



AUDITED FINANCIAL STATEMENTS

TOWN OF GLASGOW

YEAR ENDED JUNE 30, 2022



DAVID L. HOWELL
Certified Public Accountants

TOWN OF GLASGOW

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TOWN OF GLASGOW

SCHEDULE OF FUNDS INCLUDED IN THE FINANCIAL REPORT

Year Ended June 30, 2022

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General Fund
Coal Severance Tax Fund
American Rescue Plan Act Fund
Infrastructure Fund

PROPRIETARY FUND TYPES

Sewer Fund

TOWN OF GLASGOW

MUNICIPAL OFFICIALS

Year Ended June 30, 2022

OFFICE	NAME	TERM
<u>ELECTIVE</u>		
Mayor:	Donald Fannin	07-01-19 / 06-30-23
Recorder:	Jay Ward	07-01-19 / 06-30-23
Council Members:	John Alderson	07-01-19 / 06-30-23
	Marty Blankenship	07-01-19 / 06-30-23
	Eddie Hamilton	07-01-19 / 06-30-23
	Diane Leadmon	07-01-19 / 06-30-23
	Mike Szerokman	07-01-19 / 06-30-23
<u>APPOINTED</u>		
Town Clerk:	Natalie Smith	

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Recorder and Council of the
Town of Glasgow
Glasgow, West Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Glasgow (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, and each major fund of the Town, 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 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 Town 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 audit opinions.

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 Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.



David L. Howell, CPA
Belle, West Virginia
February 10, 2025

TOWN OF GLASGOW
STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 653,308	2,441	655,749
Receivables:			
Accounts	50,088	19,317	69,405
Taxes	51,418	-	51,418
Due from other funds	65,022	(65,022)	-
Restricted assets	-	41,438	41,438
Capital Assets, net	109,991	57,056	167,047
 Total assets	 929,827	 55,230	 985,057
LIABILITIES			
Current liabilities:			
Accounts payable	550	2,301	2,851
Customer deposits	-	947	947
 Total liabilities	 550	 3,248	 3,798
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to grants	257,813	-	257,813
Total deferred inflow of resources	257,813	-	257,813
 NET POSITION			
Net investment in capital assets	109,991	57,056	167,047
Restricted	-	41,438	41,438
Unrestricted	561,473	(46,512)	514,961
 Total net position	 \$ 671,464	 51,982	 723,446

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions / Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 196,703	53,274	92,516	(50,913)	-	(50,913)
Public safety	118,850	-	-	(118,850)	-	(118,850)
Streets and transportation	116,064	-	-	(116,064)	-	(116,064)
Health and sanitation	40,854	56,471	-	15,617	-	15,617
Total governmental activities	472,471	109,745	92,516	(270,210)	-	(270,210)
Business type activities:						
Sewer	145,130	110,782	-	-	(34,348)	(34,348)
Total business type activities	145,130	110,782	-	-	(34,348)	(34,348)
Total primary government	\$ 617,601	220,527	92,516	(270,210)	(34,348)	(304,558)
General revenues:						
Taxes				259,681	-	259,681
Licenses and permits				1,355	-	1,355
Unrestricted investment earnings				218	40	258
Miscellaneous				35,323	894	36,217
Total general revenues				296,577	934	297,511
Change in net position before transfers				26,367	(33,414)	(7,047)
Transfers in (out)				(57,415)	57,415	-
Change in net position				(31,048)	24,001	(7,047)
Net position - beginning, as restated				702,512	27,981	730,493
Net position - ending				\$ 671,464	\$ 51,982	\$ 723,446

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	General	Coal Severance Tax	American Rescue Plan Act	Infrastructure	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 489,676	8,446	94,874	60,312	653,308
Due from (to) other funds	(101,195)	-	162,939	3,278	65,022
Receivables:					
Accounts	25,122	-	-	26,296	51,418
Taxes	49,160	928	-	-	50,088
Total assets	<u>\$ 462,763</u>	<u>9,374</u>	<u>257,813</u>	<u>89,886</u>	<u>819,836</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 550	-	-	-	550
Total liabilities	550	-	-	-	550
Deferred Inflows of Resources					
Deferred inflows related to grants	-	-	257,813	-	257,813
Total deferred inflows of resources	-	-	257,813	-	257,813
Fund Balances					
Assigned	-	9,374	-	89,886	99,260
Unassigned	462,213	-	-	-	462,213
Total fund balances	462,213	9,374	-	89,886	561,473
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 462,763</u>	<u>9,374</u>	<u>-</u>	<u>89,886</u>	<u>819,836</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2022

Fund balances, fund level statement June 30, 2022	\$ 561,473
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.	<u>109,991</u>
Net position of governmental activities	<u>\$ 671,464</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	General	Coal Severance Tax	American Rescue Plan Act	Infrastructure	Total Governmental Funds
REVENUES					
Taxes	\$ 256,934	2,747	-	-	259,681
Intergovernmental:					
State	24,451	-	-	-	24,451
Federal	-	-	68,065	-	68,065
Charges for services	56,471	-	-	53,274	109,745
Licenses and permits	1,355	-	-	-	1,355
Interest	218	-	-	-	218
Miscellaneous	23,418	1,083	-	172	24,673
Total revenues	362,847	3,830	68,065	53,446	488,188
EXPENDITURES					
General government	148,099	-	-	34,437	182,536
Public safety	85,594	-	-	-	85,594
Streets and transportation	133,836	-	-	15,674	149,510
Health and sanitation	40,854	-	-	-	40,854
Capital Projects	-	-	10,650	-	10,650
Total expenditures	408,383	-	10,650	50,111	469,144
Excess (deficiency) of revenues over (under) expenditures	(45,536)	3,830	57,415	3,335	19,044
Other Financing Sources (Uses)					
Operating Transfers in	-	-	-	-	-
Operating Transfers (out)	-	-	(57,415)	-	(57,415)
Total other financing sources (uses)	-	-	(57,415)	-	(57,415)
Net change in fund balances	(45,536)	3,830	-	3,335	(38,371)
Fund balances - beginning, as restated	507,749	5,544	-	86,551	599,844
Fund balances - ending	\$ 462,213	\$ 9,374	\$ -	\$ 89,886	\$ 561,473

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

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 balance - total governmental funds	\$ (38,371)
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.	<u>7,323</u>
Change in net position of governmental activities	<u>\$ (31,048)</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2022

	Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,441
Due from (to) other funds	(65,022)
Receivables:	
Accounts receivable	19,317
Total current assets	(43,264)
Noncurrent assets:	
Restricted assets	41,438
Capital assets:	
Machinery and equipment	110,886
Transmission and collection	862,566
Less: accumulated depreciation	(916,396)
Total capital assets, net	57,056
Total noncurrent assets	98,494
Total assets	55,230
LIABILITIES	
Current liabilities:	
Accounts payable	2,301
Total current liabilities	2,301
Noncurrent liabilities:	
Customer deposits	947
Total noncurrent liabilities	947
Total liabilities	3,248
NET POSITION	
Net investment in capital assets	57,056
Restricted	41,438
Unrestricted	(46,512)
Total net position	\$ 51,982

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year Ended June 30, 2022

	Sewer
Operating Revenues	
Sales and services to customers	\$ 109,019
Foreited discounts	1,763
Miscellaneous revenues	894
Total operating revenues	111,676
Operating Expenses	
Operation and maintenance expense	106,215
Depreciation	38,878
Total operating expenses	145,093
Operating income (loss)	(33,417)
Nonoperating Revenues (Expenses)	
Interest revenue	40
Interest and fiscal charges	(37)
Transfers in (out)	57,415
Total nonoperating revenues (expenses)	57,418
Change in net position	24,001
Net position at beginning of year, as restated	27,981
Net position at end of year	\$ 51,982

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2022

	Sewer
Cash Flows from Operating Activities	
Cash received from customers	\$ 113,446
Cash paid for goods and services	(49,563)
Cash paid to employees	(57,647)
	<u>6,236</u>
Net cash provided (used) by operating activities	6,236
Cash Flows from Noncapital and Related Financing Activities	
Transfers (to) from other funds	57,415
Capital asset activity	(63,242)
Interest paid	(37)
	<u>(5,864)</u>
Net cash provided (used) by noncapital and related financing activities	(5,864)
Cash Flows from Investing Activities	
Interest received	40
Increase (decrease) customer deposit	(147)
(Increase) decrease restricted assets	(40)
	<u>(147)</u>
Net cash provided (used) by investing activities	(147)
Net increase (decrease) in cash	225
Cash, beginning of year	2,216
Cash, end of year	<u>\$ 2,441</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(33,417)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	38,878
Decrease (increase) in accounts receivable	1,770
Decrease (increase) in prepaid expenses	505
Due from (to) other funds	2,438
Increase (decrease) in accounts payable	(3,938)
	<u>6,236</u>
Net cash provided (used) by operating activities	<u>6,236</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 policies:

A. Reporting Entity

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

The services provided by the government and accounted for within these financial statements include law enforcement for the Town and other governmental services.

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 primary 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.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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 periods. For this purpose, the government considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 Fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The *Infrastructure Fund*, a special revenue fund, accounts for revenues and expenditures from infrastructure.

The *American Rescue Plan Act Fund*, a special revenue fund, accounts for revenues and expenditures from ARPA funds.

The government reports the following major proprietary fund:

The *Sewer Fund* serves the citizens of the Town of Glasgow by providing sewerage 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 government's elected council.

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 revenues of the Sewer fund are 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, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Deposits and Investments

The Town of Glasgow, West Virginia'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. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investments and for External Investment Pools*, the Town 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 change in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

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 investments and fair values are presented in Note 3.A.

State statutes authorized the government 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 deeds of trust 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 in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the S.E.C. which have fund assets over three hundred million dollars.

State statute §8-13-22c places limitations on the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Trade Receivables

The government periodically analyzes delinquent accounts and uses the direct write-off method. Accounts written off during the year were immaterial.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property Tax Receivable

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. 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.

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 and excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Town per \$100 of assess valuation for each class of property for the fiscal year ended June 30, 2022, were as follows:

<u>Class of Property</u>	<u>Assessed Valuation For Tax Purposes</u>	<u>Current Expense</u>
Class II	\$ 10,548,586	25.00 cents
Class IV	10,588,914	50.00 cents
Totals	<u>\$ 21,137,500</u>	

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Transmission and distribution	40 - 50
Machinery and equipment	5 - 10

5. Compensated Absences

It is the government's policy to require employees to use all earned vacation time by the end of the fiscal year; therefore no liability is reported for vacation leave. No liability is reported for unpaid accumulated sick leave.

6. Fund Balance

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

Nonspendable	Inventories and prepaid amounts represent fund balance amounts that are not in spendable form.
Restricted	The restricted category is the portion of fund balance that is externally imposed by creditors, grantors, contributors or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation.
Committed	The committed category is the portion of fund balance whose use is constrained by limitations have been approved by an order (the highest level of formal action) of the Town Council, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Assigned	The assigned category is the portion of fund balance that has been approved by formal action of the Town Council/other official authorized to assign amounts for any amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The government does not have any assigned fund balance this fiscal year..
Unassigned	The unassigned category is the portion of fund balance that has not been reported in any other classification. Only the general fund can report a positive amount of unassigned fund balance. However, any governmental fund in a deficit position could report a negative amount of unassigned fund balance.

The Town Council is the government's highest level of decision-making authority. The Council would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose. The government 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 spent from restricted fund balance first. Followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The government has the authority to deviate from this policy if it is in the best interest of the Town.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town of Glasgow, West Virginia prepares its budget on the cash basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Funds.

The governing body of the Town is required to hold a meeting or meetings between the seventh and twenty-eighth day 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 son the third Tuesday in April to hear objections from the public and formally lay the levy

The appropriated budget is prepared to 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.

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits

The Town reporting entity considered highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. It is the Town's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at June 30, 2022. The categories are described as follows:

Deposits	Bank Balance	Category			Carrying Amount
		1	2	3	
Primary Government					
General Fund	\$ 497,878	497,878	-	-	489,676
Coal Severance Fund	8,446	8,446	-	-	8,446
Sewer Fund	2,441	2,441	-	-	2,441
Total Primary Government	<u>\$ 508,765</u>	<u>508,765</u>	<u>-</u>	<u>-</u>	<u>500,563</u>
Restricted Assets					
Sewer Fund	<u>\$ 41,438</u>	<u>41,438</u>	<u>-</u>	<u>-</u>	<u>41,438</u>

B. Receivables

Receivables at year end for the government's individual major funds are as follows:

	General	Coal Severance	Infrastructure	Sewer Fund	Total
Receivables:					
Accounts	\$ 25,122	-	26,296	19,317	70,735
Taxes	49,160	928	-	-	50,088
Total receivables, net	<u>\$ 74,282</u>	<u>\$ 928</u>	<u>\$ 26,296</u>	<u>\$ 19,317</u>	<u>\$ 120,823</u>

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 425,000	57,628	-	482,628
Machinery and equipment	332,557	-	-	332,557
Totals at Historical Cost	757,557	57,628	-	815,185
Less: accumulated depreciation	(654,889)	(50,305)	-	(705,194)
Total governmental activities capital assets, net	\$ 102,668	7,323	-	109,991
Business-type activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 47,644	63,242	-	110,886
Transmission and collection	862,566	-	-	862,566
Totals at Historical Cost	910,210	63,242	-	973,452
Less: accumulated depreciation	(877,518)	(38,878)	-	(916,396)
Total capital assets being depreciated, net	32,692	24,364	-	57,056
Total Business-type activities capital assets, net	\$ 32,692	24,364	-	57,056

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 14,167
Public safety	33,256
Streets and Transportation	2,882
Total depreciation expense-governmental activities	\$ 50,305

D. Fund Balance Detail

At year-end, the detail of the government's fund balances is as follows:

	General Fund	Coal Severance	American Rescue Plan Act	Infrastructure Fund	Total
Committed					
General Government	\$ -	9,374	-	89,886	99,260
Unassigned	462,213	-	-	462,213	462,213
Total fund balance	\$ 462,213	9,374	-	552,099	561,473

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

G. Restricted Assets

The balances of the restricted assets accounts for the primary government are as follows:

	Business-Type Activities
Renewal and replacement accounts	\$ 41,438
Total restricted assets	<u>\$ 41,438</u>

NOTE 4. 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 umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonable estimated.

B. Contingent Liabilities

The Town is not aware of any pending lawsuits or unasserted claims against the Town of Glasgow.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5. RESTATEMENTS

The Town had the following restatements to both fund balance and net position

General Fund

Fund balance as previously stated	\$ 466,068
Understatement of accounts receivable	1,379
Understatement of taxes receivable	44,330
Understatement of due to other funds	<u>(4,028)</u>
Fund balance as restated	<u>\$ 507,749</u>

Coal Severance Fund

Fund balance as previously stated	\$ 466,068
Understatement of taxes receivable	<u>2,051</u>
Fund balance as restated	<u>\$ 468,119</u>

Infrastructure

Fund balance as previously stated	\$ 84,061
Understatement of accounts receivable	<u>2,490</u>
Fund balance as restated	<u>\$ 86,551</u>

Governmental Activities

Net position as previously stated	\$ 656,290
Understatement of accounts receivable	3,869
Understatement of taxes receivable	46,381
Overstatement of due from other funds	<u>(4,028)</u>
Net position as restated	<u>\$ 702,512</u>

Sewer Fund

Net position as previously stated	\$ (13,417)
Understatement of restricted assets	<u>41,398</u>
Net position as restated	<u>\$ 27,981</u>

Business-Type Activities

Net position as previously stated	\$ (13,417)
Understatement of restricted assets	<u>41,398</u>
Net position as restated	<u>\$ 27,981</u>

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. SUBSEQUENT EVENTS

The Town has considered all subsequent events through February 10, 2025 the date the financial statement were made available.

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GLASGOW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts Budget Basis	Budget To GAAP Differences	Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes	\$ 224,664	224,664	256,934	-	256,934	32,270
Licenses and permits	445	445	1,355	-	1,355	910
Intergovernmental:						
State	10,972	10,972	24,451	-	24,451	13,479
Charges for services	180,000	180,000	56,471	-	56,471	(123,529)
Fines and forfeits	2,000	2,000	-	-	-	(2,000)
Interest and investment earnings	-	-	218	-	218	218
Miscellaneous	-	-	23,418	11,905	35,323	23,418
Total revenues	418,081	418,081	362,847	11,905	374,752	(55,234)
EXPENDITURES						
General government	338,847	330,927	148,099	48,604	196,703	182,828
Public safety	96,500	134,453	85,594	33,256	118,850	48,859
Streets and transportation	142,000	146,160	133,836	18,556	152,392	12,324
Health and sanitation	130,000	130,000	40,854	-	40,854	89,146
Culture and recreation	5,000	5,000	-	-	-	5,000
Social services	8,500	8,500	-	-	-	8,500
Total expenditures	720,847	755,040	408,383	100,416	508,799	346,657
Net change in fund balance	(302,766)	(336,959)	(45,536)	(88,511)	(134,047)	291,423
Fund balances - beginning	302,766	336,959	507,749	182,219	696,968	170,790
Fund balances - ending	\$ -	-	462,213	93,708	562,921	462,213

See independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND

Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts Budget Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes	\$ 2,094	3,493	2,747	-	2,747	(746)
Miscellaneous	-	-	1,083	-	1,083	1,083
Total revenues	2,094	3,493	3,830	-	3,830	337
EXPENDITURES						
Current:						
Culture and recreation	5,193	6,592	-	-	-	6,592
Total expenditures	5,193	6,592	-	-	-	6,592
Net change in fund balance	(3,099)	(3,099)	3,830	-	3,830	(6,255)
Fund balances - beginning	3,099	3,099	5,544	-	5,544	2,445
Fund balances - ending	\$ -	-	9,374	\$ -	\$ 9,374	(3,810)

See independent auditor's report.

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

To the Honorable Mayor, Recorder and Council of the
Town of Glasgow
Glasgow, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Glasgow (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2022-002 through 2022-003.

Town's Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on The Town's response to the findings identified in our audit and described in the accompanying schedule of findings. The Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David L. Howell, CPA
Belle, West Virginia
February 10, 2025

TOWN OF GLASGOW

SCHEDULE OF FINDINGS

Year Ended June 30, 2022

2022-001 SEGREGATION OF DUTIES

CONDITION:

It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions were not assigned to different individuals.

CRITERIA:

Proper internal control dictates responsibility for approving, executing and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas.

CAUSE:

Management has not implemented proper control procedures to sufficiently segregate duties.

EFFECT:

Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

REPEAT FINDING

Yes

PRIOR YEAR FINDING NUMBER

2021-001

RECOMMENDATION:

Town officials should distribute among the accounting staff the duties of approving, executing, and recording transactions to the extent as being economically practicable.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Town officials will evaluate their operations and strive to segregate duties to the extent of being economically feasible.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2022

2022-002 SUBSIDIZING OPERATIONS - SEWER

CONDITION:

It was determined during our audit that Town officials paid certain expenses of the Sewer Fund out of the General Fund. Although municipalities may make grants to their utility systems, such grants must be to fund plant expansion or to pay for unforeseen repair costs.

CRITERIA:

An opinion of the State Attorney General rendered April 3, 1979, (38 Op. Att'y Gen. 60 (1979) states in part that:

“...It is the opinion that

- (1) a municipal corporation may not loan monies to its utility systems no matter what the source of the funds
- (2) the municipal corporation may make non binding grants to a municipal utility to fund plant expansion or to pay for unforeseen repair costs and those grants may include revenue sharing funds received by the municipality and
- (3) a municipal corporation may not subsidize the operations of its utilities with federal revenue sharing funds or any other funds in order to forego the necessity of increasing user charges to those levels prescribed by law...”

CAUSE:

Town officials paid expenses for the Sewer Fund from the General Fund.

EFFECT:

The Sewer Fund is not operating as an independent fund and is being subsidized by the General Fund.

REPEAT FINDING

Yes

PRIOR YEAR FINDING NUMBER

2021-004

RECOMMENDATIONS:

Town officials are directed to discontinue subsidizing the operations of the Sewer Fund from other municipal funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Town staff will review the West Virginia State Auditor's document "Municipal Government Guideline to the Budget Process" and monitor the actual expenditures so as to avoid over expending funds in the future.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2022

2022-003 WORKING CAPITAL RESERVE - SEWER

CONDITION:

It was determined during our audit that the Town did not establish a sufficient working capital reserve for its Sewer Fund to comply with Senate Bill No. 234 for the fiscal year ended June 30, 2022.

CRITERIA:

The Senate Bill No. 234 states in part that:

“...further finds that an adequate cash working capital fund is essential to allow water and sewer utilities that are political subdivisions of the state to deliver continuous and compliant service. Therefore, these utilities shall maintain a working capital reserve in an amount of no less than one eighth of actual annual operation and maintenance expense. This reserve shall be separate and distinct from and in addition to any repair and replacement fund that may be required by bond covenants.”

CAUSE:

Town officials did not have policies and procedures in place to ensure that established sewer rates were sufficient to meet the provisions of Senate Bill 234.

EFFECT:

Revenues of the Sewer Fund were not adequate to meet general obligations and to have a sufficient working capital reserve.

REPEAT FINDING

Yes

PRIOR YEAR FINDING NUMBER

2021-006

RECOMMENDATION:

Town officials are directed to review this statute and develop policies and procedures to comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Town will review Senate Bill No. 234 and their current rates and apply to the Public Service Commission for a rate increase in future years in order to establish an adequate working capital reserve.

TOWN OF GLASGOW

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2022

<u>Finding Number</u>	<u>Finding Description</u>	<u>Status</u>
2021-001	Segregation of Duties	Uncorrected
2021-002	Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund	Corrected
2021-003	Expenditures in Excess of Amounts Allocated in the Levy Estimate - Coal Severance Tax Fund	Corrected
2021-004	Subsidizing Operations - Sewer	Uncorrected
2021-005	Annual Financial Reports to the Public Service Commission	Corrected
2021-006	Working Capital Reserve - Sewer	Uncorrected