

TOWN OF MILLVILLE, DELAWARE

AUDITORS' COMMUNICATIONS

YEAR ENDED APRIL 30, 2025

TOWN OF MILLVILLE, DELAWARE

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MANAGEMENT LETTER



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ALLINIAL GLOBAL

August 26, 2025

To the Town Council
Town of Millville, Delaware

We want to thank Will, Eileen, and the rest of the Town staff for their cooperation provided to us during our engagement with the Town of Millville, Delaware.

In planning and performing our audit of the financial statements of the governmental activities, and each major fund of the Town of Millville, Delaware as of and for the year ended April 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

During our audit, we became aware of the following matters that we wanted to bring to your attention. This letter does not affect our report dated August 26, 2025, on the financial statements of the Town of Millville, Delaware.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various Town personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional studies of this matter, or to assist you in implementing the recommendations. Our comments are summarized as follows:

APPROVAL OF TIME SHEETS – Repeat from 2024

During our audit, we noted that the Finance Director handles most of the payroll process, including reviewing timesheets, entering information into QuickBooks, verifying sick and vacation time, processing payroll, and then printing a payroll confirmation report for review by the Town Manager and Treasurer or Mayor. With this current process, payroll is processed by the Finance Director prior to the payroll reports being reviewed and signed off on. Errors would not be caught until after payroll has already been processed. We recommend that payroll reports be reviewed and approved prior to processing to ensure information is accurate and no human errors were made.

REVIEW AND APPROVAL OF JOURNAL ENTRIES

During our review of journal entries, we noted the Town does not have a formal review process over journal entries and therefore, review and approval has not been consistently performed. Having a formal review policy will ensure that entries have a legitimate business purpose, are recorded accurately in the general ledger, are properly documented and approved, and that there is no indication of management override.

We recommend that the Town put a formal policy in place that includes the review and approval of journal entries by the Town Manager or another appropriate individual other than the individual responsible for recording journal entries in the general ledger. We feel that such a practice will significantly strengthen the internal control over journal entries and improve the accuracy of the internal financial reporting.

GASB 101, *COMPENSATED ABSENCES*

Effective May 1, 2024, the Town adopted the new accounting guidance in GASB Statement No. 101. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability. The statement has been applied retrospectively to all prior periods presented in the financial statements.

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

We appreciate your business and look forward to the opportunity to help you and the Town. Thank you for your confidence in our firm and the cooperation received in the completion of our engagement. Please call Lindsey Keen, CPA CFE or Ashley M. Stern, CPA, CGFM at (410)-546-5600 if we can be of further assistance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**REQUIRED COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE**



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ALLINIAL GLOBAL

August 26, 2025

To the Town Council
Town of Millville, Delaware

We have audited the financial statements of the Town of Millville, Delaware as of and for the year ended April 30, 2025, and have issued our report thereon dated August 26, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 7, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town of Millville, Delaware solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

Our audit planning involves the evaluation of potential risks of misstatement in the financial statements caused by either error or fraud. For the purpose of an audit, a significant risk is an area, that in the auditors' judgment, requires special audit consideration and generally leads to additional audit procedures being performed. By identifying potential risks, we can design our audit procedures and focus our efforts in these areas in order to carry out the audit effectively and efficiently. Accordingly, we have identified revenue recognition, management override of controls, and approval of payroll as significant risks.

During our audit, we performed audit procedures to respond to the identified potential risks of misstatement. We did not identify or report any findings related to these audit areas.

Qualitative Aspects of the Town's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town of Millville, Delaware are described in Summary of Significant Accounting Policies in the Notes to the financial statements. During 2025, the Town adopted GASB Statement No. 101 *Compensated Absences* as described in the notes to the financial statements. There have been no other initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. No other 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.

Significant Accounting Estimates

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 because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the economic lives and estimated residual value of capital assets, current portion of accrued compensated absences, accrued sick leave, and the incremental borrowing rate for leases.

Management's estimate of the economic lives and estimated residual value of their capital assets is based on historical information concerning the lives and residual value of historical assets. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate for accrued sick compensated absences is based on historical use and percentage taken compared to the total liability. We evaluated the key factors and assumptions used to develop estimates and determined that is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Accounting Estimates (continued)

Management's estimate of the current portion of accrued compensated absences is based on the average historical use of accrued compensated absence time for short-term purposes. We evaluated the factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incremental borrowing rate for leases is based on the rate expected if the Town were to borrow money to purchase the same asset with a similar loan. We evaluated the factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Town of Millville, Delaware's financial statements relate to long-term liabilities and capital assets.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. However, there were certain areas where additional time and effort was required to complete the audit. We spent additional time implementing GASB Statement No. 101, *Compensated Absences*. We reviewed the Town's current policy in conjunction with the requirements of the new standard and discussed requirements with management. Based on discussions with and the information provided by management, we calculated the estimated balance of sick pay estimated to be used or paid in the short and long term period.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also 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 and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Adjust the beginning fund balance and net position to match the prior year financial statements.
- Adjust interest income from certificates of deposit.
- Adjust taxes receivable and deferred property taxes.
- Record accrued expenses and reverse the balance from the prior year.
- Reverse accounts payable and encumbrance balances from the prior year.

Uncorrected and Corrected Misstatements (Continued)

- Adjust fixed asset accounts for additions during the fiscal year, update construction in progress accounts for construction activity during the year, and record depreciation expense for capital assets.
- Adjust restricted net position and fund balances.
- Adjust long-term debt and right-to-use assets.
- Reclassify employer portion of pension expense.
- Adjust deferred revenue and grant revenue.
- Record accrued sick and vacation pay in accordance with GASB 101, *Compensated Absences* based on information provided by management.

In addition, we assisted management with the preparation of the conversion entries to adjust the measurement focus from the governmental fund data to the government-wide financial statements including the adjustments to record the net pension liability, the related deferred outflows of resources, and depreciation expense in the governmental funds.

Disagreements with Management

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 the Town's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated August 26, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

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, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the Town, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

Other Matters

We applied certain limited procedures of the Management Discussion and Analysis and budgetary comparison schedule – general fund, which are required supplementary information (RSI) that supplement 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.

We were engaged to report on the supplementary information on pages 33 through 38, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

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

PKS & Company, P.A.

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