

Assessment Report: Crescent Sanitary District (CSD)

Prepared by: Joe Spendolini and South Suburban Sanitary District (SSSD) Team of Experts

Prepared for: Klamath County Commissioners and newly appointed CSD Board of Directors

## **Executive Summary**

This assessment, requested by the Klamath County Commissioners following the resignation of the entire Crescent Sanitary District's Board of Directors (Attachment A), evaluates the operational and financial health of the Crescent Sanitary District (CSD). Key challenges identified include frequent pump failures, aging infrastructure in Gilchrist, leadership gaps, and financial issues. This report provides suggestions to improve operational efficiency, address financial instability, and establish stronger governance.

## **Team of Experts**

Upon receiving the request from the Klamath County Board of Commissioners, the following team of SSSD experts was assembled to conduct the assessment:

Brett Blofsky - District Manager

Nicki Strain – Finance Director

Sally Bratton - Treatment Facility Supervisor

Jason Morrow - Collections Systems Supervisor

Jon Lee - Lead Treatment Operator

Alex Grounds - Maintenance Technician & Treatment Operator

Lee McGinnis - Collections Operator

Dan Scalas (Adkins Engineering) - SSSD Engineer of Record

Joe Spendolini - Chairman, SSSD Board of Directors

## **Charges**

There has been speculation circulating regarding charges (FEES) associated with this assessment. Each person on the Team volunteered their time and expertise, including Dan Scalas and Joe Spendolini. We are motivated solely by the desire to assist the Klamath County Commissioners and a fellow Wastewater Treatment District, and the citizens within, that are experiencing extreme, critical challenges.

As noted by Commissioner DeGroot, a true comprehensive assessment could cost well over \$100 thousand. We did not charge CSD, Klamath County, or any other entity for the time we dedicated to providing this assessment.

## **Background**

The Crescent Sanitary District provides essential wastewater collection and treatment services to approximately 333 connections within the Crescent and Gilchrist communities (Attachment B). Due to the July 1<sup>st</sup> resignation of its entire Board of Directors, an immediate operational and financial review was necessary in order to provide the Klamath County Board of Commissioners information they would need to make informed decisions while they were the governing body of the district, until a quorum of Directors could be found and appointed. This evaluation highlights the status of CSD's infrastructure, financial health, and service delivery, focusing on urgent improvements. This is not an in-depth engineering or forensic accounting review and analysis, but we do believe serious consideration should be given to both. Additionally, we believe a thorough examination going back to the design and construction of the CSD collection system and treatment plant would be a prudent option to consider.

## **Leadership and Administrative Gaps**

**Leadership Void:** With the board's resignation effective July 1, 2024, there was a leadership vacuum for about a month. Office staff manage daily operations but need more support.

**New Appointments (Attachment C):** On July 31, 2024, four new board members were appointed by the Commissioners, leaving Position 5 vacant:

Kevin Larson - Position 1

Thomas Fuller - Position 2

James Simmons - Position 3

Earnest Morreira - Position 4

On August 13<sup>th</sup>, 2024, Kevin Larson, Director Position 1, resigned, leaving Positions 1 and 5 vacant.

James Simmons was elected to the position of Board Chair in their first meeting on September 12, 2024.

## **Key Findings**

### **Financial Findings**

The primary source of revenue for CSD are fees charged for wastewater collection and treatment services. Total service revenue budgeted for fiscal year 2024-2025 is 347,640.00. Currently, CSD charges residential customers \$79.50/mo and \$198.50/mo for commercial service.

CSD is a taxing District with a property tax rate of \$1.03 per \$1,000 of assessed value. The assessed value of properties within CSD was \$37,965,894 for tax year 2023-2024, making total property tax revenue paid to CSD of \$39,185.

The Klamath County Assessor's Office recently completed the tax book for the 2024-2025 fiscal year which shows an assessed value of properties within CSD of \$38, 590.203. At a tax rate of \$1.03 per \$1,000 of assessed value, the property tax revenue due to CSD is \$39,829.14.

Debt Load: CSD carries substantial debt from loans used for system construction, with increasing operational costs due to pump failures and other issues, especially with constant root intrusions within the deteriorating Gilchrist collections system.

Revenue Shortfall: Current property tax and fees for service revenues are insufficient to support current operations, with an anticipated shortfall of about \$100,000 for the 2024-2025 budget year. Covering this deficit would require an average increase in sewer fees of approximately \$25 per month for each of the 333 customers (Attachment E).

This budget excludes loan payments to DEQ and OBDD totaling \$266,575.40, due this same fiscal year (highlighted in Attachment G). Spreading that amount over the 333 customers serviced by CSD would require average increases in sewer fees of \$67 per month. CSD has not made any of the scheduled payments listed in Attachment G and is currently in default.

Combining the above, the average sewer rates to CSD customers would have to increase \$92 per month, on average.

Attachment F details some very disturbing facts and conclusions. "On January 3, 2024, an independent audit report completed by Sensiba Accounting Firm provided in their note 11 - Going concern (page 19 of their report - Exhibit 6) the opinion that it was unlikely that the district would have the ability to meet its obligations during FY 2024 and into future fiscal years."

Additionally, this report, compiled by CSD's Accountant, Gildelatorre Tax & Accounting DBA BizTaxes1120, provides, "Exhibit 8 delineates CSD's FY 2025 management's detailed administrative and operational budget portraying an annual loss at year end June 30, 2025, in the amount of \$99,638. As noted in my previous section CSD July 2024 Profit and Loss vs Actual, management's projected loss for the month of July 2024 was on target with actual results."

Without addressing reductions in expenses, on average, sewer fees would have to increase by an average of \$92 per month to cover the budget shortfall as well as the debt. Added to the current average sewer rate of \$79.50 per month, the average sewer rate to the citizens of CSD would balloon to \$171.50 per month.

The relationship between the citizens within the district and the CSD organization is not good and has been volatile at times. We learned from CSD staff that the citizens are upset with the current rates and are distrustful of the district due to a couple of factors; the design and construction of the collection system and treatment plant doubling in cost from the initial estimate of about \$6.5 million to about \$12 million; the failing of so many brand new pumps within the first year; and dissatisfaction with frequent blockages and service interruptions, and sewer fees that are significantly higher than citizens believed they would be. At times tensions within the community and CSD are so high that CSD personnel are approached by angry citizens at gas stations, stores, and restaurants. One disturbing interaction was particularly disturbing in that an adult child of one employee was approached by an adult citizen who stated that this person wished to put a bullet in the face of one of his parents.

With tensions being where they are, I highly recommend the path forward avoids increasing sewer rates above their current levels, at least until service levels and public trust and confidence improve significantly.

Cutting expenses – We examined the annual budget seeking areas where we could recommend cutting expenses and would like to recommend CSD try to reduce expenses wherever possible, while addressing the deficiencies outlined in this report and improving current service levels to the citizens.

On Tuesday, November 5, 2024, CSD was served with a notice of default by the Oregon Department of Justice, civil enforcement division. I believe the following paragraph provides CSD with the timeline and direction for moving forward in dealing with DOJ, OBDD, and ODEQ:

*“On or before December 4, 2024, the District must either: (i) pay the above amounts (collectively, the “Indebtedness”) in full; or (ii) present DEQ and OBDD with a written plan by which it proposes to pay off the Indebtedness in full (“Proposed Repayment Plan” or “Plan”). Any Proposed Repayment Plan must include, at a minimum, a date certain by which the District will begin repaying the Indebtedness and the period over which the Indebtedness will be repaid.”*

### **Options to Consider:**

Address Debt:

Work with the ODEQ, Business Oregon, and DOJ to explore debt refinancing and/or Debt Forgiveness Options:

I have had some communications with State Representative, E. Werner Reschke where I relayed the critical situation confronting CSD. He has stated to me that he is very interested in assisting the citizens within CSD and will work with CSD leadership in crafting potential options to address the issues they are confronting. I have provided Rep Reschke’s contact information to CSD leadership so they may begin communicating. I highly recommend CSD engage Representative Reschke immediately.

### **Operational Challenges**

The SSSD Engineer’s observations are summarized below, his full report is included as Attachment D, which includes photographs of the issues detailed below.

#### **Gilchrist System:**

A small part of the Gilcrest collection system was viewed, but CSD staff stated the following was indicative of the entire system.

- Manholes were not industry standard and consisted of concrete valve boxes with steel lids and fiberglass risers. Some bases were cast in place and the pipe was not completely cut out which can cause maintenance issues. There was evidence of a sanitary sewer overflow. The CSD staff informed us that these were common across the system.
- CSD staff informed us that manholes were not spaced to industry standard 400-500 feet apart.
- Gilcrest lift station-Michigan Avenue - Top of lift station is at grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for



6-inches of clearance above grade. Junction box inside of wet well may or may not be explosion proof, recommend follow up with electrician or electrical engineer to confirm.

- Gilchrest Lift station-HWY 97 and Mississippi Drive - Top of lift station is at grade, causing issues with inflow and debris entering the lift station, including aggregate. Detail on plans call for 6-inches of clearance above grade. Junction box inside of wet well may or may not be explosion proof, recommend follow up with electrician or electrical engineer to confirm. There was evidence of aggregate buildup under the lid of the lift station. Valve vault on discharge of lift station: Drain-back was capped, should be free to drain back to wet well. Drain-back was also elevated and should be at bottom of vault as to not promote standing water in vault, which can cause corrosion of pipe stands. Valve vault piping had a PVC pipe spool, all pipe within the vault should match and be ductile iron.
- Gilchrest Lift station-HWY 97 and Mountain View Drive - Top of lift station is below grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. Junction box inside of wet well may or may not be explosion proof; recommend follow up with electrician or electrical engineer to confirm. There was evidence of aggregate buildup on top of the wet well lid. Valve vault on discharge of lift station: The drain-back was installed elevated and should be at bottom of vault as to not promote standing water in vault and cause corrosion of pipe stands. There was standing water in the vault and the ductile iron fittings were exhibiting corrosion. Valve vault piping had a PVC pipe spool; all pipe within the vault should match and be ductile iron. Adjacent to the wet well was what appeared to be a small grinder pump station, the top of the riser was terminated significantly below grade, and it was apparent that roadside aggregate was entering the pump station as well as inflow.
- The outdated infrastructure in Gilchrist, including manholes and main lines, is prone to failure and root intrusion.

#### **Crescent Collection System:**

- Crescent Lift station-Hill Street and Main Street - Top of lift station is at grade which causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well; the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel did not appear to be sealed. This could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard explosion proof or waterproof. Recommend follow up with electrician or electrical engineer to confirm electrical issues. A piece of pipe was supporting the discharge piping within the discharge valve vault. Appropriate pipe supports should be installed to relieve strain on discharge pipes. It appears ball check valves are installed which are not allowed in lift stations.
- Crescent Lift station-Shell Station - Top of lift station is at grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below grade. The conduits through the wet

well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant, which may not be an approved method as this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof. Recommend follow up with electrician or electrical engineer to confirm electrical issues. There appeared to be a leak between the manhole barrel sections. There appears to be ball check valves installed which are not allowed in lift stations. Isolation valves and check valves must be installed outside of lift stations. Check valves must be installed horizontally.

- Crescent Lift station-Crescent Water District - Top of lift station is at grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below grade. The conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method as this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof. Recommend follow up with electrician or electrical engineer to confirm electrical issues. There appears to be ball check valves installed which are not allowed in lift stations.
- Crescent Lift station-RV Park on HWY 97 - Top of lift station is at grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well. The top of the junction box is also located below grade. The conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method. This could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof. Recommend follow up with electrician or electrical engineer to confirm electrical issues. Valve vault piping had two PVC pipe spools which were misaligned; all pipe within the vault should match and be ductile iron.
- Crescent Lift station-Pinney's Acres Road and HWY 97 - Top of lift station is at grade; this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well. The top of the junction box is also located below grade. The conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method which could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof. Recommend follow up with electrician or electrical engineer to confirm electrical issues. There appears to be ball check valves installed which are not allowed in lift stations. Isolation valves and check valves must be installed outside of the lift station. Check valves must be installed horizontally. The brackets at the top of the guiderails exhibited corrosion. All materials within wet well are required to be corrosion proof.

- **Pump Failures:** The Crescent collection and treatment systems have experienced multiple pump failures, impacting service reliability. These failures began less than a year after the system went into service, according to CSD staff.

Both Crescent and Gilchrist collection systems lack preventive and routine maintenance programs, leading to crises resulting in frequent service disruptions that can occur without notice at any time of the day or night.

#### Treatment Plant

- The ductile iron discharge pipes in the pump wet well exhibited extensive corrosion. It is unclear if the chlorine dosage is too high and off gassing in the wet well causing corrosion.
- Proper safety equipment was not present in and around the treatment and storage ponds.

### **Recommendations**

#### Governance and Leadership

- **Hire a District Manager:** Though currently cost-prohibitive, planning for a District Manager hire is essential to provide leadership and support to office staff.
- Fill all 5 board positions.

#### Financial Management

- **Cancel and Discontinue Use of Debit Cards:** Replace all debit cards with credit cards to improve financial control.
- **Develop cost cutting measures** that ensure CSD can maintain service levels to the citizens.
- **Switch to Fund Accounting:** Transition from QuickBooks to secure, audit-friendly fund accounting software recommended for local governments.
- **Local Government Investment Pool (LGIP):** Move reserve funds into the LGIP, currently offering 5.00% interest. System Development Charges (SDCs) should be placed in a separate LGIP account.
- Through negotiations with OBDD, ODEQ, and now ODOJ, seek a modification and forgiveness of all or portion of the current delinquent loans.
- Engage State Representative E. Werner Reschke in seeking his expertise and advice for potential assistance from the state.
- Explore grant opportunities to assist with expensive improvements that are needed to CSD's collection system and treatment plant, as well as funding the upgrades needed to the Gilchrist collection system.

### **Operational Improvements**

In addition to addressing the following operational specifics, CSD needs a secure facility to house much needed spare parts inventory, expensive tools, vehicles, and equipment. The harsh weather

conditions during winter months take a toll on the service vehicle and vacuum truck owned by the district. This would also protect against vandalism and theft.

CSD is also in need of reliable access to a backhoe for maintenance and snow removal. The treatment plant is enclosed by a chain link fence with access through a chain link swinging gate. With heavy snowfalls, equipment is needed to clear snow away from the gate to gain access to the chlorine building and treatment ponds.

#### Gilchrist Collection System:

- Install new manholes and replace deteriorating main lines.
- Develop a preventive maintenance program with regular cleaning and televising.
- Replace failing pumps and create a maintenance plan.
- Discontinue use of lime to kill roots in collection system. This causes floatable solids to solidify, sink, and could block flow. Could cause issues with the lagoon system as well. Utilize proper root cutter(s) for collection pipe sizes to clear pipes.
- Routine collection system flushing and cleaning i.e., monthly or weekly for troubled areas to remove sand and silt.
- Develop long range plan for the design, construction, and funding of a modern collections system to replace the outdated system in place since the 1930's.
  - Replace aged/deteriorated Terracotta mains.
  - Route mainlines in public rights-of-way.
- Install other types of pumps rather than grinder pumps; essential to preventing failures.
- Develop a maintenance plan for pump stations and pumps.
- Acquire books and/or maintenance manuals for all pumps.
- Seal kits are essential inventory items to keep on hand for pumps, impellers, and grinder pumps.
- Pumps should be inspected annually for wear.
- Acquire necessary tools to perform basic day-to-day maintenance.
- Training for basic pump repair to assist Operators.

#### Crescent Collection System:

- Resolve wiring issues and connect lift station generators to the SCADA system.
- Address the issues created by lift stations that have been installed at or below grade.
- Install other types of pumps rather than grinder pumps; essential to preventing failures.
- Develop a maintenance plan for pump stations and pumps.
- Acquire books and/or maintenance manuals for all pumps.
- Seal kits are essential inventory items to keep on hand for pumps, impellers, and grinder pumps.
- Pumps should be inspected annually for wear.
- Acquire necessary tools to perform basic day-to-day maintenance.
- Training for basic pump repair to assist Operators.

#### Treatment Plant:

- Re-establish Float Alarms: Remove zip-ties from floats and reset alarms.
- Install Air Diffuser: Add an air diffuser to improve water movement and reduce corrosion.
- Safety ropes should be installed around lined sewer ponds to allow people to exit the ponds if they fall in.
- Develop Overflow policies and procedures. A copy may be required to be sent to DEQ.
- Some type of screening needed at the wastewater treatment facility to remove gravel, silt, and sand to prevent debris buildup in lagoons.
- Better monitoring and proper dosing of chlorine could reduce or Eliminate corrosion to seals, pipes, and concrete.

#### Conclusion

The Crescent Sanitary District faces serious operational and financial challenges, particularly in the Gilchrist and Crescent collection systems and treatment plant. Immediate action on the recommendations in this report could help restore operational stability, enhance financial sustainability, improve service delivery, and begin rebuilding trust and confidence within the Crescent and Gilchrist community.

By collaborating with state and local agencies and following these recommendations, CSD can strengthen its operations, improve relations with citizens, and build a stable financial future.

If you have any questions or require further details, please do not hesitate to contact me by email or phone.

Respectfully,

Joe Spendolini and the SSSD Team

[Joe@sssd.org](mailto:Joe@sssd.org)

(541) 892-5460

#### Attachments:

- Attachment A: Commissioners Request
- Attachment B: Crescent Sanitary District Boundary Map
- Attachment C: CSD Board Appointments
- Attachment D: Engineer's Observations Report
- Attachment E: 2024 - 2025 Operational Budget
- Attachment F: Accountants' Assessment and Concerns
- Attachment G: OBDD and DEQ Debt Obligations Summary
- Attachment H ODOJ Civil Enforcement Division Demand Letter

# Attachment - A



## Board of Commissioners

David Henslee, Commissioner  
Position One

Kelley Minty, Commissioner  
Position Two

Derrick DeGroot, Commissioner  
Position Three

June 25, 2024

Joe Spendolini,  
Board Chair  
South Suburban Sanitary District  
2201 Laverne Ave.  
Klamath Falls, OR 97603

Re: Evaluation of Crescent Sanitary District

Dear Mr. Spendolini,

We would like to request that South Suburban Sanitary District do a complete evaluation of Crescent Sanitary District to include an assessment of their financials and infrastructure.

Sincerely,

David A. Henslee  
Chair

Kelley Minty  
Vice Chair



Derrick DeGroot  
Commissioner

When you're here, you're home

305 Main Street, Klamath Falls, Oregon 97601

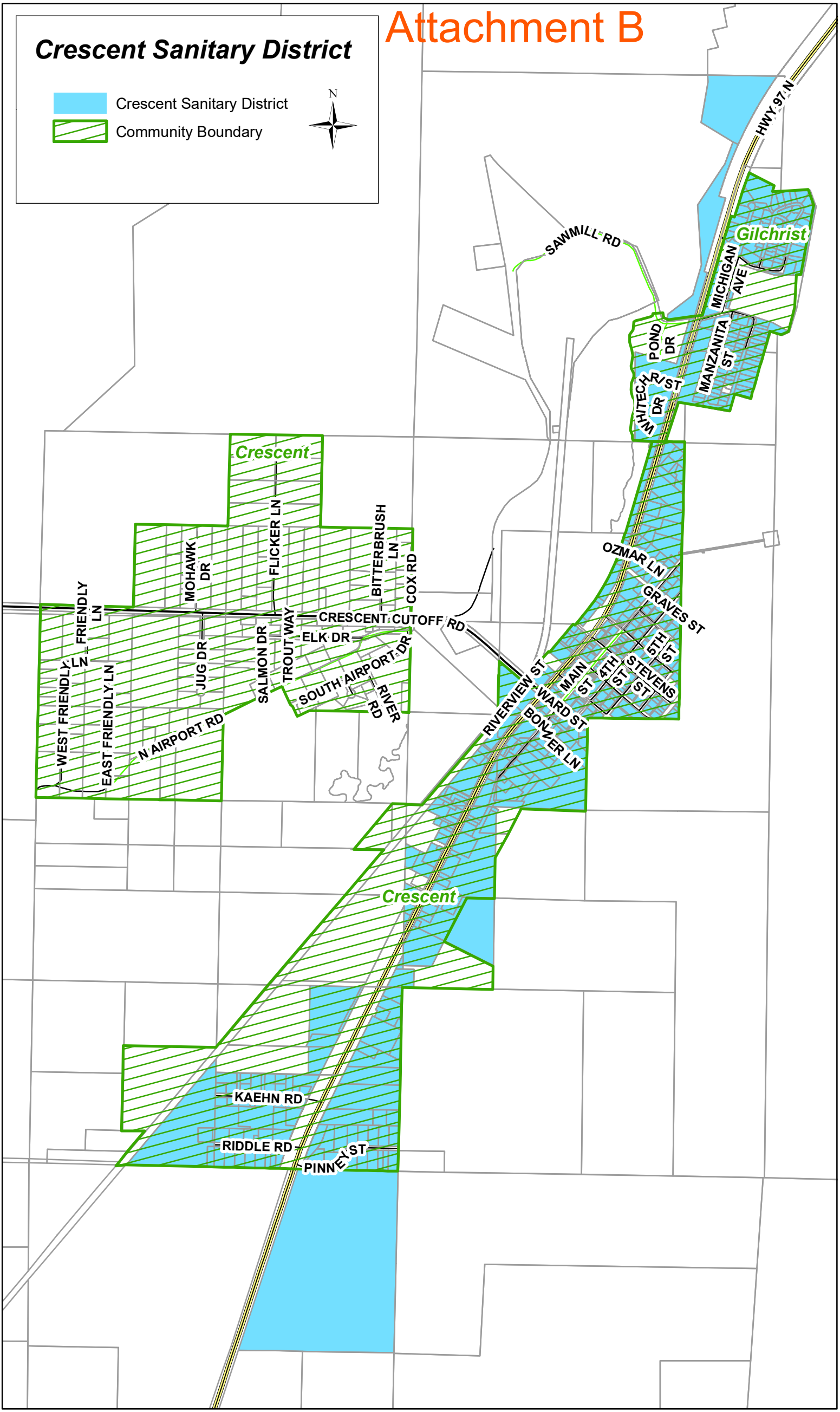
Phone: (541) 883-5100 | Fax: (541) 883-5163 | Email: [bocc@klamathcounty.org](mailto:bocc@klamathcounty.org)

**Crescent Sanitary District**

-  Crescent Sanitary District
-  Community Boundary



**Attachment B**





Attachment C

BOARD OF COUNTY COMMISSIONERS  
KLAMATH COUNTY, OREGON

IN THE MATTER OF APPOINTING KEVIN )  
LARSON, THOMAS FULLER, JAMES SIMMONS )  
AND EARNEST MORREIRA TO THE CRESCENT ) ORDER NO. 2025-010  
SANITARY DISTRICT BOARD )

THIS MATTER coming on at this time to be heard before the Klamath County Board of Commissioners and it appearing that all board members of the CRESCENT SANITARY DISTRICT BOARD have resigned; and

IT FURTHER APPEARING that Kevin Larson, Thomas Fuller, James Simmons and Earnest Morreira have applied, are willing, able and eligible to fill said vacancies;

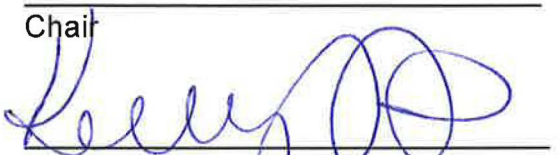

NOW, THEREFORE, IT IS HEREBY ORDERED that Kevin Larson, Thomas Fuller, James Simmons and Earnest Morreira are appointed to fill the vacancies on the Crescent Sanitary District Board commencing this day. All appointed Board members are subject election at the next election cycle.

- Kevin Larson – Position 1
- Thomas Fuller – Position 2
- James Simmons – Position 3
- Earnest Morreira - Position 4

DONE AND DATED this 31<sup>st</sup> day of July, 2024.

KLAMATH COUNTY BOARD OF COMMISSIONERS

Not Present

Chair  
  
Commissioner  
  
Commissioner





July 17, 2024

South Suburban Sanitary District  
Brett Blofsky  
District Manager  
2201 Laverne Avenue  
Klamath Falls, Oregon 97601

RE: Crescent Sanitary District  
Site Tour and Review – Report of Findings

Dear Mr. Blofsky,

#### Introduction

The Crescent Sanitary District (CSD) recently constructed a new collections and treatment system. Additionally, CSD provided a system connection to the Gilchrist sewer collection system. CSD has been experiencing a number of issues with the sanitary system that would seem unusual for a brand-new system. The South Suburban Sanitary District was requested by the Klamath County Commissioners to conduct a site visit and review of the collections and treatment system of the CSD. Adkins was included in this request to provide an engineering review.

#### Findings

There were a number of pumps in the lift stations that failed, it is unclear as to the method of failure. It also seems that the pumps were originally installed as single-phase pumps and the CSD is now using three-phase pumps which would require a VFD to complete the phase conversion. It seems the largest pump station generator does not have the capacity to start the pumps at the current voltage, therefore the CSD is installing VFDs in order to ramp up the power requirement and avoid a locked rotor amp condition. The following table identifies deficiencies in the system based on the visual site visit performed on Jul 3<sup>rd</sup>, 2024. No testing or operation of the system was performed during this site visit. It is unclear as to whether the deficiencies were approved during construction or not. There may be other deficiencies not included in this list.

#### *System Deficiencies*

Item	Location	Issue
1	Gilchrest collection system	A small part of the Gilchrest collection system was viewed. The manholes were not industry standard manholes and consisted of concrete valve boxes with steel lids and fiberglass risers (Picture 1). Some bases of the manholes were cast in place and the pipe was not completely cut out which can cause maintenance issues (Picture 2). There was evidence of a sanitary sewer overflow. The CSD staff informed us that these were common across the system. CSD staff also informed us that manholes were not spaced to industry standard 400-500 feet apart.
2	Gilchrest lift station-Michigan Avenue	Top of lift station is at grade, this causes issues with inflow and debris that can enter the lift station including aggregate (Picture 3). Detail on plans calls for 6-inches of clearance above grade. Junction box inside of

1435 Esplanade Ave, Klamath Falls, OR 97601

o 541.884.4666 / f 541.884.5335 / w AdkinsEngineering.com

# Attachment D

		wet well may or may not be explosion proof (Picture 4), recommend follow up with electrician or electrical engineer to confirm.
<b>3</b>	Gilchrest Lift station-HWY 97 and Mississippi Drive	Top of lift station is at grade, this causes issues with inflow and debris that can enter the lift station including aggregate (Picture 5). Detail on plans calls for 6-inches of clearance above grade. Junction box inside of wet well may or may not be explosion proof, recommend follow up with electrician or electrical engineer to confirm. There was evidence of aggregate buildup under the lid of the lift station (Picture 6). Valve vault on discharge of lift station: drain-back was capped (Picture 7), should be free to drain back to wet well, the drain-back was also elevated and should be at bottom of vault as to not promote standing water in vault and cause corrosion of pipe stands. Valve vault piping had a PVC pipe spool (Picture 8), all pipe within the vault should match and be ductile iron.
<b>4</b>	Gilchrest Lift station-HWY 97 and Mountain View Drive	Top of lift station is below grade (picture 9), this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. Junction box inside of wet well may or may not be explosion proof (Picture 10), recommend follow up with electrician or electrical engineer to confirm. There was evidence of aggregate buildup on top of the wet well lid (Picture 9). Valve vault on discharge of lift station: the drain-back was installed elevated (Picture 11) and should be at bottom of vault as to not promote standing water in vault and cause corrosion of pipe stands. There was standing water in the vault and the ductile iron fittings were exhibiting corrosion. Valve vault piping had a PVC pipe spool (Picture 12), all pipe within the vault should match and be ductile iron. Adjacent to the wet well was what appeared to be a small grinder pump station, the top of the riser was terminated significantly below grade, and it was apparent that roadside aggregate was entering the pump station as well as inflow (Picture 13).
<b>5</b>	Crescent Lift station-Hill Street and Main Street	Top of lift station is at grade (Picture 14), this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel did not appear to be sealed (Picture 15) this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof (Picture 15), recommend follow up with electrician or electrical engineer to confirm electrical issues. A piece of pipe was supporting the discharge piping within the discharge valve vault (Picture 16), appropriate pipe supports should be installed to relieve strain on discharge pipes. It appears ball check valves are installed which are not allowed in lift stations (Picture 16).

# Attachment D

6	Crescent Lift station-Shell Station	Top of lift station is at grade (Picture 17), this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below grade (Picture 18), the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant (Picture 18) which may not be an approved method, this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof (Picture 18), recommend follow up with electrician or electrical engineer to confirm electrical issues. There appeared to be a leak between the manhole barrel section (Picture 19). There appears to be ball check valves installed which are not allowed in lift stations. Isolation valves and check valves must be installed outside of lift station (Picture 20). Check valves must be installed horizontally.
7	Crescent Lift station-Crescent Water District	Top of lift station is at grade (Picture 21), this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below grade, the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method, this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof, recommend follow up with electrician or electrical engineer to confirm electrical issues. There appears to be ball check valves installed which are not allowed in lift stations (Picture 22).
8	Crescent Lift station-RV Park on HWY 97	Top of lift station is at grade (Picture 23), this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below grade, the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method, this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof, recommend follow up with electrician or electrical engineer to confirm electrical issues. Valve vault piping had two PVC pipe spools which were misaligned (Picture 24), all pipe within the vault should match and be ductile iron.
9	Crescent Lift station-Pinney's Acres Road and HWY 97	Top of lift station is at grade, this causes issues with inflow and debris that can enter the lift station including aggregate. Detail on plans calls for 6-inches of clearance above grade. The electrical junction box is located outside of the wet well, the top of the junction box is also located below

# Attachment D

		grade, the conduits through the wet well are not sealed and the conduit from the junction box to the electrical panel was sealed with foam sealant which may not be an approved method, this could potentially allow explosive or corrosive gases to enter the junction box and control panel. Additionally, the electrical connections in the vault do not appear to be industry standard for explosion proof or waterproof, recommend follow up with electrician or electrical engineer to confirm electrical issues. There appears to be ball check valves installed which are not allowed in lift stations (Picture 25). Isolation valves and check valves must be installed outside of lift station. Check valves must be installed horizontally. The brackets at the top of the guiderails exhibited corrosion, all materials within wet well are required to be corrosion proof(Picture 25).
10	Treatment and Storage Ponds	Safety ropes should be installed around lined sewer ponds to allow people to exit the ponds if they fall in. The ductile iron discharge pipes in the pump wet well exhibited extensive corrosion (Picture 26). It is unsure if the chlorine dosage is too high and off gassing in the wet well causing corrosion.

## Conclusion and Recommendations

Based on my visual inspection and review of the documents provided, the items in the table included herein should be remedied or at minimum a follow up inspection should be informed. This report was not an in-depth engineering review, nor was any construction documentation reviewed. Additionally, this review was based only on those items viewed, justification for non-compliance items included herein may exist, and it should be encourage to receive such documentation, if it exists.

Please feel free to contact me with any questions, comments, or concerns you may have about the content of this report.

Sincerely,



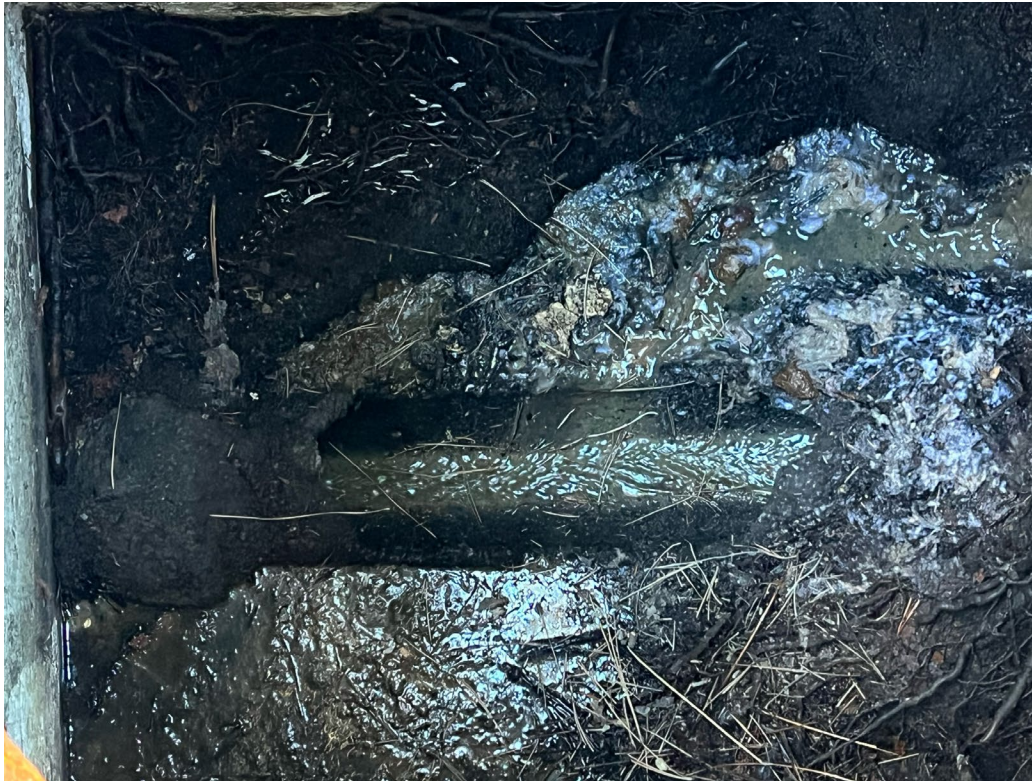
Daniel Scalas, P.E. & C.W.R.E.  
*Principal/Project Manager*



# Attachment D



Picture 1



Picture 2



# Attachment D



Picture 3



Picture 4



# Attachment D



### Picture 5



### Picture 6



# Attachment D



Picture 7



Picture 8



# Attachment D



Picture 9



Picture 10



# Attachment D



Picture 11



Picture 12



# Attachment D



Picture 13



Picture 14



# Attachment D



Picture 15



Picture 16



# Attachment D



Picture 17



Picture 18



# Attachment D



Picture 19



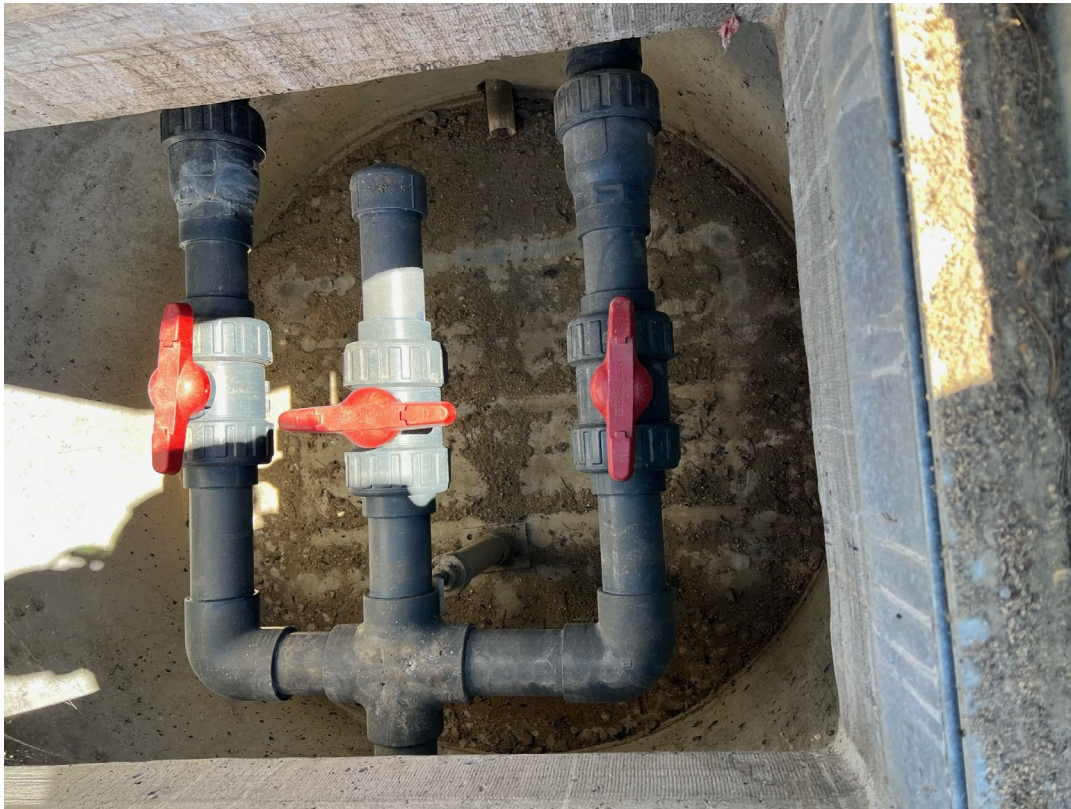
Picture 20



# Attachment D



Picture 21



Picture 22



# Attachment D



Picture 23



Picture 24



# Attachment D



Picture 25



Picture 26

# Attachment E

## Crescent Sanitary District - Actual

2:23 PM

06/28/24

Accrual Basis

### Profit & Loss Budget Overview

July 2024 through June 2025

---

Jul '24 - Jun 25

# Attachment E

## Crescent Sanitary District - Actual

<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4660 · Utility Revenue	347,640.00
4665 · Klamath County Property Taxes	45,000.00
4680 · Utility Revenue Refunds	-600.00
4910 · Late Fees	8,400.00
<b>Total Income</b>	<b>400,440.00</b>
<b>Gross Profit</b>	
	400,440.00
<b>Expense</b>	
<b>5100 · Wages &amp; Associated Payroll Cost</b>	
5105 · Wages Expense	187,920.00
5107 · Wages Expense - On Call	18,240.00
5108 · Stipend - Medical	5,208.00
5110 · Payroll Employer's Cost	31,680.00
5120 · Workmans Compensation Expense	8,160.00
5130 · Accrued Vacation Expense	7,800.00
5150 · Payroll Services Cost	2,040.00
<b>Total 5100 · Wages &amp; Associated Payroll Cost</b>	<b>261,048.00</b>
<b>6200 · Contract Services</b>	
6210 · Accounting Fees	6,000.00
6240 · Audit Fee	8,500.00
6250 · Consulting	31,800.00
6280 · Outside Contract Services	37,800.00
<b>Total 6200 · Contract Services</b>	<b>84,100.00</b>
<b>6400 · Facilities &amp; Vehicles</b>	
6410 · Decomissioning	5,160.00
6420 · Facilities Repair & Maint	2,040.00
6440 · Vehicle Gas & Fuel	7,020.00
6450 · Vehicle Repairs and Maintenance	15,000.00
<b>Total 6400 · Facilities &amp; Vehicles</b>	<b>29,220.00</b>
<b>6500 · Field Equipment Maintenance</b>	
6510 · Chlorination	26,838.00
6515 · Communication	1,008.00
6520 · Field Equipment Maint & Repairs	14,004.00
6530 · Field Supplies	8,004.00
6540 · Maintenance Tools	4,500.00
6580 · Testing	5,100.00
<b>Total 6500 · Field Equipment Maintenance</b>	<b>59,454.00</b>
<b>6600 · Utilities</b>	
6610 · Electric	13,800.00
6620 · CenturyLink	1,560.00
<b>Total 6600 · Utilities</b>	<b>15,360.00</b>
<b>7000 · Office Expense</b>	
7140 · Bank Fee	60.00
7150 · Business Expenses	840.00
7160 · Business Registration Fees	110.00
7170 · Credit Card Service	2,100.00
7200 · Garbage Service	216.00
7240 · Insurance - Property/Casualty	11,700.00
7270 · License and Fees	3,120.00
7320 · Office Supplies	2,040.00
7330 · Office Equipment & Software	1,200.00
7340 · Operations Certifications	600.00
7360 · Property Lease	13,200.00
7370 · Postage, Mailing Service	2,820.00
7400 · Subscriptions, Membership Dues	908.00

# Attachment E

## Crescent Sanitary District - Actual

06/28/24

Accrual Basis

### Profit & Loss Budget Overview

July 2024 through June 2025

	Jul '24 - Jun 25
7415 · Stipend - CSD Boad	4,200.00
7420 · Training	3,000.00
7430 · Telephone Expense-Verizon	3,372.00
7440 · Taxes - Not UBIT	440.00
7465 · Employee Uniforms	300.00
7470 · Web Design and Maintenance	850.00
Total 7000 · Office Expense	51,076.00
Total Expense	500,258.00
Net Ordinary Income	-99,818.00
Other Income/Expense	
Other Income	
8000 · Other Income	
8070 · Interest Income	180.00
Total 8000 · Other Income	180.00
Total Other Income	180.00
Net Other Income	180.00
Net Income	-99,638.00

August 22, 2024

Crescent Sanitary District  
136745 Hwy 97  
Crescent, OR 97733

Dear Ms. Ashcraft,

In accordance with your instructions, and in line with the requirements of the Oregon Department of Environmental Quality (DEQ) I have compiled the Financial Analysis Summary of Crescent Sanitary District (CSD) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis under the generally accepted accounting principles (GAAP) is to determine CSD's feasibility of its continuity of a "going concern" entity. The data was derived from various sources and all data presented is **excluding** amounts for amortization, depreciation, and loan interest for the purpose of determining CSD solvency or is based on my own computations as follows:

- City of Crescent demographics
- CSD Accumulation of cash. Historical financial data for the three years ended June 30, 2022, to June 30, 2024, and the month ended July 31, 2024.
- Cash depletion forecast FY 2023
- CSD July 2024 Profit and Loss Budget vs. Actual
- Operational Budgets FY 2025

### **Crescent Community Demographics**

Every business growth strategy must have a plan to expand in a specific aspect, their potential for a significant growth in their yearly revenue, number of potential customers, etc.

Crescent is an unincorporated community in Klamath County (no to be confused with Crescent Lake CCD or Crescent City) as reported by the United States Census Bureau, during their 2020 decennial census, Crescent City including the community of Crescent have a total population of approximately 3,300 with a median household income of \$56,900, and their median age of 55.5. It's estimated that Crescent (the community) has currently a total estimated population of 400-500.

# Attachment F

At the writing of this report, CSD is servicing 323 clients. with no significant growth potential due to limited customer availability and sewer facility limitations. Management being aware of its limitations, during 2020-2023 offered a significantly reduced cost to lot owners of a \$1,500 fee to connect to CSD Stub. Current estimated cost to connect to CSD Stub is \$9K. It should be noted that CSD sewer facility service is limited to the east side of Crescent (the community), further reducing the potential for growth.

## CSD Accumulation of Cash

Exhibit 1 and 2 displays operating historical data of CSD for the periods of their FY 2022, 2023, and 2024. During CSD's FY 2023 and 2022 grants totaled \$835,000 and \$103,934 and loan forgiveness \$500,000 and \$12,000 respectively.

These grants and loan proceeds received during FY 2023 and 2022 enabled CSD to keep 45.1% and 100.0% respectively of their net cash provided by its operation, marking the beginning of CSD accumulation of cash from \$39,540 on 30 June 2022 to a cash balance of \$144,671 on 31 July 2024.

As everyone is aware, no loan payments, interest or loan fees have been paid due during FY 2024. During FY 2023 management began to foresee a projected and significant cash depletion which began in April of 2024 (exhibit 3 and 4).

Fiscal Year	2022	2023	2024	July 2024
Gross Operational Income	\$277,458	\$315,696	\$368,103	(\$4,872)
Net increase/(decrease) in cash	11,839	38,163	54,607	(\$17,234)
Cash at end of period-All accts	\$39,540	\$92,901	\$161,904	\$144,671

## Cash depletion forecast FY 2023

During the month of June 2023 management requested a simple cash flow projection to determine the feasibility of CSD having sufficient cash to pay loans due in December 2023 and February 2024.

An excel worksheet (Exhibit 5) was prepared showing estimated cash balance per month from July 2023-June 2024 by calculating estimated net cash increases per month (no depreciation, loan interest considered) and applying amount of scheduled loan payments in December 2023 and February 2024.

As shown in Exhibit 5, using actual cash balances and assuming all payments scheduled during FY 2023 would have been made, CSD would have ended their FY 2023 with a positive cash balance in all financial institutions in the amount of \$67,389, not sufficient to meet FY 2024 operational cost.

On January 3, 2024, an independent audit report completed by Sensiba Accounting Firm provided in their **note 11 - Going concern** (page 19 of their report - Exhibit 6) the opinion that it was unlikely that the district would have the ability to meet its obligations during FY 2024 and into future fiscal years.



# Attachment F

## **CSD July 2024 Profit and Loss Budget vs. Actual**

Based on financial results for the month of July 2024, exhibit 7 presents a profit and loss budget vs. actual statement. For the period presented all bank accounts were reconciled and accruals recorded to fairly present an accurate income and expenditure statement to compare to management's FY 2025 projections.

As presented in exhibit 7, operational and administrative costs exceeded operational income by \$4,872. Management had projected a loss for July 2024 in the amount of \$6,749. Management indicated that a projected major repair of one of their trucks estimated to cost between \$3-4 thousand dollars is an on-going project during the current month of August.

## **Operational Budgets FY 2025**

As a result of management's actions to actualize CSD with a transparent governance by implementing district policies with designed standard and adopting required ordinances, began to reach out to various stakeholders.

Their quest began after realizing mid-year 2023 their unavoidable depletion of cash over the next 12-24 months and the inability to meet loan payments deadlines, CSD office manager advised what was then CSD's management and the advisory board.

Assistance for guidance began with DEQ web meetings, CSD legal staff, OSHA, AND HR SDAO, with finally word getting out to the Klamath County commissioner. As a result, a visit by management personnel of the South Suburban Sanitary District (SSSD) was scheduled during July 2024 and with additional visits during the current month of August.

CSD was visited by SSSD's accountant and engineers, providing significant and valuable information of CSD's deteriorating condition of the sewer system because of what appeared to be a faulty design. SSSD is in the process of publishing their findings to the Klamath County commissioner.

With information and guidance received by SDAO, OSHA and consulting services provided by Scott De Carlo. a budget was prepared for CSD's FY 2025 reflecting increases in operational expenses and personnel labor costs as noted by OSHA during their recent visit. The consultant's review of the sewer system required significant increases in repairs and maintenance costs.

Exhibit 8 delineates CSD's FY 2025 management's detailed administrative and operational budget portraying an annual loss at year end June 30, 2025, in the amount of \$99,638. As noted in my previous section **CSD July 2024 Profit and Loss vs Actual**, management's projected loss for the month of July 2024 was on target with actual results.

# Attachment F

## Summary

With the assumption management's FY 2025 budget as presented is considered fairly accurate, the following conclusion is provided:

### ➤ Utility fee increase

Currently CSD utility monthly fee for their residential customers is \$79.50 (\$198 for the 3-4 existing business clients). A monthly fee increases of approximately \$20 for each of their 423 customers would have to be implemented to reach CSD's break in point.

### ➤ DEQ/OBDD Loan term compliance

OBDD LOANS	
DUE DATE	AMOUNT
DEC 2024	\$57,798
DEQ LOAN # R25100	
AUG 2024	74,140
AUG 2024	28,252
AUG 2024	16,962
FEB 2025	74,140
DEQ LOAN # R25102	
AUG 2024	15,220
FEB 2025	4,362
Total Cash Requirement	\$270,874

Based on CSD's limited to non-existing potential for growth coupled with the unlikelihood of a significant increase in utility service fees of approximately \$55 to comply with loan terms in addition to the increase of \$20 to reach CSD's breakeven point amounting to a total monthly residential fee of \$154 (currently at \$79.50) it's my opinion and management's due diligence since the beginning of their FY 2023 by reaching out for guidance, that CSD is quickly reaching the insolvency period.

### ➤ Going Concern

Assuming CSD manages to obtain State, federal grants or loan forgiveness covering their entire loan portfolio, CSD's going concern will continue to be unlikely for now and future years.

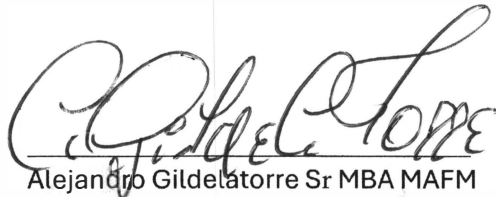
CSD will still have to be content with the likelihood of fee increases to meet operational expenses, the acquisition of additional cash for future maintenance, and equipment replacement with an existing and deficient sewer system.



# Attachment F

It is recommended CSD management request a moratorium on their loan payments to review and consider recommendations that are expected from the SSSD's report to Klamath County Commissioner.

In addition, and to rid CSD of questionable administrative and operational cost as presented in their FY 2025 budget by others, an in-depth study be conducted to validate by a third-and independent-party management's current FY 2025 budget. Perhaps professional engineers that visited CSD facilities have already provided that information to SSSD's management.

A handwritten signature in black ink, appearing to read 'Alejandro Gildelatorre Sr', is written over a horizontal line.

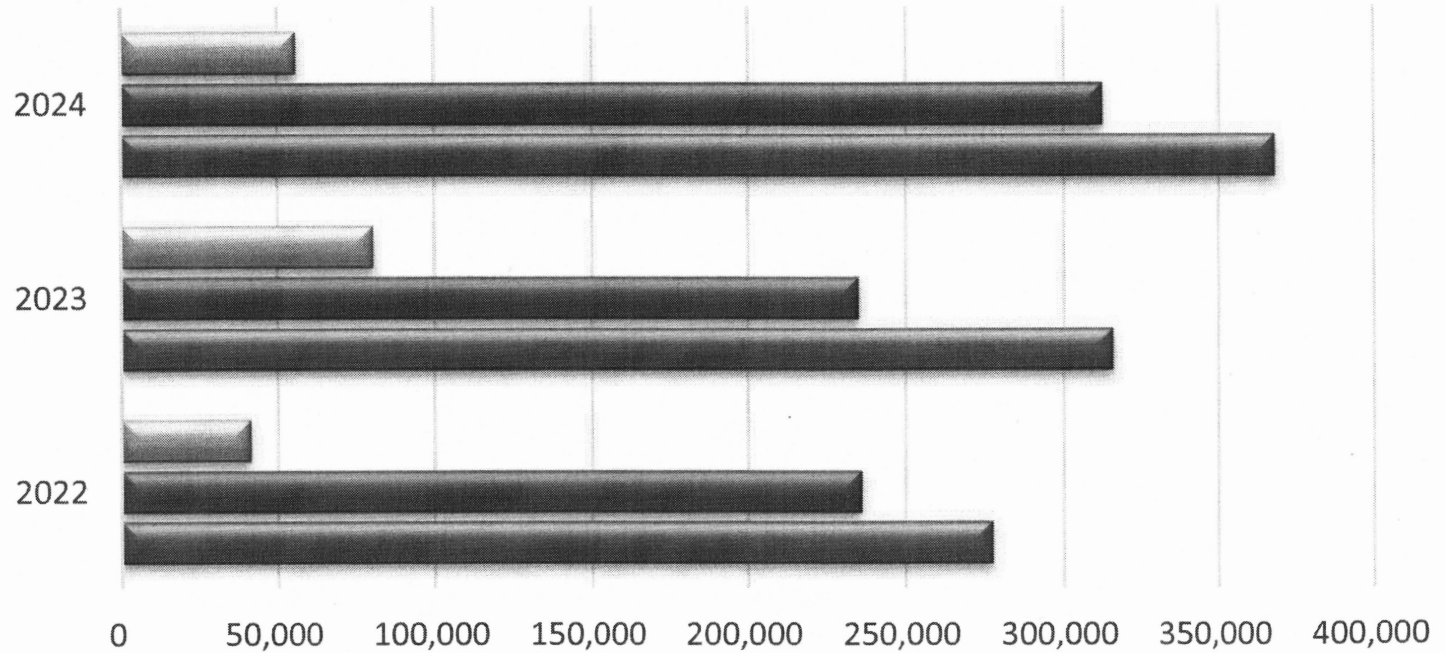
Alejandro Gildelatorre Sr MBA MAFM  
Gildelatorre Tax and Accounting  
Dba BizTaxes1120  
403 S Paseo Pena Unit B  
Green Valley, AZ 85614

# Attachment F

CRESCENT SANITARY DISTRICT			
Statement of Rvenues, and Expenses (excluding Depreciation and Loan Interest)			
	2024	2023	2022
Operating revenues:			
Charges for services	354,103	315,696	272,568
System development charges	14,215		4,890
Total operating revenues	368,318	315,696	277,458
Operating expenses:			
Advertising	-	-	86
<b>Amortization - disregarded in this report</b>			
Contracted services	63,383	33,094	68,191
<b>Depreciation - disregarded in this report</b>			
Equipment and tools	39		696
Facilities and Vehicles	9,509	12,671	7,390
Insurance	11,928	11,662	9,204
Miscellaneous	3,286	697	
Licenses, dues and permits	3,624	9,219	4,633
Office expense	15,305	11,843	12,088
Rent	13,200	13,200	13,200
Repair & maintenance	16,683	15,221	2,029
Supplies	3,042		1,023
Travel and meals	272		1,025
Utilities	17,318	18,040	24,997
Wages and associated payroll costs	154,746	109,471	91,540
Total operating expenses	312,335	235,118	236,102
Operating Income - modified	55,983	80,578	41,356
Non-operating revenue and (expense):			
Property taxes	35,350	35,972	22,507
Capital grants		835,000	103,934
Interest income	426	253	51
Gain (loss) on sale of assets		(1,312)	715
Other income	931	710	-
Sewer system impairment loss		-	(88,000)
Grant repayment		(12,300)	-
Loan forgiveness		500,000	12,000
Interest expense		(70,470)	(81,032)
Insurance Claims	36,541		
Total non-operating revenue and expense	73,248	1,287,853	-29,825

# Attachment F

## Crescent Sanitary District Excludes Amortization/Depreciation/Loan Interest



	2022	2023	2024
Operating Income	41,356	80,578	55,983
Total Operating Expenses	236,102	235,118	312,335
Total Operating Revenue	277,458	315,696	368,318

Operating Income    Total Operating Expenses    Total Operating Revenue

# Attachment F

23 PM

/18/24

## Crescent Sanitary District - Actual Statement of Cash Flows April through July 2024

	Apr - Jul 24
<b>OPERATING ACTIVITIES</b>	
Net Income	-15,593.93
Adjustments to reconcile Net Income to net cash provided by operations:	
1212 · Customer Sanitary Services	-4,887.53
1220 · Deposits	-450.00
1260 · Advance Payroll	-1,969.62
1300 · Prepaid Expenses	3,399.30
2010 · Accounts Payable	-10,149.98
2020 · Accrued Salaries & Wages	8,662.70
2023 · Employee's Vacation Payable	-660.18
2024 · Employee's Sick Absence Payable	3,932.70
2030 · *Payroll Taxes Payable	5,763.34
Net cash provided by Operating Activities	-11,953.20
<b>INVESTING ACTIVITIES</b>	
1520 · Machinery & Equipment	-729.95
1535 · Machinery & Equip - Vehicles	-6,698.00
1580 · Projects in Progress:1580.2 · CLS 2	-7,776.00
Net cash provided by Investing Activities	-15,203.95
Net cash increase for period	-27,157.15
Cash at beginning of period	171,828.26
Cash at end of period	<u><u>144,671.11</u></u>

# Attachment F

19 PM

/18/24

## Crescent Sanitary District - Actual Statement of Cash Flows July 2024

	Jul 24
OPERATING ACTIVITIES	
Net Income	-4,871.53
Adjustments to reconcile Net Income to net cash provided by operations:	
1212 · Customer Sanitary Services	-3,316.00
1220 · Deposits	-450.00
1300 · Prepaid Expenses	83.21
2010 · Accounts Payable	-11,326.23
2020 · Accrued Salaries & Wages	2,450.66
2023 · Employee's Vacation Payable	347.12
2024 · Employee's Sick Absence Payable	-116.88
2030 · *Payroll Taxes Payable	-34.03
Net cash provided by Operating Activities	-17,233.68
Net cash increase for period	-17,233.68
Cash at beginning of period	161,904.79
Cash at end of period	<u>144,671.11</u>

# Attachment F

Crescent Sanitary District										
Cash Flow Estimates based on Projected Net Cash Increases										
	31-Oct-23	30-Nov-23	31-Dec-23	31-Jan-24	29-Feb-24	31-Mar-24	30-Apr-24	31-May-24	30-Jun-24	
Projection with loan payments:										
Estimates Provided to Management on June 12, 2023										
1000 · CSD Checking	54,538.00	57,525.00	57,266.00	60,174.00	62,707.00	61,454.00	63,977.00	65,746.00	67,489.00	
1010 · CSD Savings-DEQ	47,897.00	52,897.00	0.00	5,000.00	(83,449.00)	(83,449.00)	(80,449.00)	(77,449.00)	(74,449.00)	
Total Checking/Savings	102,435.00	110,422.00	57,266.00	65,174.00	(20,742.00)	(21,995.00)	(16,472.00)	(11,703.00)	(6,960.00)	
			Loan payment		Loan Payment					
Actual cash bal-no loan payments										
1000 · CSD Checking	59,257.00	58,671.00	74,439.00	78,151.00	83,691.00	118,739.00	104,178.00	106,587.00	105,710.00	
1010 · CSD Savings-DEQ	46,052.00	46,568.00	47,084.00	47,584.00	48,084.00	48,584.00	49,084.00	49,584.00	50,181.00	
1020 - CSD Savings	2,001.00	2,501.00	3,003.00	3,503.00	4,005.00	4,505.00	5,005.00	5,505.00	6,014.00	
Total Checking/Savings	107,310.00	107,740.00	124,526.00	129,238.00	135,780.00	171,828.00	158,267.00	161,676.00	161,905.00	
					Total Loan payments due during FY 2024					(94,516.00)
					CSD Cash Balance if payments made 06/30/0224					\$ 67,389.00



# Attachment F

CRESCENT SANITARY DISTRICT  
(Crescent, Oregon)  
Notes to the Financial Statements  
June 30, 2023

**Note 11 – Going concern:**

The wastewater infrastructure project was substantially placed in service during the year ended June 30, 2022. At the closing and acceptance of the project, the loans used to fund the projects were closed out and requirements to repay the debt have commenced. The District was able to obtain \$835,000 of grant funding during the year to fund principle and accrued interest due during the current fiscal year and for the DEQ loans, sufficient to fund requirements through the August 1, 2023 schedule payment. Additionally, the DEQ awarded forgiveness of \$500,000 during the year to assist in reducing annual payment requirements.

Management expects to meet its debt service requirements for the December 2023 scheduled payment, but projects debt payments required beginning in February 2024 will not be paid due to an expected shortfall of cash at that time. Because the projected annual cash flow from property taxes and charges for services are not expected to be sufficient to fund operations and debt service requirements into subsequent future years, it is unlikely the District has the ability to meet its obligations in the subsequent fiscal year and into future fiscal years.

Management has adopted a budget for the fiscal year ending June 30, 2024 to include funding of all operations and the December 2023 debt service payment. Management's plans to mitigate the current projected shortfall to meet its obligations include pursuing additional grant funding and renegotiation of its debt repayment schedules with lenders.

As of the date of this statement, management does not intend to discontinue operations and has concluded that current projected revenue is sufficient to cover operations into the future, absent scheduled debt service payments.

**Note 12 – Subsequent event:**

On December 22, 2023, a representative of Business Oregon, confirmed their approval to defer the OBDD loan payment due in December 2023 for one year, to be due December 2024.



# Attachment F

11 PM

1/21/24

Actual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget vs. Actual July 2024

	Jul 24	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4660 · Utility Revenue	29,665.58	28,970.00	695.58	102.4%
4665 · Klamath County Property Taxes	395.47	3,750.00	-3,354.53	10.5%
4680 · Utility Revenue Refunds	0.00	-50.00	50.00	0.0%
4910 · Late Fees	900.00	700.00	200.00	128.6%
<b>Total Income</b>	<b>30,961.05</b>	<b>33,370.00</b>	<b>-2,408.95</b>	<b>92.8%</b>
<b>Gross Profit</b>	<b>30,961.05</b>	<b>33,370.00</b>	<b>-2,408.95</b>	<b>92.8%</b>
<b>Expense</b>				
<b>5100 · Wages &amp; Associated Payroll Cost</b>				
5105 · Wages Expense	15,093.50	15,660.00	-566.50	96.4%
5107 · Wages Expense - On Call	1,511.20	1,520.00	-8.80	99.4%
5108 · Stipend - Medical	395.00	434.00	-39.00	91.0%
5110 · Payroll Employer's Cost	1,735.23	2,640.00	-904.77	65.7%
5120 · Workmans Compensation Expense	98.17	680.00	-581.83	14.4%
5130 · Accrued Vacation Expense	347.12	325.00	22.12	106.8%
5135 · Accrued Sick Absence Expense	347.12	325.00	22.12	106.8%
5150 · Payroll Services Cost	202.25	170.00	32.25	119.0%
<b>Total 5100 · Wages &amp; Associated Payroll Cost</b>	<b>19,729.59</b>	<b>21,754.00</b>	<b>-2,024.41</b>	<b>90.7%</b>
<b>6200 · Contract Services</b>				
6210 · Accounting Fees	490.00	500.00	-10.00	98.0%
6230 · Alarm System	960.00	0.00	960.00	100.0%
6250 · Consulting	1,575.00	2,650.00	-1,075.00	59.4%
6270 · Legal and Professional Fees	30.00	0.00	30.00	100.0%
6280 · Outside Contract Services	4,001.00	3,150.00	851.00	127.0%
<b>Total 6200 · Contract Services</b>	<b>7,056.00</b>	<b>6,300.00</b>	<b>756.00</b>	<b>112.0%</b>
<b>6400 · Facilities &amp; Vehicles</b>				
6410 · Decomissioning	0.00	430.00	-430.00	0.0%
6420 · Facilities Repair & Maint	0.00	170.00	-170.00	0.0%
6440 · Vehicle Gas & Fuel	760.63	585.00	175.63	130.0%
6450 · Vehicle Repairs and Maintenance	0.00	1,250.00	-1,250.00	0.0%
<b>Total 6400 · Facilities &amp; Vehicles</b>	<b>760.63</b>	<b>2,435.00</b>	<b>-1,674.37</b>	<b>31.2%</b>
<b>6500 · Field Equipment Maintenance</b>				
6510 · Chlorination	2,807.55	2,033.00	774.55	138.1%
6515 · Communication	144.75	84.00	60.75	172.3%
6520 · Field Equipment Maint & Repairs	0.00	1,167.00	-1,167.00	0.0%
6530 · Field Supplies	191.14	667.00	-475.86	28.7%
6540 · Maintenance Tools	0.00	375.00	-375.00	0.0%
6580 · Testing	324.00	400.00	-76.00	81.0%
<b>Total 6500 · Field Equipment Maintenance</b>	<b>3,467.44</b>	<b>4,726.00</b>	<b>-1,258.56</b>	<b>73.4%</b>
<b>6600 · Utilities</b>				
6610 · Electric	1,159.24	1,150.00	9.24	100.8%
6620 · CenturyLink	0.39	130.00	-129.61	0.3%
6630 · Crescent Water Expense	79.36	0.00	79.36	100.0%
<b>Total 6600 · Utilities</b>	<b>1,238.99</b>	<b>1,280.00</b>	<b>-41.01</b>	<b>96.8%</b>
<b>7000 · Office Expense</b>				
7140 · Bank Fee	5.00	5.00	0.00	100.0%
7150 · Business Expenses	0.00	70.00	-70.00	0.0%
7170 · Credit Card Service	0.00	175.00	-175.00	0.0%
7200 · Garbage Service	17.38	18.00	-0.62	96.6%
7240 · Insurance - Property/Casualty	941.83	975.00	-33.17	96.6%
7270 · License and Fees	0.00	260.00	-260.00	0.0%
7310 · Other	139.45	0.00	139.45	100.0%
7320 · Office Supplies	455.99	170.00	285.99	268.2%
7360 · Property Lease	1,100.00	1,100.00	0.00	100.0%
7370 · Postage, Mailing Service	451.06	235.00	216.06	191.9%

# Attachment F

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7/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget vs. Actual July 2024

	Jul 24	Budget	\$ Over Budget	% of Budget
7380 · Printing and Copying	545.60	0.00	545.60	100.0%
7400 · Subscriptions, Membership Dues	65.00	0.00	65.00	100.0%
7410 · Software	134.00	0.00	134.00	100.0%
7415 · Stipend - CSD Board	0.00	350.00	-350.00	0.0%
7430 · Telephone Expense-Verizon	187.02	281.00	-93.98	66.6%
7470 · Web Design and Maintenance	76.50	0.00	76.50	100.0%
<b>Total 7000 · Office Expense</b>	<b>4,118.83</b>	<b>3,639.00</b>	<b>479.83</b>	<b>113.2%</b>
<b>Total Expense</b>	<b>36,371.48</b>	<b>40,134.00</b>	<b>-3,762.52</b>	<b>90.6%</b>
<b>Net Ordinary Income</b>	<b>-5,410.43</b>	<b>-6,764.00</b>	<b>1,353.57</b>	<b>80.0%</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
8000 · Other Income				
8040 · Proceeds from insurance claims	500.00	0.00	500.00	100.0%
8070 · Interest Income	38.90	15.00	23.90	259.3%
<b>Total 8000 · Other Income</b>	<b>538.90</b>	<b>15.00</b>	<b>523.90</b>	<b>3,592.7%</b>
<b>Total Other Income</b>	<b>538.90</b>	<b>15.00</b>	<b>523.90</b>	<b>3,592.7%</b>
<b>Net Other Income</b>	<b>538.90</b>	<b>15.00</b>	<b>523.90</b>	<b>3,592.7%</b>
<b>Net Income</b>	<b>-4,871.53</b>	<b>-6,749.00</b>	<b>1,877.47</b>	<b>72.2%</b>

# Attachment F

9:34 PM

08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24
<b>Ordinary Income/Expense</b>					
Income					
4660 · Utility Revenue	28,970.00	28,970.00	28,970.00	28,970.00	28,970.00
4665 · Klamath County Property Taxes	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00
4680 · Utility Revenue Refunds	-50.00	-50.00	-50.00	-50.00	-50.00
4910 · Late Fees	700.00	700.00	700.00	700.00	700.00
<b>Total Income</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>
<b>Gross Profit</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>
Expense					
5100 · Wages & Associated Payroll Cost					
5105 · Wages Expense	15,660.00	15,660.00	15,660.00	15,660.00	15,660.00
5107 · Wages Expense - On Call	1,520.00	1,520.00	1,520.00	1,520.00	1,520.00
5108 · Stipend - Medical	434.00	434.00	434.00	434.00	434.00
5110 · Payroll Employer's Cost	2,640.00	2,640.00	2,640.00	2,640.00	2,640.00
5120 · Workmans Compensation Expense	680.00	680.00	680.00	680.00	680.00
5130 · Accrued Vacation Expense	325.00	325.00	325.00	325.00	325.00
5135 · Accrued Sick Absence Expense	325.00	325.00	325.00	325.00	325.00
5150 · Payroll Services Cost	170.00	170.00	170.00	170.00	170.00
<b>Total 5100 · Wages &amp; Associated Payroll Cost</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>
6200 · Contract Services					
6210 · Accounting Fees	500.00	500.00	500.00	500.00	500.00
6240 · Audit Fee	0.00	5,000.00	3,500.00	0.00	0.00
6250 · Consulting	2,650.00	2,650.00	2,650.00	2,650.00	2,650.00
6280 · Outside Contract Services	3,150.00	3,150.00	3,150.00	3,150.00	3,150.00
<b>Total 6200 · Contract Services</b>	<b>6,300.00</b>	<b>11,300.00</b>	<b>9,800.00</b>	<b>6,300.00</b>	<b>6,300.00</b>
6400 · Facilities & Vehicles					
6410 · Decomissioning	430.00	430.00	430.00	430.00	430.00
6420 · Facilities Repair & Maint	170.00	170.00	170.00	170.00	170.00
6440 · Vehicle Gas & Fuel	585.00	585.00	585.00	585.00	585.00
6450 · Vehicle Repairs and Maintenance	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00
<b>Total 6400 · Facilities &amp; Vehicles</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>
6500 · Field Equipment Maintenance					
6510 · Chlorination	2,033.00	2,033.00	2,033.00	2,033.00	2,033.00
6515 · Communication	84.00	84.00	84.00	84.00	84.00
6520 · Field Equipment Maint & Repairs	1,167.00	1,167.00	1,167.00	1,167.00	1,167.00
6530 · Field Supplies	667.00	667.00	667.00	667.00	667.00
6540 · Maintenance Tools	375.00	375.00	375.00	375.00	375.00
6580 · Testing	400.00	400.00	400.00	400.00	400.00

# Attachment F

9:34 PM

08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24
<b>Total 6500 · Field Equipment Maintenance</b>	4,726.00	4,726.00	4,726.00	4,726.00	4,726.00
<b>6600 · Utilities</b>					
6610 · Electric	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00
6620 · CenturyLink	130.00	130.00	130.00	130.00	130.00
<b>Total 6600 · Utilities</b>	1,280.00	1,280.00	1,280.00	1,280.00	1,280.00
<b>7000 · Office Expense</b>					
7140 · Bank Fee	5.00	5.00	5.00	5.00	5.00
7150 · Business Expenses	70.00	70.00	70.00	70.00	70.00
7160 · Business Registration Fees	0.00	0.00	0.00	0.00	0.00
7170 · Credit Card Service	175.00	175.00	175.00	175.00	175.00
7200 · Garbage Service	18.00	18.00	18.00	18.00	18.00
7240 · Insurance - Property/Casualty	975.00	975.00	975.00	975.00	975.00
7270 · License and Fees	260.00	260.00	260.00	260.00	260.00
7320 · Office Supplies	170.00	170.00	170.00	170.00	170.00
7330 · Office Equipment & Software	0.00	0.00	0.00	0.00	0.00
7340 · Operations Certifications	0.00	0.00	0.00	0.00	0.00
7360 · Property Lease	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
7370 · Postage, Mailing Service	235.00	235.00	235.00	235.00	235.00
7400 · Subscriptions, Membership Dues	0.00	0.00	0.00	0.00	410.00
7415 · Stipend - CSD Boad	350.00	350.00	350.00	350.00	350.00
7420 · Training	0.00	0.00	750.00	0.00	0.00
7430 · Telephone Expense-Verizon	281.00	281.00	281.00	281.00	281.00
7440 · Taxes - Not UBIT	0.00	0.00	0.00	0.00	440.00
7465 · Employee Uniforms	0.00	0.00	0.00	300.00	0.00
7470 · Web Design and Maintenance	0.00	0.00	0.00	0.00	0.00
<b>Total 7000 · Office Expense</b>	3,639.00	3,639.00	4,389.00	3,939.00	4,489.00
<b>Total Expense</b>	40,134.00	45,134.00	44,384.00	40,434.00	40,984.00
<b>Net Ordinary Income</b>	-6,764.00	-11,764.00	-11,014.00	-7,064.00	-7,614.00
<b>Other Income/Expense</b>					
<b>Other Income</b>					
8000 · Other Income					
8070 · Interest Income	15.00	15.00	15.00	15.00	15.00
<b>Total 8000 · Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Total Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Net Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Net Income</b>	<b>-6,749.00</b>	<b>-11,749.00</b>	<b>-10,999.00</b>	<b>-7,049.00</b>	<b>-7,599.00</b>



# Attachment F

9:34 PM

08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25
<b>Ordinary Income/Expense</b>					
Income					
4660 · Utility Revenue	28,970.00	28,970.00	28,970.00	28,970.00	28,970.00
4665 · Klamath County Property Taxes	3,750.00	3,750.00	3,750.00	3,750.00	3,750.00
4680 · Utility Revenue Refunds	-50.00	-50.00	-50.00	-50.00	-50.00
4910 · Late Fees	700.00	700.00	700.00	700.00	700.00
<b>Total Income</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>
<b>Gross Profit</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>33,370.00</b>
Expense					
5100 · Wages & Associated Payroll Cost					
5105 · Wages Expense	15,660.00	15,660.00	15,660.00	15,660.00	15,660.00
5107 · Wages Expense - On Call	1,520.00	1,520.00	1,520.00	1,520.00	1,520.00
5108 · Stipend - Medical	434.00	434.00	434.00	434.00	434.00
5110 · Payroll Employer's Cost	2,640.00	2,640.00	2,640.00	2,640.00	2,640.00
5120 · Workmans Compensation Expense	680.00	680.00	680.00	680.00	680.00
5130 · Accrued Vacation Expense	325.00	325.00	325.00	325.00	325.00
5135 · Accrued Sick Absence Expense	325.00	325.00	325.00	325.00	325.00
5150 · Payroll Services Cost	170.00	170.00	170.00	170.00	170.00
<b>Total 5100 · Wages &amp; Associated Payroll Cost</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>21,754.00</b>
6200 · Contract Services					
6210 · Accounting Fees	500.00	500.00	500.00	500.00	500.00
6240 · Audit Fee	0.00	0.00	0.00	0.00	0.00
6250 · Consulting	2,650.00	2,650.00	2,650.00	2,650.00	2,650.00
6280 · Outside Contract Services	3,150.00	3,150.00	3,150.00	3,150.00	3,150.00
<b>Total 6200 · Contract Services</b>	<b>6,300.00</b>	<b>6,300.00</b>	<b>6,300.00</b>	<b>6,300.00</b>	<b>6,300.00</b>
6400 · Facilities & Vehicles					
6410 · Decomissioning	430.00	430.00	430.00	430.00	430.00
6420 · Facilities Repair & Maint	170.00	170.00	170.00	170.00	170.00
6440 · Vehicle Gas & Fuel	585.00	585.00	585.00	585.00	585.00
6450 · Vehicle Repairs and Maintenance	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00
<b>Total 6400 · Facilities &amp; Vehicles</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>2,435.00</b>
6500 · Field Equipment Maintenance					
6510 · Chlorination	2,033.00	2,440.00	2,440.00	2,440.00	2,440.00
6515 · Communication	84.00	84.00	84.00	84.00	84.00
6520 · Field Equipment Maint & Repairs	1,167.00	1,167.00	1,167.00	1,167.00	1,167.00
6530 · Field Supplies	667.00	667.00	667.00	667.00	667.00
6540 · Maintenance Tools	375.00	375.00	375.00	375.00	375.00
6580 · Testing	400.00	450.00	450.00	450.00	450.00

# Attachment F

9:34 PM

08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25
<b>Total 6500 · Field Equipment Maintenance</b>	4,726.00	5,183.00	5,183.00	5,183.00	5,183.00
<b>6600 · Utilities</b>					
6610 · Electric	1,150.00	1,150.00	1,150.00	1,150.00	1,150.00
6620 · CenturyLink	130.00	130.00	130.00	130.00	130.00
<b>Total 6600 · Utilities</b>	1,280.00	1,280.00	1,280.00	1,280.00	1,280.00
<b>7000 · Office Expense</b>					
7140 · Bank Fee	5.00	5.00	5.00	5.00	5.00
7150 · Business Expenses	70.00	70.00	70.00	70.00	70.00
7160 · Business Registration Fees	0.00	0.00	0.00	0.00	0.00
7170 · Credit Card Service	175.00	175.00	175.00	175.00	175.00
7200 · Garbage Service	18.00	18.00	18.00	18.00	18.00
7240 · Insurance - Property/Casualty	975.00	975.00	975.00	975.00	975.00
7270 · License and Fees	260.00	260.00	260.00	260.00	260.00
7320 · Office Supplies	170.00	170.00	170.00	170.00	170.00
7330 · Office Equipment & Software	0.00	200.00	0.00	0.00	0.00
7340 · Operations Certifications	0.00	600.00	0.00	0.00	0.00
7360 · Property Lease	1,100.00	1,100.00	1,100.00	1,100.00	1,100.00
7370 · Postage, Mailing Service	235.00	235.00	235.00	235.00	235.00
7400 · Subscriptions, Membership Dues	408.00	15.00	15.00	15.00	15.00
7415 · Stipend - CSD Boad	350.00	350.00	350.00	350.00	350.00
7420 · Training	750.00	0.00	0.00	750.00	0.00
7430 · Telephone Expense-Verizon	281.00	281.00	281.00	281.00	281.00
7440 · Taxes - Not UBIT	0.00	0.00	0.00	0.00	0.00
7465 · Employee Uniforms	0.00	0.00	0.00	0.00	0.00
7470 · Web Design and Maintenance	450.00	0.00	0.00	0.00	400.00
<b>Total 7000 · Office Expense</b>	5,247.00	4,454.00	3,654.00	4,404.00	4,054.00
<b>Total Expense</b>	41,742.00	41,406.00	40,606.00	41,356.00	41,006.00
<b>Net Ordinary Income</b>	-8,372.00	-8,036.00	-7,236.00	-7,986.00	-7,636.00
<b>Other Income/Expense</b>					
<b>Other Income</b>					
8000 · Other Income					
8070 · Interest Income	15.00	15.00	15.00	15.00	15.00
<b>Total 8000 · Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Total Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Net Other Income</b>	15.00	15.00	15.00	15.00	15.00
<b>Net Income</b>	<b>-8,357.00</b>	<b>-8,021.00</b>	<b>-7,221.00</b>	<b>-7,971.00</b>	<b>-7,621.00</b>

# Attachment F

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08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	May 25	Jun 25	TOTAL Jul '24 - Jun 25
<b>Ordinary Income/Expense</b>			
Income			
4660 · Utility Revenue	28,970.00	28,970.00	347,640.00
4665 · Klamath County Property Taxes	3,750.00	3,750.00	45,000.00
4680 · Utility Revenue Refunds	-50.00	-50.00	-600.00
4910 · Late Fees	700.00	700.00	8,400.00
<b>Total Income</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>400,440.00</b>
<b>Gross Profit</b>	<b>33,370.00</b>	<b>33,370.00</b>	<b>400,440.00</b>
Expense			
5100 · Wages & Associated Payroll Cost			
5105 · Wages Expense	15,660.00	15,660.00	187,920.00
5107 · Wages Expense - On Call	1,520.00	1,520.00	18,240.00
5108 · Stipend - Medical	434.00	434.00	5,208.00
5110 · Payroll Employer's Cost	2,640.00	2,640.00	31,680.00
5120 · Workmans Compensation Expense	680.00	680.00	8,160.00
5130 · Accrued Vacation Expense	325.00	325.00	3,900.00
5135 · Accrued Sick Absence Expense	325.00	325.00	3,900.00
5150 · Payroll Services Cost	170.00	170.00	2,040.00
<b>Total 5100 · Wages &amp; Associated Payroll Cost</b>	<b>21,754.00</b>	<b>21,754.00</b>	<b>261,048.00</b>
6200 · Contract Services			
6210 · Accounting Fees	500.00	500.00	6,000.00
6240 · Audit Fee	0.00	0.00	8,500.00
6250 · Consulting	2,650.00	2,650.00	31,800.00
6280 · Outside Contract Services	3,150.00	3,150.00	37,800.00
<b>Total 6200 · Contract Services</b>	<b>6,300.00</b>	<b>6,300.00</b>	<b>84,100.00</b>
6400 · Facilities & Vehicles			
6410 · Decomissioning	430.00	430.00	5,160.00
6420 · Facilities Repair & Maint	170.00	170.00	2,040.00
6440 · Vehicle Gas & Fuel	585.00	585.00	7,020.00
6450 · Vehicle Repairs and Maintenance	1,250.00	1,250.00	15,000.00
<b>Total 6400 · Facilities &amp; Vehicles</b>	<b>2,435.00</b>	<b>2,435.00</b>	<b>29,220.00</b>
6500 · Field Equipment Maintenance			
6510 · Chlorination	2,440.00	2,440.00	26,838.00
6515 · Communication	84.00	84.00	1,008.00
6520 · Field Equipment Maint & Repairs	1,167.00	1,167.00	14,004.00
6530 · Field Supplies	667.00	667.00	8,004.00
6540 · Maintenance Tools	375.00	375.00	4,500.00
6580 · Testing	450.00	450.00	5,100.00



# Attachment F

9:34 PM

08/21/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	May 25	Jun 25	TOTAL Jul '24 - Jun 25
Total 6500 · Field Equipment Maintenance	5,183.00	5,183.00	59,454.00
6600 · Utilities			
6610 · Electric	1,150.00	1,150.00	13,800.00
6620 · CenturyLink	130.00	130.00	1,560.00
Total 6600 · Utilities	1,280.00	1,280.00	15,360.00
7000 · Office Expense			
7140 · Bank Fee	5.00	5.00	60.00
7150 · Business Expenses	70.00	70.00	840.00
7160 · Business Registration Fees	0.00	110.00	110.00
7170 · Credit Card Service	175.00	175.00	2,100.00
7200 · Garbage Service	18.00	18.00	216.00
7240 · Insurance - Property/Casualty	975.00	975.00	11,700.00
7270 · License and Fees	260.00	260.00	3,120.00
7320 · Office Supplies	170.00	170.00	2,040.00
7330 · Office Equipment & Software	0.00	1,000.00	1,200.00
7340 · Operations Certifications	0.00	0.00	600.00
7360 · Property Lease	1,100.00	1,100.00	13,200.00
7370 · Postage, Mailing Service	235.00	235.00	2,820.00
7400 · Subscriptions, Membership Dues	15.00	15.00	908.00
7415 · Stipend - CSD Board	350.00	350.00	4,200.00
7420 · Training	0.00	750.00	3,000.00
7430 · Telephone Expense-Verizon	281.00	281.00	3,372.00
7440 · Taxes - Not UBIT	0.00	0.00	440.00
7465 · Employee Uniforms	0.00	0.00	300.00
7470 · Web Design and Maintenance	0.00	0.00	850.00
Total 7000 · Office Expense	3,654.00	5,514.00	51,076.00
Total Expense	40,606.00	42,466.00	500,258.00
Net Ordinary Income	-7,236.00	-9,096.00	-99,818.00
Other Income/Expense			
Other Income			
8000 · Other Income			
8070 · Interest Income	15.00	15.00	180.00
Total 8000 · Other Income	15.00	15.00	180.00
Total Other Income	15.00	15.00	180.00
Net Other Income	15.00	15.00	180.00
Net Income	-7,221.00	-9,081.00	-99,638.00

# Attachment F

2:23 PM

06/28/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Jul '24 - Jun 25
Ordinary Income/Expense	
Income	
4660 · Utility Revenue	347,640.00
4665 · Klamath County Property Taxes	45,000.00
4680 · Utility Revenue Refunds	-600.00
4910 · Late Fees	8,400.00
Total Income	400,440.00
Gross Profit	400,440.00
Expense	
5100 · Wages & Associated Payroll Cost	
5105 · Wages Expense	187,920.00
5107 · Wages Expense - On Call	18,240.00
5108 · Stipend - Medical	5,208.00
5110 · Payroll Employer's Cost	31,680.00
5120 · Workmans Compensation Expense	8,160.00
5130 · Accrued Vacation Expense	7,800.00
5150 · Payroll Services Cost	2,040.00
Total 5100 · Wages & Associated Payroll Cost	261,048.00
6200 · Contract Services	
6210 · Accounting Fees	6,000.00
6240 · Audit Fee	8,500.00
6250 · Consulting	31,800.00
6280 · Outside Contract Services	37,800.00
Total 6200 · Contract Services	84,100.00
6400 · Facilities & Vehicles	
6410 · Decomissioning	5,160.00
6420 · Facilities Repair & Maint	2,040.00
6440 · Vehicle Gas & Fuel	7,020.00
6450 · Vehicle Repairs and Maintenance	15,000.00
Total 6400 · Facilities & Vehicles	29,220.00
6500 · Field Equipment Maintenance	
6510 · Chlorination	26,838.00
6515 · Communication	1,008.00
6520 · Field Equipment Maint & Repairs	14,004.00
6530 · Field Supplies	8,004.00
6540 · Maintenance Tools	4,500.00
6580 · Testing	5,100.00
Total 6500 · Field Equipment Maintenance	59,454.00
6600 · Utilities	
6610 · Electric	13,800.00
6620 · CenturyLink	1,560.00
Total 6600 · Utilities	15,360.00
7000 · Office Expense	
7140 · Bank Fee	60.00
7150 · Business Expenses	840.00
7160 · Business Registration Fees	110.00
7170 · Credit Card Service	2,100.00
7200 · Garbage Service	216.00
7240 · Insurance - Property/Casualty	11,700.00
7270 · License and Fees	3,120.00
7320 · Office Supplies	2,040.00
7330 · Office Equipment & Software	1,200.00
7340 · Operations Certifications	600.00
7360 · Property Lease	13,200.00
7370 · Postage, Mailing Service	2,820.00
7400 · Subscriptions, Membership Dues	908.00

# Attachment F

2:23 PM

06/28/24

Accrual Basis

## Crescent Sanitary District - Actual Profit & Loss Budget Overview July 2024 through June 2025

	Jul '24 - Jun 25
7415 · Stipend - CSD Boad	4,200.00
7420 · Training	3,000.00
7430 · Telephone Expense-Verizon	3,372.00
7440 · Taxes - Not UBIT	440.00
7465 · Employee Uniforms	300.00
7470 · Web Design and Maintenance	850.00
Total 7000 · Office Expense	51,076.00
Total Expense	500,258.00
Net Ordinary Income	-99,818.00
Other Income/Expense	
Other Income	
8000 · Other Income	
8070 · Interest Income	180.00
Total 8000 · Other Income	180.00
Total Other Income	180.00
Net Other Income	180.00
Net Income	-99,638.00

# Attachment G

OBDD LOAN AMOUNT \$1,428,421.00

DEQ 25100 LOAN AMOUNT \$4,000,000

DEQ 25102 LOAN AMOUNT \$1,000,000 (final amount should be approx. \$872,430.98)

TOTAL \$6,428,421 (final amount should be approx. \$6,300,851.98)

## FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024

DECEMBER 2023	OBDD	\$57,798.40
FEBRUARY 2024	DEQ 25100	\$74,140.00
FEBRUARY 2024	DEQ 25102	\$19,309.00
TOTAL DUE		\$151,247.40

## FISCAL YEAR JULY 1, 2024 – JUNE 30, 2025

AUGUST 2024	DEQ 25100	\$91,168.00
AUGUST 2024	DEW 25102	\$24,160.00
DECEMBER 2024	OBDD	\$57,798.40
FEBRUARY 2025	DEQ 25100	\$74,140.00
FEBRUARY 2025	DEQ 25102	\$19,309.00
TOTAL DUE		\$266,575.40

## FISCAL YEAR JULY 1, 2025 – JUNE 30, 2026

AUGUST 2025	DEQ 25100	\$90,689.00
AUGUST 2025	DEW 25102	\$24,010.00
DECEMBER 2025	OBDD	\$57,798.40
FEBRUARY 2026	DEQ 25100	\$74,140.00
FEBRUARY 2026	DEQ 25102	\$19,309.00
TOTAL DUE		\$265,946.40



**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM  
REPAYMENT SCHEDULE**

<b>BORROWER:</b>	<b>Crescent</b>	<b>INTEREST RATE:</b>	<b>1.55%</b>
<b>SRF LOAN NO.:</b>	<b>R25100</b>	<b>TERM IN YEARS:</b>	<b>30</b>
<b>LOAN AMOUNT:</b>	<b>\$ 4,000,000</b>	<b>PAYMENT AMOUNT:</b>	<b>\$ 74,140</b>
		<b>ANNUAL FEE:</b>	<b>0.50%</b>

Due Date	Pmt#	PAYMENT				Principal Balance
		Principal	Interest	Fees	Total	
		PF Included				3,500,000
2/1/2023	1	0	129,473	0	129,473	3,500,000
8/1/2023	2	47,015	27,125	17,500	91,640	3,452,985
2/1/2024	3	47,379	26,761	0	74,140	3,405,606
8/1/2024	4	47,747	26,393	17,028	91,168	3,357,859
2/1/2025	5	48,117	26,023	0	74,140	3,309,742
8/1/2025	6	48,489	25,651	16,549	90,689	3,261,253
2/1/2026	7	48,865	25,275	0	74,140	3,212,388
8/1/2026	8	49,244	24,896	16,062	90,202	3,163,144
2/1/2027	9	49,626	24,514	0	74,140	3,113,518
8/1/2027	10	50,010	24,130	15,568	89,708	3,063,508
2/1/2028	11	50,398	23,742	0	74,140	3,013,110
8/1/2028	12	50,788	23,352	15,066	89,206	2,962,322
2/1/2029	13	51,182	22,958	0	74,140	2,911,140
8/1/2029	14	51,579	22,561	14,556	88,696	2,859,561
2/1/2030	15	51,978	22,162	0	74,140	2,807,583
8/1/2030	16	52,381	21,759	14,038	88,178	2,755,202
2/1/2031	17	52,787	21,353	0	74,140	2,702,415
8/1/2031	18	53,196	20,944	13,512	87,652	2,649,219
2/1/2032	19	53,609	20,531	0	74,140	2,595,610
8/1/2032	20	54,024	20,116	12,978	87,118	2,541,586
2/1/2033	21	54,443	19,697	0	74,140	2,487,143
8/1/2033	22	54,865	19,275	12,436	86,576	2,432,278
2/1/2034	23	55,290	18,850	0	74,140	2,376,988
8/1/2034	24	55,718	18,422	11,885	86,025	2,321,270
2/1/2035	25	56,150	17,990	0	74,140	2,265,120
8/1/2035	26	56,585	17,555	11,326	85,466	2,208,535
2/1/2036	27	57,024	17,116	0	74,140	2,151,511
8/1/2036	28	57,466	16,674	10,758	84,898	2,094,045
2/1/2037	29	57,911	16,229	0	74,140	2,036,134
8/1/2037	30	58,360	15,780	10,181	84,321	1,977,774
2/1/2038	31	58,812	15,328	0	74,140	1,918,962
8/1/2038	32	59,268	14,872	9,595	83,735	1,859,694
2/1/2039	33	59,727	14,413	0	74,140	1,799,967
8/1/2039	34	60,190	13,950	9,000	83,140	1,739,777
2/1/2040	35	60,657	13,483	0	74,140	1,679,120
8/1/2040	36	61,127	13,013	8,396	82,536	1,617,993
2/1/2041	37	61,601	12,539	0	74,140	1,556,392
8/1/2041	38	62,078	12,062	7,782	81,922	1,494,314
2/1/2042	39	62,559	11,581	0	74,140	1,431,755
8/1/2042	40	63,044	11,096	7,159	81,299	1,368,711
2/1/2043	41	63,532	10,608	0	74,140	1,305,179
8/1/2043	42	64,025	10,115	6,526	80,666	1,241,154
2/1/2044	43	64,521	9,619	0	74,140	1,176,633
8/1/2044	44	65,021	9,119	5,883	80,023	1,111,612
2/1/2045	45	65,525	8,615	0	74,140	1,046,087
8/1/2045	46	66,033	8,107	5,230	79,370	980,054
2/1/2046	47	66,545	7,595	0	74,140	913,509
8/1/2046	48	67,060	7,080	4,568	78,708	846,449
2/1/2047	49	67,580	6,560	0	74,140	778,869
8/1/2047	50	68,104	6,036	3,894	78,034	710,765
2/1/2048	51	68,632	5,508	0	74,140	642,133
8/1/2048	52	69,163	4,977	3,211	77,351	572,970
2/1/2049	53	69,699	4,441	0	74,140	503,271
8/1/2049	54	70,240	3,900	2,516	76,656	433,031
2/1/2050	55	70,784	3,356	0	74,140	382,247
8/1/2050	56	71,333	2,807	1,811	75,951	290,914
2/1/2051	57	71,885	2,255	0	74,140	219,029
8/1/2051	58	72,443	1,697	1,095	75,235	146,586
2/1/2052	59	73,004	1,136	0	74,140	73,582
8/1/2052	60	73,582	570	368	74,520	0

<b>TOTALS</b>	<b>3,500,000</b>	<b>1,003,745</b>	<b>286,477</b>	<b>4,790,222</b>
<b>REQUIRED LOAN RESERVE:</b>	<b>\$</b>	<b>75,062</b>		
<b>2/17/2022</b>				

*If you have any questions, please call Oscar Orejel at 503-887-3164*

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM  
REPAYMENT SCHEDULE**

<b>BORROWER:</b>	Crescent	<b>INTEREST RATE:</b>	0.89%
<b>SRF LOAN NO.:</b>	R25102	<b>TERM IN YEARS:</b>	30
<b>LOAN AMOUNT:</b>	\$ 1,000,000	<b>PAYMENT AMOUNT:</b>	\$ 19,309
		<b>ANNUAL FEE:</b>	0.50%

Due Date	Pmt#	PAYMENT				Principal Balance
		Principal	Interest	Fees	Total	
2/1/2023	1	0	9,512	0	9,512	1,000,000
8/1/2023	2	14,859	4,450	5,000	24,309	985,141
2/1/2024	3	14,925	4,384	0	19,309	970,216
8/1/2024	4	14,992	4,317	4,851	24,160	955,224
2/1/2025	5	15,058	4,251	0	19,309	940,166
8/1/2025	6	15,125	4,184	4,701	24,010	925,041
2/1/2026	7	15,193	4,116	0	19,309	909,848
8/1/2026	8	15,260	4,049	4,549	23,858	894,588
2/1/2027	9	15,328	3,981	0	19,309	879,260
8/1/2027	10	15,396	3,913	4,396	23,705	863,864
2/1/2028	11	15,465	3,844	0	19,309	848,399
8/1/2028	12	15,534	3,775	4,242	23,551	832,865
2/1/2029	13	15,603	3,706	0	19,309	817,262
8/1/2029	14	15,672	3,637	4,086	23,395	801,590
2/1/2030	15	15,742	3,567	0	19,309	785,848
8/1/2030	16	15,812	3,497	3,929	23,238	770,036
2/1/2031	17	15,882	3,427	0	19,309	754,154
8/1/2031	18	15,953	3,356	3,771	23,080	738,201
2/1/2032	19	16,024	3,285	0	19,309	722,177
8/1/2032	20	16,095	3,214	3,611	22,920	706,082
2/1/2033	21	16,167	3,142	0	19,309	689,915
8/1/2033	22	16,239	3,070	3,450	22,759	673,676
2/1/2034	23	16,311	2,998	0	19,309	657,365
8/1/2034	24	16,384	2,925	3,287	22,596	640,981
2/1/2035	25	16,457	2,852	0	19,309	624,524
8/1/2035	26	16,530	2,779	3,123	22,432	607,994
2/1/2036	27	16,603	2,706	0	19,309	591,391
8/1/2036	28	16,677	2,632	2,957	22,266	574,714
2/1/2037	29	16,752	2,557	0	19,309	557,962
8/1/2037	30	16,826	2,483	2,790	22,099	541,136
2/1/2038	31	16,901	2,408	0	19,309	524,235
8/1/2038	32	16,976	2,333	2,621	21,930	507,259
2/1/2039	33	17,052	2,257	0	19,309	490,207
8/1/2039	34	17,128	2,181	2,451	21,760	473,079
2/1/2040	35	17,204	2,105	0	19,309	455,875
8/1/2040	36	17,280	2,029	2,279	21,588	438,595
2/1/2041	37	17,357	1,952	0	19,309	421,238
8/1/2041	38	17,434	1,875	2,106	21,415	403,804
2/1/2042	39	17,512	1,797	0	19,309	386,292
8/1/2042	40	17,590	1,719	1,931	21,240	368,702
2/1/2043	41	17,668	1,841	0	19,309	351,034
8/1/2043	42	17,747	1,562	1,755	21,064	333,287
2/1/2044	43	17,826	1,483	0	19,309	315,461
8/1/2044	44	17,905	1,404	1,577	20,886	297,556
2/1/2045	45	17,985	1,324	0	19,309	279,571
8/1/2045	46	18,065	1,244	1,398	20,707	261,506
2/1/2046	47	18,145	1,164	0	19,309	243,361
8/1/2046	48	18,226	1,083	1,217	20,526	225,135
2/1/2047	49	18,307	1,002	0	19,309	206,828
8/1/2047	50	18,389	920	1,034	20,343	188,439
2/1/2048	51	18,470	839	0	19,309	169,969
8/1/2048	52	18,553	756	850	20,159	151,416
2/1/2049	53	18,635	674	0	19,309	132,781
8/1/2049	54	18,718	591	664	19,973	114,063
2/1/2050	55	18,801	508	0	19,309	95,262
8/1/2050	56	18,885	424	476	19,785	76,377
2/1/2051	57	18,969	340	0	19,309	57,408
8/1/2051	58	19,054	255	287	19,596	38,354
2/1/2052	59	19,138	171	0	19,309	19,216
8/1/2052	60	19,216	86	96	19,398	0

**TOTALS** 1,000,000 148,736 79,485 1,228,221  
**REQUIRED LOAN RESERVE:** \$ 19,148  
2/17/2022

If you have any questions, please call Oscar Orejel at 503-887-3164



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## Loan Repayment Schedule Crescent Sanitary District

<b>Project:</b>	<b>Wastewater Project</b>		
<b>Loan Number:</b>	<b>Y17003</b>	<b>Contract Executed:</b>	<b>07/31/2017</b>
<b>Portfol Number:</b>	<b>1716-2</b>	<b>Interest Rate:</b>	<b>1.19%</b>
<b>Program:</b>	<b>Water/Wastewater Fund</b>	<b>Orig. Approved Loan:</b>	<b>\$740,000.00</b>
<b>Funding Acct:</b>	<b>1230000655</b>	<b>Final Loan Amount:</b>	<b>\$1,428,421.00</b>

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Cml. Prin.</u>	<u>Cml. Int.</u>	<u>Balance</u>
12/01/2022	460,116.22	39,883.78	500,000.00	460,116.22	39,883.78	968,304.78
12/01/2023	46,275.57	11,522.83	57,798.40	506,391.79	51,406.61	922,029.21
12/01/2024	46,826.25	10,972.15	57,798.40	553,218.04	62,378.76	875,202.96
12/01/2025	47,383.48	10,414.92	57,798.40	600,601.52	72,793.68	827,819.48
12/01/2026	47,947.35	9,851.05	57,798.40	648,548.87	82,644.73	779,872.13
12/01/2027	48,517.92	9,280.48	57,798.40	697,066.79	91,925.21	731,354.21
12/01/2028	49,095.28	8,703.12	57,798.40	746,162.07	100,628.33	682,258.93
12/01/2029	49,679.52	8,118.88	57,798.40	795,841.59	108,747.21	632,579.41
12/01/2030	50,270.70	7,527.70	57,798.40	846,112.29	116,274.91	582,308.71
12/01/2031	50,868.93	6,929.47	57,798.40	896,981.22	123,204.38	531,439.78
12/01/2032	51,474.27	6,324.13	57,798.40	948,455.49	129,528.51	479,965.51
12/01/2033	52,086.81	5,711.59	57,798.40	1,000,542.30	135,240.10	427,878.70
12/01/2034	52,706.64	5,091.76	57,798.40	1,053,248.94	140,331.86	375,172.06
12/01/2035	53,333.85	4,464.55	57,798.40	1,106,582.79	144,796.41	321,838.21
12/01/2036	53,968.53	3,829.87	57,798.40	1,160,551.32	148,626.28	267,869.68
12/01/2037	54,610.75	3,187.65	57,798.40	1,215,162.07	151,813.93	213,258.93
12/01/2038	55,260.62	2,537.78	57,798.40	1,270,422.69	154,351.71	157,998.31
12/01/2039	55,918.22	1,880.18	57,798.40	1,326,340.91	156,231.89	102,080.09
12/01/2040	56,583.65	1,214.75	57,798.40	1,382,924.56	157,446.64	45,496.44
12/01/2041	45,496.44	541.41	46,037.85	1,428,421.00	157,988.05	0.00





# Attachment H

## DEPARTMENT OF JUSTICE CIVIL ENFORCEMENT DIVISION

November 4, 2024

### VIA U.S. CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Project Manager  
Crescent Sanitary District  
P.O. Box 265  
Crescent, OR 97733-0265

**RE: Clean Water State Revolving Fund Loan Agreement No. R25100, as amended;  
Clean Water State Revolving Fund Loan Agreement No. R25102, as amended;  
and  
Water Fund Water Project Financing Contract No. Y17003, as amended.**

To Whom It May Concern:

We write on behalf of the State of Oregon, acting by and through both its Department of Environmental Quality ("DEQ"), and the Oregon Infrastructure Finance Authority of the Oregon Business Development Department ("OBDD"), regarding the above-referenced loan agreements/financing contracts. More specifically, we write to formally advise the Crescent Sanitary District ("District") of its numerous defaults under the referenced agreements, and of DEQ's and OBDD's intent to seek all available remedies therefor.

This letter serves as DEQ's formal notice that the District is in default under Loan Agreement No.'s R25100 and R25102 for numerous reasons, including but not limited to: **(1)** failing to pay the obligations assumed thereunder when due (Article 8(A)(1)); **(2)** becoming insolvent and admitting an inability to pay its debts as they mature (Article 8(A)(3)); **(3)** failing to charge rates and fees that, together with other revenues, are adequate to produce net revenues each fiscal year equal to the specified percentage of the District's annual debt service obligations (Article 5(B)(1)); and **(4)** defaulting in the performance or observance of certain covenants or agreements contained in loan documents with other lenders, as discussed more fully below (Article 8(A)(5)).

Pursuant to the Loan Agreements' terms, DEQ declares the outstanding loan amounts under each of the Loan Agreements, including any unpaid accrued interest and/or fees, immediately due and payable. As of November 4, 2024, the amounts now due and payable are as follows:

#### **Loan Agreement R25100**

Principal:	\$3,439,888.00
Interest:	\$67,219.58
Fees:	\$21,582.00
Total:	\$3,528,689.58

#### **Loan Agreement R25102**

Principal:	\$857,572.00
Interest:	\$9,622.33
Fees:	\$5,380.00
Total:	\$872,574.33

Interest continues to accrue under Loan Agreement R25100 at the rate of \$146.08 per day, and under Loan Agreement R25102 at the rate of \$20.91 per day, until paid in full. Combined, the amounts due and payable to DEQ as of November 4, 2024 total \$4,401,263.91, with interest accruing at the rate of \$166.99 per day thereafter.

This letter also serves as OBDD's formal notice that the District is in default under Water Fund Water Project Financing Contract No. Y17003 for several reasons, including but not limited to: **(1)** failing to pay obligations assumed under any other loan made by the State of Oregon (Section 9(B))<sup>1</sup>; **(2)** becoming insolvent and admitting an inability to pay its debts as they become due (Section 9(D)(3)); and **(3)** failing to charge rates and fees that, together with other revenues, are adequate to produce net revenues each fiscal year equal to the specified percentage of the District's annual debt service obligations (Exhibit B, Section B(4)). Pursuant to the Contract's terms, OBDD declares the outstanding loan amount, including any unpaid accrued interest and/or fees, immediately due and payable. As of November 4, 2024, the amount now due and payable is as follows:

**Financing Contract No. Y17003**

Principal:	\$968,305.00
Interest:	\$21,855.55
Total:	\$990,160.55

Interest continues to accrue under Financing Contract No. Y17003 at the rate of \$30.48 per day, until paid in full.

On or before December 4, 2024, the District must either: (i) pay the above amounts (collectively, the "Indebtedness") in full; or (ii) present DEQ and OBDD with a written plan by which it proposes to pay off the Indebtedness in full ("Proposed Repayment Plan" or "Plan"). Any Proposed Repayment Plan must include, at a minimum, a date certain by which the District will begin repaying the Indebtedness and the period over which the Indebtedness will be repaid.

DEQ and OBDD reserve the right to reject a Proposed Repayment Plan in whole or in part, and any willingness on DEQ's/OBDD's part to entertain any Proposed Repayment Plan presented by the District is not and shall not be construed as a waiver of DEQ's/OBDD's rights under the various agreements, or to strictly enforce the same in accordance with their terms. No Proposed Repayment Plan is effective until reduced to a written agreement that is: (i) in a form and of substance acceptable to DEQ and/or OBDD in their sole discretion; and (ii) executed by DEQ and/or OBDD, as appropriate.

Cont'd.

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<sup>1</sup> To wit: Loan Agreement No.'s R25100 and R25102.

If the District has any questions about the above, please direct the same to the undersigned, and refrain from any direct contact on the subject matter discussed herein with any DEQ or OBDD employee, agent, or other representative.

Sincerely,

*s/ Andrew T. Reilly*

Andrew T. Reilly  
Senior Assistant Attorney General

cc: Clients  
Brenda Ashcraft, Office Mgr. (via e-mail only [[info@crescentsanitarydistrict.org](mailto:info@crescentsanitarydistrict.org)])