



September 6, 2013

To the Members of the Branch
District Library Board
Branch District Library
Branch County, Michigan

Dear Board Members:

You have requested our firm to submit a proposed fee for the Library's audit for the year ending December 31, 2013 and accounting services including monthly compiled financial statements and payroll services for the year ending December 31, 2014.

In making your decision we would like the board to consider the following:

- Our firm has provided your Board with accounting services since 1991. During that time period, there have been numerous directors and accounting staff members. During the past twenty plus years, outside of some Board members, our firm and its personnel have been the most consistent part of your accounting system. We believe during these changes our firm and its knowledge of your Library's finances and operations has assisted the new director and accounting staff member and provided continuity to the Board.
- Your current accounting structure, with our firm processing your payroll and accounts payable and providing the Board with monthly compiled and annual auditing financial statements, is a different arrangement than most governmental units. We believe this arrangement has proven to be very efficient, results in a high quality product that is both timely and cost efficient to the Library.
- Our firm is the only local firm that performs governmental audits. In addition, we are proud to report that we just completed our latest three year peer review required by the AICPA and received the highest rating with no letter of recommendations, consistent with prior years.
- Many governmental units take competitive bids for their audit services, although, we are seeing less of competitive bids with the current financial circumstances. Consistency of their audit firm and the complexity of governmental accounting and reporting is making governmental units reconsider the use of bidding and low cost as the requirement for retaining their audit and accounting firm. Negotiating audit and accounting services is becoming the normal versus competitive bidding.

To the Members of the Branch
District Library Board
Branch District Library
Branch County, Michigan

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- Our firm has taken great pride in always providing the Board with their monthly financial statement at each Board meeting and delivering the audit and the January financial statement at the February Board meeting of each year

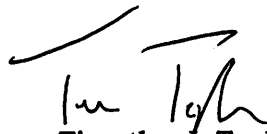
We have enclosed the engagement letters for your upcoming audit and accounting services describing the work to be performed, your responsibilities and our proposed fee. We believe our firm has always been very responsive in getting the audit and accounting services completed in a timely manner. This timeliness has made it possible for the Library to continue to receive accurate monthly information during the start of the next fiscal year. We believe the quality and timeliness of the service must be analyzed when selecting an accounting and auditing firm.

We have been pleased to serve the Branch District Library in the past and would like to continue the good client/auditor relationship that has been developed.

If you or your Board has any questions, please contact us.

Very truly yours,

TAYLOR, PLANT & WATKINS, P.C.



Timothy J. Taylor



September 6, 2013

Branch District Library
Branch County, Michigan

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will compile, from information you provide, the monthly financial statements of Branch District Library for the year ending December 31, 2014. Our report on the monthly financial statements of Branch District Library is expected to read as follows:

We have compiled the accompanying balance sheets of Branch District Library as of (month, day), 2014, and the related statements of revenues over expenditures and changes in fund balance, and other supplemental information for the month then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and other supplemental information and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the entity's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying annual budget of Branch District Library for the year ending December 31, 2014, has not been compiled or examined by us and, accordingly, we do not express an opinion or any other form of assurance on it.

Management has elected to omit the summaries of significant assumptions and accounting policies required under established guidelines for presentation of prospective financial statements. If the omitted summaries were included in the budgeted information, they might influence the user's conclusions about the entity's budgeted information. Accordingly, this budgeted information is not designed for those who are not informed about such matters.

We will compile the financial statements and issue an accountant's report in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We will not audit or review the financial statements and, accordingly, will not express an opinion or any other form of assurance on them.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

We will also provide the following additional monthly, quarterly, and annual services:

1. Posting of your general ledger on a monthly basis.
2. Reconcile your checking and investment accounts to the monthly bank statements.
3. Prepare your accounts payable checks on a biweekly basis and the biweekly payroll.
4. Preparation of the following payroll tax deposits and quarterly returns:
 - A. Monthly Federal withholding and social security tax deposit.
 - B. Monthly State Sales, Use and Withholding tax return.
 - C. Employer's Quarterly Federal Tax Returns (Form 941).
 - D. Quarterly Michigan Employment Security Commission Return.
5. Preparation of the following annual payroll tax and informational returns:
 - A. Transmittal of Income and Tax Statements (Forms W-3 and W-2).
 - B. Annual Return for State Sales, Use and Withholding Taxes.
 - C. Annual Summary of Transmittal of U.S. Informational Returns (Form 1096 and 1099).

You are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge and experience to oversee any bookkeeping services or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform you of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Our fee for the monthly financial statements and other monthly, quarterly, and annual services will be billed as follows:

Monthly posting of general ledger and preparation of monthly financial statements. (\$580.00/month X 12 month)	\$ 6,960.00
Preparation of your accounts payable checks. (\$160 bi-weekly x 26 weeks)	4,160.00
Preparation of your bi-weekly payroll checks, now includes direct deposit. (\$225 bi-weekly x 26 pay periods)	5,850.00
Preparation of your quarterly payroll tax returns. (\$160/quarter x 4 quarters)	640.00
Preparation of your annual W-2 statements.	325.00
Preparation of your annual 1099's	275.00
Total annual monthly services	<u>\$ 18,210.00</u>

Invoices will be rendered monthly and payable upon receipt. A service charge of 1½% per month will be charged on all unpaid balance over 30 days. All services will be automatically be suspended if our fees remain unpaid after sixty days.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us. The duplicate copy is for your files.


TAYLOR, PLANT & WATKINS, P.C.

Acknowledged:

BRANCH DISTRICT LIBRARY

Title

Date



September 6, 2013

Branch District Library
Branch County, Michigan

We are pleased to confirm our understanding of the services we are to provide the Branch District Library for the year ending December 31, 2013. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Branch District Library as of and for the year ending December 31, 2013. Accounting standards generally accepted in the United States provide for certain required supplementary information such as management's discussion and analysis, to supplement the Branch District Library's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Branch District Library's required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following required supplementary information is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules

We have also been engaged to report on supplementary information other than required supplementary information that accompanies the Branch District Library's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

1. Other Supplementary Information

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Branch District Library and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal act could

have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period; and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal controls, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories,

and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Branch District Library's compliance with applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Audit Administration, Fees and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing.

We expect to begin our audit in January, 2014 and complete the audit in February, 2014, at the convenience of your accounting staff, provided all schedules and reconciliations requested by our firm are completed in a timely manner by your accounting staff. Timothy Taylor is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for the audit of the financial statement as of and for the year ending December 31, 2013 will not exceed \$6,650. This fee is based on the following:

1. We will receive full cooperation from your personnel in completing the client assistance items requested.
2. No changes are made in the accounting staff or procedures that would result in a decline of the quality and reliability of the accounting records or internal accounting controls.
3. The number of funds maintained by the Library does not increase significantly.

4. The Library has not received any Federal Funds, in which a Single Audit would be required or an audit in accordance with generally accepted governmental standards.

Other services requested by your Board during or after the audit would be charged at our standard hourly rates. The rates would be from \$40 to \$170 per hour depending on the level of expertise required of the staff to complete the task.

An invoice will be rendered as work progresses and is payable upon receipt. A service charge of 1½% per month will be charged on any balances over 30 days. All services will be automatically suspending if our fees remain unpaid after sixty days.

We appreciate the opportunity to be of service to the Branch District Library and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please contact us. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. The duplicate copy is for your files.


TAYLOR, PLANT & WATKINS, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the Branch District Library

By: _____

Title: _____

Date: _____