



May 5, 2022

To the Supervisor and Town  
Board of the Town of North Salem  
North Salem, NY

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information the Town of North Salem for the year ended December 31, 2021, and have issued our report thereon dated May 5, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 November 9, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of North Salem are described in Note 1 to the financial statements. The Town has implemented the following new standards issued by the Governmental Accounting Standards Board (GASB) for the year ended December 31, 2021:

#### *GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period*

We noted no transactions entered into by the Town 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 affecting

the financial statements were related to fixed assets, pension reporting and the Town's liability for post-employment health insurance benefits.

Management's estimate of fixed assets is based on a capitalization threshold of \$5,000. Capital assets with a cost of more than \$5,000 are capitalized in the statement of net position and depreciated in the statement of activities on a straight line basis over the estimated useful life of each asset.

The estimates of the Town's various account balances related to pension reporting were calculated by an actuary using various assumptions detailed in the Notes to the financial statements.

The estimate of the Town's liability for post employment health insurance benefits was calculated by an actuary using various assumptions detailed in the Notes to the financial statements.

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 disclosure affecting the financial statements were:

Note 1 – Disclosure of the Town's significant accounting policies, which includes the new accounting standards implemented for the year and definitions of the equity classifications required by GASB 54.

Note 2 – Disclosure of deficit fund balances and/or overspent appropriations.

Note 8 - Disclosure of the Town's outstanding liabilities.

Note 11 – Information related to the Town's liability for post-employment health insurance benefits in accordance with GASB 75.

Note 12 - Information related to the Town's accounting treatment of pensions in accordance with GASB 68.

Note 14 – Disclosure of restated opening balances for the year ended December 31, 2021.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The adjusting journal entries attached to this correspondence summarizes the material misstatements detected as a result of our audit procedures and corrected by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 May 5, 2022.

*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 Town'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.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to the budgetary comparison schedules, management's discussion and analysis and other required supplementary information (RSI) that supplements 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, which accompanies the financial statements but is not RSI. With respect to the 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.

*Restriction on Use*

This information is intended solely for the use of the Town Board and management of the Town of North Salem and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Cooper Arias, LLP*

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Cooper Arias, LLP

**Town of North Salem**  
**Material Audit Adjustments**  
**12/31/21**

AJE #	Fund	Account Code	Debit	Credit	Comment
1	General Fund	A631 - Due To Other Governments	30,496.00		Adjust for November Justice Court revenues
	General Fund	A980/2610 - Fines and Forfeitures		30,496.00	
2	General Fund	A440 - Due From Other Governments	34,419.00		Adjust Sales Tax accrual
	General Fund	A980/1120 - Sales Tax		34,419.00	
3	General Fund	A522/5650.41 - Paid to NYC - Lease	31,580.70		Record amount due to NYC
	General Fund	A631 - Due To Other Governments		31,580.70	
4	General Fund	A522/9010.8 - State Retirement	25,238.42		Adjust retirement accruals
	General Fund	A522/9015.8 - Police Retirement	2,927.00		
	General Fund	A637 - Due To ERS		28,165.42	
5	General Fund	A980/1001 - Real Property Taxes	62,429.00		Adjust deferred tax revenues
	General Fund	A692 - Deferred Town Taxes		51,227.00	
	General Fund	A693 - Deferred School Taxes		11,202.00	
6	Highway Fund	DA410 - Due From State and Federal	58,533.85		Adjust year end accruals and reclass
	Highway Fund	DA980/3980 - FEMA State Aid	77,503.93		
	Highway Fund	DA980/4980 - FEMA Federal Aid	15,500.79		
	Highway Fund	DA980/2300 - Services Other Governments	23,256.00		
	Highway Fund	DA980/3501 - CHIPs		174,794.57	
7	Highway Fund	DA522/9010.8 - State Retirement	11,338.79		Adjust ERS accrual
	Highway Fund	DA637 - Due To ERS		11,338.79	
8	Highway Fund	DA980/2300 - Services Other Governments	30,544.20		Adjust Snow & Ice accrual
	Highway Fund	DA410 - Due From State and Federal		30,544.20	
9	CF Water	CFW522/8320.42 - Improvements	6,378.20		Record expense paid by Sewer Fund
	CF Water	CFW630 - Due To Other Funds		6,378.20	
10	SSR Water	SRW522/8310.4 - District Operators	2,411.42		Accrue additional liabilities per search of subsequent transactions
	SSR Water	SRW522/8320.42 - Improvements Water Supply	1,387.14		
	SSR Water	SRW522/8330.4 - Chlorination Test	70.00		
	SSR Water	SRW2000 - Accounts Payable		3,868.56	
11	SA Water	SAW522/8320.42 - Improvement and Repairs	5,466.25		Accrue additional liabilities per search of subsequent transactions
	SA Water	SAW2000 - Accounts Payable		5,466.25	
12	Sewer Fund	PLSD522/8130.42 - Contractual In Plant	24,228.25		Accrue additional liabilities per search of subsequent transactions
	Sewer Fund	PLSD522/8130.43 - Contractual Dist System	1,684.00		
	Sewer Fund	PLSD2000 - Accounts Payable		25,912.25	
13	Sewer Fund	PLSD440 - Due From Other Governments	21,769.11		Record reimbursements owed from TO Southeast
	Sewer Fund	PLSD980/1004 - T/O Southeast		21,769.11	
14	Sewer Fund	PLSD391 - Due From Other Funds	6,378.20		Reclass CF Water expenses paid by Sewer Fund
	Sewer Fund	PLSD522/8130.42 - Contractual In Plant		6,378.20	

**Town of North Salem**  
**Material Audit Adjustments**  
**12/31/21**

15	Sewer Fund	PLSD - Retained Earnings	35,101.66		Adjust for DEC reconciliation of 2019-2020 activity
	Sewer Fund	PLSD440 - Due From Other Governments		35,101.66	
16	Capital Projects Fund	H980/3989 - State Aid Other	143,386.31		Reverse prior year receivable
	Capital Projects Fund	H410 - Due From State and Federal		143,386.31	
17	Capital Projects Fund	H630J - Due To Other Funds	15,000.00		Record transfer from CF Water
	Capital Projects Fund	H980/5031 - Interfund Transfer		15,000.00	
18	Capital Projects Fund	H980/2770 -Miscellaneous Local Sources	95,000.00		Reclass transfer from General Fund
	Capital Projects Fund	H980/5031 - Interfund Transfer		95,000.00	
19	Capital Projects Fund	H522/3120.2 - Police Capital	31,483.00		Record new police vehicle purchased with installment debt
	Capital Projects Fund	H980/5785 - Installment Purchase Debt		31,483.00	
20	Capital Projects Fund	H410 - Due From State and Federal	119,959.25		Accrue EFC grant revenues
	Capital Projects Fund	H980/3989 - State Aid Other		119,959.25	

913,470.47

913,470.47