Maillie
ACCOUNTANTS • ADVISORS
Maillie LLP | maillie.com
500 North Lewis Road, Limerick, PA 19468
600 Willowbrook Lane, Suite 624, West Chester, PA 19382
PO Box 11847, Wilmington, DE 19850-1847

September 29, 2022

To the Board of Directors
Early College School at
Delaware State University
Dover, Delaware

We have audited the financial statements of the Early College School at Delaware State University as of and for the year ended June 30, 2022, and have issued our report thereon dated September 29, 2022. 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 June 23, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity 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 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Early College School at Delaware State University 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, and our firm have complied with all relevant ethical requirements regarding independence.

SIGNIFICANT RISKS IDENTIFIED

We have identified the following significant risks:

- Management Override of Controls - Even though internal control over financial reporting may appear to be well-designed, controls that are otherwise effective can be overridden by management.

- Improper Revenue Recognition - Risk that revenue will improperly be recognized due to management override of controls or fraud.

- First Year Single Audit - Risk that there is a lack of controls surrounding federal funds.

QUALITATIVE ASPECTS OF THE ENTITY'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 Early College School at Delaware State University is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No 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:

- Management's estimate of the accumulated depreciation and depreciation expense is based on original cost and estimated useful lives.

- Management's estimate of the net pension liability and related deferred inflows and outflows of resources is based on the School's proportionate share (calculated using covered payroll) of the total net pension liability and related deferred inflows and outflows of resources as provided by DPERS.

- Management's estimate of the net OPEB liability and related deferred inflows and outflows of resources is based on the School's proportionate share of the total net OPEB liability and related deferred inflows and outflows of resources as provided by the Delaware OPEB Fund Trust.

- Management's estimate of in-kind rent and tuition is based on its fair value. We evaluated the key factors and assumptions used to develop the in-kind rent and tuition and determined that it is reasonable in relation to the basic financial statements taken as whole

We evaluated the key factors and assumptions used to develop the above 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.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

SIGNIFICANT UNUSUAL TRANSACTIONS

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. The following significant unusual transactions identified during the audit.

IDENTIFIED OR SUSPECTED FRAUD

We have not identified or have obtained information that indicates that the following fraud may have occurred.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards 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. The attached schedule summarizes corrected and uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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 Early College School at Delaware State University'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 September 29, 2022.

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 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 Early College School at Delaware State University, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity 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 Early College School at Delaware State University's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Early College School at Delaware State University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maillie LLP

MAILLIE LLP
Certified Public Accountants and
Business Consultants

Early College School at Delaware State University
SAS 114 AJEs
6/30/2022

<u>Fund financials:</u>

1) To record receivable to spending authority funds

		DR	CR
Receivable	Other Receivables	$ 8,153	
Cash	Cash		$ 8,153
		$ 8,153	$ 8,153

2) Passed adjustment for the GASB 87 lease implementation

		DR	CR
Expense	Amortization expense	$ 3,275	
Asset	Accumulated amort		$ 3,275
Expense	Interest expense	$ 11	
Liability	Interest payable		$ 11
Liability	LT Lease liability	$ 2,941	
Expense	Equipment Rent		$ 2,941
		$ 6,227	$ 6,227

2) Passed adjustment for the prior period restatement surrounding the GASB 87 lease implementation

		DR	CR
Asset	Leased Asset	$ 8,734	
Liability	LT Lease Liability		$ 8,734
		$ 8,734	$ 8,734