

TOWN OF GLASGOW

(A CLASS IV MUNICIPALITY IN KANAWHA COUNTY, WEST VIRGINIA)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

YEAR ENDED JUNE 30, 2020

DAVID L. HOWELL, CPA
1740 E. DUPONT AVE
P.O. BOX 458
BELLE, WEST VIRGINIA 25015

TOWN OF GLASGOW

TABLE OF CONTENTS

Year Ended June 30, 2020

	<u>Page</u>
Schedule of Funds Included in the Financial Report	1
Municipal Officials	2
Independent Auditor's Report	3 - 4
 FINANCIAL SECTION	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	10
Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13
Notes to Financial Statements	14 - 24
 REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Coal Severance Tax Fund	26
Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
Schedule of Findings	29 - 40
Summary Schedule of Prior Year Audit Findings	41

TOWN OF GLASGOW

SCHEDULE OF FUNDS INCLUDED IN THE FINANCIAL REPORT

Year Ended June 30, 2020

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General Fund
Coal Severance Tax Fund
Infrastructure Fund

PROPRIETARY FUND TYPES

Water Fund
Sewer Fund

TOWN OF GLASGOW

MUNICIPAL OFFICIALS

Year Ended June 30, 2020

OFFICE	NAME	TERM
	<u>ELECTED</u>	
Mayor:	Donald Fannin	07-01-18 / 06-30-22
Council Members:	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
Recorder:	Jay Ward	07-01-18 / 06-30-22
	<u>APPOINTED</u>	
City Clerk:	Natalie Hackworth	

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Glasgow, West Virginia (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on 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 Town, as of June 30, 2020, 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 Town as of June 30, 2020. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

The Town 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 statement of revenues, expenditures and changes in fund balance - budget and actual - general fund and statement of revenues, expenditures and changes in fund balance - budget and actual - coal severance tax fund be presented to supplement the basic financial statements. Such information, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



David L. Howell, CPA
Belle, West Virginia
October 3, 2022

TOWN OF GLASGOW
STATEMENT OF NET POSITION

June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 375,834	-	375,834
Receivables:			
Accounts	35,382	68,713	104,095
Taxes	1,768	-	1,768
Due from other funds	89,691	-	89,691
Total current assets	502,675	68,713	571,388
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	757,557	910,210	1,667,767
Less: accumulated depreciation	(612,414)	(874,082)	(1,486,496)
Total noncurrent assets	145,143	36,128	181,271
Total assets	647,818	104,841	752,659
LIABILITIES			
Current liabilities:			
Accounts payable	6,868	15,587	22,455
Total liabilities	6,868	15,587	22,455
NET POSITION			
Net investment in capital assets	145,143	36,128	181,271
Unrestricted	495,807	53,126	548,933
Total net position	\$ 640,950	89,254	730,204

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions / Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges	Capital	Primary Government		
		for	Grants and	Governmental	Business-type	Total
Primary government:	Services	Contributions	Activities	Activities		
Governmental activities:						
General government	\$ 388,667	5,275	-	(383,392)	-	(383,392)
Public safety	139,517	-	-	(139,517)	-	(139,517)
Streets and transportation	135,919	47,189	-	(88,730)	-	(88,730)
Health and sanitation	40,304	35,883	-	(4,421)	-	(4,421)
Culture and recreation	830	-	-	(830)	-	(830)
Total governmental activities	705,237	88,347	-	(616,890)	-	(616,890)
Business type activities:						
Water	191,837	58,684	-	-	(133,153)	(133,153)
Sewer	150,578	73,803	-	-	(76,775)	(76,775)
Total business type activities	342,415	132,487	-	-	(209,928)	(209,928)
Total primary government	\$ 1,047,652	220,834	-	(616,890)	(209,928)	(826,818)
General revenues:						
Taxes				462,240	-	462,240
Licenses and permits				1,081	-	1,081
Fines and forfeits				36,634	-	36,634
Unrestricted investment earnings				292	-	292
Miscellaneous				276,705	605,104	881,809
Transfers in (out)				-	(200,000)	(200,000)
Total general revenues				776,952	405,104	1,182,056
Change in net position				160,062	195,176	355,238
Net position - beginning, as restated				480,888	(105,922)	374,966
Net position - ending				\$ 640,950	89,254	730,204

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

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

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

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

Year Ended June 30, 2020

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

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

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

Year Ended June 30, 2020

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

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ 137,383
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the net effect of capital outlay and depreciation expense charged during the year.	<u>22,679</u>
Change in net position of governmental activities	<u>\$ 160,062</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2020

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	-	-
Receivables:			
Accounts receivable	-	68,713	68,713
Total current assets	-	68,713	68,713
Noncurrent assets:			
Capital assets:			
Plant and equipment	-	910,210	910,210
Less: accumulated depreciation	-	(874,082)	(874,082)
Total capital assets (net of accumulated depreciation)	-	36,128	36,128
Total assets	-	104,841	104,841
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	-	15,587	15,587
Total current liabilities payable from current assets	-	15,587	15,587
Total liabilities	-	15,587	15,587
NET POSITION			
Net investment in capital assets	-	36,128	36,128
Unrestricted	-	53,126	53,126
Total net position	\$ -	89,254	89,254

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

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

Year Ended June 30, 2020

	Water	Sewer	Total
Operating revenues:			
Sales and services to customers	\$ 58,684	73,803	132,487
Total revenues	58,684	73,803	132,487
Operating expenses:			
Operation and maintenance expense	190,385	147,142	337,527
Depreciation	1,452	3,436	4,888
Total operating expenses	191,837	150,578	342,415
Operating income (loss)	(133,153)	(76,775)	(209,928)
Nonoperating revenues (expenses):			
Close out of water system due to sale	405,104	-	405,104
Sale of water system	200,000	-	200,000
Total nonoperating revenues (expenses)	605,104	-	605,104
Income (loss) before transfers and contributions	471,951	(76,775)	395,176
Transfers in (out)	(200,000)	-	(200,000)
Change in net position	271,951	(76,775)	195,176
Net position at beginning of year	(271,951)	166,029	(105,922)
Net position at end of year	\$ -	89,254	89,254

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2020

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 49,684	62,861	112,545
Cash paid for goods and services	(191,837)	(174,082)	(365,919)
Other income adjustments	47,376	(13,475)	33,901
	(94,777)	(124,696)	(219,473)
Net cash provided (used) by operating activities			
Cash flows from capital and related financing activities:			
Proceeds from the sales of capital assets	200,000	-	200,000
Net increase or decrease in short-term debt	(106,034)	-	(106,034)
	93,966	-	93,966
Net cash provided (used) by capital and related financing activities			
Cash flows from nonoperating activities:			
Other adjustments	-	93,111	93,111
Net increase (decrease) in customer deposits	811	(50)	761
	811	93,061	93,872
Net cash provided (used) by nonoperating activities			
Net increase (decrease) in cash and cash equivalents	-	(31,635)	(125,601)
Cash and cash equivalents, June 30, 2019 (including \$4,011 in restricted cash)	4,340	31,635	35,975
Cash and cash equivalents, June 30, 2020 (including \$0 in restricted cash)	\$ -	-	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (133,153)	(76,775)	(209,928)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,452	3,436	4,888
Decrease (increase) in accounts receivable	73,450	(10,942)	62,508
Increase (decrease) in accounts payable	(22,864)	(6,031)	(28,895)
Other adjustments	(13,662)	(34,384)	(48,046)
	(94,777)	(124,696)	(219,473)
Net cash provided by operations			

The accompanying notes are an integral part of these financial statements.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services,

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the sewer fund is charges to customers for services. Operating

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

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

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

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Receivables and Payables

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

Property Taxes

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

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

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

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

3 Inventory

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

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

4. Capital Assets and Depreciation

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

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

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

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

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

5. Compensated Absences

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

6. Fund Balance and Equity Classification

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Estimates

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

NOTE II STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

NOTE III DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the Town's bank balances were \$375,834, which were entirely covered by Federal Deposit Insurance Corporation coverage or by collateralized securities held by the pledging financial institution, except for the funds invested with the West Virginia

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Municipal Bond Commission, which is not insured. These funds are leftover from a paid off general obligation bond issue from 2002, and can be withdrawn by the Town at any time.

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

General Checking	\$	334,471
West Virginia Municipal Bond Commission		41,363
Total cash and investments	\$	375,834

B. Receivables

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

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

C. Capital Assets

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

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The amount of depreciation expense charged to governmental activities was:

Streets and transportation	<u>\$ 42,475</u>
----------------------------	------------------

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

Business-type activities capital assets, net

	<u>\$ 19,387</u>	<u>(4,888)</u>	<u>21,629</u>	<u>36,128</u>
--	------------------	----------------	---------------	---------------

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

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

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

NOTE IV OTHER INFORMATION

A. Risk Management

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

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Custodial Credit Risk and Interest Risk - Deposits

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

The Town has no interest rate risk policy.

C. Subsequent Events

The Town's management has evaluated the effect that subsequent events would have on the financial statements through October 3, 2022, which is the date the financial statements were available to be released.

D. Sale of Water System

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

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GLASGOW

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

Year Ended June 30, 2020

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

See independent auditor's report.

TOWN OF GLASGOW

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

Year Ended June 30, 2020

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

See independent auditor's report.

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

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

We 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 Town of Glasgow, West Virginia (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 3, 2022. Our report disclaims an opinion on such financial statements because the Town 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 Town, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 have not been identified. However, as described in the accompanying schedule of findings, we did identify 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2020-001 through 2020-011 to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-005 through 2020-011. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings. The Town's responses were not subjected to the auditing procedures applied in our engagement to audit of 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David L. Howell, CPA
Belle, West Virginia
October 3, 2022

TOWN OF GLASGOW

SCHEDULE OF FINDINGS

Year Ended June 30, 2020

2020-001 SEGREGATION OF DUTIES

CONDITION:

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

CRITERIA:

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

CAUSE:

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

EFFECT:

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

RECOMMENDATION:

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

AUDITED AGENCY'S RESPONSE:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-002 CANCELLED CHECKS/CHECK IMAGING

CONDITION:

It was determined during our audit that the officials of the Town failed to maintain adequate accounting records. Specifically, the Town did not retain cancelled checks/check imaging for all bank accounts.

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, 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 Town failed to keep records to identify and prove the validity of every transaction.

EFFECT:

Management of the Town did not have adequate records and certain transactions could not be verified. This contributed to the disclaimer of opinion.

RECOMMENDATION:

Management of the Town should implement controls to ensure that adequate records are maintained to ensure that all financial transactions and balances reported on the financial statements can be reconciled to underlying source documentation.

AUDITED AGENCY'S RESPONSE:

Town officials will endeavor to correctly maintain accounting records in the future.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-003 RETENTION OF RECORDS

CONDITION:

It was determined during our audit that the officials of the Town failed to retain supporting documentation for all revenues and expenditures. We identified instances where reimbursement transactions involving Town personnel totaled \$5,762 for which only \$945 had supporting documentation.

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 §6-9-2 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 charges 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:

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

EFFECT:

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

RECOMMENDATION:

Town officials should establish an aggressive procedure for the retention of source documentation.

AUDITED AGENCY'S RESPONSE:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-004 RECORD OF TRAFFIC CASES

CONDITION:

It was determined during our audit that the officials of the Town 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-19-7(b) 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:

Town officials failed to implement policies and procedures which would insure that all citations issued would be properly recorded in the Town 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.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-004 RECORD OF TRAFFIC CASES (CONTINUED)

RECOMMENDATION:

Town officials 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.

AUDITED AGENCY'S RESPONSE:

Town officials state that the court system will be evaluated and the necessary changes will be made.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-005 COMMINGLING OF COAL SEVERANCE TAX REVENUE FUNDS

CONDITION:

It was determined during our audit that the officials of the Town deposited coal severance tax revenue money 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...”

The 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:

Town 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:

Town 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.

AUDITED AGENCY’S RESPONSE:

Town officials have taken action to comply with these requirements subsequent to fiscal year end by establishing a separate bank account and fund to account for coal severance tax revenues.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-006 EXPENDITURES IN EXCESS OF AMOUNTS ALLOCATED IN LEVY ESTIMATE - GENERAL FUND

CONDITION:

It was determined during our audit that Town officials 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 <u>Final</u>	Actual Amounts Budget <u>Basis</u>	Variance with Final Budget Positive <u>(Negative)</u>
General government	126,154	388,667	(262,513)
Public safety	36,000	139,517	(103,517)
Streets and transportation	57,000	84,258	(27,258)

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:

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

EFFECT:

By expending more money than was budgeted, the Town may have violated West Virginia Code §11-8-26.

RECOMMENDATIONS:

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

AUDITED AGENCY’S RESPONSE:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-007 EXPENDITURES IN EXCESS OF AMOUNTS ALLOCATED IN LEVY ESTIMATE - COAL SEVERANCE TAX FUND

CONDITION:

It was determined during our audit that Town officials 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)
Streets and transportation	-	179	(179)

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:

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

EFFECT:

By expending more money than was budgeted, the Town may have violated West Virginia Code §11-8-26.

RECOMMENDATIONS:

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

AUDITED AGENCY’S RESPONSE:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-008 SUBSIDIZING OPERATIONS - SEWER

CONDITION:

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

CRITERIA:

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

“...It is the opinion that

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

CAUSE:

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

EFFECT:

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

RECOMMENDATIONS:

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

AUDITED AGENCY’S RESPONSE:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-009 INSUFFICIENT RATES - SEWER

CONDITION:

It was noted during our audit that the rates the Town charges for sewer services are not sufficient to pay all obligations of the system. As reflected in the statement of revenues, expenses, and changes in net position of the proprietary fund, the Sewer Fund incurred a net operating loss of (\$76,775) for the fiscal year ended June 30, 2020.

CRITERIA:

West Virginia Code §16-13-16 states in part that:

"...Such rates, fees or charges shall be sufficient in each year for payment of the proper and reasonable expenses of operation, repair, replacements and maintenance of the works and for the payment of the sums herein required to be paid into the sinking fund. Revenues collected pursuant to this section shall be considered the revenues of the works."

CAUSE:

The Town's officials did not have policies and procedures in place to ensure that established sewer rates were sufficient to meet all general obligations of the sewer system.

EFFECT:

The Town's sewer system incurred a net loss for the current year.

RECOMMENDATIONS:

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

AUDITED AGENCY'S RESPONSE:

Town officials stated that they will review the current rates and apply to the Public Service Commission for a rate increase in future years.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-010 ANNUAL FINANCIAL REPORTS TO THE PUBLIC SERVICE COMMISSION

CONDITION:

It was determined during our audit that the officials of the Town 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, 2020.

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 sewer utility have 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 the water and sewer financial and statistical reports were submitted to the Public Service Commission by the required date.

EFFECT:

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

RECOMMENDATION:

Town officials should prepare and file the financial and statistical reports within the 90 days after the end of fiscal year.

AUDITED AGENCY’S RESPONSE:

The Town 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.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2020

2020-011 WORKING CAPITAL RESERVE - SEWER

CONDITION:

It was determined during our audit that the Town did not establish a sufficient working capital reserve for its Sewer Fund to comply with Senate Bill No. 234 for the fiscal year ended June 30, 2020.

CRITERIA:

The Senate Bill No. 234 states in part that:

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

CAUSE:

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

EFFECT:

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

RECOMMENDATION:

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

AUDITED AGENCY'S RESPONSE:

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

TOWN OF GLASGOW

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2020

Finding Number	Finding Description	Status
2019-001	Detailed Capital Asset & Depreciation Schedules	Corrected
2019-002	Segregation of Duties	Uncorrected
2019-003	Maintenance of Accounting Records	Uncorrected
2019-004	Annual Financial Reports to the Public Service Commission	Uncorrected
2019-005	Record of Traffic Cases	Uncorrected
2019-006	Remittance to State Treasurer - Law Enforcement Training Fund	Corrected
2019-007	Remittance to State Treasurer - Regional Jail and Prison Development Fund	Corrected
2019-008	Retention of Records	Uncorrected
2019-009	Remittance to State Treasurer - Crime Victims Compensation Fund	Corrected
2019-010	Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund	Uncorrected
2019-011	Expenditures in Excess of Amounts Allocated in the Levy Estimate - Coal Severance Tax Fund	Uncorrected
2019-012	Subsidizing Operations - Water	Corrected
2019-013	Insufficient Rates - Water	Corrected
2019-014	Failure to Submit Budget Revision to Appropriate the Unexpended Balance - Coal Severance Tax Fund	Corrected
2019-015	Commingling of Coal Severance Tax Revenue Funds	Uncorrected