

CRESCENT SANITARY DISTRICT
Crescent, Oregon

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

CRESCENT SANITARY DISTRICT
Crescent, Oregon

YEAR ENDED JUNE 30, 2020

BOARD OF DIRECTORS

Kim Mathers – President
Crescent, Oregon

Doris Alphin – Vice President
Crescent, Oregon

Christine Smouse– Secretary / Treasurer
Crescent, Oregon

Loretta Butler
Crescent, Oregon

Kathy Lane
Crescent, Oregon

REGISTERED AGENT AND OFFICE

Kim Mathers
PO Box 265
Crescent, Oregon 97733
541-433-2951

CRESCENT SANITARY DISTRICT
Crescent, Oregon

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2020

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-15
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenses, and Changes in Net Position, Budget and Actual – General Fund	16
INDEPDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	17-18



Members of the Board
Crescent Sanitary District
Crescent, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Crescent Sanitary District, Klamath County, Oregon (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Budgetary Comparison Schedule – General Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Budgetary Comparison Schedule – General Fund, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule – Capital Project Fund, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 27, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

September 27, 2021

CRESCENT SANITARY DISTRICT
Crescent, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

As management of Crescent Sanitary District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Financial Highlights

As of June 30, 2020, the District's ending net position was \$5,393,895; of this the amount invested in capital assets net of related debt was \$5,378,388 and unrestricted fund balance was \$23,037.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of four components:

1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The District operates a sewer system and reports activity in one enterprise fund in a manner similar to a business entity.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$5,393,895 on June 30, 2020.

Of the District's assets, 99% reflects its investment in capital assets net of accumulated depreciation. The assets consist of land and construction in progress for a wastewater system to service the customers of the District. The remaining assets consist of cash and prepaid expenses.

Property tax revenues remained flat compared to the prior year. The District received \$4,617,483 of state loan and grant funding for fiscal year 2019-2020. This funding was used in the planning and construction of a wastewater infrastructure project, which drove the increase of \$3,286,870 in net position compared to the prior year.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2020

Overview of Financial Statements

An overview of the District's Statement of Net Position is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets		
Current assets	\$ 37,502	\$ 19,912
Capital assets	8,732,950	2,848,656
Total assets	<u>8,770,452</u>	<u>2,868,568</u>
Liabilities		
Current liabilities	1,863,169	529,712
Long-term debt	1,513,388	231,831
Total liabilities	<u>3,376,557</u>	<u>761,543</u>
Net position		
Net investment in capital asset	5,370,858	2,091,874
Unrestricted	23,037	15,151
Total net position	<u>\$ 5,393,895</u>	<u>\$ 2,107,025</u>

An overview of the District's Statement of Revenues, Expenses and Changes in Net Position is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating revenue	\$ 23,625	\$
Operating expenses	(64,116)	(21,229)
Net operating income (loss)	<u>(40,491)</u>	<u>(21,229)</u>
Non-operating revenue and expense	<u>3,327,361</u>	<u>1,907,167</u>
Change in net position	3,286,870	1,885,938
Beginning net position	2,107,025	221,087
Ending net position	<u>\$ 5,393,895</u>	<u>\$ 2,107,025</u>

CRESCENT SANITARY DISTRICT
Crescent, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2020

Capital Asset and Long-Term Debt

The District's investment in capital assets totaling \$8,732,950 includes land of \$90,070, equipment of \$31,374, easement of \$36,074 and construction in progress of \$8,577,996 as of June 30, 2020.

The District was obligated under three loans related to the construction project, totaling \$1,521,241. Additionally, \$1,543,099 in accounts payable and \$297,752 in retainage were obligations related to the construction project at year end and are expected to increase the balance in long-term debt in the next fiscal year.

Additional information on the District's capital assets and long-term debt can be found in the notes to the financial statements at Note 4 and Note 5, respectively.

Economic Factors and Next Year's Budget

The most significant factor for the District is loan and grant proceeds to fund the ongoing wastewater infrastructure project. During the upcoming year, the District expects to continue using the proceeds to fund engineering and project management costs.

We anticipate charges for services in the amount of \$165,782 will be collected from customers of the District as the wastewater system is placed in service in the next fiscal year as operations begin.

Included in the District's budget for fiscal year 2020-21 is estimated grant and loan proceeds from federal and state grants in the amount of \$4,625,685 and capital outlay of \$4,087,638.

Requests for Information

This financial report is designed to provide a general overview of Crescent Sanitary District. Questions concerning information provided in this report or request for additional information may be obtained from the District by writing to PO Box 265, Crescent, Oregon 97733; or telephone 541-433-2951.

FINANCIAL STATEMENTS

CRESCENT SANITARY DISTRICT
Crescent, Oregon

STATEMENT OF NET POSITION

JUNE 30,

Assets	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 30,999	\$ 521
Grant receivable	1,300	16,308
Prepaid expense	5,203	3,083
Total current assets	<u>37,502</u>	<u>19,912</u>
Capital assets not being depreciated		
Land	90,070	90,070
Easement	36,074	17,013
Construction in progress	8,577,996	2,740,775
Total	<u>8,704,140</u>	<u>2,847,858</u>
Capital assets, net of accumulated depreciation		
Buildings, utility system and equipment	<u>28,810</u>	<u>798</u>
Total assets	<u>8,770,452</u>	<u>2,868,568</u>
 Liabilities		
Current liabilities		
Accounts payable	1,543,099	416,925
Payroll liabilities	6,451	
Retainage payable	297,752	110,276
Accrued interest	8,014	2,511
Current portion of long-term debt	7,853	
Total current liabilities	<u>1,863,169</u>	<u>529,712</u>
Long-Term Liabilities		
Note payable	1,513,388	231,831
Total liabilities	<u>3,376,557</u>	<u>761,543</u>
 Net Position		
Invested in capital assets, net of related debt	5,370,858	2,091,874
Unrestricted	<u>23,037</u>	<u>15,151</u>
Total net position	<u>\$ 5,393,895</u>	<u>\$ 2,107,025</u>

See accompanying notes to the basic financial statements and independent auditors' report.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Operating revenues		
Charges for services	\$ 23,270	\$
Miscellaneous income	355	
	<u>23,625</u>	
Operating expenses		
Advertising		1,061
Depreciation	2,423	141
Easement lease	5,194	
Fuel	629	
Insurance - general	6,898	5,944
Licenses, dues and permits	1,294	11,990
Office expense	6,413	1,166
Miscellaneous expense	427	
Repair & maintenance	12,334	
Rent	8,000	
Supplies	130	487
Telephone	1,772	
Travel and meals	835	440
Utilities	1,732	
Wages and associated payroll costs	16,035	
Total operating expenses	<u>64,116</u>	<u>21,229</u>
Net operating loss	<u>(40,491)</u>	<u>(21,229)</u>
Non-operating revenue and expense		
Property taxes	20,746	20,116
Capital grants	3,313,065	1,928,216
Proceeds from insurance claims	11,834	
In-kind revenue - easements	18,464	
Interest income	41	23
Grant administration	(28,475)	(38,677)
Interest expense	(8,314)	(2,511)
Total non-operating revenue and expense	<u>3,327,361</u>	<u>1,907,167</u>
Change in net position	<u>3,286,870</u>	<u>1,885,938</u>
Beginning net position	<u>2,107,025</u>	<u>221,087</u>
Ending net position	<u>\$ 5,393,895</u>	<u>\$ 2,107,025</u>

See accompanying notes to the basic financial statements and independent auditors' report.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers	\$ 23,270	\$
Cash payments to employees for services	(9,584)	
Cash payments to acquire services and materials	(47,423)	(19,869)
Net cash used in operating activities	<u>(33,737)</u>	<u>(19,869)</u>
 Cash flows from non capital financing activities		
Interest income	41	23
Property tax collections	20,746	20,116
Net cash provided by non capital financing activities	<u>20,787</u>	<u>20,139</u>
 Cash flows from capital financing activities		
Capital grant receipts	3,328,073	1,911,908
Capital grant administration	(28,475)	(38,677)
Insurance proceeds	11,834	
Loan proceeds	1,289,410	117,431
Acquisition of capital assets	(4,554,603)	(2,107,733)
Interest expense on capital loans	(2,811)	
Net cash provided by (used in) capital financing activities	<u>43,428</u>	<u>(117,071)</u>
 Net increase (decrease) in cash	30,478	(116,801)
 Cash - beginning of year	<u>521</u>	<u>117,322</u>
 Cash - end of year	<u>\$ 30,999</u>	<u>\$ 521</u>
 Reconciliation of operating income to net cash flows from operating activities		
Net operating loss	\$ (40,491)	\$ (21,229)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,423	141
Changes in working capital accounts:		
Prepaid expense	(2,120)	(24)
Accounts payable		1,243
Payroll liabilities	6,451	
Net cash used in operating activities	<u>\$ (33,737)</u>	<u>\$ (19,869)</u>

Schedule of noncash investing, capital and financing activities

The District received \$18,464 of in-kind revenue in exchange for easements granted

See accompanying notes to the basic financial statements and independent auditors' report.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Crescent Sanitary District (the District) was formed in 1976 under ORS 450. The District was formed by assumption of the assets and liabilities of Crescent Sanitary District, a non-profit organization.

The District is governed by a Board with five people elected by the users residing within the boundaries of the District.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The significant policies of the District are described below.

Measurement Focus, Basis of Accounting

The District is a single enterprise similar to a commercial entity for financial reporting purposes. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are property taxes and charges to customers for sales and services. The District anticipates charging for its services beginning in fiscal year 2020-21 when the newly constructed wastewater system is completed. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including capital grant financing and related grant administrative costs, are reported as nonoperating revenues and expenses.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

Budget Policy

Annual budgets, as required by state statutes, are adopted on the cash basis of accounting for the general fund. Generally accepted accounting principles (GAAP) require the District to report as a business-type activity by use of an enterprise fund. The budgetary schedules presented reconcile the budgetary basis to the GAAP required reporting. The budget is prepared by function and activity and is maintained on the cash basis of accounting. The budget document includes actual information on the past two years, current year budget information, as well as requested appropriation and estimated revenues for the ensuing fiscal year.

The proposed budget is presented by the budget officer to the budget committee. Public meetings are held by the budget committee. The budget committee may make changes to the original document. The budget committee approves the budget document to be submitted to the governing body of the District. Once the budget document is received by the governing body, they hold a public hearing on a date as published. After the public hearing, the governing body gives consideration to matters discussed and makes amendments to the budget document prior to adoption. However, state statutes do not allow the governing body to increase estimated expenditures for each fund by more than ten percent. The amount of the total ad valorem taxes to be certified by the county for levy for all funds shall not exceed the amount presented by the budget committee unless the budget document is republished and another public hearing is held.

The governing body is then required by state statutes to adopt the budget, make appropriations, and certify the levy of ad valorem taxes for each fund. Except for the allowance of appropriation transfers, expenditures cannot exceed appropriations. The level of control for appropriations is exercised at the program level. The program level consists of personnel services, materials and services, capital outlay and operating contingency. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the governing body. All appropriations lapse at the end of the District's fiscal year.

Cash Equivalents

Cash includes amounts held in demand deposit accounts. The District considers interest bearing accounts due on demand as cash equivalents.

Receivables and Payables

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - continued

Tax revenue is considered received when in the hands of the county as the intermediary collecting agency. The District qualifies to receive one lump sum distribution, less a 3% discount for timely payments, annually.

The District receives payments under a grant agreement with the Oregon Business Development Department. The grant proceeds must be used to fund expenditures related to the construction of a wastewater facility and are funded as costs are incurred.

Capital Assets

Acquisitions of property, plant, and equipment in excess of \$500 are capitalized. Property, plant, and equipment are carried at historical cost.

Equity Classification

In government-wide financial statements, equity is classified and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balance of the note that is attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that is available for future use by the District.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2 – CASH AND EQUIVALENTS

The District considers cash available on demand to be cash equivalents for purposes of the statement of cash flows. The total operating cash held in demand accounts at June 30, 2020 was \$30,999.

NOTE 3 – CAPITAL ASSETS

Construction in progress consists of development costs related to a long-term project to build a wastewater facility, which was completed in July 2021.

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 90,070	\$	\$	\$ 90,070
Easement	17,013	19,061		36,074
Construction in progress	2,740,775	5,837,222		8,577,996
Total capital assets, not being depreciated	<u>2,847,858</u>	<u>5,856,283</u>		<u>8,704,140</u>
Capital assets being depreciated				
Equipment	939	30,435		31,374
Totals	<u>939</u>	<u>30,435</u>		<u>31,374</u>
Accumulated depreciation	<u>(141)</u>	<u>(2,423)</u>		<u>(2,564)</u>
Total capital assets, being depreciated, net	<u>798</u>	<u>28,012</u>		<u>28,810</u>
Net book value capital assets	<u>\$ 2,848,656</u>	<u>\$ 5,884,295</u>	<u>\$</u>	<u>\$ 8,732,950</u>

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM DEBT

The long-term debt transactions for the year follow:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Oregon Business Development Department	\$ 231,831	\$ 364,771	\$ 596,602	\$
Oregon Department of Environmental Quality Rural Community Assistance Corporation		860,277	860,277	
		64,362	56,509	7,853
	<u>\$ 231,831</u>	<u>\$1,289,410</u>	<u>\$1,513,388</u>	<u>\$ 7,853</u>

Oregon Business Development Department Loan Agreement

In July 2017, the District entered into an Intergovernmental Loan Agreement with the Oregon Business Development Department (OBDD) with a maximum borrowing of \$1,415,000, increased from \$740,000 upon execution of Amendment #1 signed in October 2017. Proceeds are disbursed as costs are incurred and draw requests are certified. The loan bears interest at a rate of 1.25% per annum and matures on the 24th anniversary of the repayment commencement date. Repayments will commence 90 days after project completion. The District pledged its (1) full faith and credit and taxing power and (2) net system revenues as security to fund amounts due under the financing contract.

Rural Community Assistance Corporation Loan Agreement

In July 2019, the District signed an agreement with Rural Community Assistance Corporation (RCAC) for a promissory note agreement with a maximum borrowing of \$65,000. The District had been reimbursed for \$64,362 under the loan agreement as of June 30, 2020. The terms of the agreement include an interest only period from closing to August 2020. Monthly payments of \$1,054.37, beginning September 1, 2020 and bears interest of 5.0% with a maturity date of August 1, 2026.

Department of Environmental Quality Loan Agreement

In October 2018, the District entered into an Intergovernmental Loan Agreement with the Department of Environment Quality (DEQ), including two subsequent amendments. The first amendment increased the maximum borrowing from \$3,000,000 to \$4,000,000. The second amendment adjusted the required repayment schedule and incorporated a required Loan Reserve be maintained in the amount of \$83,332 until the loan is paid in full. The District had not established the required reserve as of June 30, 2020.

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 4 – LONG-TERM DEBT – continued

Proceeds are disbursed as costs are incurred and draw requests are certified. The District had been reimbursed for \$860,277 under the loan agreement as of June 30, 2020. The loan bears interest at a rate of .97% per annum and matures August 1, 2051. Repayment requires semi-annual payments of accrued interest and annual payments of principal, commencing with the first payment due August 1, 2022. The District irrevocably pledged its net system revenues to secure payments due under the loan agreement.

Future maturities of long-term debt are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>
2021	\$ 7,853
2022	9,888
2023	10,420
2024	10,980
2025-2029	25,859
	<u>\$ 65,000</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, or damage to, destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior years.

NOTE 6 – NON-CANCELABLE OPERATING LEASE

In June 2020, the District entered into a five-year operating lease for use of office space through a private party at a rate of \$1,000 per month, effective July 1, 2020. The lease terminates on June 24, 2025 and the District has an option to renew at the same rate for an additional five years. The following table illustrates the annual minimum operating lease commitment:

2021	\$ 12,000
2022	12,000
2023	12,000
2024	12,000
2025	12,000
	<u>\$ 60,000</u>

CRESCENT SANITARY DISTRICT
Crescent, Oregon

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 7 –COMMITMENTS

As of June 30, 2020, the District was obligated under construction related contracts in the amount of \$30,038 for engineering services and \$1,310,566 for general construction services.

NOTE 8 – OVER-EXPENDITURE OF APPROPRIATION

The legal spending appropriation for capital outlay was exceeded by \$300,605.

NOTE 9 – SUBSEQUENT EVENTS

In July 2020, the District signed an amendment to the Rural Community Assistance Corporation to increase the loan by the amount of \$31,692 for a maximum borrowing of \$96,962. Interest only period extended three months from August 1, 2020 to November 1, 2020.

In January 2021, the District signed an agreement with Gilchrist Sewer Company to manage and operate their sewer collections.

The District has evaluated subsequent events through the independent auditors' report date, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CRESCENT SANITARY DISTRICT
Crescent, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET TO ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<u>Original and Final Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance with Budget (Over) Under</u>
<u>REVENUES:</u>			
Property taxes	\$ 19,000	\$ 20,746	\$ (1,746)
Charges for service	89,239	23,270	65,969
Interest income	50	41	9
Other income		11,834	(11,834)
Loans and grants	<u>5,539,521</u>	<u>4,617,483</u>	<u>922,038</u>
 Total Revenues	 <u>5,647,810</u>	 <u>4,673,374</u>	 <u>974,436</u>
<u>EXPENDITURES:</u>			
Materials and services	1,401,290	100,905	1,300,385
Capital outlay	<u>4,241,386</u>	<u>4,541,991</u>	<u>(300,605)</u>
 Total Expenditures	 <u>5,642,676</u>	 <u>4,642,896</u>	 <u>999,780</u>
 Change in fund balance	 <u>5,134</u>	 <u>30,478</u>	 <u>(25,344)</u>
 Fund Balance - July 1, 2019	 <u>15,000</u>	 <u>521</u>	 <u>14,479</u>
 Fund Balance - June 30, 2020	 <u><u>\$ 20,134</u></u>	 <u><u>\$ 30,999</u></u>	 <u><u>\$ (10,865)</u></u>

The District budgets on the cash basis of accounting. A reconciliation to net position reported in accordance with generally accepted accounting principles follows:

Budgetary fund balance	\$ 30,999
Capital assets, net	8,732,950
Grant receivable	1,300
Prepaid expense	5,203
Accounts payable	(1,543,099)
Accrued expense	(14,465)
Retainage payable	(297,752)
Long-term debt	<u>(1,521,241)</u>
Net position, June 30, 2020	<u><u>\$ 5,393,895</u></u>



INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Members of Directors
Crescent Sanitary District
Crescent, Oregon

We have audited the basic financial statements of Crescent Sanitary District, Crescent, Oregon (the District) as of and for the year ended June 30, 2020 and have issued our report thereon dated September 27, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

Deposit of public funds with financial institutions (ORS Chapter 295)

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Public contracting (ORS Chapter 279)

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS - continued

In connection with our testing, we noted the following instances of non-compliance with the provisions listed on page one of our report:

- The District did not follow Oregon local budget law in adopting their budget for fiscal year 2020-21. We identified numerous instances of non-compliance, including failure to publish the public hearing prior to the budget being adopted, failure to appoint a budget officer, failure to provide the opportunity for public comment and failure to convene the required budget committee.
- The District's LB-1 contained several errors. The District does not maintain its accounting records for two funds, they operate only one fund. The over-expenditure versus the board's approved appropriation for capital outlay was \$300,605 overall.
- The District pays the sewer operator \$150 per month for health insurance. This amount is not included in the operator's taxable wages for federal or Oregon purposes. The payment of health insurance benefits without a Plan violates Oregon and federal law.
- The Department of Environmental Quality Loan, Amendment #2, signed February 2020, established the requirement of a cash reserve in the amount of \$83,332. The District did not establish this reserve and cash on hand at year end was not sufficient to cover the required reserve.

In connection with our testing no additional matters came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

We noted certain matters that we consider to be material weaknesses in internal control and have reported those findings to the District in a separate letter dated September 27, 2021.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Brenda Bartlett, CPA
SGA Certified Public Accountants & Consultants, LLP

September 27, 2021