



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

September 3, 2019

Mayor and Town Council
Town of Elsmere
11 Poplar Avenue
Elsmere, Delaware 19805

We are pleased to confirm our understanding of the services we are to provide for the Town of Elsmere, Delaware, for the years ended June 30, 2019 and 2020. We will audit the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Elsmere, Delaware, as of and for the years ended June 30, 2019 and 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Town of Elsmere, Delaware's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Town of Elsmere, Delaware's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 primary government financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis (MD&A),
- Budgetary Comparison Schedule, and
- Schedules of Pension and Other Related Information.

We have also been engaged to report on supplementary information other than RSI that accompanies the Town of Elsmere, Delaware's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- Combining Balance Sheet-Special Revenue Funds, and
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Special Revenue Funds.

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Town of Elsmere, Delaware's financial statements. Our report will be addressed to the Mayor and Town Council of the Town. We cannot provide assurances that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matters paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees on behalf of the Town of Elsmere, Delaware.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will request certain written representations from you about the financial statements and related matters.

Audit Procedures-Internal Control

Our audit will include obtaining an understanding of the government 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of Elsmere, Delaware's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of the Town of Elsmere, Delaware in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving [1] management, [2] employees who have significant roles in internal control, and [3] others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

Management Responsibilities (Continued)

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with U.S. GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for the financial statement preparation services and any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

The Town of Elsmere, Delaware, hereby indemnifies Whisman Giordano & Associates, LLC and its stockholders, directors, and employees, and holds them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Town of Elsmere, Delaware's management including the Mayor and members of the Town Council, regardless of whether such a person was acting in Town of Elsmere, Delaware's interest. The indemnification will survive termination of this letter of arrangement.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained on these sites or to consider the consistency of other information on the websites with the original document.

Audit Administration, Fees and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we may secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with third-party service providers. Furthermore, we will remain responsible for the work provided by any such parties.

We understand that your employees will type all confirmations we request, locate any invoices selected by us for testing, and provide all schedules requested. Also, if the Town's employees cannot assist us in the tasks mentioned the time spent by our staff will be billed separately at our standard hourly rates.

Audit Administration, Fees and Other (Continued)

The audit documentation for this engagement is the property of Whisman, Giordano & Associates, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to federal, state, local agencies, or their designee, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Whisman, Giordano & Associates, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit shortly after your notification of readiness, and to provide a draft of the audit report for the December Town Council meeting, provided nothing beyond our control occurs to prevent completion on the targeted date.

In the interest of facilitating our services to the Town, we may communicate by facsimile transmission or by sending electronic mail over the internet. Such communication may include information that is sensitive and confidential. Our firm employs measures in the use of facsimile machines and computer technology designed to maintain data security. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, we have no control over unauthorized interception of these communications.

Our fees for these services will be based on the actual time spent at our standard hourly rates, exclusive of out-of-pocket costs such as travel, confirmations, postage, freight, etc. These additional costs are estimated not to exceed \$500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as the work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all the time expended and to reimburse us for all out-of-pocket costs through the date of termination. Invoices not paid within thirty days will be subjected to interest charges at a rate of 18% per annum. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary to complete the audit, we will discuss it with you before we incur additional costs. Based on our preliminary estimates, our fees, excluding out-of-pocket costs, are as follows:

Description	Years Ended June 30,	
	2019	2020
Financial Statement Audit	\$ 19,150	\$ 19,550
Component Unit Audit	500	500
Pension Fund Audit	1,650	1,650
Total engagement cost	\$ 21,300	\$ 21,700

Audit Administration, Fees and Other (Continued)

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this letter.

In accordance with the terms and conditions of this agreement, the Town of Elsmere, Delaware shall be responsible for the accuracy and completeness of all data, information and representations provided to us for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of our services, the Town of Elsmere, Delaware releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.

Our audit engagement ends on delivery of our audit. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Peer Review

Whisman, Giordano & Associates, LLC is a member of the Private Companies Practice Section of the AICPA and as such is subject to a peer review every three years. In connection with a peer review, your files may be subject to inspection. In any regard, all of your information will remain in the strictest confidence.

Subpoena

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request.

No Hire

The Town of Elsmere, Delaware shall not employ, directly or indirectly or divert any employee, former employee or independent contractor of Whisman, Giordano & Associates, LLC or its affiliated companies. The obligations imposed by this paragraph shall survive the termination of this Agreement and continue for a period of two years following such termination. As liquidated damages for any breach of the obligations imposed by this paragraph, the Town of Elsmere, Delaware shall pay to Whisman, Giordano & Associates, LLC an amount equal to 125% of the annual salary of any employee or 125% of the payments to any independent subcontractor over the most recent 24-month period, payable to Whisman, Giordano & Associates, LLC to the relevant employee or independent subcontractor at the time of such breach.

Mayor and Town Council
Town of Elsmere
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We appreciate the opportunity to be of service to the Town of Elsmere, Delaware and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, **please sign and return it to us.**

Very truly yours,

Whisman Giordano & Associates, LLC
WHISMAN, GIORDANO & ASSOCIATES, LLC

RESPONSE:

This letter correctly sets forth the understanding of the Town of Elsmere, Delaware.

Signature: _____

Title: _____

Date: _____

[Handwritten Signature]
Town Manager
09-25-19

