



October 23, 2023

Board of Directors
Deschutes Public Library District

In planning and performing our audit of the basic financial statements of Deschutes Public Library District as of and for the year ended June 30, 2023 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered Deschutes Public Library District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Deschutes Public Library District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We consider the following deficiencies in Deschutes Public Library District's internal control to be material weaknesses:

1. Errors in the implementation of GASB 96 Subscription-Based Information Technology Arrangements (SBITA). The errors related to the following: (a) an error in the computation of the payments due in the future (monthly amount used as the annual amount) and (b) missed capitalizing a library database contract that was within scope (the subscription term includes periods covered by an option to extend, if it is reasonably certain that such option will be exercised)
2. Errors in accounting for capital outlay, land additions, and construction in progress (CIP). The errors related to (a) Stevens Ranch earnest money recorded as a land addition and (b) deposits included in CIP, yet assets not received until after year-end. We recommend the District to engage the contract CPA to review activity in the fund accounting software.

3. Errors in beginning fund balance related to investment fair value adjustment reversed from the prior year. We recommend the District engage the contract CPA to review beginning equity to prior year audited financial statements before closing the trial balance in preparation for the audit.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

A handwritten signature in black ink that reads "Sensiba LLP". The signature is written in a cursive, flowing style.

Sensiba LLP
Bend, OR