

President, Board of Directors
Crescent Sanitary District
P.O. Box 265
Crescent, OR 97733-0265

January 9, 2025

Department of Justice
Civil Enforcement Division
State of Oregon
Attn: Mr. Andrew T. Reilly
Senior Assistant Attorney General

Subject: Acknowledgment of Default Notice, Proposed Remedy Plan, and Request for Disadvantaged Community Classification

Dear Mr. Reilly,

We acknowledge receipt of your letter dated November 4, 2024, regarding the Crescent Sanitary District's default under Clean Water State Revolving Fund Loan Agreements R25100 and R25102, and Water Fund Water Project Financing Contract No. Y17003.

The District recognizes the seriousness of the outlined defaults and regrets the circumstances leading to this situation. First let me reiterate again the financial constraints CSD has faced since its inception as delineated by previously published financial reports, studies, and audit reports for the past 3 years as listed in exhibits A through C.

- a. Limited clientele expansion
- b. Runaway construction cost from initial budget of \$3 million to \$11 plus million
- c. Loans requested and granted with obvious knowledge of not being capable of servicing future projected payments
- d. Inability to employ upper-level personnel licensed and qualified to maintain a public sanitary service facility due to its remote isolated location and inability to offer and afford current market wages.

The District faces ongoing financial challenges as mentioned above due to its limited revenue-generating capacity. Despite efforts to increase service rates and operational efficiencies, these measures have not sufficed to meet our funding requirement to maintain the existing sewer plant much less the debt service obligations.

Since I recently assumed the role of President of CSD's Board of Directors, and with the support of the former CSD manager and the accountant, CSD has taken significant steps to reduce labor costs. These efforts have brought the budget down from \$261,048 to \$165,000, despite the organization's need for additional labor.

This reduction aims to ensure sufficient funds for regular operations and to establish a viable payment plan for loans currently in default, as highlighted in your letter. The cost savings have been achieved through measures such as reducing the workforce by eliminating a field operator position, forgoing the hiring of a planned field operator, and leaving the manager's position vacant for the remainder of the current fiscal year.

Exhibits D through F, portray our current financial position (depreciation and loan interest expense has been excluded from the following profit and loss reports):

Exhibit D - Service Income Projections

As detailed in Exhibit C, CSD faces significant challenges in achieving growth potential, compounded by the low likelihood of implementing utility rate increases sufficient to cover operational expenses and loan obligations. To meet its financial responsibilities, CSD would need to raise rates by approximately \$160-\$175 per month.

A similar conclusion was reached by SSSD.org during their evaluation of CSD's facility, conducted at the request of the Klamath County Commissioner (refer to Exhibit B).

Exhibit E – CSD Statement of Cash Flows.

Displays a continued depletion of cash assets as projected by exhibit A and C. For the period ending 31 December 2024 CSD cash asset has been depleted by \$23,854

Exhibit F - CSD Financial Statements on 31 December 2024.

Management's overall cost reduction efforts has provided for the current fiscal year (Jun-Dec 2024) a net income of \$23,465 (excluding depreciation and loan interest) sufficient to cover equipment major repairs and budgeted asset acquisitions

Exhibit G – Going Concern.

As reported by Note 9 of exhibit A and page 4 of exhibit C, CSD's is unable to meet its current and future debt service obligations. Quoting note 9 of Sensiba's notes to Financial Statements in their audit report for FY 2024 which ended 30 June 2024 "...there is substantial doubt about its ability to continue as a going concern."

A proposal for a payment plan as requested by your letter of November 4, 2024, would be at the present time futile as would place management in a decision mode of either funding CSD's reduced operational expenses with an understaff personnel or servicing loan commitments. It should be noted that neither option will have sufficient funds in the near future as CSD's repairs and maintenance woes for their Gilchrist system with an outdated infrastructure is prone to failure in the near future as reported by SSSD.org Team (exhibit B).

In consideration of the above facts, we respectfully submit the following proposal:

1. Request for Disadvantaged Community Classification

We propose that Crescent Community and its sanitary district be classified as a “Disadvantaged Community” under **Administrative Order No.: DEQ-5-2023**. This designation would allow the District to qualify for financial relief, including but not limited to:

- Loan forgiveness.
- Temporary interest moratoriums on outstanding loans.
- Eligibility for grants and subsidies aimed at supporting essential public services.

Given the economic profile of the Crescent City community and the District’s ongoing financial constraints, we believe this classification is justified and aligns with the objectives of the Administrative Order.

This classification would be instrumental in providing the financial relief necessary to ensure the sustainability of essential public services provided by the District.

2. Request for Interest Moratorium

As a public sewer services company in Oregon, we are seeking to request a loan interest moratorium due to existing financial hardship. Relevant guidance can be found within the framework of the Clean Water State Revolving Fund (CWSRF) a program managed by the Oregon Department of Environmental Quality (DEQ).

3. Exploration of Additional Financial Support

We are committed to identifying and securing alternative funding sources, including federal and state grants, to stabilize our financial position. Extensive research is ongoing under relevant statutory references that include Oregon Administrative Rules Chapter 340, Division 54, and Oregon Revised Statutes 468.423 to 468.440, which define administrative and financial guidelines for these programs

4. RCAC Rate Study

During the month of October 2024, CSD’s manager contacted Ms. Dessa Wells (exhibit G) and was successful in obtaining a rate study for the Crescent Community and Gilchrist to be conducted by RCAC at no cost to CSD. Currently study is on hold, and we will pursue re-activation in the coming weeks.

5. Engagement with Stakeholders

The District will actively engage with community members and stakeholders to ensure transparency regarding proposed measures, including public discussions on rate adjustments and cost-sharing strategies.

6. Submission of a Proposed Repayment Plan

By June 1, 2025, based on any successful actions obtained as listed above, the District will submit a detailed repayment plan that will include:

- A realistic timeline for repayment of Loan Agreements R25100 and R25102, and Financing Contract No. Y17003.
- A revenue enhancement strategy, including RCAC study results if a proposed rate increases is determined and exploration of alternative funding sources.
- A feasibility analysis to ensure the repayment plan is practical and achievable.

7. Implementation of Financial Oversight Measures

The District will continue with its existing enhanced financial oversight mechanisms, including regular audits and budget reviews. As a result of on-going significant cost reductions, CSD is currently completing a Supplemental Budget for board approval and submission.

We are committed to resolving this matter in collaboration with all stakeholders and ensuring the Crescent Sanitary District's long-term financial health and operational viability.

Thank you for your consideration of this proposal.

Sincerely,
James Simmons, President
Board of Directors
Crescent Sanitary District

Exhibits:

- Exhibit A: FY 2024 Audit Report
- Exhibit B: SSSD.org CSD's Facility Review
- Exhibit C: Accountant's Assessment and Concerns
- Exhibit D: CSD FY 2025 Service Income Projections
- Exhibit E: CSD Statement Cash Flows Jul-Dec 2024
- Exhibit F: CSD Financial Statements Jul-Dec 2024
- Exhibit G: CSD Manager and RCAC emails on Rate Study

CRESCENT SANITARY DISTRICT

DISTRICT OFFICIALS

JUNE 30, 2024

President and Vice President

Scott DeCarlo
Crescent, Oregon

Secretary/Treasurer

Marvin Hicks
Crescent, Oregon

Member at Large

Duffy Caldwell
Crescent, Oregon

Registered Agent and Office

Scott DeCarlo
PO Box 265
Crescent, Oregon 97702
541-433-2951

CRESCENT SANITARY DISTRICT

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CRESCENT SANTIARY DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
Year ended June 30, 2024

Our discussion and analysis of Crescent Sanitary District (the District) financial performance provides an overview of the Districts' financial activities for the fiscal year ending June 30, 2024. Please read it in conjunction with the District's financial statements, which follow this Management's Discussion and Analysis.

Financial Highlights

As of June 30, 2024, the District's ending net position was \$5,525,831. Of this, the amount invested in capital assets net of related debt was \$5,390,958. The ending net position decreased by \$275,719 compared to prior year, thus resulting in an unrestricted net position of \$134,873. The decrease in net position was primarily related to depreciation on the infrastructure assets which were placed in service in the prior year.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. These basic financial statements comprise four components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position and 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The District operated a sewer system. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$5,525,831 on June 30, 2024.

Of the District's net position, 98% reflects its investment in capital assets net of accumulated depreciation.

Property tax revenues remained consistent with the prior year while charges for services increased approximately 18% compared to prior year.

CRESCENT SANTIARY DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
Year ended June 30, 2024

Overview of Financial Statements

Net position over time, may serve as a useful indicator of a government's financial position. An overview of the District's Statement of Net Position is as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Assets		
Current and other assets	\$ 228,673	\$ 185,355
Capital assets, net	10,652,553	10,885,953
Right-to-use assets, net	65,817	75,681
Total Assets	<u>10,947,043</u>	<u>11,146,989</u>
Liabilities		
Current liabilities	377,393	111,784
Long-term liabilities	5,043,819	5,233,655
Total Liabilities	<u>5,421,212</u>	<u>5,345,439</u>
Net Position		
Net investment in capital assets	5,390,958	5,623,599
Unrestricted	134,873	177,951
Total Net Position	<u>\$ 5,525,831</u>	<u>\$ 5,801,550</u>

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

	<u>Year Ended June 30, 2024</u>	<u>Year Ended June 30, 2023</u>
Operating revenue	\$ 374,087	\$ 315,696
Operating expenses	(655,083)	(530,246)
Net operating income (loss)	<u>(280,996)</u>	<u>(214,550)</u>
Non-operating revenue and expense	<u>5,277</u>	<u>1,287,853</u>
Changes in net position	(275,719)	1,073,303
Net position - beginning of year	<u>5,801,550</u>	<u>4,728,247</u>
Net position - end of year	<u>\$ 5,525,831</u>	<u>\$ 5,801,550</u>

CRESCENT SANITARY DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
Year ended June 30, 2024

Capital Asset and Debt Administration

The District's investment in capital assets totaling \$10,652,553, includes land, easements, equipment and vehicles. The wastewater system, net of accumulated depreciation, was reported as \$10,414,569 and equipment & vehicles were \$96,362. Additionally, the District reported \$94,545 of right to use assets, net of amortization, related to its building lease.

The District was obligated to various government agencies related to the construction of the Crescent and Gilchrist sewer system projects, totaling \$5,262,354. The District did not make any payments against their debt obligations during the fiscal year. The District's lease obligation related to its right of use building lease was \$65,817 as of June 30, 2024.

Additional information on the District's capital assets and long-term debt can be found in the notes to the financial statements at Notes 3, 4 and 5.

Economic Factors and Next Year's Budget

We anticipate charges for services of approximately \$355,620 will be collected from customers of the District in the upcoming fiscal year. Included in the District's budget for fiscal year 2024-25 are capital outlays of \$35,000.

The District did not budget for its debt service obligations for the fiscal year ending June 30, 2025 as Oregon Local Budget Law does not allow an Oregon municipality to budget a negative fund balance, and projected revenue is not sufficient to cover annual operating costs and debt service requirements. Debt service payments have been deferred until December 31, 2024 for the Oregon Business Development Department loans. The District is in process of negotiating the Oregon Department of Environmental Quality loans.

Management and the Board are actively pursuing grant funding and potential modification of grant terms with the State of Oregon as a means of addressing their inability to fund required debt service payments in the future.

Requests for Information

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

CRESCENT SANITARY DISTRICT

Statement of Net Position Year Ended June 30, 2024

	<u>2024</u>
ASSETS:	
Current assets:	
Cash	\$ 111,722
Accounts receivable	58,062
Property taxes receivable	1,233
Prepaid expenses and deposits	<u>7,475</u>
Total current assets	<u>178,492</u>
Restricted cash	50,181
Capital assets not being depreciated	
Land	90,070
Easement	36,413
Pump grinders	65,633
Right of use building lease, net	65,817
Capital assets, net	
Equipment and vehicles	45,868
Wastewater system	<u>10,414,569</u>
Total assets	<u>10,947,043</u>
LIABILITIES AND NET POSITION:	
Current liabilities:	
Accounts payable	12,575
Unearned revenue	1,417
Payroll liabilities	11,531
Accrued interest payable	68,277
Current portion, notes payable	273,429
Current portion, lease liability	<u>10,164</u>
Total current liabilities	<u>377,393</u>
Long-term liabilities:	
Notes payable	4,988,166
Lease liability	<u>55,653</u>
Total long-term liabilities	<u>5,043,819</u>
Total liabilities	<u>5,421,212</u>
Net position:	
Net investment in capital assets	5,390,958
Unrestricted	<u>134,873</u>
Total net position	<u>\$ 5,525,831</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT

Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2024

	<u>2024</u>
Operating revenues:	
Charges for services	\$ 374,087
Total operating revenues	<u>374,087</u>
Operating expenses:	
Amortization	9,864
Contracted services	63,443
Depreciation	312,004
Fuel	4,167
Insurance	11,071
Miscellaneous	3,078
Licenses, dues and permits	34,586
Office expense	15,230
Rent	1,200
Repair & maintenance	22,048
Travel and meals	272
Utilities	24,025
Wages and associated payroll costs	154,095
Total operating expenses	<u>655,083</u>
Operating loss	<u>(280,996)</u>
Non-operating revenue and (expense):	
Property taxes	37,609
Interest income	607
Other income	933
Insurance proceeds	36,541
Interest expense	(70,413)
Total non-operating revenue and expense	<u>5,277</u>
Change in net position	<u>(275,719)</u>
Net position, beginning	<u>5,801,550</u>
Net position, ending	<u>\$ 5,525,831</u>

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CRESCENT SANITARY DISTRICT

Statement of Cash Flows Year Ended June 30, 2024

	<u>2024</u>
Cash flows from operations	
Cash received from customers	\$ 359,551
Cash payments to employees for services	(148,473)
Cash payments to acquire services and materials	<u>(72,523)</u>
Net cash provided (used) by operations	<u>138,555</u>
Cash flows from non capital financing activities	
Interest income	607
Other income	933
Insurance proceeds	36,541
Property tax collections	<u>37,609</u>
Net cash provided (used) by non capital financing activities	<u>75,690</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(78,604)
Loan payments	(760)
Payments on lease liabilities	(9,864)
Interest expense on capital loans and leases	(70,412)
Restricted cash	<u>(6,189)</u>
Net cash provided (used) by capital financing activities	<u>(165,829)</u>
Net increase (decrease) in cash	48,416
Cash - beginning of year	<u>63,306</u>
Cash - end of year	<u>\$ 111,722</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income (loss)	\$ (280,996)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	321,868
Changes in working capital accounts:	
Prepaid expense	27,240
Accounts receivable	(15,953)
Accounts payable	11,080
Unearned revenue	1,417
Accrued interest	68,277
Payroll liabilities	<u>5,622</u>
Net cash provided (used) by operations	<u>\$ 138,555</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Note 1: Summary of significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of American ("GAAP") as applied to government units as required by Oregon law. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting board for establishing governmental accounting and financial reporting principles. The more significant of accounting policies are described below.

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

The District is governed by an independently elected board of directors and is legally separate from all other entities. It is also financially independent of other state and local governmental units. It has the power to levy taxes, is responsible for its debts and is entitled to any surplus. The District is not a component unit of another entity.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including property taxes, and capital grant financing are reported as nonoperating revenues and expenses.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

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

The proposed budget is presented by the budget officer to the budget committee. Public meetings are held by the budget committee. The budget committee may make changes to the original document. The budget committee approves the budget document to be submitted to the governing body of the District. Once the budget document is received by the governing body, they hold a public hearing on a date as published.

After the public hearing, the governing body gives consideration to matters discussed and makes amendments to the budget document prior to adoption. However, state statutes do not allow the governing body to increase estimated expenditures for each fund by more than ten percent. The amount of the total ad valorem taxes to be certified by the county for levy for all funds shall not exceed the amount presented by the budget committee unless the budget document is republished and another public hearing is held.

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

Cash and Investments: For financial reporting purposes, the District considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Oregon Revised Statutes authorized the District to invest in obligations of the U.S. Treasury and Agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool.

Prepaid Expenses and Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Utility Receivables: Amounts due at year end were considered to be fully collectible. Delinquent wastewater accounts may be turned over to the county tax assessor to become a lien against the property, which is collected by the counties or paid upon sale or foreclosure of the property. Under the terms of the lien, the county turns over the past due accounts as collected. The lien process is performed annually at year end for all past due accounts.

Property Taxes: Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property.

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

Capital Assets: the District defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life extending beyond one year.

Right to Use Assets: The District capitalizes noncancelable leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*. The standard requires leases which are within the scope of the standard, to be capitalized at their net present value at inception and amortized over the shorter of the life of the lease or the useful life of the asset.

Lease Liabilities: The District determines if an arrangement is a lease and its classification at lease inception. Operating lease liabilities are recognized at the commencement date of the lease based on the present value of the lease payments over the lease term. The District uses its incremental borrowing rate based on the information available at the lease commencement date to compute the present value of the lease payments when the implicit rate is not readily determinable. Right-to-use (“ROU”) assets are measured at lease inception based on the initial measurement of the lease liability. The District does not recognize ROU assets or lease liabilities with a term of twelve months or less. Lease terms do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

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

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

Unrestricted net position: All other net assets not invested in capital assets or restricted.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events: The District has evaluated subsequent events through the date that the basic financial statements were available to be issued which is the date of the independent auditors' report.

Note 2: Cash

At June 30, 2024 the District held cash of \$161,903 with a bank balance of \$164,148. Oregon Revised Statute Chapter 295 requires that bank depositories pledge collateral against any public fund deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. The Office of the State Treasurer maintains a list of financial institutions in which deposits in excess of deposit insurance limits can be held. As of June 30, 2024 the District's bank deposits were not exceeded amounts insured by the FDIC.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Note 3: Capital assets, net

The District's capital asset activity was as follows:

	June 30, 2023	Additions	Dispositions	June 30, 2024
Assets not being depreciated:				
Land	\$ 90,070	\$ -	\$ -	\$ 90,070
Easement	36,413	-	-	36,413
Grinders	65,633	-	-	65,633
Total assets not being depreciated	<u>192,116</u>	<u>-</u>	<u>-</u>	<u>192,116</u>
Assets being depreciated or amortized:				
Wastewater system	11,400,913	66,006	-	11,466,919
Equipment and vehicles	83,764	12,598	-	96,362
Right to use asset - building	94,545	-	-	94,545
Total depreciable assets	<u>11,579,222</u>	<u>78,604</u>	<u>-</u>	<u>11,657,826</u>
Less accumulated depreciation for:				
Wastewater system	(767,327)	(285,023)	-	(1,052,350)
Equipment and vehicles	(23,513)	(26,981)	-	(50,494)
Less accumulated amortization for:				
Right-to-use - building	<u>(18,864)</u>	<u>(9,864)</u>	<u>-</u>	<u>(28,728)</u>
	<u>(809,704)</u>	<u>(321,868)</u>	<u>-</u>	<u>(1,131,572)</u>
Assets being depreciated and amortized	<u>10,769,518</u>	<u>(243,264)</u>	<u>-</u>	<u>10,526,254</u>
Total assets	\$ <u>10,961,634</u>	\$ <u>(243,264)</u>	\$ <u>-</u>	\$ <u>10,718,370</u>

Note 4: Lease obligations

In June 2020, the District signed a non-cancelable lease for the administrative office with an annual base lease of \$12,000. The lease terminates on June 30, 2025. At the end of the initial term, the District may extend the lease five years at its option. Base rent is fixed annually during the initial term and any renewal term. Management is reasonably certain the District will exercise its option and has included the option period in its calculation of the right of use asset and related lease liability.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Principal and interest requirements to maturity for the lease liability are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 10,165	\$ 1,835	\$ 12,000
2026	10,474	1,526	12,000
2027	10,792	1,208	12,000
2028-2030	34,386	1,614	36,000
	<u>\$ 65,817</u>	<u>\$ 6,183</u>	<u>\$ 72,000</u>

Note 5: Long-term debt

The District's debt activity for the year is as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
Oregon Business Development Department	\$ 279,884	\$ -	\$ -	\$ 279,884	\$ 27,000
Oregon Business Development Department	688,421	-	-	688,421	66,102
Oregon Department of Environmental Quality	3,439,888	-	-	3,439,888	142,550
Oregon Department of Environmental Quality	853,382	-	-	853,382	37,777
	<u>\$ 5,261,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,261,575</u>	<u>\$ 273,429</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them. Financial statements are presented only for the year ended June 30, 2024.

CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Oregon Business Development Department Loan Agreement: In July 2017, the District entered into an Intergovernmental Loan Agreement with the Oregon Business Development Department (OBDD) with in the amount of \$740,000. The agreement was amended in October 2017 to a maximum borrowing of \$1,473,900. The original loan amount of \$740,000 bears interest at a rate of 1.25%. The additional amount of \$733,900 bears interest at a rate of 1.19%. The District made no payments against the additional loan amounts during the fiscal year. Payments will begin on both notes in December 2024, under a deferment agreement with OBDD and both notes mature on the 24th anniversary of the repayment commencement date. Under the terms of the agreement, the District pledged its (1) full faith and credit and taxing power and (2) net system revenues as security to fund amounts due under the financing contract.

Department of Environmental Quality Loan Agreement #1: In October 2018, the District entered into an Intergovernmental Loan Agreement with the Department of Environment Quality (DEQ), including two subsequent amendments. Under the terms of the agreements as amended, the maximum borrowing is \$4,000,000. A loan reserve in the amount of \$83,332 is required to be maintained when the repayment term begins, to be in effect until the loan is paid in full. The loan bears interest at a rate of 1.55% per annum and requires 60 semi-annual payments of \$74,140. In addition, the loan calls for annual fees to be paid in the amount of 0.5% of the outstanding loan balance, to be paid semi-annually. During the 2022, the DEQ awarded loan forgiveness in the amount of \$500,000, which reduced the principal balance to be amortized to \$3,500,000. The District did not make any payments against the loan balance during the fiscal year and is in process of negotiating with the DEQ.

Department of Environmental Quality Loan Agreement #2: In April 2021, the District entered into an Intergovernmental Loan Agreement with the Department of Environment Quality (DEQ) for a loan amount of \$1,000,000. A loan reserve in the amount of \$19,024 is required to be maintained when the repayment term begins, to be in effect until the loan is paid in full. The DEQ has not closed the loan out as of the date of these financial statements, however payments are currently expected to begin on August 1, 2024. No amortization schedule has been provided by the DEQ, and the loan is reported as all long-term. The District received disbursements under this loan in the amount of \$868,261 as June 30, 2024. The loan bears interest at a rate of .89% per annum and requires 60 semi-annual payments which will be calculated upon loan close out by DEQ. In addition, the loan calls for annual fees to be paid in the amount of 0.5% of the outstanding loan balance. The District did not make any payments against the loan balance during the fiscal year and is in process of negotiating with the DEQ.

Both DEQ loans pledge irrevocable security interests in the District's net revenues, superior to all other claims and liens.

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CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Principal and interest requirements to maturity are as follows:

Fiscal Year Ended June 30	Oregon Business Development Loans			Oregon DEQ Loan #1			Oregon DEQ Loan #2		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	93,102	27,981	121,083	142,550	93,226	235,776	37,777	14,720	52,497
2026	47,383	10,415	57,798	97,563	50,717	148,280	25,618	7,467	33,085
2027	47,947	9,851	57,798	99,081	49,199	148,280	25,847	7,238	33,085
2028	48,518	9,280	57,798	100,623	47,657	148,280	26,078	7,007	33,085
2029	49,095	8,703	57,798	102,189	46,091	148,280	26,311	6,774	33,085
2030-2034	254,381	34,612	288,993	535,294	195,106	730,400	134,676	30,749	165,425
2035-2039	269,882	19,113	288,995	578,258	163,144	741,402	142,536	22,889	165,425
2040-2044	157,997	3,636	161,633	625,670	116,730	742,400	149,018	16,407	165,425
2045-2049	-	-	-	674,805	66,595	741,400	155,796	9,629	165,425
2050-2054	-	-	-	483,855	8,145	492,000	129,725	2,615	132,340
	<u>\$ 968,305</u>	<u>\$ 123,591</u>	<u>\$ 1,091,896</u>	<u>\$ 3,439,888</u>	<u>\$ 836,610</u>	<u>\$ 4,276,498</u>	<u>\$ 853,382</u>	<u>\$ 125,495</u>	<u>\$ 978,877</u>

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CRESCENT SANITARY DISTRICT
Notes to the Financial Statements
June 30, 2024

Note 6: Risk management

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchased commercial insurance for general liability and fidelity bonding. Settled claims have not exceeded coverage in the prior three years.

Note 7: Commitments

The District has committed to pay approximately \$328,500 in Oregon DEQ loan fees in future periods as of June 30, 2024.

Note 8: Over-expenditure of appropriation

During the fiscal year ended June 30, 2024, the District overspent its appropriation for personnel services by \$797, its appropriation for materials and services by \$9,302, and capital outlay by \$25,604.

Note 9: Going concern

The District did not have sufficient cash flow to meet its debt service requirements during the fiscal year ended June 30, 2024. Additionally, it did not budget for debt service requirements in its most recent adopted budget due to projected cash shortfalls. Management is negotiating loan terms with DEQ and OBDD. OBDD has agreed to defer payments on its loan until December 31st, 2024. No agreement for loan term modifications have been negotiated with DEQ at this time. Because the District is unable to meet its future debt service obligations, there is substantial doubt about its ability to continue as a going concern.

Management has adopted a budget for the fiscal year ending June 30, 2025 which provides for ongoing operations, excluding any budgeted amounts to fund debt service obligations. 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 10: Subsequent events

Effective July 1, 2024, all of the board members of Crescent Sanitary District vacated the board. New board members were appointed and sworn in during September 2024.

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CRESCENT SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Budget and Actual – Sewer Fund
Year ended June 30, 2024

	Original Budget	Final Budget	Actual - Budgetary Basis
<u>Revenues:</u>			
Property taxes	\$ 36,000	\$ 48,000	\$ 37,609
Charges for service	316,605	327,380	374,087
Other income	120	360	38,081
Total revenues	<u>352,725</u>	<u>375,740</u>	<u>449,777</u>
<u>Expenditures:</u>			
Personnel services	132,241	153,298	154,095
Material and services	149,993	169,818	179,120
Depreciation and amortization	-	-	-
Capital outlay	15,000	53,000	78,604
Interest expense	69,321	-	-
Contingencies	6,000	26,174	-
Total expenditures	<u>372,555</u>	<u>402,290</u>	<u>411,819</u>
Change in fund balance	<u>(19,830)</u>	<u>(26,550)</u>	<u>37,958</u>
Fund Balance - July 1, 2023	<u>100,578</u>	<u>107,298</u>	<u>(13,127)</u>
Fund Balance - June 30, 2024	\$ <u>80,748</u>	\$ <u>80,748</u>	\$ <u>24,831</u>

The District budgets the sewer fund as a governmental fund on the budget basis of accounting. Reconciliations between the budgetary and actual bases are presented as variances in the schedule.

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 Db a 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. 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 a minor 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.

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Management Representation as Required by Oregon Minimum Standards

Crescent Sanitary District (District) is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

- (a) Deposit of public funds with financial institutions.
- (b) Indebtedness limitations, restrictions, and repayment.
- (c) Insurance and fidelity bonds in force or required by law.
- (d) Public contracts, purchasing, and improvements.
- (e) Authorized investment of surplus funds.
- (f) Oregon local budget law
- (g) Programs funded with outside sources

The management of the District is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements.

We are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Statement Required by ORS 297.435 (3)(c)

The Board Members and the District were covered by a \$250,000 fidelity bond from July 1, 2023 through December 31, 2023. Beginning on January 1, 2024, the bond was increased to \$1,000,000.

Brenda Gail Ashcraft

box SIGN 4PKVW5R1-13X7PZZR

Brenda Ashcraft, Office Manager

Nov 27, 2024

Date

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.

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 Gilchrest 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.
- 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. 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.
- Gilcrest 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.
- Gilcrest 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.

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

(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

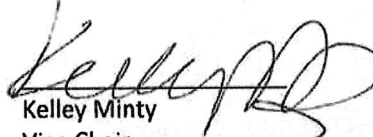
Re: Evaluation of Crescent Sanitary District

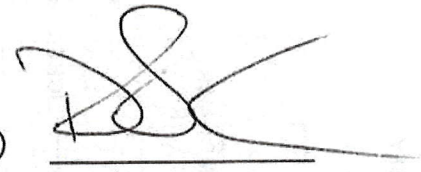
Dear Mr. Spendolini,

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

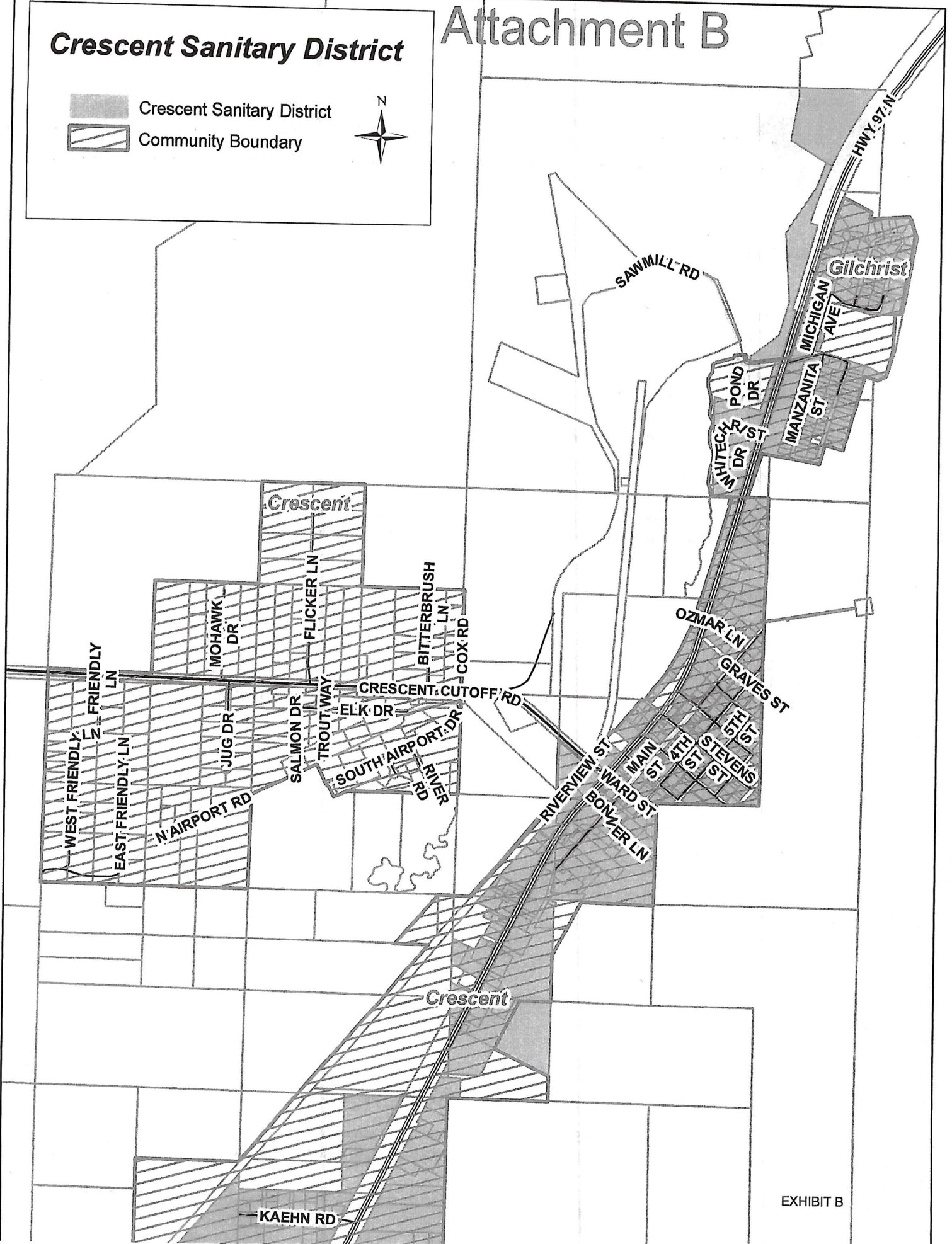
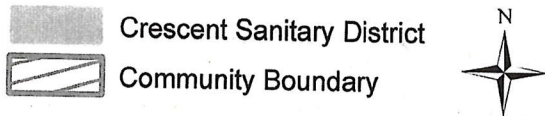
When you're here, you're home

305 Main Street, Klamath Falls, Oregon 97601
Phone: (541) 883-5100 | Fax: (541) 883-5163 | Email: bocc@klamathcounty.org

EXHIBIT B

Crescent Sanitary District

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)
SANITARY DISTRICT BOARD)

ORDER NO. 2025-010

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 31st day of July, 2024.

KLAMATH COUNTY BOARD OF COMMISSIONERS

Not Present

Chair

Commissioner

Commissioner

Attachment D

AL ADKINS ENGINEERING & SURVEYING

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 3rd, 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

EXHIBIT B

Attachment D

		wet well may or may not be explosion proof (Picture 4), recommend follow up with electrician or electrical engineer to confirm.
3	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.
4	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).
5	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



o 541.884.4666 / f 541.884.5335 / w AdkinsEngineering.com
1435 Esplanade Ave, Klamath Falls, OR 97601

Gidelatorre Tax & Accounting Dba BizTaxes1120

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.

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.

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.

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.

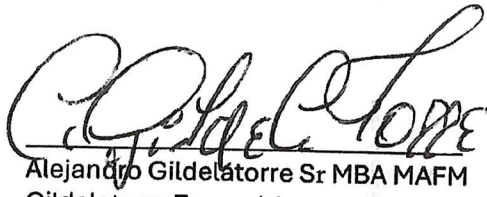
➤ Going Concern

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.

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.



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

	C	D	E	F	G	H
2	CSD FY 2025 Service Income Projection					
3	Description	Total Units	Fee	Total	Bartering	Reason
4	Residential	304	79.50	24,168.00		
5	Tier 1	15	79.50	1,192.50	(30.00)	Water
6	Tier 2	7	198.50	1,389.50	(198.50)	Walker Range
7	Tier 3	1	409.50	409.50		
8	Fire Station	1	79.50	79.50		
9	Fire Station Housing	1	99.45	99.45		
10	School	1	468.00	468.00		
11	Church	3	79.50	238.50		
12	Motels and Hotels 1	1	330.52	330.52		
13	Motels and Hotels 2	1	203.58	203.58		
14	Motels and Hotels 3	-	149.17	149.17		
15	RV Parks \$58.50+0.585/day	2	1,772.55	1,506.67	85.0%	Jun-Oct Season
16	RV Parks \$58.50+0.585/day	-	1,772.55	620.39	35.0%	Oct-May Season
17						
18	Projected Total Monthly Income	337		30,855.28		
19						

PM

/25

al Basis

Crescent Sanitary District - Actual Balance Sheet As of December 31, 2024

	Dec 31, 24
ASSETS	
Current Assets	
Checking/Savings	
1000 · CSD Checking	75,736.77
1010 · CSD Savings-DEQ Loans	53,284.35
1020 · CSD Business Savings	9,027.07
Total Checking/Savings	138,048.19
Accounts Receivable	
1205 · Property Tax Receivable	1,233.00
1212 · Customer Sanitary Services	38,664.58
1213 · Tax Assessor Delinquent Accts	1,140.71
Total Accounts Receivable	41,038.29
Other Current Assets	
1220 · Deposits	600.00
1300 · Prepaid Expenses	4,284.03
Total Other Current Assets	4,884.03
Total Current Assets	183,970.51
Fixed Assets	
1510 · Land - Wastewater Facility	90,070.00
1515 · Easement	36,412.79
1520 · Machinery & Equipment	28,805.20
1535 · Machinery & Equip - Vehicles	95,555.72
1550 · Sewer Collection System	11,466,919.22
1551 · Grinders	65,633.00
1590 · Projects in Progress	
1590.3 · GLS-3 Ins. Claim	25,677.00
Total 1590 · Projects in Progress	25,677.00
1920 · Accum Dep Machinery & Equip	-50,494.00
1950 · Accum - Dep - Building	-1,052,350.00
Total Fixed Assets	10,706,228.93
Other Assets	
1560 · Lease Asset - Building	94,545.30
1960 · Accum - Amortization	-28,728.46
Total Other Assets	65,816.84
TOTAL ASSETS	10,956,016.28
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2010 · Accounts Payable	200.00
Total Accounts Payable	200.00
Other Current Liabilities	
2023 · Employee's Vacation Payable	605.22
2024 · Employee's Sick Absence Payable	534.98
2025 · *Direct Deposit Liabilities	3,262.58
2030 · *Payroll Taxes Payable	1,312.32
2035 · Unearned Utility Income	2,814.00
2040 · Accrued Interest	68,277.12
2041 · Deferred Property Taxes	1,035.00
2045 · Contracts Payable	2,300.00
2060 · Short Term Lease Payable	10,163.84
2155 · ODBB Short Term Loan Payable	46,275.57
2710 · DEQ Short Term Loan Payable	62,304.00

PM

/25

al Basis

Crescent Sanitary District - Actual
Balance Sheet
As of December 31, 2024

	Dec 31, 24
Total Other Current Liabilities	198,884.63
Total Current Liabilities	199,084.63
Long Term Liabilities	
2260 · Lease Obligation - Building	55,653.00
2500 · ODBB Loan Payable	922,029.21
2700 · DEQ Funds	4,230,986.00
Total Long Term Liabilities	5,208,668.21
Total Liabilities	5,407,752.84
Equity	
3400 · Retained Earnings	5,524,798.18
Net Income	23,465.26
Total Equity	5,548,263.44
TOTAL LIABILITIES & EQUITY	10,956,016.28

PM

/25

ial Basis

Crescent Sanitary District - Actual
Profit & Loss
 July through December 2024

	Jul - Dec 24
Ordinary Income/Expense	
Income	
4660 · Utility Revenue	176,235.64
4665 · Klamath County Property Taxes	28,258.62
4910 · Late Fees	7,445.00
Total Income	211,939.26
Gross Profit	211,939.26
Expense	
5100 · Wages & Associated Payroll Cost	
5105 · Wages Expense	71,076.49
5107 · Wages Expense - On Call	8,778.00
5108 · Stipend - Medical	2,200.00
5110 · Payroll Employer's Cost	8,449.03
5115 · Severance Pay	1,760.00
5120 · Workmans Compensation Expense	732.54
5130 · Accrued Vacation Expense	1,390.64
5135 · Accrued Sick Absence Expense	1,073.92
5150 · Payroll Services Cost	1,443.50
Total 5100 · Wages & Associated Payroll Cost	96,904.12
6200 · Contract Services	
6210 · Accounting Fees	13,769.00
6230 · Alarm System	240.00
6240 · Audit Fee	12,150.00
6250 · Consulting	3,635.00
6270 · Legal and Professional Fees	3,165.00
6280 · Outside Contract Services	8,341.00
Total 6200 · Contract Services	41,300.00
6400 · Facilities & Vehicles	
6420 · Facilities Repair & Maint	2,234.22
6440 · Vehicle Gas & Fuel	2,218.79
6450 · Vehicle Repairs and Maintenance	994.05
Total 6400 · Facilities & Vehicles	5,447.06
6500 · Field Equipment Maintenance	
6510 · Chlorination	4,680.93
6515 · Communication	868.50
6530 · Field Supplies	1,785.34
6580 · Testing	886.00
Total 6500 · Field Equipment Maintenance	8,220.77
6600 · Utilities	
6610 · Electric	7,010.97
6620 · CenturyLink	1,055.12
6630 · Crescent Water Expense	444.63
Total 6600 · Utilities	8,510.72
7000 · Office Expense	
7120 · Advertising	225.00
7130 · Ask My Accountant	2,790.50
7140 · Bank Fee	30.00
7150 · Business Expenses	374.70
7200 · Garbage Service	86.90
7240 · Insurance - Property/Casualty	5,650.98
7270 · License and Fees	300.00
7280 · License, dues and permits	2,110.00
7320 · Office Supplies	1,846.03
7330 · Office Equipment & Software	1,179.37
7360 · Property Lease	5,500.00
7370 · Postage, Mailing Service	2,057.42

PM

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**Crescent Sanitary District - Actual
Profit & Loss
July through December 2024**

	Jul - Dec 24
7380 · Printing and Copying	760.76
7390 · *Reconciliation Discrepancies	0.99
7400 · Subscriptions, Membership Dues	1,212.76
7410 · Software	994.99
7415 · Stipend - CSD Board	729.98
7420 · Training	150.00
7430 · Telephone Expense-Verizon	1,221.48
7440 · Taxes - Not UBIT	46.07
7470 · Web Design and Maintenance	306.00
Total 7000 · Office Expense	27,573.93
7450 · Travel and Meetings	24.12
Total Expense	187,980.72
Net Ordinary Income	23,958.54
Other Income/Expense	
Other Income	
8000 · Other Income	
8040 · Proceeds from insurance claims	500.00
8070 · Interest Income	236.04
Total 8000 · Other Income	736.04
Total Other Income	736.04
Other Expense	
9000 · Other Expenses	
9120 · Bad Debts	238.50
9140 · Miscellaneous Expense	139.45
9150 · Prior Year Income/Expense	851.37
Total 9000 · Other Expenses	1,229.32
Total Other Expense	1,229.32
Net Other Income	-493.28
Net Income	23,465.26



Alejandro Gildelatorre <gil@biztaxes1120.com>

FW: CSD - Rate Study

3 messages

Brenda Ashcraft <info@crescentsanitarydistrict.org>
To: Alejandro Gildelatorre <Gil@biztaxes1120.com>

Tue, Oct 22, 2024 at 8:45 AM

Good morning 🌞

CSD is having to move forward with the rate survey. Dessa Wells, with RCAC is coordinating and executing this process. She has requested the following information. I am going to research for where and how I get an updated asset inventory report. If you have any suggestions or information on that report, please let me know. Thank you!

Thank you and make it a great day!

Brenda Ashcraft
Office Manager
info@crescentsanitarydistrict.org<mailto:info@crescentsanitarydistrict.org>
Cell: 541-654-9109
Office: 541-433-2951
Hours: Mon-Thurs 9:00am-3:30pm
P.O. Box 265 – Crescent, OR 97733

From: Dessa Wells <dessa.wells@rcac.org>
Sent: Monday, October 21, 2024 8:06 PM
To: Brenda Ashcraft <info@crescentsanitarydistrict.org>
Subject: RE: CSD - Rate Study

Hello Brenda,

I did talk with Tawni and she shared that you were interested in moving forward with having a rate study conducted. As we shared in our original conversations, we provide these services at no cost to the communities we assist.

I shared with Tawni, that we have a few questions about Crescent's readiness. Does Crescent have an updated asset inventory? This will include a complete list of all of the system's components, estimated remaining life, and estimated costs. This information is used to determine the cost of future replacement, and those costs will be included in the rate projections.

Tawni shared that you are working on getting the bookkeeping organized. Would the system be able to provide 3 yrs. worth of financial actuals? We use this information to create a budget projection.

Respectfully,
DESSA WELLS
RCAC | Environmental
Regional Field Manager | Oregon
dessa.wells@rcac.org<mailto:dessa.wells@rcac.org>
360-558-2150 (cell)
RCAC is an equal opportunity provider, employer, and lender
[cid:image001.png@01DB23F4.94FECAC0]

From: Brenda Ashcraft <info@crescentsanitarydistrict.org<mailto:info@crescentsanitarydistrict.org>>
Sent: Monday, October 21, 2024 3:31 PM
To: Dessa Wells <dessa.wells@rcac.org<mailto:dessa.wells@rcac.org>>
Subject: CSD - Rate Study

Hi Dessa,

EXHIBIT G

Tawni reached out to me this morning regarding the rate study. CSD is ready to go forward with this project, however, we are looking for a grant to pay for the entire survey. Is the original grant still available? I would like to set up an appointment with you at your convenience to discuss what you will need to get the survey started and any other pertinent information you need to share with me. Thank you for your time.

Thank you and make it a great day!

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RCAC is the Environmental Finance Center for AR, ID, OR and WA.

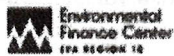


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Brenda Ashcraft <info@crecentsanitarydistrict.org>
To: Dessa Wells <dessa.wells@rcac.org>
Cc: Alejandro Gildelatorre <Gil@biztaxes1120.com>

Tue, Oct 22, 2024 at 2:20 PM

Hi Dessa,

Please find the attached reports that you requested, please let me know if the format of the reports will work for your needs. Please let me know if you have any questions.

For CSD's financial statements format/presentation has gone through several changes for the past 3 years in an effort to meet present CSD and GAAP requirements.

Additionally, CSD is currently going through significant increases in expenses being forecasted in the coming months as a result of newly found operational deficiencies requiring studies by engineering professionals and others resulting in additional maintenance/upgrading cost due to faulty construction of the exiting sewer system.

Thank you and make it a great day!

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3 attachments



RCAC is the Environmental Finance Center for AK, AZ, OR and WA.



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2024_Documents_Fixed Assets_Listing PDF(CRESCENT SANITARY DIST))1).pdf
158K

PnL FY 2024 2023 2022.pdf
104K

Dessa Wells <dessa.wells@rcac.org>
To: Brenda Ashcraft <info@crecentsanitarydistrict.org>
Cc: Alejandro Gildelatorre <Gil@biztaxes1120.com>

Wed, Oct 30, 2024 at 6:08 PM

Hello Brenda,

Thank you for sharing these documents with me. These will be beneficial to have, however these are not quite what we need for a rate study. We need an asset inventory that show the estimated remaining life of

each component and what it will cost to replace them. I also noticed that there is a mixture of CSD and Gilchrist assets. Would the rate study be for both systems? Are they billed differently?

For the financials, the P&L is great, and we will use that, but we would also need the actuals, a budget comparison report. A P&L does not show all the information that we need.

Respectfully,

DESSA WELLS

RCAC | Environmental

Regional Field Manager | Oregon

desa.wells@rcac.org

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Sent: Tuesday, October 22, 2024 2:20 PM

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