



Town of Dewey Beach, Delaware 2024 audit results

Presentation to the Audit Committee

August 14, 2024



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To the Audit Committee
Town of Dewey Beach, Delaware

Dear Members of the Audit Committee,

We have audited the financial statements of the Town of Dewey Beach, Delaware (the Town) as of and for the year ended March 31, 2024. Professional standards require that we advise you of audit matters that are, in our professional judgment, significant and relevant to those charged with governance in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

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

We are pleased to work with you and the Town and appreciate the opportunity to present our audit findings to you. Should you have any questions or are interested in further discussing matters reflected in our presentation or other items pertaining to the audit, please contact Daniel J. Kenney, Engagement Partner, at 202 466 0169.

Very truly yours,

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Audit highlights

An overview

Scope of services summary:

Assurance

- Express an opinion on, and report to the Audit Committee, the results of our audit of:
 - The Town of Dewey Beach, Delaware’s (the Town) financial statements as of and for the year ended March 31, 2024, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and *Government Auditing Standards* (GAS)
 - Issue a written communication to:
 - Management and the Audit Committee of the Board of Directors describing significant deficiencies and material weaknesses identified during our audit, if any
- Issue a management letter, including recommendations for improvements in controls and procedures, if warranted
- Assistance with the preparation of financial statements

Financial statement audit status:

- We have substantially completed the audit of the Town’s 2024 financial statements.
- We currently anticipate issuing an unmodified opinion on the Town’s financial statements.

Results:

- The analysis of significant accounting matters is appropriate.
- Outstanding cooperation and communication occurred between management and Mitchell Titus.

Audit highlights *(continued)*

An overview

Key audit open items:

- Obtaining the executed letter of representations from management.
- Subsequent event procedures.
- Completion of quality control review procedures.

Comments on recorded and unrecorded misstatements:

- There are corrected adjusting journal entries, reclassifying journal entries and GASB journal entries while assisting in preparation of the Town's financial statements, which were provided to and agreed by the management.
- Specifically, there was an adjustment made to Construction in Progress in the amount of \$203,592 to capitalize expenses related to the Town Hall Project.

Nonattest services:

- We have prepared the basic financial statements of the Town in conformity with U.S. GAAP based upon information provided by the Town. However, we did not assume management's responsibilities on behalf of the Town regarding those services.

Summary of audit results

Critical accounting policies, estimates and areas of audit emphasis Financial statement accounts and disclosures

Financial statement account or area of emphasis	Summary of procedures and findings
Revenue and receivables	<p>We walked through the Town’s internal controls over its process of recording cash receipts and revenue, including classification of revenue.</p> <p>We walked through the Town’s policies and procedures surrounding the recording of receivables, including analysis of collectability of receivables.</p> <p>Results: No significant exceptions were noted.</p>
Cash and cash equivalents	<p>We obtained and tested year-end bank reconciliations and reviewed and tested significant items. We also reviewed reconciliations throughout the year. We obtained confirmation of year-end account balances from financial institutions.</p> <p>Results: No significant exceptions were noted.</p>

Summary of audit results *(continued)*

Critical accounting policies, estimates and areas of audit emphasis Financial statement accounts and disclosures *(continued)*

Financial statement account or area of emphasis	Summary of procedures and findings
Investments	<p>We obtained an understanding of the Town's policies and procedures surrounding investments, including the determination of fair value.</p> <p>We selected a sample of investments and performed independent market value testing. We also tested investment income.</p> <p>We reviewed financial statement disclosures, including classification of investments.</p> <p>Results: No significant exceptions were noted.</p>
Capital assets and related depreciation	<p>We walked through policies and procedures surrounding capital asset accounting, including the applicable depreciation policies.</p> <p>We reviewed capital asset activity. We tested significant additions and disposals of capital assets and accumulated depreciation and amortization, as applicable.</p> <p>Results: Several reconciling items were required, including capitalization of expenses as construction in progress related to the Town Hall Project in the amount of \$203,592.</p>

Summary of audit results *(continued)*

Critical accounting policies, estimates and areas of audit emphasis Financial statement accounts and disclosures *(continued)*

Financial statement account or area of emphasis	Summary of procedures and findings
Liability accounts	<p>We reviewed significant payables, pension, compensated absences and other accruals for proper recording. We also performed a search of unrecorded liabilities. Further, as with other areas, we supplemented our procedures with analytical reviews to ensure that balances are reasonable. As noted above, we also tested lease liabilities.</p> <p>Results: No significant exceptions were noted.</p>
Expenses	<p>We performed substantive testing of expenses via review of transaction details and analytical procedures.</p> <p>Results: No significant exceptions were noted.</p>
Payroll expenses	<p>We obtained an understanding of policies and procedures surrounding payroll.</p> <p>We performed substantive testing over payroll expenses and detailed testing over a selection of individuals for accuracy and classification of payroll.</p> <p>Results: No significant exceptions were noted.</p>

Summary of audit results *(continued)*

Critical accounting policies, estimates and areas of audit emphasis Financial statement accounts and disclosures *(continued)*

Financial statement account or area of emphasis	Summary of procedures and findings
Financial statement close process, including disclosures	<p>The Town’s management is responsible for the fair presentation of the financial statements in accordance with U.S. GAAP.</p> <p>We reviewed the financial statement presentation and disclosures.</p> <p>Results: Two of the three required trial balances were received. See management letter under “trial balance” for recommendations.</p>
Net position/fund balance	<p>We rolled forward the net position/fund balance from the prior year, recalculated the components of net position and fund balance, and traced each component to the supporting documentation, as applicable.</p> <p>Results: No exceptions were identified.</p>

Required communications and other matters

Communication topic	Team response
<p>Planned scope and timing of the audit</p> <p>The auditors are required to communicate with those charged with governance an overview of the planned scope and timing of the audit.</p>	<p>We conducted our audit consistent with the planned scope and timing we previously discussed with management. The scope of our work also included assistance with financial statements preparation. However, as required, management took responsibility for reviewing the financial statements and overall responsibility.</p>
<p>Compliance with all ethical requirements regarding independence</p>	<p>The engagement team and our firm overall have complied with all relevant ethical requirements regarding independence.</p>
<p>Qualitative aspects of the entity’s significant accounting practices</p> <ul style="list-style-type: none">▪ Significant accounting policies <p>Management has the responsibility to select and use appropriate accounting policies.</p>	<p>A summary of the significant accounting policies adopted by the Town is included in Note 2 to the financial statements. There was no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>

Required communications and other matters *(continued)*

Communication topic	Team response
<p>Qualitative aspects of the entity’s significant accounting practices <i>(continued)</i></p> <ul style="list-style-type: none"> Significant accounting estimates <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 the possibility that future events affecting them may differ markedly from management’s current judgments.</p>	<p>There were no significant accounting estimates affecting the financial statements, other than the estimated useful lives of capital assets and net pension liability (asset).</p>
<ul style="list-style-type: none"> Financial statement disclosures <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.</p>	<p>Certain accounting estimates are particularly sensitive because of their significance to the financial statements and their susceptibility to change. There are no sensitive estimates, other than the discount rate used for net pension (asset)/liability, affecting the financial statements.</p>
<p>Identified or suspected fraud</p>	<p>We did not identify any actual or suspected instances of fraud.</p>

Required communications and other matters *(continued)*

Communication topic	Team response
<p>Significant difficulties encountered during the audit</p>	<p>We encountered no significant difficulties in dealing with management during the performance of the audit.</p>
<p>Uncorrected and corrected misstatements</p> <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.</p>	<ul style="list-style-type: none"> ▪ There are certain corrected adjusting journal entries, reclassifying journal entries and GASB journal entries we identified while assisting in preparation of the Town’s financial statements, which were provided to and agreed by the management. ▪ Specifically, there was an adjustment made to construction in progress in the amount of \$203,592 to capitalize expenses related to the Town Hall Project.
<p>Qualitative aspects of accounting practices</p> <ul style="list-style-type: none"> ▪ Significant unusual transactions 	<p>No matters have come to our attention that would require us to inform you about the methods used for significant unusual transactions.</p>

Required communications and other matters *(continued)*

Communication topic	Team response
<p>Disagreements with management</p> <p>For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Town’s financial statements or the auditor’s report.</p>	<p>No such disagreements arose during the course of the audit.</p>
<p>Representations requested from management</p>	<p>We will request certain written representations from management. This letter will be presented at the completion of the audit.</p>
<p>Management’s consultations with other accountants</p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters.</p>	<p>Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.</p>
<p>Other significant matters, findings or issues</p>	<p>In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition impacting our retention as the Town’s auditors.</p>

Required communications and other matters *(continued)*

Communication topic	Team response
Noncompliance with laws and regulations	We did not identify any matters involving noncompliance with laws and regulations during the course of the audit.
Other information in documents containing audited financial statements	Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Town's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.
Substantial doubt on the entity's ability to continue as a going concern	Management noted no events or conditions that would indicate substantial doubt on the entity's ability to continue as a going concern for 12 months beyond the financial statements date. We concur with management's assessment.

Technical developments

The GASB issued the following statements that become effective in future reporting periods. Management is evaluating the potential impact on the financial statements; however, none are expected to have a material effect when adopted:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022, or for the fiscal year beginning on April 1, 2023 for the Town.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective for reporting periods beginning after June 15, 2022, or for the fiscal year beginning on April 1, 2023 for the Town.
- GASB Statement No. 99, *Omnibus 2022*, effective for reporting periods beginning after June 15, 2022, or for the fiscal year beginning on April 1, 2023 for the Town.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for reporting periods beginning after June 15, 2023, or fiscal year beginning on April 1, 2024 for the Town.
- GASB Statement No. 101, *Compensated Absences*, effective for reporting periods beginning after December 15, 2023, or fiscal year beginning on April 1, 2024 for the Town.

About Mitchell Titus

Mitchell & Titus, LLP is the largest minority-controlled accounting firm offering Assurance, Tax and Advisory services in the US.

Our inclusive environment and diverse talent result in creative thinking and innovative approaches for our clients. Mitchell Titus' tenured team of quality and seasoned professionals bring varied insight to every engagement.

For more information about our organization, please visit [mitchelltitus.com](https://www.mitchelltitus.com).