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January 22, 2020

To the Board of Selectmen of
TOWN OF LEE, MASSACHUSETTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lee, Massachusetts for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 19, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 Lee, Massachusetts are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. 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:

- **Management's estimate of the allowance for doubtful accounts (i.e. uncollectible receivables)**, which is based on historical collection rates and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance and determined that it is reasonable in relation to the financial statements taken as a whole.
- **Management's estimate for depreciation expense on fixed assets**, which is based upon straight line depreciation calculated over the estimated useful life. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the financial statements taken as a whole.
- **Management's accrual for Other Post-Employment Benefits (OPEB liability)**, which is based upon an actuarial valuation of its OPEB plan performed by Odyssey Advisors. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

- **Management’s accrual for Net Pension Liability**, which is based upon an actuarial valuation of its pension plan performed by the Public Employee Retirement Administration Commission. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

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 clearly trivial, and communicate them to the appropriate level of management. We proposed financial reporting adjustments which were posted by management and described below:

1. The Town maintains its general ledger system in accordance with the Uniform Massachusetts Accounting System (UMAS), a basis other than generally accepted accounting principles (GAAP). As a result, Governmental Accounting Standards Board (GASB) financial reporting adjustments were proposed to convert the Town’s financial statements to the full accrual basis of accounting to be in conformity with accounting principles generally accepted in the United States of America. The adjustments proposed were derived from the Town’s records.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ 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 January 22, 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 auditors’ 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. There were no audit findings for fiscal year 2019.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of other post-employment benefits funding progress, and schedules of the Town's net pension liabilities, which are 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.

Restrictions on Use

This information is intended solely for the information and use of the Board of Selectmen and management of the Town of Lee, Massachusetts 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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