

December __, 2023

To The Mayor and Members of
The Board of Trustees
Village of Menands, New York

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Menands, New York (the Village) as of and for the year ended May 31, 2023, and have issued our report thereon dated December __, 2023. 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 May 1, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance 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 Village's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Village 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.

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated December __, 2023.

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 requires special audit consideration due to its potential to introduce significant risks and undermine the integrity of financial reporting and internal controls. This practice involves management intentionally bypassing or manipulating established controls, which can lead to fraudulent activities, misrepresentation of financial information, reduced transparency, and regulatory non-compliance. Special audit attention is necessary to detect such misconduct, safeguard the accuracy of financial reporting, ensure regulatory compliance, and maintain the trust of users of the financial statements.
- Improper revenue recognition necessitates special audit consideration due to its potential to distort a company's financial statements and mislead users of the financial statements. This practice involves recognizing revenue in a manner that does not align with accounting standards or the economic reality of transactions. It can lead to inflated revenues, understated liabilities, and an inaccurate portrayal of the Village's financial health. Special audit attention is essential to identify and rectify improper revenue recognition, ensure compliance with accounting rules, prevent financial misrepresentation, and maintain the credibility of financial reporting for investors, creditors, and regulators.

Qualitative Aspects of the Village'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 Village is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Village has changed its method of accounting for leases as of June 1, 2022 due to the adoption of GASB Statement No. 87, *Leases*, and related amendments. Our opinion is not modified with respect to this matter. 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 compensated absences is based on payroll data received from the outside payroll company.
- Management's estimate of the useful lives of long-lived assets is based on historical trends and periodic evaluations of held assets.
- The disclosure of liabilities, deferred outflows and deferred inflows in Note 1 to the financial statements disclosing the actuarial pension components for the Employees' Retirement System, Police and Fire Retirement System, and OPEB.
- Certain assumptions related to the actuarial liability for other post-employment benefits.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

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 also 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. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

1. Adjustments to record and true-up accounts receivable, revenue, accounts payable, accrued liabilities, cash, and fund balance classifications.
2. Adjustments for GASB #34, #68, #75, and #87.

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 the Village'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 December __, 2023.

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 Village, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the Village, 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 Village's auditors.

Other Matters

With respect to the required supplementary information accompanying the financial statements, 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 year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the required supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the Mayor, members of the Board of Trustees, and management of the Village, and is not intended to be and should not be used by anyone other than these specified parties.

Albany, New York
December __, 2023

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