

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, 2021

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TOWN OF GLASGOW

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TOWN OF GLASGOW

SCHEDULE OF FUNDS INCLUDED IN THE FINANCIAL REPORT

Year Ended June 30, 2021

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General Fund
Coal Severance Tax Fund
Infrastructure Fund

PROPRIETARY FUND TYPES

Sewer Fund

TOWN OF GLASGOW

MUNICIPAL OFFICIALS

Year Ended June 30, 2021

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Glasgow (the "Town"), as of and for the year ended June 30, 2021, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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, 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 May 18, 2023, 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
May 18, 2023

TOWN OF GLASGOW
STATEMENT OF NET POSITION

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 452,284	2,216	454,500
Receivables:			
Accounts	44,576	21,087	65,663
Taxes	1,046	-	1,046
Due from other funds	62,584	-	62,584
Prepaid expenses	-	505	505
Total current assets	560,490	23,808	584,298
Noncurrent assets:			
Capital assets:			
Property, plant and equipment	757,557	910,210	1,667,767
Less: accumulated depreciation	(654,889)	(877,518)	(1,532,407)
Total capital assets, net	102,668	32,692	135,360
Total noncurrent assets	102,668	32,692	135,360
Total assets	663,158	56,500	719,658
LIABILITIES			
Current liabilities:			
Accounts payable	6,868	6,239	13,107
Due to other funds	-	62,584	62,584
Customer deposits	-	1,094	1,094
Total liabilities	6,868	69,917	76,785
NET POSITION			
Net investment in capital assets	102,668	32,692	135,360
Unrestricted	553,622	(46,109)	507,513
Total net position	\$ 656,290	(13,417)	642,873

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions / Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 204,057	6,100	10,000	(187,957)	-	(187,957)
Public safety	124,806	72,099	-	(52,707)	-	(52,707)
Streets and transportation	178,058	57,905	-	(120,153)	-	(120,153)
Health and sanitation	27,900	51,733	-	23,833	-	23,833
Culture and recreation	31	-	-	(31)	-	(31)
Total governmental activities	534,852	187,837	10,000	(337,015)	-	(337,015)
Business type activities:						
Sewer	103,294	117,041	-	-	13,747	13,747
Total business type activities	103,294	117,041	-	-	13,747	13,747
Total primary government	\$ 638,146	304,878	10,000	(337,015)	13,747	(323,268)
General revenues:						
Taxes				311,319	-	311,319
Licenses and permits				1,355	-	1,355
Unrestricted investment earnings				538	-	538
Miscellaneous				39,143	-	39,143
Total general revenues				352,355	-	352,355
Change in net position				15,340	13,747	29,087
Net position - beginning				640,950	(27,164)	613,786
Net position - ending				\$ 656,290	(13,417)	642,873

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General	Coal Severance Tax	Infrastructure	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 389,373	3,493	59,418	452,284
Receivables:				
Taxes	1,046	-	-	1,046
Accounts	19,933	-	24,643	44,576
Due from other funds	62,584	-	-	62,584
 Total assets	\$ 472,936	3,493	84,061	560,490
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,868	-	-	6,868
 Total liabilities	6,868	-	-	6,868
 FUND BALANCES				
Assigned	-	3,493	84,061	87,554
Unassigned	466,068	-	-	466,068
 Total fund balances	466,068	3,493	84,061	553,622
 Total liabilities and fund balances	\$ 472,936	3,493	84,061	560,490

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

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

Year Ended June 30, 2021

Total fund balances on the governmental fund's balance sheet	\$ 553,622
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	<u>102,668</u>
Net position of governmental activities	<u>\$ 656,290</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

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

Year Ended June 30, 2021

	General	Coal Severance Tax	Infrastructure	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 72,717	-	-	72,717
Business and occupation tax	224,726	-	-	224,726
Utility excise tax	10,847	-	-	10,847
Coal severance tax	-	3,029	-	3,029
Licenses and permits	1,355	-	-	1,355
Charges for services	129,932	-	57,905	187,837
Interest and investment earnings	538	-	-	538
Reimbursements	26,717	-	-	26,717
Contributions and donations	10,000	-	-	10,000
Miscellaneous	12,426	-	-	12,426
Total revenues	489,258	3,029	57,905	550,192
EXPENDITURES				
General government	204,057	-	-	204,057
Public safety	124,806	-	-	124,806
Streets and transportation	122,021	1,536	12,026	135,583
Health and sanitation	27,900	-	-	27,900
Culture and recreation	31	-	-	31
Total expenditures	478,815	1,536	12,026	492,377
Net change in fund balances	10,443	1,493	45,879	57,815
Fund balances - beginning	455,625	2,000	38,182	495,807
Fund balances - ending	\$ 466,068	3,493	84,061	553,622

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

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

Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$ 57,815
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>(42,475)</u>
Change in net position of governmental activities	<u>\$ 15,340</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2021

	Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,216
Receivables:	
Accounts receivable	21,087
Prepaid expenses	505
Total current assets	23,808
Noncurrent assets:	
Capital assets:	
Plant and equipment	910,210
Less: accumulated depreciation	(877,518)
Total capital assets, net	32,692
Total noncurrent assets	32,692
Total assets	56,500
LIABILITIES	
Current liabilities:	
Accounts payable	6,239
Customer deposits	1,094
Due to:	
Other funds	62,584
Total current liabilities	69,917
Total liabilities	69,917
NET POSITION	
Net investment in capital assets	32,692
Unrestricted	(46,109)
Total net position	\$ (13,417)

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

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

Year Ended June 30, 2021

	<u>Sewer</u>
Operating revenues:	
Sales and services to customers	\$ 117,041
Total revenues	<u>117,041</u>
Operating expenses:	
Operation and maintenance expense	99,858
Depreciation	<u>3,436</u>
Total operating expenses	<u>103,294</u>
Operating income (loss)	<u>13,747</u>
Change in net position	13,747
Net position at beginning of year, as restated	<u>(27,164)</u>
Net position at end of year	<u>\$ (13,417)</u>

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2021

	Sewer
Cash flows from operating activities:	
Cash received from customers	\$ 136,421
Cash paid for goods and services	(107,098)
Net cash provided (used) by operating activities	29,323
Cash flows from noncapital and related financing activities:	
Transfers (to) from other funds	(27,107)
Net cash provided (used) by noncapital and related financing activities	(27,107)
Net increase (decrease) in cash and cash equivalents	2,216
Cash and cash equivalents, June 30, 2020	-
Cash and cash equivalents, June 30, 2021	\$ 2,216
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	13,747
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,436
Decrease (increase) in accounts receivable	19,380
Decrease (increase) in prepaid expenses	(5)
Increase (decrease) in accounts payable	(9,348)
Increase (decrease) in customer deposits	2,113
Net cash provided (used) by operating activities	29,323

See accompanying notes and independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

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 fund:

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, 2021, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Taxes Levied
Class I	\$ -	12.50 cents	\$ -
Class II	10,521,896	25.00 cents	26,305
Class IV	9,539,371	50.00 cents	47,697
Totals	<u>\$ 20,061,267</u>		<u>\$ 74,002</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

Custodial credit risk

For deposits, the Town could be exposed to risk in the event of a bank failure where the Town's deposits may not be returned. The Town's policy for custodial credit risk is

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

to require a depository bond as collateral for all investments. At year end, the primary government's bank balances were \$471,500, which were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Town's name. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at June 30, 2021. The categories are described as follows:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized.

	Bank Balance	1	2	3	Carrying Amount
Deposits	\$ 471,500	250,000	221,500	-	454,500
	\$ 471,500	250,000	221,500	-	454,500

B. Receivables

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

	General	Infrastructure	Sewer Fund
Receivables:			
Accounts	\$ 19,933	24,643	21,087
Taxes	1,046	-	-
Due from other funds	62,584	-	-
Total receivables, net	\$ 82,517	24,643	21,087

C. Capital Assets

Capital asset activity for the Town for the fiscal year ended June 30, 2021, was as follows:

See independent auditor's report.

TOWN OF GLASGOW

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 425,000	-	-	425,000
Machinery and equipment	332,557	-	-	332,557
Less: accumulated depreciation	(612,414)	(42,475)	-	(654,889)
Total capital assets being depreciated, net	145,143	(42,475)	-	102,668
Total governmental activities capital assets, net	\$ 145,143	(42,475)	-	102,668

The amount of depreciation expense charged to governmental activities was:

Streets and transportation	\$ 42,475
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Structures and improvements	808,819	-	-	808,819
Transmission and distribution	74,478	-	-	74,478
Machinery and equipment	26,400	-	-	26,400
Furniture and fixtures	513	-	-	513
Less: accumulated depreciation	(874,082)	(3,436)	-	(877,518)
Total capital assets being depreciated, net	36,128	(3,436)	-	32,692
Total Business-type activities capital assets, net	\$ 36,128	(3,436)	-	32,692

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

Sewer Fund	\$ 3,436
Total depreciation expense-business-type activities	\$ 3,436

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 May 18, 2023, which is the date the financial statements were available to be released.

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, 2021

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Ad valorem property taxes	\$ 67,518	67,518	72,717	5,199
Business and occupation tax	103,670	103,670	224,726	121,056
Utility services tax	6,489	6,489	10,847	4,358
Gas and oil severance tax	2,150	2,150	-	(2,150)
Licenses and permits	174	174	1,355	1,181
Intergovernmental:				
State	3,100	3,100	-	(3,100)
Charges for services	180,500	180,500	129,932	(50,568)
Fines and forfeits	2,500	2,500	-	(2,500)
Interest and investment earnings	-	-	538	538
Miscellaneous	-	-	12,426	12,426
	366,101	366,101	489,258	123,157
EXPENDITURES				
General government	242,051	247,851	204,057	43,794
Public safety	92,000	117,700	124,806	(7,106)
Streets and transportation	93,800	104,300	122,021	(17,721)
Health and sanitation	105,900	105,900	27,900	78,000
Culture and recreation	11,200	11,200	31	11,169
Social services	1,000	-	-	-
	545,951	586,951	478,815	108,136
Net change in fund balance	(179,850)	(220,850)	10,443	231,293
Fund balances - beginning	179,850	220,850	455,625	234,775
Fund balances - ending	\$ -	-	466,068	466,068

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, 2021

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Coal severance tax	\$ 746	746	3,029	2,283
Total revenues	746	746	3,029	2,283
EXPENDITURES				
Current:				
Streets and transportation	-	-	1,536	(1,536)
Culture and recreation	846	846	-	846
Total expenditures	846	846	1,536	(690)
Net change in fund balance	(100)	(100)	1,493	1,593
Fund balances - beginning	100	100	2,000	1,900
Fund balances - ending	\$ -	-	3,493	3,493

See independent auditor's report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Glasgow (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-002 through 2021-006.

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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 18, 2023

TOWN OF GLASGOW

SCHEDULE OF FINDINGS

Year Ended June 30, 2021

2021-001 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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2021

2021-002 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 Final	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Public safety	117,700	124,806	(7,106)
Streets and transportation	104,300	122,021	(17,721)

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2021

2021-003 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	-	1,536	(1,536)

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2021

2021-004 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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2021

2021-005 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, 2021.

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 sewer financial and statistical report was 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:

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Town officials will analyze their internal control structure over the preparation of the financial and statistical report for the utility and take steps to correct this deficiency in the future.

TOWN OF GLASGOW

SCHEDULE OF FINDINGS (CONTINUED)

Year Ended June 30, 2021

2021-006 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, 2021.

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

TOWN OF GLASGOW

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2021

<u>Finding Number</u>	<u>Finding Description</u>	<u>Status</u>
2020-001	Segregation of Duties	Uncorrected
2020-002	Cancelled Checks / Check Imaging	Corrected
2020-003	Retention of Records	Corrected
2020-004	Record of Traffic Cases	Corrected
2020-005	Commingling of Coal Severance Tax Revenue Funds	Corrected
2020-006	Expenditures in Excess of Amounts Allocated in the Levy Estimate - General Fund	Uncorrected
2020-007	Expenditures in Excess of Amounts Allocated in the Levy Estimate - Coal Severance Tax Fund	Uncorrected
2020-008	Subsidizing Operations - Sewer	Uncorrected
2020-009	Insufficient Rates - Sewer	Corrected
2020-010	Annual Financial Reports to the Public Service Commission	Uncorrected
2020-011	Working Capital Reserve - Sewer	Uncorrected