

WHEELWRIGHT UTILITY COMMISSION
REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND SUPPORTING DATA
YEAR ENDED JUNE 30, 2024

• CONTENTS -

	<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	10-14
BUDGETARY COMPARISON SCHEDULE	15
REPORT ON INTERNAL CONTROL OVER FINICIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	16-18

RICHARD F. PAULMANN, CPA, LLC
301 MOUNT MERCY ROAD
PEWEE VALLEY, KY 40056
Ph: (502) 550-1568
e-mail: Richardpaulmann@twc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Wheelwright Utility Commission
Wheelwright, Kentucky

Opinions

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, 2024, 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.

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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Wheelwright Utility Commission and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wheelwright Utility Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted accounting standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due

to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wheelwright Utility Commission's internal control. Accordingly no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considering in the aggregate, that raise substantial doubt about the Wheelwright Utility Commission's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

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 May 8, 2025 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
May 8, 2025



WHEELWRIGHT UTILITY COMMISSION
STATEMENT OF FUND NET POSITION
June 30, 2024
(with prior year data for comparison purposes only)

	6/30/2024	6/30/2023
Assets		
Current Assets:		
Cash and Cash Equivalents	\$619,318	\$505,142
Accounts Receivable (Net of Allowance for Delinquencies of \$17,053 in 2024 and \$17,053 in 2023)	74,705	79,987
Inventory	37,708	
Prepaid Expense	17,878	16,859
Total Current Assets	749,609	601,988
 Noncurrent Assets		
Restricted Cash	350,293	334,858
 Capital Assets:		
Land	5,000	5,000
Plumbing and Distribution System	4,146,345	4,218,702
Office Building	170,658	170,658
Transportation Equipment	191,523	191,523
Furniture, Fixtures and Equipment	40,551	37,647
Construction in Progress	148,010	
Total Capital Assets	4,702,087	4,623,530
Less: Accumulated Depreciation	(2,930,289)	(2,802,813)
Net Capital Assets	1,771,798	1,820,717
 Total Noncurrent Assets		
 Total Assets	\$2,871,700	\$2,757,563

See accompanying notes to the financial statements

WHEELWRIGHT UTILITY COMMISSION
STATEMENT OF FUND NET POSITION
June 30, 2024
(with prior year data for comparison purposes only)

	6/30/2024	6/30/2023
LIABILITIES		
Accounts payable	69,359	104,019
Payroll Taxes	4,050	848
Accrued Sick and Vacation Time	28,611	3,057
Customer Deposits	28,563	42,748
Accrued Interest Payable	293	293
Current Portion of Long Term Debt	15,000	15,000
Total Current Liabilities	145,876	165,965
Noncurrent Liabilities		
Long Term Debt less current portion	385,000	400,000
Total Long Term Liabilities	385,000	400,000
Total Liabilities	530,876	565,965
Net Position		
Invested in capital assets, net of related debt	1,371,798	1,405,717
Restricted for Capital Projects		
Restricted for Debt Service	72,335	70,690
Restricted for Deposits	28,563	42,748
Unrestricted	868,128	672,443
TOTAL NET POSITION	2,340,824	2,191,598

See accompanying notes to the financial statements

WHEELWRIGHT UTILITY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
Operating Revenue:		
Charges for Services	\$946,969	\$1,088,113
Collection and Late Fees		
Grant	29,428	
Other		582
	976,397	1,088,695
Total Operating Revenue		
Operating Expenses:		
Water Treatment Supplies	76,196	64,077
Depreciation and Amortization	127,476	124,592
Sewer Operating Expenses	78,227	49,233
Gasoline and Fuel	55,646	78,853
Office Expense	17,519	13,704
Contracted Services	12,346	11,166
Miscellaneous	4,673	2,895
Insurance	17,671	14,610
Contractual Services	20,989	19,732
Payroll and Other Taxes	25,249	18,266
Utilities	63,770	67,648
Wages	322,459	235,975
Professional Fees	6,000	7,500
	828,221	708,251
Total Operating Expense		
Operating Income (Loss)	148,176	380,444
Non-Operating Revenue (Expense)		
Interest & Dividend Income	16,810	7,903
Interest Expense	(15,760)	(16,210)
Transfers		24,024
Administrative and Trustee Fees for Bond Dividends		
Gain (Loss) on Sale of Assets		
	1,050	15,717
Total Non-Operating Revenue (Expenses)		
Income (Loss) Before Capital Contributions	149,226	396,161
Capital Contributions		
Grant Income	-	-
Capital Contributions		
Total Capital Contributions	-	-
Change in Net Position	149,226	396,161
Total Net Position, Beginning	2,191,598	1,795,436
Total Net Position, Ending	\$2,340,824	\$2,191,598

See accompanying notes to the financial statements

WHEELWRIGHT UTILITY COMMISSION
Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023
(with prior year data for comparison purposes only)

	For the year Ended June 30	
	2024	2023
Cash Flows from Operating		
Cash Received from customers	922,824	\$1,074,821
Cash payments to suppliers for goods and services	(368,240)	(264,807)
Cash payments to employees	(347,708)	(254,241)
Cash received from deposits	(14,185)	(12,012)
Net cash provided by operating activities	192,691	543,761
Cash flows from noncapital financing activities		
Subsidy from Grants	29,428	0
Net Cash Provided (Used) by Noncapital Financing Activities	29,428	0
Cash flows from capital and related financing activities		
(increase) decrease in Restricted Assets Accounts		
Loan Proceeds		
Interest Paid	(15,760)	(16,210)
Principle Payment on Long term Debt	(15,000)	(15,000)
Administrative and Trust Fees for bond		
Acquisition and construction of capital assets	(78,557)	(433,384)
Decrease (Increase) in Construction in progress		
Proceeds from insurance recovery		
Proceeds on Sale of Assets		
Net cash provided by (used for) capital and related financing activities	(109,317)	(464,594)
Cash flows from Investing Activities		
Proceeds from earnings on investments	16,810	7,903
Net cash provided by (used for) investing activities	16,810	7,903
Total increase (decrease) in cash and cash equivalents	129,612	87,070
Transfer to/from city		24,024
Cash and cash equivalents at beginning of year	839,999	728,905
Cash and cash equivalents at the end of year (Note)	\$969,611	\$839,999
Reconciliation of Cash		
Cash	619,318	505,142
Restricted Cash	350,293	334,857
CASH AT END OF THE YEAR	\$969,611	\$839,999

See accompanying notes to the financial statements.

WHEELWRIGHT UTILITY COMMISSION
Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023
(with prior year data for comparison purposes only)

	For the year Ended June 30	
	2024	2023
Reconciliation of Income from operations to net cash provided by operation activities:		
Income from operations	\$148,176	\$380,444
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Operating activities		
Depreciation and amortization	127,476	124,592
Changes in assets and liabilities:		
Decrease (increase) in Utility Accounts Receivable	5,282	(13,966)
Decrease (increase) in Prepaid Expenses	(1,019)	(2,324)
Decrease (increase) in Inventory	(37,708)	
Increase (decrease) in Accounts Payable and other Payables	(5,904)	67,026
Increase (decrease) in Customer Deposits	(14,185)	(12,012)
Increase (decrease) in Accrued Interest		0
Net cash provided by operating activities	\$222,118	\$543,760

See accompanying notes to the basic financial statements

WHEELWRIGHT UTILITY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2024

Note 1- Summary of Significant Accounting Policies

The significant policies of the Commission are as follows:

Organization and Business Activities – The Wheelright 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 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 expenses. 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.

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.

WHEELWRIGHT UTILITY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2024

Note 1- Summary of Significant Accounting Policies (continued)

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 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 Accounts as of June 30, 2024 and 2023 is \$17,053 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.

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, 2024, the water system's reserve was \$32,512.

WHEELWRIGHT UTILITY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2024

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, plants, 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 cost 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:

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

WHEELWRIGHT UTILITY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2024

Note 8-Property and Equipment (continued)

The following summarizes the changes to capital assets for 2024:

	Balance 7/1/2023	Additions	Disposals	Balance 6/30/2024
Land	\$5,000			\$5,000
Utility Plant	4,218,702	23,903		4,242,605
Equipment and Vehicles	191,523			191,523
Office Equipment	37,647	2,904		40,551
Office Building and Improvements	170,658			170,658
TOTAL ASSETS	\$4,623,530	\$26,807		\$4,650,337
Less				
Accumulated Depreciation				
Utility Plant	2,497,031	105,027		2,602,058
Equipment and Vehicles	91,043	9,514		100,557
Office Equipment	199,631	10,108		209,739
Office Building and Improvements	15,108	2,827		17,935
Total Accumulated	2,802,813	127,476		2,930,289
Balance - June 30	<u>\$1,820,717</u>			<u>\$1,720,048</u>

The following summarizes the changes to capital assets for 2023:

	Balance 7/1/2022	Additions	Disposals	Balance 6/30/2023
Land	\$5,000			\$5,000
Utility Plant	3,765,718	419,683		4,185,401
Equipment and Vehicles	199,023			199,023
Office Equipment	37,647	13,701		51,348
Office Building and Improvements	182,758			182,758
TOTAL ASSETS	\$4,190,146	\$433,384		\$4,623,530
Less				
Accumulated Depreciation				
Utility Plant	2,394,184	102,847		2,497,031
Equipment and Vehicles	81,529	9,514		91,043
Office Equipment	189,523	10,108		199,631
Office Building and Improvements	12,985	2,123		15,108
Total Accumulated	2,678,221	124,592		2,802,813
Balance - June 30	<u>\$1,511,925</u>			<u>\$1,820,717</u>

WHEELWRIGHT UTILITY COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2024

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 Wheelright 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:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>
KBC	\$415,000		\$15,000	\$400,000	\$15,000

Note

Following are maturities of long-term debt as of June 30, 2024:

<u>June 30</u>	<u>Fees</u>	<u>Principal</u>	<u>Interest</u>
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
Total	<u>\$18,951</u>	<u>\$415,000</u>	<u>\$170,850</u>

WHEELWRIGHT UTILITY COMMISSION
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
FUND BALANCE, BEGINNING	\$ 577,253	\$ 577,253	\$ 2,191,598	\$ 2,191,598
REVENUES				
Charges for Services	\$ 1,174,575	\$ 1,174,575	\$ 946,969	\$ (227,606)
Water Plant Funding/Amounts	4,361,306	4,361,306	-	(4,361,306)
Grant			29,428	29,428
Total Revenues	5,535,881	5,535,881	976,397	(4,559,484)
Total Revenues and Resources	\$ 6,113,134	\$ 6,113,134	\$ 3,167,995	\$ (2,367,886)
EXPENDITURES				
Salaries, Taxes, Benefits	\$ 284,950	\$ 284,950	\$ 347,708	\$ (62,758)
Office Supplies	15,000	15,000	17,519	(2,519)
Contract Labor	18,625	18,625	12,346	6,279
Insurance & Bonds	19,700	19,700	17,671	2,029
Transportation	10,000	10,000	4,673	5,327
Contractual Service	20,600	20,600	20,989	(389)
Water Expenditures	545,321	545,321	76,196	469,125
Sewer Expenditures	110,239	110,239	78,227	32,012
Utilities	72,710	72,710	63,770	8,940
Professional Fees	6,500	6,500	6,000	500
Gas Purchased	93,150	93,150	55,646	37,504
Depreciation			127,476	(127,476)
Total Expenditures	1,196,795	1,196,795	828,221	368,574
Non Operating Revenue (Expense)				
Interest Income			16,810	
Interest Expense			(15,760)	
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 4,339,086	\$ 4,339,086	\$ 149,226	\$ (4,190,910)
NET CHANGE IN FUND BALANCE	4,339,086	4,339,086	149,226	(4,190,910)
FUND BALACE, ENDING	2,340,824	2,340,824	\$ 2,340,824	\$ (1,999,312)

RICHARD F. PAULMANN, CPA, LLC
301 MOUNT MERCY ROAD
PEWEE VALLEY, KY 40056
Ph: (502) 550-1568
e-mail: Richardpaulmann@ltwc.com

**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**

May 8, 2025

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, 2024, 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 May 8, 2025.

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.

To the Board of Commissioners
Wheelwright Utility Commission

May 8, 2025

Page 2

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.

To the Board of Commissioners
Wheelwright Utility Commission
May 8, 2025
Page 3

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**.

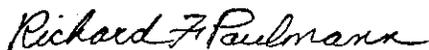
Wheelwright Utility Commission Response to Findings

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.



Pewee Valley, KY
May 8, 2025