

May 17, 2019

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, 2018, and have issued our report thereon dated May 17, 2019. 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 December 6, 2018. 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, 2018:

GASB 75 – Accounting and Reporting for Post-Employment Benefits Other Than Pensions.

GASB 85 – Omnibus 2017

GASB 86 – Certain Debt Extinguishment Issues

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. All fixed 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 ended December 31, 2018 and definitions of the equity classifications required by GASB 54.

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

Note 7 – Disclosure of the Town's accounting treatment of property tax revenues and deferred tax revenues.

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.

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

Note 14 – Disclosure of a change in accounting principle related to the implementation of GASB 75.

Note 15 – Disclosure of restated opening balances.

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.

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 17, 2019.

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

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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.

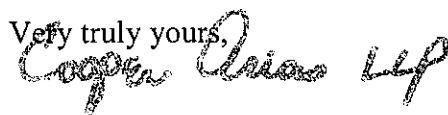
Other Matters

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.

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,

A handwritten signature in dark ink, appearing to read "Cooper Arias", is written over a horizontal line.

Cooper Arias, LLP