

ANNUAL FINANCIAL STATEMENTS
OF THE
TOWN OF GLASGOW, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**TOWN OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

GOVERNMENTAL FUND TYPE

MAJOR FUNDS

General
Coal Severance Tax
Infrastructure

PROPRIETARY FUND TYPE

MAJOR FUNDS

Water
Sewer

**TOWN OF GLASGOW, WEST VIRGINIA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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TOWN OF GLASGOW, WEST VIRGINIA
TOWN OFFICIALS
For the Fiscal Year Ended June 30, 2020

OFFICE	NAME	TERM
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ELECTED

Mayor:	Donald Fannin	07-01-18 / 06-30-23
Council Members:	John Alderson	07-01-18 / 06-30-23
	Marty Blankenship	07-01-18 / 06-30-23
	Eddie Hamilton	07-01-18 / 06-30-23
	Diane Leadmon	07-01-18 / 06-30-23
	Mike Szerokman	07-01-18 / 06-30-23
Recorder:	Jay Ward	07-01-18 / 06-30-23

APPOINTED

City Clerk:	Natalie Hackworth
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TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2020

ASSETS	Primary Government		<u>Total</u>
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	
Current assets:			
Cash and cash equivalents	\$ 375,834	\$ --	\$ 375,834
Investments	--	--	--
Receivables:			
Accounts	35,382	68,713	104,095
Taxes	1,768	--	1,768
Due from other funds	89,691	--	89,691
Restricted assets:			
Customer deposits	--	--	--
Capital assets:			
Land	--	--	--
Property, plant and equipment	757,557	910,210	1,667,767
Less: accumulated depreciation	(612,414)	(874,082)	(1,486,496)
Total assets	\$ 647,818	\$ 104,841	\$ 752,659
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,868	\$ 15,587	\$ 22,455
Due to:			
Other funds	--	--	--
Current liabilities payable from restricted assets:			
Refunds due customers	--	--	--
Customer deposits	--	--	--
Total liabilities	6,868	15,587	22,455
 NET POSITION			
Net investment in capital assets	145,143	36,128	181,271
Restricted for:			
Customer deposits	--	--	--
Unrestricted	495,807	53,126	548,933
Total net position	\$ 640,950	\$ 89,254	\$ 730,204

The notes to the financial statements are an integral part of this statement.

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Functions / Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 388,667	\$ 5,275	--	\$ (383,392)	\$ --	\$ (383,392)
Public safety	139,517	--	--	(139,517)	--	(139,517)
Streets and transportation	135,919	47,189	--	(88,730)	--	(88,730)
Health and sanitation	40,304	35,883	--	(4,421)	--	(4,421)
Culture and recreation	830	--	--	(830)	--	(830)
Social services	--	--	--	--	--	--
Total governmental activities	705,237	88,347	--	(616,890)	--	(616,890)
Business type activities:						
Water Fund	191,837	58,684	--	--	(133,153)	(133,153)
Sewer Fund	150,578	73,803	--	--	(76,775)	(76,775)
Total business type activities	342,415	132,487	--	--	(209,928)	(209,928)
Total primary government	\$ 1,047,652	\$ 220,834	--	(616,890)	(209,928)	(826,818)
General revenues:						
Taxes				462,240	--	462,240
Licenses and permits				1,081	--	1,081
Fines and forfeits				36,634	--	36,634
Unrestricted investment earnings				292	--	292
Miscellaneous				276,705	405,104	681,809
Total general revenues				776,952	405,104	1,182,056
Change in net assets				160,062	195,176	355,238
Net position - beginning, restated				480,888	(105,922)	374,966
Net position - ending				\$ 640,950	\$ 89,254	\$ 730,204

The notes to the financial statements are an integral part of this statement.

TOWN OF GLASGOW, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General	Coal Severance Tax	Infrastructure	Total Governmental Funds
ASSETS				
Current:				
Cash and cash equivalents	\$ 356,271	\$ 2,000	\$ 17,563	\$ 375,834
Receivables:				
Taxes	1,768	--	--	1,768
Accounts	14,763	--	20,619	35,382
Due from other funds	89,691	--	--	89,691
 Total assets	 \$ 462,493	 \$ 2,000	 \$ 38,182	 \$ 502,675
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,868	\$ --	\$ --	\$ 6,868
Total liabilities	6,868	--	--	6,868
 FUND BALANCES				
Unassigned	455,625	--	--	455,625
Assigned	--	2,000	38,182	40,182
Total fund balances	455,625	2,000	38,182	495,807
Total liabilities and fund balances	\$ 462,493	\$ 2,000	\$ 38,182	\$ 502,675

The notes to the financial statements are an integral part of this statement.

TOWN OF GLASGOW, WEST VIRGINIA
RECONCILIATION OF BALANCE SHEET -GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances on the governmental fund's balance sheet	\$ 495,807
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The amount reported net of accumulated depreciation is:	145,143
	<hr/>
Net position of governmental activities	\$ <u><u>640,950</u></u>

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	General	Coal Severance Tax	Infrastructure	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 69,836	\$ --	\$ --	\$ 69,836
Business & occupation tax	385,734	--	--	385,734
Utility excise tax	962	--	--	962
Gas and oil severance tax	2,882	--	--	2,882
Coal severance tax	--	2,826	--	2,826
Licenses and permits	1,081	--	--	1,081
Charges for services	41,158	--	47,189	88,347
Fines and forfeits	36,634	--	--	36,634
Interest and investment earnings	292	--	--	292
Refunds	9,411	--	--	9,411
Reimbursements	--	--	--	--
Sale of fixed assets	139,937	--	--	139,937
Contributions and donations	4,636	--	--	4,636
Miscellaneous	57,567	--	--	57,567
Total revenues	750,130	2,826	47,189	800,145
EXPENDITURES				
General government	388,667	--	--	388,667
Public safety	139,517	--	--	139,517
Streets and transportation	84,258	179	9,007	93,444
Health and sanitation	40,304	--	--	40,304
Culture and recreation	830	--	--	830
Total expenditures	653,576	179	9,007	662,762
Excess (deficiency) of revenues over (under) expenditures	96,554	2,647	38,182	137,383
Fund balances - beginning	359,071	(647)	--	358,424
Fund balances - ending	\$ 455,625	\$ 2,000	\$ 38,182	\$ 495,807

The notes to the financial statements are an integral part of this statement

TOWN OF GLASGOW, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	137,383
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Capital outlays are reported as an expenditure in the governmental funds. 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 of the net effect of capital outlay and depreciation expense charged during the year.

22,679

Change in net position of governmental activities	\$	<u><u>160,062</u></u>
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TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts <u>Budget Basis</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 72,191	\$ 72,191	\$ 69,836	\$ (2,355)
Business & occupation tax	18,000	18,000	385,734	367,734
Alcoholic beverages tax	--	--	962	962
Utility services tax	3,000	3,000	--	(3,000)
Gas and oil severance tax	750	750	2,882	2,132
Licenses and permits	1,200	1,200	1,081	(119)
Intergovernmental:				
State	--	--	--	--
Charges for services	132,950	132,950	41,158	(91,792)
Fines and forfeits	4,000	4,000	36,634	32,634
Interest and investment earnings	--	--	292	292
Refunds	--	--	9,411	9,411
Miscellaneous	6,000	6,000	57,567	51,567
	<u>238,091</u>	<u>238,091</u>	<u>750,130</u>	<u>512,039</u>
EXPENDITURES				
General government	126,154	126,154	388,667	(262,513)
Public safety	36,000	36,000	139,517	(103,517)
Streets and transportation	57,000	57,000	84,258	(27,258)
Health and sanitation	136,500	136,500	40,304	96,196
Culture and recreation	3,000	3,000	830	2,170
Social services	1,000	1,000	--	1,000
Capital projects	--	--	--	--
	<u>359,654</u>	<u>359,654</u>	<u>653,576</u>	<u>(293,922)</u>
Excess (deficiency) of revenues over (under) expenditures	(121,563)	(121,563)	96,554	218,117
Fund balances - beginning	<u>121,563</u>	<u>121,563</u>	<u>359,071</u>	<u>237,508</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 455,625</u>	<u>\$ 455,625</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts <u>Budget Basis</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Coal severance tax	\$ <u>750</u>	\$ <u>750</u>	\$ <u>2,826</u>	\$ <u>2,076</u>
Total revenues	<u>750</u>	<u>750</u>	<u>2,826</u>	<u>2,076</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>850</u>	<u>850</u>	<u>--</u>	<u>850</u>
Total expenditures	<u>850</u>	<u>850</u>	<u>179</u>	<u>671</u>
Excess (deficiency) of revenues over (under) expenditures	(100)	(100)	2,647	2,747
Fund balances - beginning	<u>100</u>	<u>100</u>	<u>(647)</u>	<u>(747)</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current:			
Cash and cash equivalents	\$ --	\$ --	\$ --
Receivables:			
Accounts receivable	--	68,713	68,713
Prepaid expenses	--	--	--
	--	68,713	68,713
Total current assets	--	68,713	68,713
Restricted:			
Customer deposits	--	--	--
	--	--	--
Total restricted assets	--	--	--
Capital assets:			
Land	--	--	--
Plant and equipment	--	910,210	910,210
Less: accumulated depreciation	--	(874,082)	(874,082)
	--	36,128	36,128
Total capital assets (net of accumulated depreciation)	--	36,128	36,128
Total assets	\$ --	\$ 104,841	\$ 104,841

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	\$ --	\$ 15,587	\$ 15,587
Payroll payable	--	--	--
Due to:			
Other funds	--	--	--
Total current liabilities payable from current assets	--	15,587	15,587
Current liabilities payable from restricted assets:			
Customer deposits	--	--	--
Total liabilities	--	15,587	15,587
NET POSITION			
Net investment in capital assets	--	36,128	36,128
Restricted	--	--	--
Unrestricted	--	53,126	53,126
Total net position	\$ --	\$ 89,254	\$ 89,254

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Sales and services to customers	\$ 58,684	\$ 73,803	\$ 132,487
Total revenues	58,684	73,803	132,487
Operating expenses:			
Operation and maintenance expense	190,385	147,142	337,527
Depreciation	1,452	3,436	4,888
Total operating expenses	191,837	150,578	342,415
Operating income (loss)	(133,153)	(76,775)	(209,928)
Nonoperating revenues (expenses):			
Interest revenue	--	--	--
Close out of water system due to sale	205,104	--	205,104
Other income - sale of water system	200,000	--	200,000
Total nonoperating revenues (expenses)	405,104	--	405,104
Change in net position	271,951	(76,775)	195,176
Net position at beginning of year	(271,951)	166,029	(105,922)
Net position at end of year	\$ --	\$ 89,254	\$ 89,254

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		<u>Totals</u>
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	
Cash flows from operating activities:			
Cash received from customers	\$ 49,684	\$ 62,861	\$ 112,545
Cash paid for goods and services	(191,837)	(174,082)	(365,919)
Other income adjustments	47,376	(13,475)	33,901
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>(94,777)</u>	<u>(124,696)</u>	<u>(219,473)</u>
Cash flows from noncapital financing activities:			
Miscellaneous	<u> --</u>	<u> --</u>	<u> --</u>
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by noncapital financing activities	<u> --</u>	<u> --</u>	<u> --</u>
Cash flows from capital and related financing activities:			
Proceeds from the sales of capital assets	200,000	--	200,000
Net increase or decrease in short-term debt	(106,034)	--	(106,034)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	<u>93,966</u>	<u> --</u>	<u>93,966</u>
Cash flows from investing activities:			
Interest received	<u> --</u>	<u> --</u>	<u> --</u>
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	<u> --</u>	<u> --</u>	<u> --</u>
Cash flows from nonoperating activities:			
Other adjustments	--	93,111	93,111
Net increase (decrease) in customer deposits	811	(50)	761
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by nonoperating activities	<u>811</u>	<u>93,061</u>	<u>93,872</u>
Net increase (decrease) in cash and cash equivalents	--	(31,635)	(125,601)
Cash and cash equivalents, June 30, 2019 (including \$4,011 in restricted cash)	<u>4,340</u>	<u>31,635</u>	<u>35,975</u>
Cash and cash equivalents, June 30, 2020 (including \$0 in restricted cash)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

TOWN OF GLASGOW, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		<u>Totals</u>
	Water	Sewer	
	<u>Fund</u>	<u>Fund</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (133,153)	\$ (76,775)	\$ (209,928)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,452	3,436	4,888
Decrease (increase) in accounts receivable	73,450	(10,942)	62,508
Increase (decrease) in accounts payable	(22,864)	(6,031)	(28,895)
Other adjustments	<u>(13,662)</u>	<u>(13,475)</u>	<u>(27,137)</u>
Net cash provided by operations	<u>\$ (94,777)</u>	<u>\$ (103,787)</u>	<u>\$ (198,564)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted, the accounting policies of the Town of Glasgow, West Virginia, (the Town) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The government of the Town of Glasgow is a municipal corporation governed by an elected mayor and a five member council. The accompanying financial statements present the government as prescribed by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Town, health and sanitation services, cultural and recreational programs, water, sewer, and other governmental services.

The accompanying financial statements present the government as required by accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Town. Based upon the above criteria, the Town does not have any component units.

B. Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties and municipalities.

The *Infrastructure fund*, a special revenue fund, accounts for the revenues and expenditures from the infrastructure fee imposed on town residents.

The government reports the following major proprietary funds:

The *Water fund* serves the citizens of the Town of Glasgow by providing water services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the Town's council.

TOWN OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

The *Sewer fund* serves the citizens of the Town of Glasgow by providing sanitary sewer services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the Town's council.

The Town of Glasgow follows Governmental Accounting Standards Board (GASB) guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the sewer fund is charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Town of Glasgow's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of less than three months from the date of acquisition.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

TOWN OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of cash and investments is presented in Note III.A.

State statutes authorize the Town to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the SEC which have fund assets over three hundred million dollars.

2. Receivables and Payables

All accounts receivable are shown at their net value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Accounts payable are shown at the net amount due.

Property Taxes

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September 1st of the year for which the assessment is made, and becomes delinquent on October 1st; the second installment is payable on the first day of the following March and becomes delinquent on April 1st. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid. Property taxes are collected by the county sheriff and the State Auditor and remitted on a monthly basis to the Town.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates cannot to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

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The rates levied by the Town of Glasgow per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2020, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Taxes Levied
Class I	\$ -	12.50 cents	\$ - -
Class II	10,581,746	25.00 cents	26,455
Class IV	10,533,606	50.00 cents	52,668
Totals	<u>\$ 21,115,352</u>		<u>\$ 79,123</u>

3. Inventories and Prepaid Items

There are no material inventories maintained; therefore they do not appear on the financial statements.

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-20
Utility plant	10-20
Equipment	3-10

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Any interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

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5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Compensated absences have not been recorded for the noncurrent portion of this accumulated leave, but the amount is considered to be immaterial.

6. Fund Balance and Equity Classification

In the governmental fund financial statements, fund balance is reported in five classifications:

Nonspendable	Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
Restricted	Amounts with constraints imposed on their use, either by external creditors, grantors, contributors, or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation.
Committed	Amounts that can only be used for purposes pursuant to constraints imposed by formal action of the Town Council.
Assigned	Amounts that are constrained by the Town's intent to be used for specific purposes.
Unassigned	Residual fund balance that has not been restricted, committed or assigned.

The Town Council is the government's highest level of decision-making authority. The Town Council may take formal action to establish, modify or rescind a fund balance commitment or to assign fund balance amounts to a specific purpose. The Town Council has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be made from restricted resources first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Council has the authority to deviate from this policy if it is in the best interest of the government.

In the proprietary fund financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Fund, except that business and occupation taxes are not reported on the modified accrual basis for budgetary purposes. All annual appropriations lapse at fiscal year end.

The governing body of the Town is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Town and to prepare the levy estimate (budget) for the fiscal year commencing July 1. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts.

Encumbrance accounting is not employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) should be reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The amount of encumbrances applicable to the Town is considered to be insignificant to the financial statements.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the Town's bank balances were \$375,834, which were entirely covered by Federal Deposit Insurance Corporation coverage or by collateralized securities held by the pledging financial institution, except for the funds invested with the West Virginia Municipal Bond Commission, which is not insured. These funds are leftover from a paid off general obligation bond issue from 2002, and can be withdrawn by the Town at any time.

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The Town's cash and investment balance at June 30, 2020 was composed of the following accounts:

General Checking	\$ 334,471
Water Security Deposit Checking	0
West Virginia Municipal Bond Commission	<u>41,363</u>
Total cash and investments	<u>\$ 375,834</u>

B. Receivables

Receivables at year end for the government's individual funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Infrastructure</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Receivables:				
Accounts	\$ 14,763	\$ 20,619	\$ -	\$ 68,713
Taxes	1,768	-	-	-
Due from other funds	<u>89,691</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 104,454</u>	<u>\$ 20,619</u>	<u>\$ -</u>	<u>\$ 68,713</u>

C. Capital Assets

Capital Asset activity for the Town for the fiscal year ended June 30, 2020, was as follows:

	<u>Primary Government</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 425,000	\$ --	\$ --	\$ 425,000
Machinery and equipment	332,557	--	--	332,557
Less: accumulated depreciation	<u>(569,939)</u>	<u>(42,475)</u>	<u>--</u>	<u>(612,414)</u>
Total capital assets being depreciated, net	<u>187,618</u>	<u>(42,475)</u>	<u>--</u>	<u>145,143</u>
Total governmental activities capital assets, net	<u>\$ 187,618</u>	<u>\$ (42,475)</u>	<u>\$ -</u>	<u>\$ 145,143</u>

The amount of depreciation expense charged to governmental activities was:

Streets and transportation	<u>\$ 42,475</u>
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Business-type activities:

Capital assets not being depreciated:

Land	<u>\$ 500</u>	<u>\$ --</u>	<u>(\$ 500)</u>	<u>\$ --</u>
Total capital assets, not being depreciated	<u>500</u>	<u>--</u>	<u>(500)</u>	<u>--</u>

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Capital assets being depreciated:				
Structures and improvements	1,032,370	--	(223,551)	808,819
Transmission and distribution	111,435	--	(36,957)	74,478
Machinery and equipment	26,400	--	--	26,400
Furniture and fixtures	11,155	--	(10,642)	513
Less: accumulated depreciation	<u>(1,162,473)</u>	<u>(4,888)</u>	<u>293,279</u>	<u>(874,082)</u>
Total capital assets being depreciated, net	<u>18,887</u>	<u>(4,888)</u>	<u>22,129</u>	<u>36,128</u>
Business-type activities capital assets, net	<u>\$ 19,387</u>	<u>(\$ 4,888)</u>	<u>\$ 21,629</u>	<u>\$ 36,128</u>

NOTE: The Town sold the water system to West Virginia American Water as of January 2020.

The amount of depreciation expense charged to business-type activities was:

Water	\$ 1,452
Sewer	<u>3,436</u>
Total depreciation charged to business-type activities	<u>\$ 4,888</u>

IV. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance for these various risks, including workers compensation coverage for its employees.

B. Custodial Credit Risk and Interest Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time. The Town's deposits did not exceed the amount of coverage at any time during the year.

The Town has no interest rate risk policy.

C. Subsequent Events

The Town's management has evaluated the effect that subsequent events would have on the financial statements through May 24, 2022, which is the date the financial statements were available to be released.

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D. Sale of Town Water System

On April 4, 2019, the Town of Glasgow entered into an Asset Purchase Agreement with West Virginia American Water to purchase the Town's water transmission, distribution, and storage utility plant assets, consisting of water transmission lines, storage lines, booster stations, pressure reducing stations, laterals, valves, connections, meters, services, hydrants, service lines, and other facilities and equipment, including all extensions and improvements or additions thereto made until closing, together with all lands and interests therein, including rights of way, easements, permits, rights, certificates of convenience and necessity, and certain other tangible and intangible assets owned or held by Glasgow and used, useful, necessary or incidental in providing water services to the customers of Glasgow, excluding wastewater facilities in exchange for \$200,000. This agreement was finalized and the transfer of Town assets was executed on January 30, 2020.

V. Employee Retirement Systems and Plans

The Town of Glasgow is not a member of any retirement system or other post-employment benefits system.