

May 18, 2023

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, 2022, and have issued our report thereon dated May 18, 2023. 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, 2022:

GASB 87 – *Leases*

GASB 91 – *Conduit Debt Obligations*

GASB 92 – *Omnibus 2020*

GASB 93 – *Replacement of Interbank Offered Rates*, except for the removal of LIBOR as an appropriate benchmark interest rate, which is effective for the year ending December 31, 2023.

GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No.32*

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.

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 18, 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 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.

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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

Cooper Arias, LLP

Town of North Salem
Material Audit Adjustments
12/31/22

AJE #	Fund	Account Code	Debit	Credit	Comment
1	General Fund	A380	49,160.98		Adjust year end accounts receivables
	General Fund	A980/1255		450.00	
	General Fund	A980/1520		55.00	
	General Fund	A980/1560	320.00		
	General Fund	A980/1720		4,110.60	
	General Fund	A980/2191		550.00	
	General Fund	A980/2002		150.00	
	General Fund	A980/2401		3.19	
	General Fund	A980/2544	100.00		
	General Fund	A980/2001		2,445.19	
	General Fund	A980/2555		31,388.00	
	General Fund	A980/2610 - Fines and Forfeitures		10,429.00	
2	General Fund	A980/1120		25,078.00	Adjust year end receivables from other governments
	General Fund	A980/3005	60,050.07		
	General Fund	A980/3006		5,100.00	
	General Fund	A440 - Due From Other Governments		29,872.07	
3	General Fund	A522/5650.41 - Paid to NYC - Lease	54,124.28		Record amount due to NYC
	General Fund	A631 - Due To Other Governments		54,124.28	
4	General Fund	A637 - Due To ERS	50,417.61		Adjust retirement accrual
	General Fund	A522/9010.8 - State Retirement		50,689.86	
	General Fund	A522/9015.8 - Police Retirement	272.25		
5	General Fund	A692 - Deferred Town Taxes	83,344.00		Adjust deferred tax revenues
	General Fund	A693 - Deferred School Taxes	16,216.00		
	General Fund	A980/1001 - Real Property Taxes		99,560.00	
6	General Fund	A200A	94,497.74		Reclass checks written in January 2023 but dated December 2022
	General Fund	A600 - Accounts Payable		94,497.74	
7	General Fund	A391 - Due From Other Funds	47,000.00		Reclass loan to Capital Fund
	General Fund	A522/9901 - Interfund Expense		47,000.00	
8	General Fund	A522/9060.8 - Health Insurance	47,745.34		Accrue December health insurance premium
	General Fund	A600 - Accounts Payable		47,745.34	
9	General Fund	A522/9901 - Interfund Expense	63,830.00		Record Board approved transfer to Capital Fund
	General Fund	A630 - Due To Other Funds		63,830.00	
10	Highway Fund	DA980/3501 - CHIPs	131,314.10		Adjust year end accruals
	Highway Fund	DA980/2300 - Services Other Governments	64,277.12		
	Highway Fund	DA410 - Due From State and Federal		195,591.22	
11	Highway Fund	DA637 - Due to ERS	22,773.58		Adjust ERS accrual
	Highway Fund	DA522/9010.8 - State Retirement		22,773.58	
12	Highway Fund	DA980/2300 - Services Other Governments	84,497.20		Reclass CHIPs revenues
	Highway Fund	DA980/3501 - CHIPs		84,497.20	
13	Highway Fund	DA522/9060.8 - Health Insurance	26,057.68		Accrue December health insurance premium
	Highway Fund	DA600 - Accounts Payable		26,057.68	

Town of North Salem
Material Audit Adjustments
12/31/22

14	Sewer Fund	PLSD980/1003	78,115.68		Reverse prior year accrual
	Sewer Fund	PLSD440 - Due From Other Governments		78,115.68	
15	Sewer Fund	PLSD440 - Due From Other Governments	28,215.81		Record reimbursements owed from TO Southeast
	Sewer Fund	PLSD980/1004 - T/O Southeast		28,215.81	
16	Sewer Fund	PLSD440 - Due From Other Governments	103,660.64		Accrue 2021 DEP reconciliation and final 2 quarters of 2022
	Sewer Fund	PLSD980/1003		103,660.64	
17	Capital Projects Fund	H980/69019	6,774.50		Adjust for BAN payment and reimbursed interest
	Capital Projects Fund	H980/BANs Redeemed		3,500.00	
	Capital Projects Fund	H522/9730.7 - BAN Interest		3,274.50	
18	Capital Projects Fund	H391 - Due From Other Funds	63,830.00		Record transfer from General to close out Salt Shed project
	Capital Projects Fund	H980/5031 - Interfund Transfer		63,830.00	
19	Capital Projects Fund	H522/3120.2 - Police Capital	38,685.00		Record new police vehicle purchased with installment debt
	Capital Projects Fund	H980/5785 - Installment Purchase Debt		38,685.00	

1,215,279.58 **1,215,279.58**