



Board of Directors
Crescent Sanitary District
Klamath County, Oregon

VIA EMAIL

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Crescent Sanitary District (the District) 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 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 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, 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.

We consider the following deficiency in internal control to be a material weakness:

Year-end financial closing process

The District lacks management review over the year end closing process necessary to prevent or detect material misstatements whether from error or fraud. Virtually all of the District's balance sheet accounts required significant adjustment to be stated fairly in all material respects as of June 30, 2030, including Grants Receivable, Prepaid Expenses, Easements, Construction in Progress, Accounts Payable, Retainage Payable and OBDD Loan Payable.

We consider the following deficiencies in internal control to be significant deficiencies:

Payment of payroll taxes for which the District is not obligated

During the year fiscal year we audited, we noted the contract bookkeeper remitted payment of Tri Met and LTD Transit taxes. These employer taxes are not required for employees outside of Portland and Eugene and should not have been paid.

Board monitoring

During our review of board minutes, we noted it appears the District financial review focuses on cash balances. We recommend the District also review expenditures in relation to the budget.

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

Very truly yours,

SGA CPAs & Consultants, LLP

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September 27, 2021