

**DON WALLACE, CPA, PC
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NORTHPORT, AL 35476**

June 20, 2025

Mayor Mike Oakley
Water Works & Sewer Board of
the City of Centreville
1270 Walnut Street
Centreville, AL 35042

We have audited the financial statements of the Board for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. Because of the issues identified in the Disclaimer of Opinion paragraph in the audit report, we were unable to obtain sufficient, appropriate evidence to provide a basis for an audit opinion on the financial statements of the Board. These matters are discussed in further detail below.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Board's financial statements were:

Management's estimate of Allowance for Doubtful Accounts related to water & sewer fees receivable is based on an analysis of receivables in excess of 120 days. We evaluated the key factors and assumptions used to develop the allowance estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

We also estimated Depreciation expense based on the schedules we maintain for management as determined by cost and management's expectation for useful life.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered significant difficulties in obtaining audit evidence related to the application of billing and collection policies related to customer accounts during the year, and in obtaining documentation related to payroll penalties incurred with the IRS. The Board also switched to new accounting and billing software with Tyler Technologies during the fiscal year, creating difficulty in analysis of accounting transactions. Staff had not been sufficiently trained in the new software, account structure is out of order in the trial balance, several adjustments to reverse and correct initial audit entries submitted for the fiscal year were required and other matters. Our review of customer billing records indicated numerous adjustments and lack of charges that appear to show lack of adherence to policies and procedures of the board on delinquent accounts and late payments. These matters are noted in the summary of Audit Findings and Issues below.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has recorded significant adjustments that were necessary during the audit to record unposted debt payment activity charged to the renter's deposit account, reclassification of employee withholdings related to

insurance, principal payments on debt, and payroll liabilities. Other adjustments consisted of routine yearend accruals of revenue and expenses, prepaid items, long-term debt and depreciation.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2025.

Audit Findings and Issues

The following represents a summary of overall audit findings noted during the year ended September 30, 2024:

1. IRS transcripts: \$7,860.99 in penalties & interest for fiscal year 2024
2. IRS transcripts: \$5,366.48 in penalties & interest for fiscal year 2023, of which \$1,812.60 were assessed in fiscal year 2024.
3. State withholding penalties & interest of \$818.96 on the yearend reporting summary for W-2s.
4. Utility tax penalties of \$5,244.93 paid on monthly remittances from October 2023 through March 2025.
5. Penalties on WEX account fuel payments of \$15,347.22 paid from October 2023 through January 2025. A subsequent amount of \$1,703.69 were abated per management.
6. We identified over \$8,000 of questioned adjustments or charges not made to accounts of employees or persons who appear to be associated with staff involved in billing and collections, in addition to an unknown amount of late fees not charged or properly assessed. Overall, it appears that staff did not properly follow customer billing policies across a wide spectrum of customer accounts, as a subsequent review of 41 customer accounts indicated 18 of the accounts did not appear to have fees and late charges properly assessed related to delinquent bills.
7. On one account listed as a business, which current staff indicated was a personal residence, the business rate was not applied. The account title was changed in the move to new billing software, but the old account showed a balance of \$1,736.30 that did not roll over to the new account. We could find no record that the old balance was paid during review with current staff.
8. As a result of the decrease in financial position of the Board, it did not meet debt ratio requirements.
9. We would encourage management to make sure that staff only allow authorized access to areas that have personal data of employees or the public available. Unless there is official business, members of the public and former staff should not be in the office areas where confidential data from utilities, court or personnel may be available.
10. Under Tyler, check signatures were saved in the system, allowing for staff to print payments without actually having the Mayor or other officer review them.

Other Matters

Management's Discussion & Analysis is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Mayor, Board and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Don Wallace CPA

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