Baird, Cotter & Bishop, P.C.
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September 29, 2022

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the City Council
City of Evart
Evart, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Evart for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 22, 2022. 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 City of Evart are described in Note 1 to the financial statements. During the fiscal year, the City adopted GASB Statement No. 87, Leases, which requires changes to how leases are reported in the financial statements and disclosures. We noted no transactions entered into by the City 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 governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Evart's financial statements were:

> Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimates of the liability of the payout of employee compensated absences are based on expected payout. Management's estimates of lease liabilities are

based on the present value of future obligations at an imputed or stated rate. Management's estimates of unfunded liabilities related to the Municipal Employees' Retirement System of Michigan are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting, providing client assistance as the client knew the adjustment was necessary but requested our assistance, and an additional entry related to recording an asset and liability related to leased equipment.

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 September 29, 2022.

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 City of Evart'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 City of Evart's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of the City of Evart for the year ended June 30, 2022, we noted the following items which we feel deserve comment:

Budgetary Accounting

Expenditures in the Library Fund, Fire Fund, and Major Street Fund exceeded appropriated amounts, as well as multiple activities and in total in the General Fund. The City should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts. The City should adopt a budget for the Library Fund and Fire Fund since it collects and disburses property taxes to the Library and Fire Department. All budgets should also be amended before the end of the current fiscal year.

Industrial Facilities Tax Report Form 170-IFT

During the audit we noted that the Industrial Facilities Tax (IFT) report Form 170-IFT was not filed with the State of Michigan by the due date, July 31, 2022. The Treasurer is working with the assessor and filing that as soon as possible.

Utility Billing Adjustments

It was noted during the audit that there were adjustments in the water and sewer funds made throughout the year. Support and explanations were provided, however we recommend going forward, all approvals of adjustments are documented and signed off on by management as approved.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in Employer's Net Pension Liability and Related Ratios for Michigan Employees' Retirement System, and Schedule of Employer Contributions for Michigan Employees' Retirement System, 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 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.

We were engaged to report on the Combining Financial Statements and Component Unit Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Evart and is not intended to be, and should not be, used by anyone other than these specified parties.

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