



SCENIC REGIONAL LIBRARY DISTRICT

AUDITOR'S COMMUNICATION
TO THE BOARD OF TRUSTEES

For the Year Ended June 30, 2022

A background image showing a modern building interior with a grid pattern, possibly a library or office space, overlaid with a semi-transparent geometric pattern.

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SCENIC REGIONAL LIBRARY DISTRICT
AUDITOR’S COMMUNICATION TO THE BOARD OF TRUSTEES
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February 16, 2023

Board of Trustees
Scenic Regional Library District
Union, Missouri

As part of our audit process, we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by auditing standards. Our communication at the beginning of our audit process was sent to you on September 15, 2022.

In addition, auditing standards requires the communication of internal control related matters to those charged with governance. Our communication of deficiencies in internal control and other comments to management, as well as a listing of future pronouncements that may affect the District, are enclosed within this document.

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

Sincerely,

Sikich LLP

Sikich LLP
By: Tamber M. Alsop CPA, CFE
Partner

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Board of Trustees
Scenic Regional Library District
Union, Missouri

We have audited the financial statements of the governmental activities and each major fund of the Scenic Regional Library District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 approved September 15, 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 District are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except for the year ended June 30, 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

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 District's financial statements was:

Management's estimate of the net pension asset/liability (including deferred outflows and inflows of resources) of the District's pension plan is based on the actuarial valuation performed by LAGERS'.

Management's estimate for determining that the Scenic Regional Library Foundation is not included in the reporting entity since it is not significant to the District.

We evaluated the key factors and the assumptions used to develop the above estimates and determined 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. Management has corrected all such misstatements considered to be material, either individually or in the aggregate. Refer to the attached schedule labeled Adjusting Journal Entries for a summary of the corrected misstatements.

In addition, we assisted the District in preparing year-end close journal entries for the governmental activities for the financial statements and related notes. All journal entries prepared by us have been reviewed, approved, and if applicable record by management in the books and records. Refer to the attached schedule labeled Conversion Journal Entries for a summary of the journal entries for the governmental activities.

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 February 16, 2023.

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 District'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 District'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

We were engaged to report on supplemental information, as listed in the table of contents of the financial report, which accompany the financial statements. With respect to this supplemental 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 the modified cash basis of accounting, 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 supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the management discussion and analysis and the pension information, which accompany the basic financial statements but are not supplemental information. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on them.

Restriction on Use

This information is intended solely for the information and use of the District's management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the cooperation and courtesy extended to us by all personnel.

Sikich LLP

Washington, Missouri
February 16, 2023

Scenic Regional Library District

Year End: June 30, 2022

Adjusting Journal Entries

Number	Name	Account No	Debit	Credit
AJE001	Bond Project Fund Cash	10100 GF	85,727	
AJE001	BOK Financial COP SR 17 ISF Fun	10100.3 GF		(85,727)
	To adjust cash to actual and correct misposting of uncleared check from prior year			
AJE002	Accounts Receivable	11000 GF	5,000	
AJE002	Bookmobile	14500 GF	12,500	
AJE002	Prepaid Expense	18500 GF		(2,200)
AJE002	Accounts Payable	20000 GF		(18,351)
AJE002	Retained Earnings	32000 GF	1,047,162	
AJE002	Retained Earnings	32000 GF	18,351	
AJE002	Retained Earnings	32000 GF		(5,000)
AJE002	Retained Earnings	32000 GF	2,200	
AJE002	Retained Earnings	32000 GF		(12,500)
AJE002	Retained Earnings	32000 GF	214	
AJE002	Transfer (In(Out	49999 GF		(959,084)
AJE002	Miscellaneous	63180 GF		(214)
AJE002	Transfer Out	89999 GF		(88,078)
AJE002	Debt Service Cash Account	90-10000 DSF	2	
AJE002	Debt Service Fund Balance	90-30000 DSF		(6)
AJE002	Expenses - Misc.	90-50000 DSF	4	
	To adjust balances and fund balance to actual			
AJE003	Prepaid Expense	18500 GF		(225)
AJE003	Accounts Payable	20000 GF	881	
AJE003	Miscellaneous	63180 GF		(881)
AJE003	Miscellaneous	63180 GF	225	
	To adjust to cash basis			
AJE004	Transfer (In(Out	49999 GF	1,045,987	
AJE004	Capital Building	70400 GF		(1,045,987)
AJE004	Expenses - Misc.	90-50000 DSF		(7)
AJE004	Debt Service - Principal Pmt.	90-60000 DSF	390,000	
AJE004	Debt Service - Interest Pmt.	90-60500 DSF	655,994	
AJE004	Transfer In	90-90000 DSF		(1,045,987)
	To record debtr service payments to seperate funds			

Number	Name	Account No	Debit	Credit
AJE005	Note Payable	70600 GF		(127,574)
AJE005	Transfer Out	89999 GF	127,574	
AJE005	Debt Service Cash - 2021	90-10001 DSF	127,574	
AJE005	Debt Service Cash - 2021	90-10001 DSF		(127,574)
AJE005	Debt Service - Principal Pmt. 2021	90-60001 DSF	90,000	
AJE005	Debt Service - Interest Ptm. 2021	90-60501 DSF	37,574	
AJE005	Transfer In	90-90000 DSF		(127,574)
To setup and record debt service payments for Series 2021				
AJE006	Bond Project Fund Cash	80-10100 BF	2,427,830	
AJE006	Bond Project Fund Cash	80-10100 BF		(1,855,530)
AJE006	Proceeds from Bond Issuance	80-40150 BF		(2,315,000)
AJE006	Premium on bond issue	80-40200 BF		(145,780)
AJE006	Discount - Bond issue	80-40250 BF	9,800	
AJE006	Cost of Issuance	80-60000 BF	99,506	
AJE006	Capital Expenses: Building Fund	80-80500 BF	1,779,820	
AJE006	Expenses - Other	80-80600 BF		(646)
To record new bond issue and expenses for building - Hermann				
AJE007	Bond Project Fund Cash	80-10100 BF	184	
AJE007	Interest Income - Building Fund	80-44000 BF		(184)
To record interest income on Project account - 2021				
AJE008	Capital Building	16000 GF	902,225	
AJE008	Sale of Property	46000 GF		(902,225)
To move sale of building proceeds to income statement				

Scenic Regional Library District

Year End: June 30, 2022

Elimination Journal Entries

Number	Name	Account No	Debit	Credit
300	Retained Earnings	32000 GF	16,860,000.00	
300	Long Term Debt	99-20000 GF		(16,860,000.00)
	To record prior year debt balances - government-wide			
301	Proceeds from Bond Issuance	80-40150 BF	2,315,000.00	
301	Debt Service - Principal Pmt.	90-60000 DSF		(390,000.00)
301	Debt Service - Principal Pmt. 2021	90-60001 DSF		(90,000.00)
301	Long Term Debt	99-20000 GF	390,000.00	
301	Long Term Debt	99-20000 GF	465,000.00	
301	Long Term Debt	99-20000 GF	90,000.00	
301	Long Term Debt	99-20000 GF		(2,315,000.00)
301	Current Portion LTD	99-20000A GF		(465,000.00)
	To adjust debt to actual and record debt issuance			

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Board of Trustees
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In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Scenic Regional Library District, Missouri (the District), as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency in internal control on the following page to be a significant deficiency.

During our audit, we also identify certain matters which we communicate only to management. While many of these matters are operational in nature, they may include internal control deficiencies that do not meet the definition of a significant deficiency or material weakness. We have chosen to communicate these matters in this communication. This letter does not affect our report dated February 16, 2023 on the financial statements. We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various personnel.

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

Sikich LLP

Washington, Missouri
February 16, 2023

SIGNIFICANT DEFICIENCY

1. Year End Financial Statements

The District personnel do not have the expertise and experience related to accounting principles generally accepted in the United States of America; therefore, the District does not have control over the review of the year-end financial statements in order to detect material misstatements.

We recommend the District obtain the expertise and experience related to accounting principles generally accepted in the United States of America, so the District can adequately review the year-end financial statements in order to detect material misstatements.

DEFICIENCY

1. Journal Entries

During our testing of journal entries, it was made known that the journal entries were not being approved by the Library Director as stated in the journal entry policy for the Library.

We recommend that the Library follows their polices and procedures as stated and have journal entries approved by the Library Director.

OTHER COMMENT

1. Assets at the Scenic Regional Library Foundation

The Library should continue to review the financial statements of the Scenic Regional Library Foundation and evaluate if it is a component unit in accordance with Statement No. 39, *Determining Whether Certain Organizations Are Component Unit*. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity. Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.