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Certified Public Accountants

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April 4, 2023

To the Honorable Mayor, Members of City Council, and  
Terence J. Williams, City Auditor  
City of Wilmington, Delaware  
Louis L. Redding, City County Building  
800 French Street  
Wilmington, DE 19801

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wilmington, Delaware 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* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

We did not audit the financial statements of the following discretely presented component units: Christina Gateway Corporation, Wilmington Parking Authority, Wilmington UDAG Corporation and Riverfront Wilmington Business Improvement District, which represent 88.3%, 88.6%, and 59.7%, respectively, of assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the following blended component units: Wilmington Park Trust Fund Commission and Cityfest, Inc., which are reported as nonmajor special revenue funds, and represent 36.0%, 55.4%, and 2.0%, respectively, of assets, fund balance, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Christina Gateway Corporation, Wilmington Parking Authority, Wilmington UDAG Corporation, Riverfront Wilmington Business Improvement District, Wilmington Park Trust Fund Commission, and Cityfest, Inc. is based solely on the reports of the other auditors.

***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 City 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.

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***Significant Audit Matters - Continued***

***Qualitative Aspects of Accounting Practices - Continued***

We noted no transactions entered into by the City of Wilmington 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 City'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.
- Pension and post-retirement costs are based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future; examples include assumptions about future employment, mortality, and investment rate of return.
- Self-insurance funds' liabilities for health care, general liability, and workers' compensation are based on actuarial valuations which involve estimates of the value of the amounts of claims and assumptions about the probability of events in the future.
- 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures relating to long-term debt in Note 9 to the financial statements, detail the activities and balances of the City's and the component units' long-term debt, as of and for the year ended June 30, 2022.
- The disclosures relating to pension liabilities in Note 15 to the financial statements, detail the City's pension liability, fiduciary net position, and net pension liability by plan, as of June 30, 2022. Note 15 also provides details of the assumptions the actuary used to calculate the pension liability.

### ***Significant Audit Matters - Continued***

#### *Qualitative Aspects of Accounting Practices - Continued*

- The disclosures relating to Other Post-Employment Benefits (OPEB) in Note 16 to the financial statements detail required information on the City's total OPEB liability, plan fiduciary net position, and net OPEB liability, as of June 30, 2022, as well as disclosures on the City's funding policy, contribution requirements, and actual assumptions.

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

#### *Difficulties Encountered in Performing the Audit*

We encountered difficulties in obtaining timely and complete information for performing and completing our audit. However, we encountered no lack of cooperation or difficulties in dealing with management.

#### *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. As required by Government Auditing Standards, material misstatements detected as a result of audit procedures were provided to and were corrected by management. The attached Appendix 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 March 23, 2023.

#### *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 City of Wilmington'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.

### **Significant Audit Matters - Continued**

#### **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 retention as the City of Wilmington's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Several new accounting standards will be effective in the upcoming years that will affect the City's financial statements. The following is an overview of new accounting standards updates that will affect the City's financial statements.

- **GASB Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for the City's financial statements in fiscal year 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction.
- **GASB Statement No. 96**, *Subscription-Based Information Technology Arrangements* is effective for the City's financial statements in fiscal year 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.
- **GASB Statement No. 99**, *Omnibus 2022* is effective for the City's financial statements in fiscal year 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- **GASB Statement No. 100**, *Accounting Changes and Error Corrections* is effective for the City's financial statements in fiscal year 2024. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.
- **GASB Statement No. 101**, *Compensated Absences* is effective for the City's financial statements in fiscal year 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

To the Honorable Mayor, Members of City Council, and  
Terence J. Williams, City Auditor  
City of Wilmington, Delaware  
April 4, 2023  
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### ***Other Matters***

We applied certain limited procedures to the following 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.

- Management's Discussion and Analysis
- Schedule of Contributions
- Schedule of Changes in the Employer's Net Pensions Liability and Related Ratios
- Schedule of Investment Returns
- Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
- Schedule of Actuarially Determined Contributions - Post Retirement Healthcare Benefit Fund
- Schedule of OPEB Investment Returns - Post Retirement Health Care Benefit Fund
- Schedule of Component Units' Pension RSI

We were engaged to report on the Combining and Individual Fund Financial Statements, the General Fund Schedule of Departmental Expenditures - Budget and Actual, and the Schedule of Expenditures of Federal Awards, 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.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Restriction on Use***

This information is intended solely for the use of the Mayor, Members of City Council, and management of the City 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.*

**CITY OF WILMINGTON, DELAWARE**  
**Analysis of Waived Audit Variances by Opinion Unit**  
**June 30, 2022**

<b>Fund #</b>	<b>Opinion Unit / Fund</b>	<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Fund Balance</b>	<b>Revenues</b>	<b>Expenses</b>
101	General Fund		\$ -	\$ (310,902)	\$ (819,435)	\$ 125,376	\$ 1,004,960
		Net Income			1,130,337	\$ 125,376	\$ 1,004,960
		Opinion Unit Total	\$ -	\$ (310,902)	\$ 310,902		
211	American Rescue Plan		\$ -	\$ (50,594)	\$ -	\$ -	\$ 50,594
		Net Income			50,594	\$ -	\$ 50,594
		Opinion Unit Total	\$ -	\$ (50,594)	\$ 50,594		
226	Delaware Criminal Justice Planning		\$ -	\$ -	\$ (980)	\$ -	\$ 980
231	Municipal Street Aid		-	-	-	-	-
232	Municipal Street Aid		65,580	(65,580)	(19,036)	7,905	11,131
233	Cable Television Fund		-	-	(12,124)	-	12,124
238	National Endowment for the Arts		-	-	-	-	-
245	Park Recreation Assistance		-	-	(921)	-	921
252	HUD-Community Development		-	(7,836)	(8,617)	7,836	8,617
256	HUD - Emergency Shelter Grant		-	-	(51,412)	51,209	203
257	Home For People with Aids		-	(10,673)	(16)	10,673	16
258	DE Neighborhood Stabilization		-	-	(30,101)	29,959	142
200	Waived Entry at Opinion Unit Total		-	-	-	-	-
		Net Income			141,716	\$ 107,582	\$ 34,134
		Opinion Unit Total	\$ 65,580	\$ (84,089)	\$ 18,509		
398	Capital Projects - DELDOT		\$ -	\$ -	\$ -	\$ -	\$ -
399	General Capital Projects Fund		-	(29,629)	(20,627)	-	50,256
300	Waived Entry at Opinion Unit Total		-	-	-	-	-
		Net Income			50,256	\$ -	\$ 50,256
		Opinion Unit Total	\$ -	\$ (29,629)	\$ 29,629		

**CITY OF WILMINGTON, DELAWARE**  
*Analysis of Waived Audit Variances by Opinion Unit - Continued*  
**June 30, 2022**

<b>Fund #</b>	<b>Opinion Unit / Fund</b>	<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Fund Balance</b>	<b>Revenues</b>	<b>Expenses</b>
421	Water/Sewer Fund		\$ (83,782)	\$ (36,713)	\$ 502,747	\$ -	\$ (382,252)
422	Water/Sewer Fund		-	-	(386,425)	-	386,425
400	Waived Entry at Opinion Unit Total		-	-	-	-	-
	Net Income				4,173	\$ -	\$ 4,173
	Opinion Unit Total		<u>\$ (83,782)</u>	<u>\$ (36,713)</u>	<u>\$ 120,495</u>		
506	Motor Vehicle		\$ -	\$ -	\$ -	\$ 109,631	\$ (109,631)
514	Risk Management Fund		-	(17,653)	-	-	17,653
515	Workers' Compensation		(178,503)	239,786	-	(68,037)	6,754
517	Health and Welfare		-	7,627	-	(83,895)	76,268
500	Waived Entry at Opinion Unit Total		-	-	-	-	-
	Net Income				(51,257)	\$ (42,302)	\$ (8,955)
	Opinion Unit Total		<u>\$ (178,503)</u>	<u>\$ 229,760</u>	<u>\$ (51,257)</u>		
681	Plan I - Nonuniformed		\$ -	\$ 11,083	\$ (13,273)	\$ 13,273	\$ (11,083)
682	Plan II - Nonuniformed		-	11,448	(36,028)	36,028	(11,448)
683	Plan III - Nonuniformed		(1,144)	40,146	(217,431)	158,347	20,082
684	Fire Pension		54,681	26,664	(127,046)	72,365	(26,664)
685	Police Pension		87,174	51,607	(10,656)	(76,518)	(51,607)
686	OPEB		-	17,487	(459,918)	-	442,431
600	Waived Entry at Opinion Unit Total		-	-	-	-	-
	Net Income				565,206	\$ 203,495	\$ 361,711
	Opinion Unit Total		<u>\$ 140,711</u>	<u>\$ 158,434</u>	<u>\$ (299,146)</u>		
801	Government Wide Adjustment Fund		\$ 75,273	\$ (492,554)	\$ 1,651,620	\$ 113,760	\$ (1,348,099)
101	General Fund		-	(310,902)	(819,435)	125,376	1,004,960
211	American Rescue Plan		-	(50,594)	-	-	50,594
200	Special Revenue Funds		65,580	(84,089)	(123,207)	107,582	34,134
300	Capital Projects Funds		-	(29,629)	(20,627)	-	50,256
500	Internal Service Funds		(178,503)	229,760	-	(42,302)	(8,955)
	Net Income				87,306	\$ 304,417	\$ (217,111)
	Opinion Unit Total		<u>\$ (37,650)</u>	<u>\$ (738,007)</u>	<u>\$ 775,657</u>		