

June 16, 2020

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, 2019, and have issued our report thereon dated June 16, 2020. 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, 2019:

*GASB 83 – Certain Asset Retirement Obligations*

*GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

*GASB 90 – Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*

*GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance*

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, 2019 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 June 16, 2020.

*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,

  
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Cooper Arias, LLP

**Town of North Salem**  
**Material Audit Adjustments**  
**12/31/19**

A/E #	Fund	Account Code	Debit	Credit	Comment
1	General Fund	A693 - Deferred Tax Revenues	19,407.00		Adjust year end deferred tax revenues
	General Fund	A692 - Deferred Town Taxes/Liens	5,258.00		
	General Fund	A980/1001 - Real Property Taxes		24,665.00	
2	General Fund	A631 - Due To Other Governments	19,241.00		Record Nov and Dec Justice Court revenues
	General Fund	A380 - Accounts Receivable	8,748.00		
	General Fund	A980/2610 - Fines and Forfeitures		27,989.00	
3	General Fund	A440 - Due From Other Governments	51,123.86		Adjust year end accrual
	General Fund	A980/3005 - Mortgage Tax	16,328.14		
	General Fund	A980/1120 - Sales Tax		67,452.00	
4	General Fund	A522/8160.41 - Garbage	48,790.00		Accrue December service
	General Fund	A522/8160.43 - Recycling	10,000.00		
	General Fund	A522/8160.45 - Curbside/Bulk Pick Up	1,276.00		
	General Fund	A522/8160.44 - Container at Highway	385.00		
	General Fund	A600 - Accounts Payable		60,451.00	
5	Highway Fund	DA410 - State and Federal Aid Receivable	23,131.00		Adjust Snow & Ice contract revenues
	Highway Fund	DA440 - Due From Other Governments	13,682.00		
	Highway Fund	DA690 - Deferred Revenue	15,613.40		
	Highway Fund	DA980/2300 - Services For Other Governments		52,426.40	
6	Highway Fund	DA380 - Accounts Receivable	16,277.50		Accrue December auction proceeds
	Highway Fund	DA980/2665 - Sale of Equipment		16,277.50	
7	Highway Fund	DA391 - Due From Other Funds	11,616.14		Adjust for payroll inadvertently transferred twice to TA Fund
	Highway Fund	DA522/5110.1 - Salaries		11,616.14	
8	Sewer Fund	PLSD691 - Deferred Revenue	39,000.00		Reverse prior year deferred revenue earned in 2019
	Sewer Fund	PLSD980/1003 - DEP Revenue		39,000.00	
9	Capital Fund	H980/2770	16,040.87		Reclass loan payments
	Capital Fund	H391 - Due From Other Funds		16,040.87	
10	Capital Fund	H522/1989.3X - CF Hamlet Improvements	34,900.00		Reclass prior year down payment on purchase
	Capital Fund	H480 - Prepaid Expense		34,900.00	
11	Capital Fund	H980/5731 - BANs Redeemed From Appropriations	86,209.00		Adjust BAN activity for portion of BAN not transferred to General Fund
	Capital Fund	H630I - Due To Other Funds		86,209.00	
12	Capital Fund	H410 - Due From State and Federal	56,972.08		Accrue portion of Sidewalk Grant earned in current year
	Capital Fund	H980/4089 - Federal Revenues		56,972.08	
13	TA Fund	TA2100 - Payroll Liabilities	11,616.14		Adjust for payroll inadvertently transferred twice from Highway Fund
	TA Fund	TA630 - Due To Other Funds		11,616.14	