

REPORT TO THE BOARD OF TRUSTEES

ROCHESTER PUBLIC LIBRARY

JUNE 30, 2020

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December 23, 2020

Board of Trustees
Rochester Public Library
115 South Avenue
Rochester, New York 14614

Members of the Board:

We are pleased to present this report related to our audit of the financial statements of Rochester Public Library (the Library) for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Library's financial reporting process.

This report is intended solely for the information and use of the Board members and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Library.

Very truly yours,

Freed Maxick CPAs, P.C.
Freed Maxick CPAs, P.C.

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Required Communications

Generally accepted auditing standards (*AU-C 260, The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated October 7, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication, dated October 7, 2020 regarding the planned scope and timing of our audit and have discussed with you identified significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Library.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	Uncorrected misstatements, other than misstatements that are clearly trivial, are shown on the attached "Summary of Uncorrected Misstatements".
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Required Communications (Continued)

Area	Comments
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating a Control Deficiency	We have separately communicated a deficiency in internal control over financial reporting identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Significant Written Communication Between Management and Our Firm	A copy of the representation letter provided by the management of the Library is attached as Exhibit B.

**Rochester Public Library
Summary of Significant Accounting Estimates
Year Ended June 30, 2020**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Library's June 30, 2020, financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis of Our Conclusions on Reasonableness of Estimate
Investments	The Library's investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the Library follows FASB ASC Topic 820, "Fair Value Measurements" as it defines the fair value and establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad categories noted as Level 1, 2 or 3.	Management has described the valuation techniques used for valuing investments at fair value in the financial statements Note 4. Additionally, management has broken out the investments into Level 1, 2 or 3 based upon the valuation hierarchy.	Management's process to evaluate fair value and establish the fair value hierarchy of investments appears reasonable.
Rental of facilities	Management measures the value of its facilities based on square footage.	Management has a city architectural estimate performed yearly to measure the available square footage of donated facilities. Management then applies a rate per square foot to estimate the total fair value of the rent for the donated space.	Management's process to measure the space available, and applicable rate per square foot, appears reasonable.
Functional Expenses	Management directly charges all identifiable program expenses to the specific program. Management allocates general administration costs based on program budgets.	Management allocates general administration costs based on each program's budget in relation to the total budget of the Library. Management was consistent in their allocation methodology.	Management's process for allocating general and administration costs appears reasonable.

**Rochester Public Library
 Summary of Uncorrected Misstatements
 Year Ended June 30, 2020**

Description	Balance Sheet		Income Statement		Net Effect
	Debit	Credit	Debit	Credit	Dr(Cr)
Due from City General Funds	\$ 47,071				
MCLS System Services <i>To record MCLS System Service revenue earned in the 2019/2020 fiscal year.</i>				\$ 47,071	\$ (47,071)

Reversal of Prior Year Uncorrected Misstatements:

None

Overall net effect of uncorrected misstatements			\$ -	\$ 47,071	\$ (47,071)
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Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) has issued several statements (ASUs) not yet implemented by the Library. The Library's management has not yet determined the effect these statements will have on the Library's financial statements. However, the Library plans to implement all standards by the required dates. The statements which will impact the Library are as follows:

ASU 2014-09, *Revenue from Contracts with Customers*

This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for the Library on July 1, 2020.

ASU 2016-02, *Leases*

This ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Library on July 1, 2022.

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EXHIBIT A - LETTER COMMUNICATING A CONTROL DEFICIENCY

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Letter Communicating a Control Deficiency

Board of Trustees
Rochester Public Library
Rochester, NY 14604

In planning and performing our audit of the financial statements of the Library as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement in the Library's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein

Following is a description of identified deficiencies in internal control that we determined did not constitute a significant deficiency or material weakness.

Accounting System and Trial Balance

Observation

During our audit we noted that accrual entries are being recorded offline as opposed to being recorded in the general ledger system. As such, the Library is vulnerable to the possibility that closing entries have not been properly accounted for. This limits the Library's ability to produce accurate reconciliations of significant accounts other than on a yearly basis. This observation relates to the processing of the Library transactions through the City of Rochester Accounting System.

The Library utilizes a financial worksheet to convert financial data from the modified accrual basis of accounting records maintained by the City of Rochester to the full accrual financial information for the Library as required by generally accepted accounting principles in the United States of America. Management prepared the financial worksheet, however there were adjustments and additional entries that should have been included in the worksheet at the beginning of the audit.

Recommendation

Management should continue to prepare the financial worksheet which would include all accruals and closing entries prior to the commencement of the audit.

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

Freed Maxick CPAs, P.C.

Rochester, New York
December 23, 2020

EXHIBIT B - SIGNIFICANT WRITTEN COMMUNICATION
BETWEEN MANAGEMENT AND OUR FIRM

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**ROCHESTER PUBLIC LIBRARY
115 SOUTH AVENUE
ROCHESTER, NEW YORK 14604**

December 23, 2020

Freed Maxick CPAs, P.C.
100 Meridian Centre, Suite 310
Rochester, New York 14618

This representation letter is provided in connection with your audits of the financial statements of the Rochester Public Library (the Library) which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief that as of the date of the auditor's report.

Financial Statements

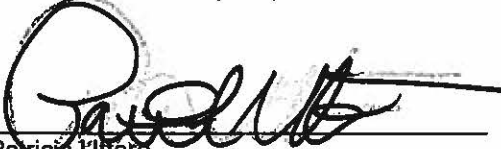
1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 7, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related party relationships and transactions have been accounted for and disclosed in accordance with the requirements of U.S. GAAP, if applicable.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Fund balance classifications.
 - b. Allocations of functional expenses based on reasonable basis.
 - c. All recordable contributions, by appropriate net asset class.

- d. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - e. Concentrations of credit risk.
 - f. Investments in debt and equity securities, including their classification.
 - g. All leases and material amounts of rental obligations under long-term leases.
 - h. Composition of assets in amounts needed to comply with all donor restrictions.
 - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - j. Reclassifications between net asset classes.
 - k. Deferred revenue from exchange transactions.
9. With respect to the preparation of the financial statement services performed in the course of the audit:
- a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.
10. We have informed you of all uncorrected misstatements. As of and for the year ended June 30, 2020, we believe that the effects of the uncorrected misstatements aggregated by you and summarized in the attached Summary of Uncorrected Misstatements are immaterial, both individually and in the aggregate, to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.


Information Provided

11. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Library from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any allegations of fraud or suspected fraud, affecting the Library's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Library's financial statements received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Library's related parties and all the related-party relationships and transactions of which we are aware.
19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Library's ability to record, process, summarize, and report financial data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



Patricia Ultaro
Director



Bernadette Harrison
Finance Officer