

**AUDIT REPORT OF
THE MUNICIPALITY OF GLASGOW, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

PROPRIETARY FUND TYPE

MAJOR FUNDS

Water
Sewer

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
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INTRODUCTORY SECTION

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2019

OFFICE	NAME	TERM
	<u>Elective</u>	
Mayor:	Donald Fannin	07-01-18 / 06-30-22
Recorder:	Jay Ward	07-01-18 / 06-30-22
Council:	John Alderson	07-01-18 / 06-30-22
	Marty Blankenship	07-01-18 / 06-30-22
	Eddie Hamilton	07-01-18 / 06-30-22
	Diane Leadmon	07-01-18 / 06-30-22
	Mike Szerokman	07-01-18 / 06-30-22
	<u>Appointive</u>	
City Clerk:	Lynn Compton	
	Natalie Hackworth	

FINANCIAL SECTION



State of West Virginia

John B. McCuskey

**State Auditor and
Chief Inspector**

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Chief Inspector Division
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Glasgow
Glasgow, West Virginia 25086

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Glasgow, West Virginia (the Municipality), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate evidence supporting the financial activities of the Municipality of Glasgow, West Virginia, as of June 30, 2019, because of a failure by management to maintain adequate financial records and source documentation. We were unable to satisfy ourselves about the existence of certain financial transactions by means of other audit procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Municipality of Glasgow, West Virginia, as of June 30, 2019. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

The Municipality has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires 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 (GASB) 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 disclaimer of 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 Schedule of the Government's Proportionate Share of the Net OPEB liability and Schedule of Government Contributions - OPEB on pages 32 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 engagement to audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

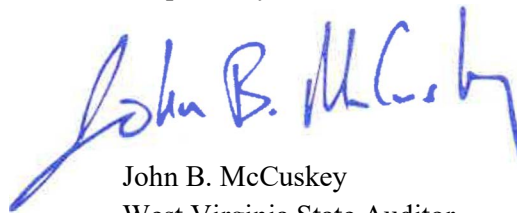
Other Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described in the "Basis for the Disclaimer of Opinion" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Respectfully submitted,



John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

March 16, 2021

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,481	\$ 31,964	\$ 48,445
Receivables:			
Accounts	42,007	132,123	174,130
Taxes	69,566	--	69,566
Internal balances	285,912	(285,912)	--
Noncurrent assets:			
Restricted assets:			
Customer deposits	--	4,011	4,011
Capital assets:			
Nondepreciable:			
Land	--	500	500
Depreciable:			
Structures and improvements	--	1,032,370	1,032,370
Transmission and distribution	--	111,435	111,435
Machinery and equipment	--	26,400	26,400
Furniture and fixtures	--	11,155	11,155
Less: accumulated depreciation	--	(1,163,925)	(1,163,925)
Total assets	<u>413,966</u>	<u>(99,879)</u>	<u>314,087</u>
DEFERRED OUTFLOWS			
Changes in proportion and differences between employer contributions and proportionate share of contributions			
	<u>20,465</u>	<u>--</u>	<u>20,465</u>
Total deferred outflows of resources	<u>20,465</u>	<u>--</u>	<u>20,465</u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities payable			
from current assets:			
Accounts payable	\$ 10,332	\$ --	\$ 10,332
Payroll payable	7,182	3,982	11,164
Other accrued expenses	--	1,235	1,235
Customer deposits	--	826	826
Unearned revenue	3,123	--	3,123
Noncurrent liabilities due in more than one year:			
Net OPEB liability	2,867	--	2,867
Total liabilities	23,504	6,043	29,547
DEFERRED INFLOWS			
Changes in proportion and differences between employer contributions and proportionate share of contributions	117,657	--	117,657
Total deferred inflows of resources	117,657	--	117,657
NET POSITION			
Net investment in capital assets	--	17,935	17,935
Restricted for:			
Customer deposits	--	4,011	4,011
Unrestricted	293,270	(127,868)	165,402
Total net position	\$ 293,270	\$ (105,922)	\$ 187,348

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs						
Governmental activities:						
General government	\$ 1,086	\$ 125,116	\$ --	\$ 124,030	\$ --	\$ 124,030
Public safety	215,374	5,756	--	(209,618)	--	(209,618)
Streets and transportation	150,533	--	--	(150,533)	--	(150,533)
Health and sanitation	52,067	--	--	(52,067)	--	(52,067)
Culture and recreation	16,773	--	--	(16,773)	--	(16,773)
Social services	533	--	--	(533)	--	(533)
Total governmental activities	436,366	130,872	--	(305,494)	--	(305,494)
Business-type activities:						
Water	205,043	96,670	--	--	(108,373)	(108,373)
Sewer	67,480	80,576	--	--	13,096	13,096
Total business-type activities	272,523	177,246	--	--	(95,277)	(95,277)
Total government	\$ 708,889	\$ 308,118	\$ --	(305,494)	(95,277)	(400,771)
General revenues:						
Ad valorem property taxes				15,011	--	15,011
Business & occupation tax				36,919	--	36,919
Utility services tax				4,606	--	4,606
Coal severance tax				2,631	--	2,631
Unrestricted investment earnings				125	--	125
Gain on sale of capital assets				207,929	--	207,929
Miscellaneous				529	--	529
Total general revenues				267,750	--	267,750
Change in net position				(37,744)	(95,277)	(133,021)
Net position - beginning				331,014	(10,645)	320,369
Net position - ending				\$ 293,270	\$ (105,922)	\$ 187,348

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General	Coal Severance Tax	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS			
Assets:			
Current:			
Cash and cash equivalents	\$ --	\$ 16,481	\$ 16,481
Receivables:			
Taxes	69,566	--	69,566
Accounts	42,007	--	42,007
Due from:			
Other funds	380,563	--	380,563
 Total assets	<u>\$ 492,136</u>	<u>\$ 16,481</u>	<u>\$ 508,617</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	10,332	--	10,332
Payroll payable	7,182	--	7,182
Due to:			
Other funds	77,523	17,128	94,651
Other	3,123	--	3,123
 Total liabilities	98,160	17,128	115,288
 Deferred Inflows:			
Taxes	34,905	--	34,905
 Total deferred inflows of resources	34,905	--	34,905
 Fund balances:			
Unassigned	359,071	(647)	358,424
 Total fund balances	359,071	(647)	358,424
 Total liabilities, deferred inflows and fund balances	<u>\$ 492,136</u>	<u>\$ 16,481</u>	<u>\$ 508,617</u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances on the governmental fund's balance sheet	\$	358,424
Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds (Note III.B.).		34,905
Deferred outflow (inflow) - Changes in employer portion and differences between contributions and proportionate share of contributions. (Note V)		(97,192)
Net OPEB liability (Note III. F.)		<u>(2,867)</u>
Net position of governmental activities	\$	<u><u>293,270</u></u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Ad valorem property taxes	\$ 60,235	\$ --	\$ 60,235
Business & occupation tax	36,919	--	36,919
Utility services tax	4,606	--	4,606
Coal severance tax	--	2,631	2,631
Licenses and permits	720	--	720
Charges for services	124,396	--	124,396
Fines and forfeits	5,756	--	5,756
Refunds	529	--	529
Interest and investment earnings	125	--	125
	<u>233,286</u>	<u>2,631</u>	<u>235,917</u>
EXPENDITURES			
Current:			
General government	212,830	2,795	215,625
Public safety	328,574	307	328,881
Streets and transportation	150,533	--	150,533
Health and sanitation	52,067	--	52,067
Culture and recreation	16,223	550	16,773
Social services	533	--	533
	<u>760,760</u>	<u>3,652</u>	<u>764,412</u>
Excess (deficiency) of revenues over expenditures	<u>(527,474)</u>	<u>(1,021)</u>	<u>(528,495)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of assets	<u>207,929</u>	<u>--</u>	<u>207,929</u>
Total other financing sources (uses)	<u>207,929</u>	<u>--</u>	<u>207,929</u>
Net change in fund balances	(319,545)	(1,021)	(320,566)
Fund balances - beginning	<u>678,616</u>	<u>374</u>	<u>678,990</u>
Fund balances - ending	<u>\$ 359,071</u>	<u>\$ (647)</u>	<u>\$ 358,424</u>

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

MUNICIPALITY 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, 2019

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

Net change in fund balances - total governmental funds	\$	(320,566)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between prior and current year unavailable unearned revenues (Note III. B.).</p>		
		(45,224)
Prior year unavailable / unearned revenues:	<u>80,129</u>	
Current year unavailable/unearned revenues:	<u>34,905</u>	
<p>Certain pension and OPEB expenses in the statement of activities are recognized on the accrual basis of accounting (Note V).</p>		
Amount of OPEB expenses recognized at government-wide level		24,809
<p>The repayment of long-term debt (e.g., notes, leases) uses financial resources of governmental funds, however, this has no effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of principal paid, and additions and reductions to deferred discounts or premiums, on long term debt for the fiscal year. (Note III. F.)</p>		
		<u>303,237</u>
Change in net position of governmental activities	\$	<u><u>(37,744)</u></u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts Budget Basis	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 76,765	\$ 76,765	\$ 60,235	\$ (16,530)
Business & occupation tax	5,000	5,000	36,919	31,919
Utility services tax	3,000	3,000	4,606	1,606
Gas and oil severance tax	750	750	--	(750)
Other taxes	3,500	3,500	--	(3,500)
Licenses and permits	450	450	720	270
Charges for services	105,250	105,250	124,396	19,146
Fines and forfeits	4,000	4,000	5,756	1,756
Refunds	--	--	529	529
IRP fees	750	750	--	(750)
	<u>199,465</u>	<u>199,465</u>	<u>233,286</u>	<u>33,821</u>
Total revenues				
EXPENDITURES				
Current:				
General government	450,810	450,810	212,830	237,979
Public safety	172,300	172,300	328,574	(156,274)
Streets and transportation	120,500	120,500	150,533	(30,033)
Health and sanitation	136,500	136,500	52,067	84,433
Culture and recreation	28,750	28,750	16,223	12,527
Social services	3,000	3,000	533	2,467
	<u>911,860</u>	<u>911,860</u>	<u>760,760</u>	<u>151,099</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(712,395)	(712,395)	(527,474)	184,920
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of assets	--	--	207,929	207,929
Miscellaneous	2,500	2,500	--	(2,500)
	<u>2,500</u>	<u>2,500</u>	<u>207,929</u>	<u>205,429</u>
Total other financing sources (uses)				
Net change in fund balance	(709,895)	(709,895)	(319,545)	390,349
Fund balance - beginning	709,895	709,895	678,616	(31,278)
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 359,071</u>	<u>\$ 359,071</u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Coal severance tax	\$ 750	\$ 750	\$ 2,631	\$ 1,881
Total revenues	<u>750</u>	<u>750</u>	<u>2,631</u>	<u>1,881</u>
EXPENDITURES				
Current:				
General government	--	--	2,795	(2,795)
Public safety	--	--	307	(307)
Culture and recreation	<u>750</u>	<u>750</u>	<u>550</u>	<u>200</u>
Total expenditures	<u>750</u>	<u>750</u>	<u>3,652</u>	<u>(2,902)</u>
Net change in fund balance	--	--	(1,021)	(1,021)
Fund balance - beginning	<u>--</u>	<u>--</u>	<u>374</u>	<u>374</u>
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (647)</u>	<u>\$ (647)</u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities - Enterprise Funds		Totals
	Water	Sewer	
ASSETS			
Current:			
Cash and cash equivalents	\$ 329	\$ 31,635	\$ 31,964
Receivables:			
Accounts	73,493	58,630	132,123
Due from:			
Other funds	--	77,523	77,523
Total current assets	73,822	167,788	241,610
Noncurrent assets:			
Restricted assets:			
Customer deposits	4,011	--	4,011
Capital assets:			
Nondepreciable:			
Land	500	--	500
Depreciable:			
Structures and improvements	149,073	883,297	1,032,370
Transmission and distribution	111,435	--	111,435
Machinery and equipment	--	26,400	26,400
Furniture and fixtures	10,642	513	11,155
Less: accumulated depreciation	(253,715)	(910,210)	(1,163,925)
Total noncurrent assets	21,946	--	21,946
Total assets	95,768	167,788	263,556
LIABILITIES			
Current liabilities payable from current assets:			
from current assets:			
Payroll payable	2,223	1,759	3,982
Other accrued expenses	1,235	--	1,235
Customer deposits	826	--	826
Due to:			
Other funds	363,435	--	363,435
Total liabilities	367,719	1,759	369,478
NET POSITION			
Net investment in capital assets	17,935	--	17,935
Restricted for customer deposits	4,011	--	4,011
Unrestricted	(293,897)	166,029	(127,868)
Total net position	\$ (271,951)	\$ 166,029	\$ (105,922)

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-type Activities		Totals
	- Enterprise Funds		
	Water	Sewer	
Operating revenues:			
Sales and services to customers	\$ 96,017	\$ 80,576	\$ 176,593
Discount and penalties	266	--	266
Tap fees	350	--	350
Miscellaneous	37	--	37
	<u>96,670</u>	<u>80,576</u>	<u>177,246</u>
Operating expenses:			
Personal services	30,937	46,163	77,100
Contractual services	142,874	2,668	145,542
Administrative and general	20	--	20
Liability insurance	16,606	16,606	33,212
Materials and supplies	1,510	2,043	3,553
Utilities	11,644	--	11,644
Depreciation	1,452	--	1,452
	<u>205,043</u>	<u>67,480</u>	<u>272,523</u>
Change in net position	(108,373)	13,096	(95,277)
Net position at beginning of year	<u>(163,578)</u>	<u>152,933</u>	<u>(10,645)</u>
Net position at end of year	<u><u>\$ (271,951)</u></u>	<u><u>\$ 166,029</u></u>	<u><u>\$ (105,922)</u></u>

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 83,075	\$ 73,588	\$ 156,663
Cash paid for goods and services	(190,129)	(25,412)	(215,541)
Other cash receipts (payments)	137,488	(121,336)	16,152
Cash paid to employees	(30,000)	(44,404)	(74,404)
Net increase (decrease) in cash and cash equivalents	434	(117,564)	(117,130)
Cash and cash equivalents at beginning of year (including \$3,906 in restricted accounts)	3,906	149,199	153,105
Cash and cash equivalents at end of year (including \$4,011 in restricted accounts)	\$ 4,340	\$ 31,635	\$ 35,975
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (108,373)	\$ 13,096	\$ (95,277)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,452	--	1,452
Decrease (increase) in accounts receivable	(13,595)	(6,988)	(20,583)
Decrease (increase) in due from other funds	--	(77,523)	(77,523)
Increase (decrease) in customer deposits	(3,292)	--	(3,292)
Increase (decrease) in accounts payable	(14,183)	(4,095)	(18,278)
Increase (decrease) in payroll payable	937	1,759	2,696
Increase (decrease) in due to other funds	137,488	(43,813)	93,675
Net cash provided by operations	\$ 434	\$ (117,564)	\$ (117,130)

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

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Municipality of Glasgow is a municipal corporation governed by an elected mayor, recorder 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 Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the 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 Municipality. Based upon the above criteria, the Municipality does not have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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.

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

The *Water fund*, a proprietary fund, accounts for operating revenue and expense of the water distribution system.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The *Sewer fund*, a proprietary fund, accounts for operating revenue and expense of the sewer collection system.

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 water and sewer (enterprise funds) 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 Municipality of Glasgow, West Virginia's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Trade Receivables

All trade receivables are shown at their gross value.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 an 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 Municipality per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2019, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense
Class II	\$ 10,649,380	8.40 cents
Class IV	\$ 44,757,655	16.80 cents

3. Restricted Assets

Certain proceeds of the Water enterprise fund are classified as restricted assets on the Statement of Net Position because their use is limited by applicable agreements.

The "customer deposit" account is used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

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.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Structures and Improvements	40
Furniture and Fixtures	40-50
Transmission and distribution	40-50
Machinery and equipment	3-10

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.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

7. Fund Balances

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

Nonspendable fund balance	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.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 City Council, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year.
Assigned	The assigned category is the portion of fund balance that has been approved by formal action of the City 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.
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 Municipality.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust Fund (RHBT) and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by the RHBT. RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality 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. The governing body did not make any material supplementary budgetary appropriations throughout the year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in the Coal Severance Tax Fund by \$2,902. This over expenditure was funded by available funds.

C. Deficit Fund Equity

The Water Fund had a deficit net position of (\$271,951) as of June 30, 2019. The fund has incurred expenditures in excess of anticipated amounts in this and prior years.

The Coal Severance Tax Fund had a deficit net position of (\$647) as of June 30, 2019. The fund has incurred expenditures in excess of anticipated amounts for the current year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the government's bank balances of \$52,456 were fully collateralized by the FDIC and securities held by the pledging financial institution's trust department or agent in the government's name.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

A reconciliation of cash and investments as shown on the Statement of Net Position of the government is as follows:

Cash and cash equivalents	\$ 52,456
Total	\$ 52,456
Cash and cash equivalents	\$ 48,445
Cash and cash equivalents-restricted	4,011
Total	\$ 52,456

B. Receivables

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

	General	Water	Sewer	Total
Receivables:				
Accounts	\$ 42,007	\$ 73,493	\$ 58,630	\$ 174,130
Taxes	69,566	-	-	69,566
Total Receivables	\$ 111,573	\$ 73,493	\$ 58,630	\$ 243,696

Governmental funds report unavailable revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connections with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (General Fund)	\$ 34,905

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 500	\$ --	\$ --	\$ 500
Total capital assets, not being depreciated	500	--	--	500
Capital assets being depreciated:				
Structures and improvements	1,032,370	--	--	1,032,370
Transmission and distribution	111,435	--	--	111,435
Machinery and equipment	26,400	--	--	26,400
Furniture and fixtures	11,155	--	--	11,155
Less: accumulated depreciation	(1,162,473)	(1,452)	--	(1,163,925)
Total capital assets being depreciated, net	18,887	(1,452)	--	17,435
Business-type activities capital assets, net	\$ 19,387	\$ (1,452)	\$ --	\$ 17,935

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Water	\$ 1,452

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019, is as follows:

Interfund receivables/payables:

Receivable Fund	Payable Fund	Purpose	Amount
General	Coal	Reimbursement	\$ 17,128
General	Water	Subsidizing	363,435
Sewer	General	Reimbursement	77,523
	Total		\$ 458,086

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

E. Fund Balance Detail

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

	General	Coal Severance Tax	Total
Unassigned	\$ 359,071	\$ (647)	\$ 358,424

F. Long-term Debt

Notes Payable

The Municipality entered into a loan agreement with Republic First National to finance a fire truck. On August 14, 2014, the Municipality borrowed \$251,950 on note "0814NGLA" bearing interest at 3.71%.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2019
Governmental activities:					
Fire Truck	1/15/2021	3.71%	\$ 251,950	\$ 251,950	\$ --

Changes in Long-term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 189,730	\$ --	\$ (189,730)	\$ --	\$ --
Notes payable	113,507	--	(113,507)	--	--
Net OPEB liability	149,978	--	(147,111)	2,867	--
Governmental activities Long-term liabilities	\$ 453,215	\$ --	\$ (450,348)	\$ 2,867	\$ --

G. Restricted Assets

The balance of the restricted asset account for the primary government is as follows:

	Business-type Activities
Customer deposits	\$ 4,011

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 with West Virginia State Board of Risk for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Workers' compensation coverage is provided for this entity by Wesco Insurance Company.

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

B. Subsequent Events

In March 2020, the World Health Organization declared COVID-19 a pandemic. Also, in March 2020, a national emergency was declared for the United States of America and a state-of-emergency was declared for the State of West Virginia due to COVID-19. Strict measures were imposed in an attempt to reduce the spread of the virus. The financial impact of these measures, COVID-19, and related emergency procedures could adversely affect subsequent years of the entity. The government has experienced a decline in revenues and an increase in operating costs as a result of COVID-19. The extent of the impact of this decline in revenues and increase in expenses, combined with possible recovery from emergency federal and state funding sources will depend on future developments which are highly uncertain and is, therefore, not reasonably estimatable at this time.

On April 4, 2019, the Municipality of Glasgow entered into an Asset Purchase Agreement with West Virginia American Water to purchase the Town's transmission, distribution, and storage utility plant assets, consisting of water transmission and distribution lines, storage tanks, booster stations, pressure reducing stations, laterals, valves, connections, meters, services, hydrants, service lines, and other facilities and equipment, including all extensions of an 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 the exchange for \$200,000. This agreement was finalized and the transfer of Municipal assets was executed on January 30, 2020.

C. Contingent Liabilities

It is the opinion of the government's counsel that there are no pending lawsuits or unasserted claims against the Municipality of Glasgow, West Virginia.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description. The government contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan. The financial activities of the Plan are accounted for in the West Virginia Retirees Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large. The Plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2018. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th. Street, SE, Suite 2, Charleston, WV, 25304.

Benefits provided. The Plan provides medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: 1) Self-Insured Preferred Provider Benefit Plan (primarily for non-Medicare-eligible retirees and spouses) and 2) External Managed Care Organizations (primarily for Medicare-eligible retirees and spouses).

Contributions. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately \$149 million for the fiscal year ended June 30, 2018.

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

At fiscal year-end, the government reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the government. The amount recognized by the government as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the government were as follows:

Government's proportionate share of the net OPEB liability	\$	--
State's proportionate share of the net OPEB		--
Total proportionate share of the net OPEB liability	\$	--

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of June 30, 2017, rolled forward to June 30, 2018, which is the measurement date. The government's proportion of the net OPEB liability was based on a projection of the government's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. NOTE: These amounts differ from the net OPEB liability reported on the Statement of Net Position due to rounding and changes to the allocation schedules: however the differences in these amounts are considered immaterial. At June 30, 2018, the government's proportion was 0.000000000%, which was a decrease of 100.00% from its proportion measured as of June 30, 2017.

For this fiscal year, the government recognized OPEB expense of (\$24,809). The government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ <u>20,465</u>	\$ <u>(117,657)</u>
	\$ <u><u>20,465</u></u>	\$ <u><u>(117,657)</u></u>

The amount reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2020	\$ (24,809)
2021	(24,809)
2022	(26,966)
2023	<u>(20,608)</u>
Total	<u><u>\$ (97,192)</u></u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Salary increases	Dependent upon pension system, ranging from 3.0% to 6.5%, including inflation.
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Healthcare cost trend rates

Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the excise tax.

Mortality rates were based on Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1,2010 through June 30, 2015.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI. Best estimates of long-term geometric rates are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

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For the Fiscal Year Ended June 30, 2019

Discount rate . The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the government's proportionate share of the net OPEB liability to changes in the discount rate . The following chart presents the government's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Net OPEB liability	\$ --	\$ --	\$ --

Sensitivity of the government's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates . The following chart presents the government's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates described in the actuarial assumptions:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ --	\$ --	\$ --

OPEB plan fiduciary net position . Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employees Insurance Agency's website at peia.wv.gov. That information can also be obtained by writing to the West Virginia Public Employees Insurance Agency, 601 57th. Street, Suite 2, Charleston, WV, 25304.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULES OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2019

West Virginia Retiree Health Benefit Trust Fund
Three Fiscal Years

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Government's proportion of the net OPEB liability	0.000000000%		0.006100341%		0.004668946%
Government's proportionate share of the net OPEB liability	\$	--	\$	150,007	\$ 115,945
Government's covered payroll	\$	--	\$	160,555	\$ 170,559
Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		n/a		93.43%	67.98%
Plan fiduciary net position as a percentage of the total OPEB liability		30.98%		25.10%	21.64%

* - Applicable information was available for three years for this schedule. The amounts presented for each fiscal year were determined as of June 30.

The notes to the required supplementary information are an integral part of this schedule.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULES OF GOVERNMENT CONTRIBUTIONS - OPEB
For the Fiscal Year Ended June 30, 2019**

**West Virginia Retiree Health Benefit Trust Fund
Last Three Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ --	\$ --	\$ 7,987
Contributions in relation to the contractually required contribution	<u> --</u>	<u> --</u>	<u>(7,987)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Government's covered payroll	\$ --	\$ --	\$ 160,555
Contributions as a percentage of covered payroll	n/a	n/a	4.97%

* - Applicable information was available for three years for this schedule.

The notes to the required supplementary information are an integral part of this schedule.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Changes of assumptions:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inflation	2.75%	2.75%	2.75%
Salary Increases	Dependent upon pension system, ranging from 3.0% - 6.5%, including inflation.	Dependent upon pension system, ranging from 3.0% - 6.5%, including inflation.	Dependent upon pension system, ranging from 3.0% - 6.5%, including inflation.
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation.	7.15%, net of OPEB plan investment expense, including inflation.	7.15%, net of OPEB plan investment expense, including inflation.
Healthcare Cost Trend Rate	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the excise tax.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the excise tax.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the excise tax.

MUNICIPALITY OF GLASGOW, WEST VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Mortality	Post-Retirement: RP-2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.	RP-2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with Scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.	RP-2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with Scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.
Discount Rate	7.15%	7.15%	7.15%

ACCOMPANYING INFORMATION



State of West Virginia

John B. McCuskey

**State Auditor and
Chief Inspector**

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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*

Independent Auditor's Report

Honorable Mayor and Council
Municipality of Glasgow
Glasgow, West Virginia 25086

We were engaged to audit, 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 Municipality of Glasgow, West Virginia (the Municipality), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 16, 2021. In that report, our opinion was disclaimed because the Municipality failed to maintain sufficient appropriate evidence supporting its financial activities.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Municipality, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Municipality, 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 engagement to audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-003 through 2019-015. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

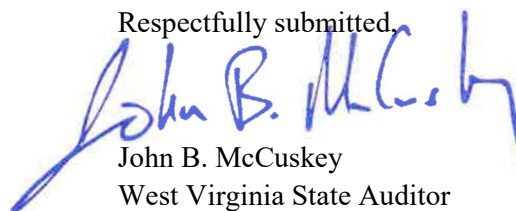
Entity's Response to Findings

Management's responses to the findings identified in our engagement to audit are described in the accompanying Schedule of Findings and Responses. The Municipality's responses were not subjected to the auditing procedures applied in our engagement to audit the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

March 16, 2021

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Detailed Capital Asset & Depreciation Schedules
2019-001**

CONDITION:

Management of the Municipality of Glasgow failed to maintain detailed capital asset and depreciation schedules. For the enterprise funds (Water and Sewer) the capital asset list is comprised of broad categories listed in the Public Service Commission (PSC) report which are being depreciated by various percentages within each group. No detailed capital list and depreciation schedule was provided for governmental activities.

CRITERIA:

Generally accepted accounting principles dictate that depreciation be charged against operations over the estimated useful lives of each capital asset.

CAUSE:

The Municipal officials do not have controls in place to ensure that assets are properly recorded and depreciated.

EFFECT:

The Municipal officials lose custodial control over certain assets that are susceptible to theft. The opportunity exists for excess depreciation to be recorded within certain categories (especially those that have shorter useful lives). This contributed to the disclaimer of audit opinion.

RECOMMENDATION:

Management should analyze the past Public Service Commission (PSC) reports to determine what capital assets can be properly identified and included on a detailed capital asset schedule. The municipal officials should identify as many additions in past years as possible but should also be cognizant of cost/benefit considerations of identifying all assets. Additionally, detailed depreciation schedules should be maintained to calculate and support depreciation expense over the estimated useful life of each depreciable capital asset and include limits to avoid excessive depreciation of any asset.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they will implement a policy and begin tracking the capital assets.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Segregation of Duties
2019-002**

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.

RECOMMENDATION:

Municipal officials should distribute among the accounting staff the duties of approving, executing and recording transactions.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they would segregate duties to the extent of being economically feasible.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Maintenance of Accounting Records
2019-003**

CONDITION:

We determined during our engagement to audit that officials of the Municipality of Glasgow did not maintain adequate accounting records. Specifically, they did not do the following:

- 1.) Ensure that proper financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- 2.) Reconcile bank statements on a monthly basis.
- 3.) Ensure that all revenue and expense transactions are posted in the accounting software in a timely manner.
- 4.) Properly reconcile and account for petty cash.
- 5.) Retain for audit purposes, invoices, billings for utility customer accounts, adjustments to utility customer accounts and collection records for B&O customer accounts.

CRITERIA:

West Virginia Code §6-9-2 states in part that:

"The chief inspector shall formulate, prescribe and install a system of accounting and reporting in conformity with the provisions of this article, which shall be uniform for all local governmental offices and agencies and for all public accounts of the same class and which shall exhibit true accounts and detailed statements for all public funds collected, received and expended for any purpose by all local governmental officers, employees or other persons. The accounts shall show the receipt, use and disposition of all public property under the control of local governmental officers, employees or other persons and any income derived therefrom and of all sources of public income, the amounts due and received from each source, all receipts, vouchers and other documents kept or required to be kept and necessary to identify and prove the validity of every transaction, all statements and reports made or required to be made for the internal administration of the office to which they pertain ...and all details of the financial administration of public affairs...."

CAUSE:

Management of the Municipality of Glasgow failed to keep a record of all transactions which took place during the year.

EFFECT:

Management of the Municipality of Glasgow did not have adequate records for financial statement preparation and certain transactions could not be verified. This contributed to the disclaimer of opinion.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Maintenance of Accounting Records
2019-003 (continued)**

RECOMMENDATION:

Management of the Municipality should implement controls to ensure that each transaction for every fund is accurately recorded and reflected on a detail ledger. Further, adequate records should be maintained to ensure that all balances reported on the financial statements can be reconciled to either detailed ledgers or underlying source documentation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Municipality of Glasgow will endeavor to correctly maintain its accounting records in the future.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Annual Financial Reports to the Public Service Commission
2019-004**

CONDITION:

It was determined during our engagement to audit that the officials of Glasgow, West Virginia failed to prepare and file in a timely manner with the Public Service Commission (PSC) of West Virginia the annual report of its utility operations for the fiscal year ended June 30, 2019.

CRITERIA:

Paragraph 2.03 of the *Rules and Regulations for the Government of Water Utilities* promulgated by the Public Service Commission states in part that:

"Each utility shall file annually a financial and statistical report upon forms to be furnished by the Commission, or in lieu thereof, upon forms approved by the commission..."

"...Municipally or governmentally owned sewerage utility having fiscal year ended June 30th shall file their annual financial and statistical reports on or before September 30th of the succeeding fiscal year covered by the report."

CAUSE:

Controls were not in place to ensure that Water and Sewer financial and statistical reports were submitted to the Public Service Commission by the required date.

EFFECT:

The financial and statistical report was not prepared and filed prior to the ninety day time limit as required by law.

RECOMMENDATION:

Municipal officials should prepare and file the PSC report within 90 days after the end of the fiscal year.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials will analyze their internal control structure over the preparation of financial and statistical reports for utilities and take steps to correct this deficiency in the future.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Record of Traffic Cases
2019-005**

CONDITION:

It was determined during our engagement to audit that the officials of the Municipality of Glasgow failed to maintain the municipal court docket in the proper manner or adequately record the disposition of all traffic citations issued.

CRITERIA:

West Virginia Code §17c-19-7(b) states that:

"Upon the deposit of the original or a copy of such traffic citation with a court having jurisdiction over the alleged offense or with its traffic violations bureau as aforesaid, said original or copy of such traffic citation may be disposed of only by trial in said court or other official action by a judge of said court, including forfeiture of the bail or by the deposit of sufficient bail with or payment of a fine to said traffic violations bureau by the person to whom such traffic citation has been issued by the traffic-enforcement officer."

West Virginia Code §17c-19-8 further states that:

"Every justice or judge of a court shall keep or cause to be kept a record of every traffic complaint, or other legal form of traffic charge deposited with or presented to said court or its traffic violations bureau, and shall keep a record of every official action by said court or its traffic violations bureau in reference thereto, including but not limited to a record of every conviction, forfeiture of bail, judgement of acquittal, and the amount of fine or forfeiture resulting from every said traffic complaint deposited with or presented to said court or traffic violations bureau."

CAUSE:

Municipal officials failed to implement policies and procedures which would insure that all citations issued would be properly recorded into the municipal court docket.

EFFECT:

We were unable to determine whether cases were properly adjudicated and whether collections were properly recorded and deposited. This contributed to the disclaimer of opinion.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Record of Traffic Cases (continued)
2019-005**

RECOMMENDATION:

Municipal officials of Glasgow are directed to review these statutes and establish adequate procedures to ensure compliance with the provisions set forth therein. Copies of traffic citations issued should be filed in numeric order and retained for examination. Also, the municipal court docket should be maintained in such a manner as to record every conviction, forfeiture of bail, judgement of acquittal, and the amount of fine or forfeiture collected on each citation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Remittance to State Treasurer - Law Enforcement Training Fund
2019-006**

CONDITION:

It was determined during our engagement to audit that the court of the Municipality of Glasgow failed to remit to the State Treasurer in a timely manner a portion of fees collected for the Law Enforcement Training Fund.

CRITERIA:

West Virginian Code §30-29-4 states in part that:

"(c) All fees collected pursuant to subsections (a) and (b) of this section shall be deposited in a separate account by the collecting agency. Within ten calendar days following the beginning of each calendar month, the collecting agency shall forward the amount deposited to the State Treasurer..."

CAUSE:

Municipal officials did not implement internal controls to ensure that all fines collected which should be remitted to the State were in fact remitted to the State Treasurer.

EFFECT:

An inadequate amount for the Law Enforcement Training Fund was remitted to the State Treasurer.

RECOMMENDATION:

Municipal officials are directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Remittance to the State Treasurer -
Regional Jail and Prison Development Fund
2019-007**

CONDITION:

It was determined during our engagement to audit that the court of Glasgow failed to remit to the State Treasurer a portion of fees collected for the Regional Jail and Prison Development Fund.

CRITERIA:

West Virginia Code §8-11-1a states in part that:

"The clerk of each municipal court or other person designated to receive fines and costs, shall at the end of each month pay into the regional jail and correctional facility authority fund in the state treasury an amount equal to forty dollars of the costs collected in each proceeding involving a traffic offense constituting a moving violation, regardless of whether the penalty for the violation provides for a period of incarceration, or any other offense for which the ordinance prescribing the offense provides for a period of incarceration."

CAUSE:

Municipal Officials did not implement internal controls to ensure that all moneys collected for the Regional Jail and Prison Development Fund were remitted to the State Treasurer.

EFFECT:

An insufficient amount was remitted to the State Treasurer for fees collected for the regional jail.

RECOMMENDATION:

Municipal officials of Glasgow are directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Retention of Records
2019-008**

CONDITION:

We determined during our engagement to audit that the officials of the Municipality of Glasgow failed to retain for audit purposes, support documentation for all revenues and expenditures.

CRITERIA:

West Virginia Code §6-9-2 states in part that:

"The accounts shall show the receipt, use and disposition of all public property under the control of local governmental officers, employees or other persons and any income derived therefrom and of all sources of public income, the amounts due and received from each source, all receipts, vouchers and other documents kept or required to be kept and necessary to identify and prove the validity of every transaction..."

West Virginia Code §12-3-18 states in part that:

"It shall be unlawful for any county court, board of education or the council of a municipal corporation, or other body charged with the administration of the fiscal affairs of any county, school district, independent school district or municipality, to pay any claim for services rendered or materials furnished unless an itemized account therefor is filed by the claimant covering the claim..."

CAUSE:

Officials do not have adequate policies and procedures in place to ensure that all accounting records are maintained.

EFFECT:

Accurate and complete financial information was not available for inspection. This necessitated a disclaimer of opinion.

RECOMMENDATION:

Municipal Officials should establish an aggressive procedure for the retention of documentation for audit purposes.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials will endeavor to retain all source documentation in future years.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Remittance to State Treasurer -
Crime Victim's Compensation Fund
2019-009**

CONDITION:

It was determined during our engagement to audit that the municipal court of Glasgow failed to impose upon every person convicted of a misdemeanor offense, an additional cost of ten dollars to be transmitted on a monthly basis to the State Treasurer's Office for the Crime Victim's Compensation Fund. This resulted in an undetermined amount that was not remitted to the State.

CRITERIA:

West Virginia Code §14-2a-4 states in part that:

"(a) Every person within the state who is convicted of or pleads guilty to a misdemeanor offense, other than a traffic offense that is not a moving violation, in any magistrate court or circuit court, shall pay the sum of ten dollars as costs in the case, in addition to any other court costs that the court is required by law to impose upon the convicted person...."

"(b) The clerk of the circuit court, magistrate court, or municipal court where the additional costs are imposed under the provisions of subsection (a) of this section shall, on or before the last day of each month, transmit all costs received under this article to the state treasurer for deposit in the state treasury to the credit of a special revenue fund to be known as the "Crime Victims Compensation Fund".

CAUSE:

Municipal officials failed to implement internal controls to ensure that required remittances were made to the State Treasurer.

EFFECT:

Municipal officials did not remit a sufficient amount to the State Treasurer for the Crime Victim's Compensation Fund.

RECOMMENDATION:

Municipal officials of the Municipality of Glasgow are directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that the court system will be evaluated and the necessary changes will be made.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Expenditures in Excess of Amounts Allocated
in the Levy Estimate - General Fund
2019-010**

CONDITION:

It was determined during our engagement to audit that municipal officials of Glasgow incurred expenditures for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budgeted amounts:

	Budgeted Amount Final	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Public Safety \$	172,300	\$ 328,574	\$ (156,274)
Streets and transportation	120,500	150,533	(30,033)

CRITERIA:

West Virginia Code §11-8-26 states in part that:

- "...a local fiscal body shall not expend money or incur obligations:
- (1) In an unauthorized manner;
 - (2) For an unauthorized purpose;
 - (3) In excess of the amount allocated to the fund in the levy order;
 - (4) In excess of the funds available for current expenses..."

CAUSE:

Municipal officials failed to implement policies and procedures that ensure budget revisions are made prior to expenditures in excess of amounts allocated.

EFFECT:

Municipal officials compromised their budgetary control.

RECOMMENDATION:

Municipal officials should implement controls that will ensure compliance with budgetary requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that better budgetary control will be exercised in the future to prevent overexpenditures.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Expenditures in Excess of Amounts Allocated
in the Levy Estimate - Coal Severance Tax Fund
2019-011**

CONDITION:

It was determined during our engagement to audit that municipal officials of Glasgow incurred expenditures for certain items in the Coal Severance Tax Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budgeted amounts:

	Budgeted Amount Final	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
General government \$	-	\$ 2,795	\$ (2,795)
Public safety	-	307	(307)

CRITERIA:

West Virginia Code §11-8-26 states in part that:

- "...a local fiscal body shall not expend money or incur obligations:
- (1) In an unauthorized manner;
 - (2) For an unauthorized purpose;
 - (3) In excess of the amount allocated to the fund in the levy order;
 - (4) In excess of the funds available for current expenses..."

CAUSE:

Municipal officials failed to implement policies and procedures that ensure budget revisions are made prior to expenditures in excess of amounts allocated.

EFFECT:

Municipal officials compromised their budgetary control.

RECOMMENDATION:

Municipal officials should implement controls that will ensure compliance with budgetary requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated that better budgetary control will be exercised in the future to prevent overexpenditures.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Subsidizing Operations - Water
2019-012**

CONDITION:

It was determined during this engagement to audit that the officials of the Municipality of Glasgow paid certain expenses of the Water 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 nonbinding 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:

Municipal officials transferred money between the Water and General funds for operating expenses.

EFFECT:

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

RECOMMENDATION:

Municipal officials are directed to discontinue subsidizing the operations of the Water Fund from other municipal funds.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

On January 30, 2020 the municipal Water system was sold to West Virginia American Water.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Insufficient Rates - Water
2019-013**

CONDITION:

It was noted during this engagement to audit that the rates the Municipality of Glasgow charges for water services are not sufficient to pay all obligations of the system. As reflected in the statement of revenues, expenses, and changes in fund net position of the proprietary fund, the Water Fund incurred a net operating loss of \$108,373 for the fiscal year ended June 30, 2019.

CRITERIA:

West Virginia Code §8-19-4 states in part that:

"...The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefore, and to provide for the repair, maintenance and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the ordinance or order authorizing the issuance of said bonds."

CAUSE:

The Municipal officials did not establish water rates high enough to meet all general obligations of the water system.

EFFECT:

The Municipal water system incurred a net loss for the current year.

RECOMMENDATION:

Municipal officials of the Municipality of Glasgow are directed to review this statute and comply with the provisions set forth therein.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

On January 30, 2020 the Municipal Water system was sold to West Virginia American Water.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Failure to Submit Budget Revision to Appropriate
the Unexpended Balance - Coal Severance Tax Fund
2019-014**

CONDITION:

We determined during our engagement to audit that the officials of the Municipality of Glasgow failed to submit a budget revision for the Coal Severance Tax Fund to appropriate \$374 of the actual unexpended fund balance at June 30, 2018.

CRITERIA:

West Virginia Code §6-9-3 states in part that:

"...All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

"...Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year... Ireland v Board of Education, 115WV614, 177S.E.452(1934)."

CAUSE:

Municipal officials of Glasgow failed to revise the carryover balance of the Coal Severance Tax Fund.

EFFECT:

Municipal officials did not appropriate all funds available for expenditure.

RECOMMENDATION:

Municipal officials should exercise proper budgetary practices.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they will exercise proper budgetary practices in future periods.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Commingling of Coal Severance Tax Revenue Funds
2019-015**

CONDITION:

It was determined during our engagement to audit that the officials of the Municipality of Glasgow deposited \$2,631 of Coal Severance Tax Revenue moneys collected during the current fiscal year into the General Fund.

CRITERIA:

West Virginia Code §11-13A-6(h) states in part that:

"All counties and municipalities shall create a "coal severance tax revenue fund" which shall be the depository for the moneys distributed to any county or municipality under the provision of this section,..."

This section goes on to state that these funds may be expended for such public purpose as the governing body shall deem best provided that:

"...the coal severance tax revenue fund moneys shall not be budgeted for personal services in an amount to exceed one fourth of the total funds available in such fund."

CAUSE:

Municipal officials did not have controls in place to ensure Coal Severance Tax monies were deposited in the correct fund. Furthermore, a separate Coal Severance Tax bank account was not maintained.

EFFECT:

Controls over the use of coal severance tax funds are compromised, thereby increasing the risk of an improper use of these resources.

RECOMMENDATION:

Municipal officials should setup a Coal Severance Tax bank account and establish controls to ensure all coal severance tax revenues are recorded in the Coal Severance Tax Special Revenue fund.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Municipal officials stated they will take the necessary steps to be in compliance with these requirements.

**MUNICIPALITY OF GLASGOW, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2019**

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2018-001	Detailed Capital Asset & Depreciation Schedules	Not Resolved
2018-002	Segregation of Duties	Not Resolved
2018-003	Maintenance of Accounting Records	Not Resolved
2018-004	Annual Financial Reports to the Public Service Commission	Not Resolved
2018-005	Record of Traffic Cases	Not Resolved
2018-006	Remittance to State Treasurer - Law Enforcement Training Fund	Not Resolved
2018-007	Remittance to State Treasurer - Regional Jail and Prison Development Fund	Not Resolved
2018-008	Retention of Records	Not Resolved
2018-009	Remittance to State Treasurer - Crime Victim's Compensation Fund	Not Resolved
2018-010	Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund	Not Resolved
2018-011	Expenditures in Excess of Amounts Allocated in the Levy Estimate - Coal Severance Tax Fund	Not Resolved
2018-012	Minutes of Council Meetings	Resolved
2018-013	Subsidizing Operations - Water	Not Resolved
2018-014	Insufficient Rates - Water	Not Resolved
2018-015	Insufficient Rates - Sewer	Resolved
2018-016	Failure to Submit Budget Revision to Appropriate the Unexpended Balance - General Fund	Resolved
2018-017	Failure to Submit Budget Revision to Appropriate the Unexpended Balance - Coal Severance Tax Fund	Not Resolved
2018-018	Commingling of Coal Severance Tax Revenue Funds	Not Resolved
2018-019	Financial Audit	Resolved