

WHEELWRIGHT UTILITY COMMISSION  
REPORT OF AUDIT OF FINANCIAL STATEMENTS  
AND SUPPORTING DATA  
YEAR ENDED JUNE 30, 2021

- CONTENTENTS -

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION – PROPRIETARY FUND	5 – 6
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION – PROPRIETARY FUND	7
STATEMENTS OF CASH FLOWS – PROPRIETARY FUND	8 – 9
NOTES TO THE FINANCIAL STATEMENTS	10 – 15
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	16 – 18

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Wheelwright Utility Commission  
Wheelwright, Kentucky

**Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of Wheelwright Utility Commission, as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Wheelwright Utility Commission's basic financial statement 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure 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 presentations 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, I 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.

I believe that the evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions.



### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Wheelwright Utility Commission, as of June 30, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial statements in an appropriate operational, economic, or historical context. I 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 methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

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

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with Governmental Auditing Standards, I have also issued my report dated February 17, 2022, on my consideration of Wheelwright Utility Commission's internal control over financial reporting and on 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Wheelwright Utility Commission's internal control over financial reporting and compliance.



Richard F. Paulmann CPA, LLC  
Pewee Valley, KY  
February 17, 2022

WHEELWRIGHT UTILITY COMMISSION  
STATEMENT OF NET POSITION  
June 30, 2021  
(with prior year data for comparison purposes only)

	<u>6/30/2021</u>	<u>6/30/2020</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 282,827	\$ 309,027
Accounts Receivable (Net of Allowance for Delinquencies of \$17,053 in 2020 and \$0 in 2019)	39,551	43,396
Prepaid Expense	<u>14,472</u>	<u>-</u>
<b>Total Current Assets</b>	336,850	352,423
<b>Noncurrent Assets</b>		
Restricted Cash	326,820	316,447
<b>Capital Assets:</b>		
Land	5,000	5,000
Plumbing and Distribution System	3,121,448	3,121,448
Office Building	170,658	87,212
Transportation Equipment	191,523	191,523
Furniture, Fixtures and Equipment	11,047	11,047
Construction in Progress	<u>634,397</u>	<u>634,397</u>
<b>Total Capital Assets</b>	4,134,073	4,050,627
Less: Accumulated Depreciation	<u>(2,565,009)</u>	<u>(2,458,194)</u>
Net Capital Assets	1,569,064	1,592,433
<b>Total Noncurrent Assets</b>	1,895,884	1,908,880
<b>Total Assets</b>	\$ <u>2,232,734</u>	\$ <u>2,261,303</u>

See accompanying notes to the basic financial statements

WHEELWRIGHT UTILITY COMMISSION  
STATEMENT OF NET POSITION  
6/30/2021  
(with prior year data for comparison purposes only)

	<u>6/30/2021</u>	<u>6/30/2020</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 25,108	\$ 11,202
Payroll taxes	1,020	966
Accrued Sick and Vacation pay	5,706	22,367
Customer Deposits	52,850	58,850
Settlement Payable	-	-
Accrued Interest Payable	1,410	1,410
Current Portion of Long Term Debt	<u>15,000</u>	<u>15,000</u>
<b>Total Current Liabilities</b>	<u>101,094</u>	<u>109,795</u>
<b>Noncurrent Liabilities</b>		
Long Term Debt less current portion	<u>430,000</u>	<u>445,000</u>
<b>Total Long Term Liabilities</b>	<u>430,000</u>	<u>445,000</u>
<b>Total Liabilities</b>	<u>531,094</u>	<u>554,795</u>
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	1,124,064	1,132,433
Restricted for Capital Projects	-	-
Restricted for Debt Service	70,435	60,104
Restricted for Deposits	52,850	58,850
Unrestricted	<u>454,291</u>	<u>455,121</u>
<b>Total Net Position</b>	<u>\$ 1,701,640</u>	<u>\$ 1,706,508</u>

See accompanying notes to the basic financial statements



WHEELWRIGHT UTILITY COMMISSION  
STATEMENT OF REVENUE EXPENDITURE AND CHANGES IN NET POSITION  
For the Years Ended June 30, 2021 and 2020  
(with prior data for comparison purposes only)

	For the Year Ended June 30	
	2021	2020
<b>Operating Revenue:</b>		
Charges for Services	\$ 608,960	\$ 614,610
Collection and Late Fees		
Other Revenue		
Other		
<b>Total Operating Revenue</b>	<u>608,960</u>	<u>614,610</u>
<b>Operating Expenses:</b>		
Water Treatment Supplies	61,213	39,302
Depreciation and Amortization	106,815	101,252
Sewer Operating Expenses	58,480	47,707
Gasoline and Fuel	50,118	6,856
Office Expense	15,894	16,580
Contracted Services	20,091	31,069
Miscellaneous	3,209	6,486
Insurance	12,775	13,805
Contractual Services	18,328	19,684
Payroll and Other Taxes	16,601	13,720
Utilities	43,999	41,269
Wages	181,351	192,465
Employee Benefits	3,214	1,260
Maintenance Materials and Supplies	5,036	2,764
<b>Total Operating Expense</b>	<u>597,124</u>	<u>534,219</u>
<b>Operating Income (Loss)</b>	<u>11,836</u>	<u>80,391</u>
<b>Non-Operating Revenue (Expense)</b>		
Interest Income	219	-
Interest Expense	(16,923)	(10,469)
Cessation payments	-	-
Administrative and Trustee Fees for Bond	-	(1,774)
Dividends	-	-
Gain (Loss) on Sale of Assets	-	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(16,704)</u>	<u>(12,243)</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>(4,868)</u>	<u>68,148</u>
<b>Capital Contributions</b>		
Grant Income	-	-
Capital Contributions	-	-
<b>Total Capital Contributions</b>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>(4,868)</u>	<u>68,148</u>
<b>Total Net Position, Beginning</b>	<u>1,706,508</u>	<u>1,638,360</u>
<b>Total Position Assets, Ending</b>	<u><u>1,701,640</u></u>	<u><u>1,706,508</u></u>

See accompanying notes to the basic financial statements

WHEELWRIGHT UTILITY COMMISSION  
Statement of Cash Flows  
For the Years Ended June 30, 2021 and 2020  
(with prior year data for comparison purposes only)

	For the Year Ended June 30	
	2021	2020
<b>Cash flows from operating activity</b>		
Cash received from customers	\$ 612,805	\$ 610,718
Cash payments to suppliers for goods and services	(289,654)	(219,185)
Cash payment to employees	(217,828)	(185,078)
Cash received from deposits	(6,000)	11,279
<b>Net cash provided by operating activities</b>	<u>99,323</u>	<u>217,734</u>
<b>Cash flows from noncapital financing activities</b>		
Cessation payments received	-	-
Net Cash Provided (Used) By Noncapital Financing Activities	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>		
(Increase ) decrease in Restricted Assets Accounts		-
Loan Proceeds		-
Interest Paid	(16,923)	(10,469)
Principle Payment on Long term Debt	(15,000)	(15,000)
Asministrative and Trust Fees for bond	-	(1,774)
Acquistion and construction of capital assets	(83,446)	(19,600)
Decrease (Increase) in Consturction in progress	-	(50,000)
Proceeds from insurance recovery	-	-
Proceeds on Sale of Assets	-	-
Net cash provided by (used for) capital and related financing activities	<u>(115,369)</u>	<u>(96,843)</u>
<b>Cash flows from investing activities</b>		
Proceeds from earnings on investments	219	-
Net cash provided by (used for) investing activities	<u>219</u>	<u>-</u>
<b>Total increase (decrease) in cash and cash equivalents</b>	(15,827)	120,891
<b>Cash and cash equivalents at beginning of year</b>	<u>625,474</u>	<u>504,583</u>
<b>Cash and cash equivalents at end of year (Note 2)</b>	<u>\$ 609,647</u>	<u>\$ 625,474</u>
<b>Reconciliation of Cash</b>		
Cash	282,827	309,027
Restricted Cash	<u>326,820</u>	<u>316,447</u>
<b><u>CASH AT END OF THE YEAR</u></b>	<u>\$ 609,647</u>	<u>\$ 625,474</u>

See accompanying notes to the basic financial statements



WHEELWRIGHT UTILITY COMMISSION  
Statement of Cash Flows  
For the Years Ended June 30, 2021 and 2020  
(with prior year data for comparison purposes only)

	For the Year Ended June 30	
	2021	2020
<b>Reconciliation of Income from operations to net cash provided by operated activities:</b>		
Income from operations	\$ 11,836	\$ 80,391
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Operating Activities:		
Depreciation and amortization	106,815	101,252
Changes in assets and liabilities:		
Decrease (increase) in utility accounts receivable	3,845	18,475
Decrease (increase) in prepaid expense	(14,472)	13,758
Increase (decrease) in accounts payable and other payable	(2,701)	(973)
Increase (decrease) in customer deposits	(6,000)	11,279
Increase (decrease) in accrued interest	-	(6,448)
<b>Net cash provided by operating activities</b>	<b>\$ 99,323</b>	<b>\$ 217,734</b>

WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

Note 1 – Summary of Significant Accounting Policies

The significant policies of the Commission are as follows:

**Organization and Business Activities** – The Wheelwright Utility Commission (the “Commission”) is a governmental organization with its primary activities consisting of sale of water and sewer and gas services to approximately 350 homes and businesses in and around Wheelwright, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes to operate a water distribution system.

**Basis of Accounting** – The accounting and reporting policies of the Wheelwright Utility Commission relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable for local governments. Generally accepted accounting principles for local Governments includes those principles presented by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publications entitled Audits of State and Local Governments and by the Financial Accounting Standards Board (when applicable). As allowed in section PBO of GASB’s Codification of Governmental Accounting and Financial Reporting Standards the Commission has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Research Bulletins of the Committee of Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee of Accounting and Procedures issued after November 30, 1969. The Commission first applies restricted resources when an expense is incurred for restricted and unrestricted purposes. The more significant policies of the Commission are described below.

**Basis of Presentation**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the Commission uses Proprietary Fund financial statement reporting including a Statement of Net Assets, Statements of Revenues, Expenditures and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets includes the Commission’s assets and liabilities and provides Information about the nature and amounts of investments in resources (assets) and the obligations to the Commission’s creditors (liabilities). The difference between the assets and liabilities is shown as net assets. The statement also provides the basis of evaluating the capital structure of the Commission and assessing its liquidity and financial flexibility.

The statement of Revenue, Expenditure and Changes in Net Assets accounts for the current year’s revenue and expense. This statement measures the success of the Commission’s operations over the past year and determines whether the Commission has recovered its cost through user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash disbursements, and changes in cash resulting from operations and investments during the reporting period.

WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

The Notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

The Commission's basic financial statements include the accounts of all Commission operations. The Commission's criteria for including organizations as component units with the Commission's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Standards includes whether:

- The Organization is legally separate (can sue and be sued in their own name).
- The Commission holds the corporate powers of the organization.
- The Commission appoints voting majority of the organization.
- The Organization has the potential to impose a financial benefit/burden on the Association.
- There is fiscal dependency by the organization on the Commission.

**Component Unit Presentation** – Based on the aforementioned criteria the Commission has no component units.

**Cash** - For the purpose of the statement of cash flows, the Commission considers cash to include cash on hand and unrestricted cash in bank.

**Inventory** – Inventory consists primarily of pipes and supplies to be used for future expansion and repairs of existing lines. Inventory is valued at the lower of cost or market under first – in, first- out (FIFO) method.

**Allowance for Doubtful Accounts** – The Commission utilizes the allowance method for accounting for bad debts. This method is based on historical experience and evaluation of outstanding accounts at year end. The Allowance for Doubtful as of June 30, 2021 and 2020 is \$17,737 and \$17,053.

**Operating and Non – Operating Revenue** – Only water and solid waste revenue and related service charges and penalties are considered as operating revenue.

**Applying Resources** – Restricted resources are applied first for expenses incurred for which both restricted and unrestricted net assets are available.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results can differ from those estimates.



WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**Note 2 – Restricted Cash Accounts**

The revenue bonds and loan were used to finance construction and major improvements to the water, sewer, and gas systems and are secured by property, revenues, and revenues of the individual systems. The bond and loan ordinances stipulated the revenues of each system are to be used first to maintain and establish reserves for the timely payment of principal and interest and to fund a reserve for future extraordinary, unusual, or emergency repairs to the system. Secondly, revenues are to be used to pay the routine operational and maintenance expenses of each system. The System elects to pay monthly installments directly to the water and gas system bondholders in lieu of establishing a reserve for debt service. At June 30, 2021 the water system's reserve was \$32,659.

The Kentucky Bond Corporation First Series 2014 lease requires the Commission to maintain restricted assets and certain reserves as follows:

a) Proceeds from the bond issuance are restricted for the purpose of capital improvements to the water system. At June 30, 2020 the unspent portion was \$256,385.

b) Debt service reserve fund. Proceeds of \$22,996 were set aside for principal and interest payments due in February, 2040 through January 1, 2041.

c.) Sinking fund. The Sinking Fund was established to accumulate the amounts necessary to pay principal and interest due within the current year. On or before the last day of each month, an amount equal to the total of one-sixth of the semiannual interest payment plus one-twelfth of the next annual principal payment are to be transferred to the account. At June 30, 2020, the balance in the sinking fund was \$14,780.

**Note 3 – Prepaid Items**

Prepaid items include prepayment of service contracts, software rights and insurance. These amounts represent payments made in the current year for which services will be provided in the subsequent fiscal year.

**Note 4 – Deposits with Financial Institutions**

As of June 30, 2021, the company had amounts of \$609,647 on deposit with financial institutions with \$250,000 insured by FDIC and \$359,647 insured by pledged US Treasury Bills.

As of June 30, 2020, the company had amounts of \$625,474 on deposit with financial institutions with \$250,000 insured by FDIC and \$375,474 insured by pledged US Treasury Bills.

WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**Note 5 – Subsequent Events**

In preparing these financial statements, the Commission has evaluated events and transactions for the potential recognition or disclosure through February 17, 2022, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact Net Assets. Other financial impact could occur however such potential impact is unknown at this time.

On November 17, 2020 The Commission received letter from Energy and Environment Cabinet Department for Natural Resources granting \$2,050,000 AML Economic and Community Development Pilot Program to construct a new 432,000 GPD membrane filtration process water treatment plant.

**Note 6 – Risk Management**

Significant losses covered by commercial insurance with premiums (based on industry information adjusted for any Commission Claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the prior years.

**Note 7 – Concentrations of Credit Risk**

Concentrations of credit risk are limited due to the large number of customers comprising the Commission's customer base.

**Note 8 - Property and Equipment**

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental column in the government – wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight – line method. Estimated useful lives are as follows.

Depreciation has been calculated on each class of depreciable property using the straight – line method. Estimated useful lives are as follows:

Buildings	20 – 50 Years
Improvements	20 – 50 Years
Vehicles	5 – 10 Years
Equipment	7 – 20 Years



WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**Note 8 - Property and Equipment (Continued)**

The following summarizes the changes to capital assets for 2021:

	Balance 07/01/20	Additions	Disposals	Balance 06/30/21
Land	\$ 5,000	\$ 0	\$ -0-	\$ 5,000
Utility Plant	3,101,848	0	0	3,101,848
Equipment and Vehicles	199,023	0	0	199,023
Office Equipment	11,047	0	0	11,047
Office Building and Improvements	99,312	83,446	-0-	187,758
Construction in Progress	634,397	-0-	-0-	634,397
TOTAL ASSETS	\$ 4,050,627	\$ 83,446	\$ 0	\$ 4,134,073
Less				
Accumulated Depreciation				
Utility Plant	2,211,833	88,927	0	2,300,760
Office Building and Improvements	62,501	9,514	0	72,015
Equipment and Vehicles	173,221	8,151	0	181,372
Office Equipment	10,639	223	-0-	10,862
Total Accumulated	2,458,194	106,815	0	2,565,009
Balance – June 30	<u>\$ 1,592,433</u>			<u>\$ 1,569,064</u>

The following summarizes the changes to capital assets for 2020:

	Balance 07/01/19	Additions	Disposals	Balance 06/30/20
Land	\$ 5,000	\$ 0	\$ -0-	\$ 5,000
Utility Plant	3,101,848	0	0	3,101,848
Equipment and Vehicles	191,523	7,500	0	199,023
Office Equipment	11,047	0	0	11,047
Office Building and Improvements	87,212	12,100	-0-	99,312
Construction in Progress	584,397	50,000	0-	634,397
TOTAL ASSETS	\$ 3,981,027	\$ 69,600	\$ 0	\$ 4,050,627
Less				
Accumulated Depreciation				
Utility Plant	2,122,906	88,927	0	2,211,833
Office Building and Improvements	58,550	3,951	0	62,501
Equipment and Vehicles	165,070	8,151	0	173,221
Office Equipment	10,416	223	-0-	10,639
Total Accumulated	2,356,942	101,252	0	2,458,194
Balance – June 30	<u>\$ 1,624,085</u>			<u>\$ 1,592,433</u>



WHEELWRIGHT UTILITY COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**Note 9 –Bonds Payable**

All bonds are secured by the Water Distributions system and related assets unless stated as non – secured:

**Kentucky Bond Corporation First Series 2014**

The City of Wheelwright entered into a \$550,000 lease agreement with the Kentucky Bond Corporation on February 28, 2014 to finance upgrades and improvements to the raw water intake system and the water treatment plant. The bond carries interest rates of 4% - 8% and matures on February 1, 2041. Interest is payable semiannually on August 1 and February 1 and principal is due February 1.

Changes in outstanding debt

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2021</u>	Current <u>Portion</u>
KBC	\$ 460,000	\$ 0	\$ 15,000	\$ 445,000	\$15,000

**Note**

Following are maturities of long – term debt as of June 30, 2021:

<u>June 30</u>	<u>Fees</u>	<u>Principal</u>	<u>Interest</u>
2022	1,563	15,000	16,585
2023	1,525	15,000	16,210
2024	1,487	15,000	15,760
2025	1,450	15,000	15,310
2026-2030	6,564	100,000	67,780
2031-2035	5,275	115,000	48,400
2036-2040	3,675	150,000	22,800
2041-2045	500	20,000	800
<b>Total</b>	<u>\$ 22,039</u>	<u>\$ 445,000</u>	<u>\$ 203,645</u>

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**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**

February 17, 2022

To the Board of Commissioners  
Wheelwright Utility Commission  
Wheelwright, Kentucky

I 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 of the Wheelwright Utility Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Wheelwright Utility Commission's basic financial statements and have issued my report thereon dated February 17, 2022.

**Internal Control over Financial Reporting**

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

My 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. However, as described below, I identified certain deficiencies in internal control that I consider to be material weakness and significant deficiencies.



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. I consider the deficiencies described below to be material weakness.

- 1.) Commission records are not being maintained properly on the modified accrual basis of accounting.
- 2.) Capital Assets should be recorded and maintained with proprietary fund accounting.

Views of responsible officials:

The Commission will work on improving the accounting system to contain them

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

However, I did identify certain deficiencies in internal control, described below that I consider to be significant deficiencies.

1. Because of the size of the Wheelwright Utility Commission and the small number of persons it employs, it is not possible from a practical perspective, to achieve segregation of duties in many areas. As a result, a highly structured internal control system cannot exist. Management and the Commission should remain aware of the integrity of the employees and the need to provide appropriate supervision.
2. The staff is competent, capable and performs daily and monthly functions well.



Views of responsible officials:

While the Commission Agrees with this, they feel it would not be cost beneficial for them to add more staff.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wheelwright Utility Commission financial statements are free from material misstatement, I 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

**Wheelwright Utility Commission Response to Findings**

Wheelwright Utility Commission Response to findings identified previously were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, I 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.

Richard F. Paulmann, CPA, LLC.

*Richard F. Paulmann*

Pewee Valley, KY  
February 17, 2022