated amortization	(28,872)	-
	157,001	-
Addition to long-term debt	(186,087)	(61,804)
Net prior period adjustments	$ 26,805	$ (2,666)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2022

	General Fund			
	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes and assessments	$ 1,517,738	$ 1,517,738	$ 1,574,068	$ 56,330
Licenses and permits	17,750	17,750	9,479	(8,271)
Intergovernmental	755,380	755,380	807,957	52,577
Charges for services	96,786	117,011	143,981	26,970
Fine and forfeitures	32,200	32,200	34,918	2,718
Miscellaneous	16,605	17,495	14,659	(2,836)
Investment earnings	2,000	2,000	5,608	3,608
Total revenue	2,438,459	2,459,574	2,590,670	131,096
EXPENDITURES				
Current:				
General government	322,773	322,773	266,443	56,330
Public safety	1,308,860	1,326,085	1,297,200	28,885
Public works	350,255	350,255	142,198	208,057
Culture and recreation	498,545	498,545	471,863	26,682
Housing and community development	4,550	4,550	6,162	(1,612)
Miscellaneous	23,894	23,897	32,417	(8,520)
Debt service:				
Principal	89,227	89,227	80,099	9,128
Interest	13,231	13,231	10,273	2,958
Capital outlay	76,708	96,484	136,410	(39,926)
Total expenditures	2,688,043	2,725,047	2,443,065	281,982
Excess of revenues over (under) expenditures	(249,584)	(265,473)	147,605	413,078
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	-	1,609	1,609
Proceeds from long-term debt	-	20,000	20,000	-
Transfers in (out), net	(210,109)	(210,109)	(170,656)	39,453
Total other financing sources (uses)	(210,109)	(190,109)	(149,047)	41,062
Excess of revenues and other financing sources (uses) over (under) expenditures	$ (459,693)	$ (455,582)	$ (1,442)	$ 454,140

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON -
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2022

	Solid Waste Fund			
	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes and assessments	$ 330,790	$ 330,790	$ 336,331	$ 5,541
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	1,450	1,450	4,044	2,594
Total revenue	332,240	332,240	340,375	8,135
EXPENDITURES				
Current:				
General government	49,562	49,562	48,356	1,206
Public safety	-	-	-	-
Public works	275,383	275,383	273,709	1,674
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	400,000	400,000	38,105	361,895
Total expenditures	724,945	724,945	360,170	364,775
Excess of revenues over (under) expenditures	(392,705)	(392,705)	(19,795)	372,910
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other financing sources (uses) over (under) expenditures	$ (392,705)	$ (392,705)	$ (19,795)	$ 372,910

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2022

	Street Maintenance Fund			
	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes and assessments	$ 531,688	$ 531,688	$ 547,467	$ 15,779
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	800	800	969	169
Investment earnings	200	200	263	63
Total revenue	532,688	532,688	548,699	16,011
EXPENDITURES				
Current:				
General government	74,201	74,201	71,516	2,685
Public safety	-	-	-	-
Public works	437,710	437,710	332,782	104,928
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Miscellaneous	22,938	22,938	21,438	1,500
Debt service:				
Principal	-	-	70,698	(70,698)
Interest	-	-	12,626	(12,626)
Capital outlay	-	-	-	-
Total expenditures	534,849	534,849	509,060	25,789
Excess of revenues over (under) expenditures	(2,161)	(2,161)	39,639	41,800
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	(44,586)	(44,586)	(58,680)	(14,094)
Total other financing sources (uses)	(44,586)	(44,586)	(58,680)	(14,094)
Excess of revenues and other financing sources (uses) over (under) expenditures	$ (46,747)	$ (46,747)	$ (19,041)	$ 27,706

CITY OF GLASGOW, MONTANA
SCHEDULE OF BUDGETARY COMPARISON - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
Year Ended June 30, 2022

	Swim Pool Fund			
	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes and assessments	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	25,000	-	(25,000)
Charges for services	-	-	-	-
Fine and forfeitures	-	-	-	-
Miscellaneous	200,000	200,000	807,365	607,365
Investment earnings	900	900	6,195	5,295
Total revenue	200,900	225,900	813,560	587,660
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	6,395	(6,395)
Miscellaneous	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	838,784	863,784	63,360	800,424
Total expenditures	838,784	863,784	69,755	794,029
Excess of revenues over (under) expenditures	(637,884)	(637,884)	743,805	1,381,689
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Transfers in (out), net	30,000	30,000	30,000	-
Total other financing sources (uses)	30,000	30,000	30,000	-
Excess of revenues and other financing sources (uses) over (under) expenditures	$ (607,884)	$ (607,884)	$ 773,805	$ 1,381,689

CITY OF GLASGOW, MONTANA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Service cost	$ 31,147	$ 35,471	$ 18,794	$ 23,202	$ 33,742
Interest**	6,880	4,716	3,627	5,217	7,675
Differences between expected and actual experience	(34,648)	(71,573)	5,157	(28)	3,334
Changes of assumptions or other inputs	(15,538)	2,460	(5,903)	(67,394)	(5,228)
Benefit payments	(1,761)	(3,392)	(4,882)	(3,983)	(5,625)
Net change in total OPEB liability	(13,920)	(32,318)	16,793	(42,986)	33,898
Total OPEB liability - beginning	139,972	172,290	155,497	198,483	164,585
Total OPEB liability - ending	$ 126,052	$ 139,972	$ 172,290	$ 155,497	$ 198,483
Covered-employee payroll	$ 770,465	$ 668,809	$ 522,850	$ 588,966	$ 848,295
Total OPEB liability as a percentage of its covered-employee payroll	16.36%	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, 2022.

CITY OF GLASGOW, MONTANA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Year Ended June 30, 2022

PERS

Reporting date	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability as an amount	$ 1,123,224	$ 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	0.0619%	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	$ 330,104	$ 535,555	$ 439,408	$ 435,229	$ 18,475	$ 14,078	$ 9,264	$ 9,674
Total	$ 1,453,328	$ 2,242,357	$ 1,794,608	$ 1,740,215	$ 1,413,488	$ 1,166,267	$ 763,502	$ 801,893
Employer's covered payroll	$ 1,094,209	$ 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	102.6500%	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	79.9100%	68.9000%	73.8500%	73.4700%	73.7500%	74.7100%	78.4000%	79.9000%

MPORS

Reporting date	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability as an amount	$ 476,843	$ 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	0.0262%	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	$ 969,212	$ 1,220,417	$ 1,007,559	$ 1,018,588	$ 1,109,896	$ 1,169,479	$ 1,191,419	$ 1,191,419
Total	$ 1,446,055	$ 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	$ 474,731	$ 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	100.4400%	142.7800%	120.7700%	108.0600%	118.9700%	127.5200%	119.5220%	117.1140%
Plan fiduciary net position as a percentage of the total pension liability	75.7600%	64.8000%	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, 2022

	PERS							
Reporting date	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 103,105	$ 100,219	$ 94,434	$ 92,093	$ 87,813	$ 81,798	$ 69,301	$ 61,818
Contributions in relation to the contractually required contributions	$ 103,105	$ 100,219	$ 94,434	$ 92,093	$ 87,813	$ 81,798	$ 69,301	$ 61,818
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,162,402	$ 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	8.8700%	8.7700%	8.6663%	8.5701%	8.5399%	9.2059%	8.5531%	9.8174%

	MPORS							
Reporting date	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 67,221	$ 68,351	$ 61,069	$ 59,037	$ 65,489	$ 67,152	$ 67,761	$ 71,319
Contributions in relation to the contractually required contributions	$ 67,221	$ 68,351	$ 61,069	$ 59,037	$ 65,489	$ 67,152	$ 67,761	$ 71,319
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 466,487	$ 474,331	$ 423,793	$ 409,691	$ 461,601	$ 457,719	$ 462,009	$ 491,991
Contributions as a percentage of covered payroll	14.4100%	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.*

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.

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 30, 2020 actuarial valuation:

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	0.28%

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.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six-year experience study for the period ending 2016.

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.

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.

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, 2020 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	0.18%

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.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six-year experience study for the period ending 2016.

SUPPLEMENTARY INFORMATION

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 22.

b. The statement of net position as of June 30, 2022, see page 21.

c. As of June 30, 2022, the number of sewer users is as follows:

Residential	1,300
Commercial	195
Multi-plex units	20
Total	1,515

d. The amount of cash on hand in each sewer account at June 30, 2022, is as follows:

Operating	$ 50,836
Replacement & Depreciation	1,316,108
Sewer Reserve - Series 2012A	107,292
Sewer Reserve - Series 2012B	17,004
Short Lived Asset Replacement Reserve - USDA	485,855
Surplus	123,419
Sewer Construction Projects	1,312,272
ARPA Funds	425,561
	$ 3,838,347

e. See page 89 for a list of the insurance policies in force.

f. Cash requirements – cash and investment balances required by Resolution No. 1564 and Resolution No. 1612, and actual cash balances maintained at June 30, 2022, are compared as follows:

	Required	Actual	Over (Short)
Operating	Established	$ 50,836	$ 50,836
Replacement & Depreciation	Reasonable	1,316,108	1,316,108
Sewer Reserves - Series 2012A and B	$ 124,296	124,296	-
Short Lived Asset Replacement Reserve - USDA	485,855	485,855	-
	$ 610,151	$ 1,977,095	$ 1,366,944

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 $473,789 which is $318,358 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.

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 22.

b. The statement of net position as of June 30, 2022, see page 21.

c. As of June 30, 2022, the number of water users is as follows:

Residential	1,299
Commercial	201
Multi-plex units	26
Total	1,526

d. The amount of cash on hand in each water account at June 30, 2022, is as follows:

Operating	$ 49,436
Replacement & Depreciation	245,932
Water Reserve - Series 2020A	47,352
Water Reserve - Series 2020B	3,576
Short Lived Asset Replacement Reserve - USDA	10,920
Surplus	198,907
1987 Waterline Improvements	3,119,299
ARPA Funds	425,561
	$ 4,100,983

e. See page 89 for a list of the insurance policies in force.

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, 2022, are compared as follows:

	Required	Actual	Over (Short)
Operating	Established	$ 49,436	$ 49,436
Replacement & Depreciation	Reasonable	245,932	245,932
Water Reserves - Series 2020A and B	$ 50,952	50,928	(24)
Short Lived Asset Replacement Reserve - USDA	10,920	10,920	-
	$ 61,872	$ 357,216	$ 295,344

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 $243,978 which is $36,152 short of 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, 2022

Policy No.	Insurer & Agent	Effective Date	Expiration Date	Coverage Amount	Coverage
1081WC	Montana Municipal Insurance Authority	July 1, 2021	July 1, 2022	Statutory limits	Workers' compensation and occupational disease
049-LIAB-2022-1	Montana Municipal Insurance Authority	July 1, 2021	July 1, 2022	$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, $1,500 deductible
049-PROP-2022-1	Montana Municipal Insurance Authority	July 1, 2021	July 1, 2022	$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
01-346-83-65	Alliant/National Union Insurance Company of Pittsburgh, PA	July 1, 2021	July 1, 2022	$5,000 bond on Stacey Amundson	Notary public errors and omissions fidelity bond

INTERNAL CONTROL AND COMPLIANCE SECTION

KCOE ISOM LLP

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, 2022, 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 21, 2023. 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.

Report on 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 recommendations, 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 #2022-001 described in the accompanying schedule of findings and recommendations to be a material weakness.

Report on 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 recommendations to be significant deficiencies.

Report on 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 recommendations as #2022-002 through #2022-005.

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

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

KCoe Isom, LLP

Great Falls, Montana
February 21, 2023

<u>Findings Relating to Financial Statements</u>

Finding #2022-001 (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 hired a part-time person in the office as an administrative assistant in August 2022.

Findings Relating to Financial Statements (Continued)

Finding #2022-002 (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.

Condition: The City has not yet implemented GASB Statement No. 73 by obtaining an actuarial valuation.

Context: The City is not properly recording and reporting the annual cost of providing benefits to retirees in the FDRA.

Cause: The City believes the cost of implementing GASB Statement No. 73 exceeds the benefit of reporting the potential liability.

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.

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.

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.

Findings Relating to Financial Statements (Continued)

Finding #2022-003 (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 $61,024.

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.

Findings Relating to Financial Statements (Continued)

Finding #2022-004 (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 prior to fiscal year 2022.

Context: Including prior fiscal years contributions, the City had not contributed a total of approximately $56,000 to the required reserve account as of fiscal year-end.

Cause: The City chose not to make the prior 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 2022 and subsequent, of approximately $56,000, while also making the required monthly contributions due monthly for fiscal year-end 2023, 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. In fiscal year 2022, we had additional vacant apartments that needed additional repairs and extensive cleaning to be able to rent them again. We also had to hire a maintenance person after the employee who was doing the repairs left employment, which in turn took away from catching up on the required reserve amount. The City deposited the required annual amount of $17,000 in fiscal year 2022.

Findings Relating to Financial Statements (Continued)

Finding #2022-005

Criteria: Resolution No. 2089 related to the 2020 water system revenue bonds requires 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.

Condition: Resolution No. 2089 required the minimum net operating revenues in the water utility fund to be at least $280,130.

Context: The net revenue in the water utility fund was $243,978 which is $36,152 short of the requirement stated.

Cause: There is inconsistent review of bond covenants on a recurring basis.

Effect: The City is out of compliance with the bond resolution and MCA 7-7-4428 & 4429, by not having enough money set aside for the annual debt service payments.

Recommendation: The City should routinely review and recalculate any bond covenant requirements, in order to remain in compliance with the bond resolution and MCA 7-7-4428 & 4429. In addition, if the bond covenant requirements will not be met, the City should consider increasing water rates, charges and rentals sufficient to provide the net revenues required.

Management Response: The City has implemented a base rate increase of 2% for a five-year period to cover the reserve requirements. In fiscal year 2022, the City had additional unanticipated expenses, including retirement of a long-term employee and rehabilitation work done on pump house #1 that The Boeing Company owns, but the City pays 98% of the cost associated with it.

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

Finding	**Current Status of Recommendation**
#2021-001 Lack of segregation of duties	Not implemented. See current year finding on page 92.
#2021-002 Actuarial valuation of FDRA	Partially implemented. See current year finding on page 93. In fiscal year 2022, the FDRA was again soundly funded.
#2021-003 Cash overdrafts	Partially implemented. See current year finding on page 94.
#2021-004 Reserve account	Partially implemented. See current year finding on page 95.