MITCHELL TITUS

August XX, 2026

To Members of the Audit Committee
Town of Dewey Beach, Delaware

Dear Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the Town of Dewey Beach, Delaware (the Town) as of and for the year ended March 31, 2026, 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 an 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 21, 2026, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

<u>Future Governmental Accounting Standards and Complexities</u>

The Town has received and will receive various sources of funding related to the construction of the Town Hall facility (wall and brick donations, the County EMS Station, state grants, construction costs and new loans). These transactions have or will result in recording of unearned income, deferred inflows of financial resources and leases, which will require ongoing accounting in future years. For example, the County EMS Station will involve lease accounting and recording of deferred inflows that will have to be amortized over the term of the lease. The Government Accounting Standards Board (GASB) has also issued new Statements as noted below.

- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for reporting periods beginning after June 15, 2025, or fiscal year beginning on April 1, 2026, for the Town.

200 East Pratt Street
Baltimore, MD 21202
T +1 410 385 5200
F +1 410 385 5201
mitchelltitus.com

- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for reporting periods beginning after June 15, 2025, or fiscal year beginning on April 1, 2026, for the Town.

- GASB Statement No. 105, *Subsequent Events*, effective for reporting periods beginning after June 15, 2026, or fiscal year beginning on April 1, 2027, for the Town.

We, therefore, recommend the Town to continue to closely work with Mitchell & Titus, LLP to address any implementation concerns.

Grant Coordinator Function

The Town has experienced an increase in grant activity, which has created a need for greater administrative effort in the grants area. Ensuring compliance with grant provisions, laws, rules and regulations is particularly important. We, therefore, suggest that the Town consider enhancing the grant administration function through the addition of staff resources.

Information Technology Developments

During fiscal year 2025, the Town started the process of decommissioning QuickBooks and replacing the software with Edmunds Gov Tech for fiscal year 2027.

For the Edmunds Gov Tech financial or general ledger system, best practices generally include the following planning activities:

1. Establishment of a committee to discuss and approve key decisions of the Edmunds Gov Tech financial or general ledger system implementation.

2. Adequate testing to ensure data conversion and migration was successful.

3. Proper training is provided and available to key users of the new financial system.

4. User roles are defined, including appropriate segregation of duties, and applied within the system (*i.e.*, avoidance of 'super users').

5. Appropriate user access is established to prevent unauthorized users and activity.

6. System changes are reviewed and approved before going live.

After the system has been implemented, a post-implementation project phase can be considered. Industry best practices typically include the following components:

1. Remediation of open deficiencies not resolved prior to go-live.

2. Established process for incident reporting and assignment of appropriate support personnel.

MITCHELL TITUS

3. Periodic system reviews to ensure the original objectives of the new system are being met.

We believe that the implementation of these recommendations will provide the Town with a stronger system of internal control while also making its operations more efficient. We would be pleased to discuss the details of these recommendations with you at your convenience.

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