



March 10, 2023

To the Board of Trustees
Escalon Cemetery District
Escalon, California

In planning and performing our audit of the financial statements of Escalon Cemetery District (the "District") 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 auditing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters which are opportunities to strengthen internal controls and operating efficiency. The attachment which accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 10, 2023, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed some of these observations and recommendations with various District personnel, and would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Sincerely,

Stockton, California

Philip Lantsberger, CPA
Robert Gross, CPA
Nikolas A. Torres, CPA

3461 Brookside Road
Suite E
Stockton, California 95219
Ph: 209.474.1084
Fx: 209.474.0301
www.sglacpas.com

ATTACHMENT

Current Year Recommendations

Fixed Asset List and Capitalization Policy

The District's fixed asset records include immaterial items that could have been expensed. Management should establish a written policy whereby all fixed assets exceeding a higher pre-determined threshold (e.g. \$2,000) with a useful life of at least one year be capitalized. The District should perform a physical inventory of all existing fixed assets and maintain a current fixed asset list by recording additions and disposals throughout the year, as applicable.

Accounting for Funds in Oak Valley Community Bank

The District maintains most of its cash with San Joaquin County and uses those funds for operations. The District does not prepare financial statements and relies on the San Joaquin County financial reports. Most operational income and expenses should go through San Joaquin County to ensure they are accounted for properly in the financial reports. As such, the District should minimize the use of the Oak Valley Bank accounts and continue to maintain supporting documentation for each transaction.

Deposits Made at Year End

The District currently makes deposits with San Joaquin County approximately twice a month. Emphasis should be placed during the month of June to ensure that funds received in June are received and posted by the County prior to the end of the correct fiscal year.

Update and Improve Policies and Procedures

The District's Personnel Rules and Regulations manual and the Purchase Policy have not been updated in several years. Management should update these as employee laws have changed and because the District has implemented new procedures. Furthermore, management should document cash receipt and cash disbursement processes to assist in case of personnel changes.

Risk Assessment

Management and the Board of Trustees should perform an overall risk assessment to identify and address a variety of potential risks, including:

Fraud Risks

- Misappropriation of assets
- Potential internal control weaknesses

Financial Risks

- Vulnerable security systems
- Lack of proper approval of transactions
- Inadequate oversight of the financial reporting process
- Misstated financial statements
- Market risk/interest rate risk/credit risk

Operational Risks

- Key personnel loss
- Outdated technology
- Breaches in security
- Lack of disaster recovery planning