



BELFINT • LYONS • SHUMAN
Certified Public Accountants

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November 30, 2022

To the Honorable Mayor, Scott Lobdell,
Honorable Members of Town Council,
and Antonina Tantillo, Town Manager
Town of Townsend, Delaware
141 Main Street
Townsend, DE 19734

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Townsend, Delaware (Town) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government 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 May 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town 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 the year ended June 30, 2022. We noted no transactions entered into by the Town of Townsend during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimates, made by management, affecting the Town's financial statements were:

- Estimates of accounts receivable and the associated allowances for doubtful accounts are based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts.

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Significant Audit Matters - Continued

Qualitative Aspects of Accounting Practices - Continued

- For older infrastructure assets, for which actual cost is not known, the recorded values are based on current replacement costs, adjusted for historical price trends and engineering estimates.
- Donations of real property, such as land dedicated for open space, are recorded at acquisition value which is defined by GASB as what it would cost the government to acquire the asset itself, not the asset's market value (or lack thereof).
- Depreciation recorded for capital assets is based on estimates of the useful lives of categories of capital assets.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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 corrected all such misstatements.

The attached Appendix A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

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 November 22, 2022.

Significant Audit Matters - Continued

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Town of Townsend’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to being retained as the Town of Townsend’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of our audit, we obtained an understanding of the Town and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Our audit was not designed to provide assurance on internal control or to identify deficiencies in internal control. We did identify the following opportunities to improve the effectiveness of the Town’s controls:

- **Investment Management, Recordkeeping, and Policies** - We noted that some of the Town’s investment allocations as of June 30, 2022, were inconsistent with investment policy target allocations in the Town’s investment policy document. These differences were not material and did not affect our audit; however, we suggest that the Town update and monitor its allocations to address investment goals and objectives, permissible investments and diversification.
- **System and Organization Controls (SOC) Reports** - The third-party service providers the Town uses to process financial transactions did not provide SOC reports to the Town upon request. A SOC report is an independent evaluation of the service organization’s internal controls’ design and effectiveness. We consider SOC evaluations to be an important complement to the Town’s own internal controls. We suggest that the Town clarify SOC report availability with each of its service providers and consider reevaluating their relationship with services provider that do not provide such reports.

Restriction on Use

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

Very truly yours,

Belfint, Lyons & Shuman, P.A.

TOWN OF TOWNSEND, DELAWARE
Appendix A - Uncorrected Misstatements - Waived Entries
 June 30, 2022

Waived Entry	Fund	Account Name	Asset	Liability	Fund Balance	Revenue	Expense
Waived adjustment to accrued vacation	General Fund	Payroll: Salaries and Hourly	\$ -	\$ (2,259)	\$ -	\$ -	\$ -
	General Fund	Accrued Vacation	-	-	-	-	2,259
			<u>\$ -</u>	<u>\$ (2,259)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,259</u>