

April 3, 2020

To the Canton Public Library Board
Canton Public Library

We have audited the financial statements of Canton Public Library (the "Library") as of and for the year ended December 31, 2019 and have issued our report thereon dated April 3, 2020. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Communications Required Under AU 260

Section II - Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Canton Public Library Board.

Section II contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Library's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism were invaluable.

This information is intended solely for the use of Canton Public Library and management of Canton Public Library and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Alisha M. Watkins

Alisha M. Watkins
Partner

Melanie Crowther

Melanie L. Crowther
Manager

Section I - Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 13, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Canton Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are 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 specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our preaudit letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Canton Public Library 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 Library during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Management's estimate of the net pension liability is based on a third-party actuarial valuation obtained by the Library. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Section I - Communications Required Under AU 260 (Continued)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose 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.

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. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Library, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 3, 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 Library'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.

Section II - Legislative and Informational Items

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, on June 4, 2018, the State extended the deadline for compliance to “sometime in 2019.” On September 18, 2019, the State issued a memo that sets an implementation date for fiscal years ending on September 20, 2021 and thereafter. On October 31, 2019, a FAQs document was released along with clarification on which accounts should be used when implementing Governmental Accounting Standards Board (GASB) 84. A significant revision was issued on December 31, 2019 that incorporated feedback that the Treasury has received. This revision included significant changes to the expenditure accounts 700-999, which will now mirror the old approach that allowed for various numbers within certain ranges. Going forward, the Treasury will issue the following three documents for any future revisions: revised chart of accounts, a marked-up version of the chart showing the changes, and a summary of the revisions report. In addition, the FAQs will be a live document that will be updated as questions arise. Local units can sign up for alerts at this link: https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1.

Budget

The Uniform Budgeting and Accounting Act (Public 2 of 1968) establishes a uniform budgeting system for local units of government. Section 141.436 specifically outlines the guidance and requirements for preparing annual budgets as follows:

The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year and shall set forth a statement of estimated revenue, by source, in each fund for the ensuing fiscal year.

The Library has adopted a practice of providing for a “reserve/contingency” within the annual budgeted expenditures, offset by a fund balance appropriation. Since these are not identifiable expenditures for the ensuing fiscal year, this practice is not in accordance with the guidance set forth by the State of Michigan for local units of government. We recommend that the Library consider revisiting this budget practice. Setting aside “rainy day” funds or other contingencies should be accomplished by earmarking fund balance (i.e., designating what funds held in savings will be used for in the future). We have outlined what this would look like in your budget and would be happy to discuss further.

Budget 2019 Presentation Example

Canton Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund

	Originally Adopted Budget	Amended Budget	Actual	Over (Under) Final Budget
Revenue				
Property tax	\$ 5,771,500	\$ 5,922,269	\$ 5,923,345	\$ 1,076
State aid	58,000	72,276	72,276	-
Fees	54,500	54,100	55,450	1,350
Fines	161,000	127,309	129,934	2,625
Fund balance appropriation	866,200	971,900		
Interest and rentals:				-
Investment earnings	10,000	35,000	35,404	404
Rental income	9,000	9,200	9,722	522
Contributions and donations	11,100	43,521	44,814	1,293
Total revenue	6,075,100	6,263,675	6,270,945	7,270
Expenditures				
Salaries and fringe benefits	3,468,700	3,412,700	3,250,147	(162,553)
Library books and materials	840,000	846,271	842,886	(3,385)
Supplies	172,270	123,020	110,932	(12,088)
Professional and contractual services	355,020	316,005	294,945	(21,060)
Communications	31,800	23,900	20,770	(3,130)
Conferences, workshops, and travel	33,400	30,725	24,865	(5,860)
Printing and publishing	48,300	12,400	11,544	(856)
Community relations	16,550	11,550	10,004	(1,546)
Insurance and bonds	60,300	51,300	51,152	(148)
Utilities	210,000	162,000	155,677	(6,323)
Building repair and maintenance	239,800	196,175	183,260	(12,915)
Rentals	32,000	26,450	23,204	(3,246)
Building improvements	20,000	9,700	9,359	(341)
Reserve/contingency	546,460	1,039,979		
Capital outlay	866,200	971,900	949,426	(22,474)
Endowment transfers	500	1,500	1,110	(390)
Total expenditures	6,394,840	6,195,596	5,939,281	(256,315)
Excess of Revenue Under Expenditures	(319,740)	68,079	331,664	(249,045)
Fund Balance - Beginning of year	3,094,231	3,094,231	3,094,231	-
Fund Balance - End of year	\$ 2,774,491	\$ 3,162,310	\$ 3,425,895	\$ (249,045)
Fund Balance Presentation				
Nonspendable	-	-	125,002	
Assigned - Capital and Contingencies	-	-	2,726,300	
Unassigned	-	-	574,593	
Fund Balance - End of year	\$ 2,774,491	\$ 3,162,310	\$ 3,425,895	