

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2014

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Willmar, Minnesota

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PLUM CREEK LIBRARY SYSTEM

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Quality | Dedication | Integrity

The Governing Board
Plum Creek Library System
Worthington, Minnesota

We have audited the financial statements of the governmental activities and the major fund of the Plum Creek Library System, for the year ended June 30, 2014, and have issued our report thereon dated October 15, 2014. 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 letter to you dated August 4, 2014. 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 Library System, are described in Note 1 to the financial statements.

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 estimate affecting the financial statements was:

Management's estimate of depreciation is based on the number of years an asset is in service. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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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. The material misstatements detected as a result of audit procedures were corrected by management.

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 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 October 15, 2014.

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 System'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 Library System'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

With respect to the 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 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 Library System Board and management of the Plum Creek Library System, and is not intended to be and should not be used by anyone other than these specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

October 15, 2014

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS ON ACCOUNTING ISSUES AND INTERNAL CONTROLS

We noted certain matters involving the internal control structure and its operation that we consider being deficiencies in internal control under standards established by the American Institute of Certified Public Accountants. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

INTERNAL CONTROL

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the valuation of these factors necessarily requires estimates and judgments by management.

It should be recognized that within the Library System, an inherent risk is present with certain positions. It is very common for organizations such as the Plum Creek Library System to assign many major responsibilities to a few key individuals in an attempt to operate within limited budgets. The audit did not raise any specific concerns with any position. The inherent risk is again addressed only to maintain the awareness of the internal control structure and to encourage the Board's continual review of financial information at monthly meetings.

The purpose of financial statements is to provide the users with insight as to the financial condition and the results of operations of the Library System. In order to make financial decisions on a timely basis, financial statements must be prepared timely and correctly.

The following items are informational or areas of concern, which need to be addressed:

GENERAL RECOMMENDATIONS

CROSS-TRAINING

Due to the small number of office staff, duties such as check writing, payroll, and billing, need to be performed by other staff in instances of unexpected absences. In addition to the Fiscal Administrator, the Director should also have a working knowledge of the accounting software used in order to review and produce accurate accounting records and information and to better utilize the software capabilities. We recommend the Library System implement cross-training procedures and develop operating manuals and instructions to allow available personnel the capability to perform the non-routine duties on a timely basis.

ACCRUED LEAVE BALANCES

During our review of compensated absences, we noted that staff members have accrued large vacation and sick leave balances. It is our recommendation to encourage staff to use their vacation and sick time to prevent staff burn-out and encourage other staff to perform duties outside of their daily responsibilities.

TRAVEL POLICY

In light of the finding noted in the Independent Auditor's Report on Minnesota Legal Compliance we also recommend a complete review and update of the current travel policy. Having sound policies and adherence to them creates a control environment that protects both the Library System and the employees from any misappropriation or misuse of assets.