

**CRESCENT SANITARY DISTRICT**

**Financial Statements  
June 30, 2025**

**CRESCENT SANITARY DISTRICT**

**DISTRICT OFFICIALS**

**JUNE 30, 2025**

**President**

James Simmons  
Crescent, Oregon

**Vice President**

Thomas Fuller  
Crescent, Oregon

**Member at Large**

Earnest Morreira  
Crescent, Oregon

**Registered Agent and Office**

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**CRESCENT SANITARY DISTRICT**

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**CRESCENT SANITARY DISTRICT**  
**Management's Discussion & Analysis**  
**Year Ended June 30, 2025**

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, 2025. 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, 2025, the District's ending net position was \$5,222,911. Of this, the amount invested in capital assets net of related debt was \$5,167,740. The ending net position decreased by \$302,920 compared to prior year, thus resulting in an unrestricted net position of \$50,643. The decrease in net position was primarily related to depreciation on the infrastructure assets.

**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 operates 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 \$5,222,911 on June 30, 2025.

Of the District's net position, \$5.13 million reflects its net investment in capital assets. \$97,000 was unrestricted and available to meet future operating needs of the District.

Property tax revenues remained consistent with the prior year while charges for services increased approximately 4.2% compared to prior year. Operating and interest expense were fairly consistent with the prior year amounts.

**CRESCENT SANTIARY DISTRICT**  
**Management's Discussion & Analysis**  
**Year Ended June 30, 2025**

**Overview of Financial Statements**

Net position over time may serve as a useful indicator of a government's financial position. The District has experienced ongoing operating losses and is currently unable to meet its debt obligations incurred to build the wastewater infrastructure. These conditions result in substantial doubt about its ability to continue as a going concern over a reasonable period of time. The conditions and management's plans to mitigate the going concern issue are more fully disclosed in Note 2.

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

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
<b>Assets</b>		
Current and other assets	\$ 269,719	\$ 228,673
Capital assets, net	<u>10,442,887</u>	<u>10,718,370</u>
Total Assets	<u>10,712,606</u>	<u>10,947,043</u>
<b>Liabilities</b>		
Current liabilities	654,407	374,238
Long-term liabilities	<u>4,835,288</u>	<u>5,046,974</u>
Total Liabilities	<u>5,489,695</u>	<u>5,421,212</u>
<b>Net Position</b>		
Net investment in capital assets	5,125,640	5,446,611
Unrestricted	<u>97,271</u>	<u>79,220</u>
Total Net Position	<u>\$ 5,222,911</u>	<u>\$ 5,525,831</u>

## CRESCENT SANTIARY DISTRICT

### Management's Discussion & Analysis

Year Ended June 30, 2025

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

	<u>Year Ended</u> <u>June 30, 2025</u>	<u>Year Ended</u> <u>June 30, 2024</u>
Operating revenue	\$ 400,512	\$ 383,391
Operating expenses	<u>(671,405)</u>	<u>(664,387)</u>
Net operating income (loss)	(270,893)	(280,996)
Non-operating revenue and expense	<u>(32,027)</u>	<u>5,277</u>
Changes in net position	(302,920)	(275,719)
Net position - beginning of year	<u>5,525,831</u>	<u>5,801,550</u>
Net position - end of year	\$ <u><u>5,222,911</u></u>	\$ <u><u>5,525,831</u></u>

### Capital Asset and Debt Administration

The District's investment in capital assets totaling \$10,442,887, includes land, easements, equipment and vehicles. The wastewater system, net of accumulated depreciation, was reported as \$10,129,546 and equipment & vehicles were \$155,733. 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 \$5,261,595. 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 \$55,652 as of June 30, 2025.

Unpaid interest and DEQ loan fees in the amount of \$160,000 were reported in current liabilities as of June 30, 2025.

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.

# **CRESCENT SANITARY DISTRICT**

## **Management's Discussion & Analysis**

**Year Ended June 30, 2025**

### **Economic Factors and Next Year's Budget**

We anticipate charges for services of approximately \$374,000 will be collected from customers of the District in the upcoming fiscal year. Included in the District's budget for fiscal year 2025-26 are capital outlays of \$3,500.

The District did not budget for its debt service obligations for the fiscal year ending June 30, 2026 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, 2025, 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.

## **Basic Financial Statements**

# **CRESCENT SANITARY DISTRICT**

## **Statement of Net Position**

**Year Ended June 30, 2025**

	<u>2025</u>
ASSETS:	
Current assets:	
Cash	\$ 110,721
Accounts receivable	91,371
Property taxes receivable	1,274
Prepaid expenses and deposits	<u>9,959</u>
Total current assets	<u>213,325</u>
Restricted cash	56,394
Capital assets not being depreciated	
Land	90,070
Easement	36,413
Pump grinders	65,633
Right of use building lease, net	55,652
Capital assets, net	
Equipment and vehicles	65,573
Wastewater system	<u>10,129,546</u>
Total assets	<u>10,712,606</u>
LIABILITIES AND NET POSITION:	
Current liabilities:	
Accounts payable	1,424
Unearned revenue	2,881
Payroll liabilities	4,543
Accrued interest payable	138,825
Accrued loan fees	21,182
Compensated absences due in one year	3,079
Current portion of long-term liabilities	<u>482,473</u>
Total current liabilities	<u>654,407</u>
Long-term liabilities:	
Compensated absences	514
Construction loans	4,789,595
Lease liability	<u>45,179</u>
Total long-term liabilities	<u>4,835,288</u>
Total liabilities	<u>5,489,695</u>
Net position:	
Net investment in capital assets	5,125,640
Unrestricted	<u>97,271</u>
Total net position	<u>\$ 5,222,911</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

**CRESCENT SANITARY DISTRICT**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2025**

	2025
Operating revenues:	
Charges for services	\$ 400,512
Total operating revenues	400,512
Operating expenses:	
Amortization	10,165
Advertising	687
Contracted services	70,309
Depreciation	324,689
Fuel	4,227
Insurance	12,600
Miscellaneous	-
Licenses, dues and permits	25,458
Office expense	10,247
Rent	1,200
Repair & maintenance	21,628
Travel and meals	896
Utilities	28,128
Wages and associated payroll costs	161,171
Total operating expenses	671,405
Operating loss	(270,893)
Non-operating revenue and (expense):	
Property taxes	39,131
Interest income	455
Other income	271
Insurance proceeds	500
Interest expense	(72,384)
Total non-operating revenue and expense	(32,027)
Change in net position	(302,920)
Net position, beginning	5,525,831
Net position, ending	\$ 5,222,911

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# CRESCENT SANITARY DISTRICT

## Statement of Cash Flows

Year Ended June 30, 2025

	<u>2025</u>
Cash flows from operations	
Cash received from customers	\$ 368,626
Cash payments to employees for services	(164,566)
Cash payments to acquire services and materials	(97,285)
Net cash provided (used) by operations	<u>106,775</u>
Cash flows from non capital financing activities	
Interest income	455
Other income	271
Insurance proceeds	500
Property tax collections	39,131
Net cash provided (used) by non capital financing activities	<u>40,357</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(59,371)
Payments on lease liabilities	(10,165)
Interest expense on capital loans and leases	(72,384)
Restricted cash	(6,213)
Net cash provided (used) by capital financing activities	<u>(148,133)</u>
Net increase (decrease) in cash	(1,001)
Cash - beginning of year	<u>111,722</u>
Cash - end of year	<u>\$ 110,721</u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income (loss)	\$ (270,893)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	334,854
Changes in working capital accounts:	
Prepaid expense	(2,484)
Accounts receivable	(33,350)
Accounts payable	(11,151)
Unearned revenue	1,464
Accrued interest	70,548
Accrued loan fees	21,182
Payroll liabilities	(3,395)
Net cash provided (used) by operations	<u>\$ 106,775</u>

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# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

### **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 America (“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.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

**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.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

**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.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

**Compensated absences:** Employee leave is reported in accordance with GASB Statement No 101 – Compensated Absences. In the government-wide statements, leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid is included in the liability. The liability is measured based on the number of hours available to the employee at the financial statement date, multiplied by their current pay rate, and includes salary-related costs such as payroll taxes.

In the governmental fund statements, only the portion of the accrued leave that is due and payable at year end or is expected to be paid out in cash in the near term, is recognized.

**Risks and uncertainties:** The School has evaluated its operations for concentrations and constraints under GASB Statement No. 102, *Certain Risk Disclosures*.

**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.

### **Note 2: Going concern**

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As of June 30, 2025, the District is obligated approximately \$5.3 million related to long-term debt agreements with the Oregon Department of Environmental Quality (DEQ) and the Oregon Business Development Department (OBDD). Debt due to the OBDD was \$968,305 on June 30, 2025 and was subject to a forbearance agreement that expires December 31, 2025.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

Two loans to the DEQ, totaling \$4,293,290, are in default and no agreements for loan term modifications have been negotiated.

Additional amounts due for unpaid interest on all debt were \$138,825. The DEQ loan requires payment of annual fees which have not been paid. Total amount due for unpaid fees as of the year ended June 30, 2025 was \$21,182

The District has not had sufficient cash flow to meet its debt service requirements since completing the financed system infrastructure projects. Their most recent adopted budget did not include appropriations for debt service payments and cash flow is not expected to be sufficient to make payment on the loans or accrued interest.

These conditions raise substantial doubt about the District's ability to continue as a going concern within one year of the financial statement date. The District's limited cash reserves and heavy reliance on a retiree-based community—representing more than 70% of sewer service revenue—impair its ability to absorb increased operating costs and debt service. The community's fixed-income status limits affordability and capacity to support higher rate adjustments, creating challenges in maintaining both operations and debt coverage.

Management has evaluated the significance of these conditions in relation to the District's ability to meet its obligations as they become due. Management's plans to mitigate the current projected shortfall include pursuing additional grant funding and renegotiation of its debt repayment schedules with lenders. Management has adopted a budget for the fiscal year ending June 30, 2026, which provides for ongoing operations, excluding any budgeted amounts to fund debt service obligations. As of the date of these financial statements, management does not intend to discontinue operations and has concluded that current projected revenue is likely sufficient to cover operations into the future, absent scheduled debt service payments. However, there is no assurance that these plans will be successfully implemented or that they will be sufficient to alleviate the substantial doubt about the District's ability to continue as a going concern.

### **Note 3: Vulnerability Due to Concentration – Emergency System Capital Improvements**

The District has identified a concentration of risk related to its sewer system infrastructure. During the current fiscal year, emergency capital improvements were determined to be necessary to address critical deficiencies in the sewer system. However, the District does not have sufficient ongoing funding sources to complete these improvements at this time. If the required improvements are not completed, the District may be at risk of regulatory noncompliance, service disruptions, or increased maintenance costs, which could have a substantial adverse impact on the District's financial position and results of operations. Management is currently evaluating potential funding options, including seeking grants, issuing debt, or reallocating existing resources, but there is no assurance that adequate funding will be secured within the next 12 months.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

### **Note 4: Cash**

At June 30, 2025 the District held cash of \$167,115 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, 2025 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.

### **Note 5: Capital assets, net**

The District's capital asset activity was as follows:

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2025</u>
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	11,466,919	-	-	11,466,919
Equipment and vehicles	96,362	59,371	-	155,733
Right to use asset - building	94,545	-	-	94,545
Total depreciable assets	<u>11,657,826</u>	<u>59,371</u>	<u>-</u>	<u>11,717,197</u>
Less accumulated depreciation for:				
Wastewater system	(1,052,350)	(285,023)	-	(1,337,373)
Equipment and vehicles	(50,494)	(39,666)	-	(90,160)
Less accumulated amortization for:				
Right-to-use-building	<u>(28,728)</u>	<u>(10,165)</u>	<u>-</u>	<u>(38,893)</u>
	<u>(1,131,572)</u>	<u>(334,854)</u>	<u>-</u>	<u>(1,466,426)</u>
Assets being depreciated and amortized	<u>10,526,254</u>	<u>(275,483)</u>	<u>-</u>	<u>10,250,771</u>
Total assets	\$ <u>10,718,370</u>	\$ <u>(275,483)</u>	\$ <u>-</u>	\$ <u>10,442,887</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

# CRESCENT SANITARY DISTRICT

## Notes to the Financial Statements

Year Ended June 30, 2025

### Note 6: 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 terminated 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.

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>
2026	\$ 10,474	\$ 1,526	\$ 12,000
2027	10,793	1,207	12,000
2028	11,120	880	12,000
2029	11,459	541	12,000
2030	11,807	193	12,000
	<u>\$ 55,653</u>	<u>\$ 4,347</u>	<u>\$ 60,000</u>

### Note 7: Long-term debt

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

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Oregon Business Development Department	\$ 279,884	\$ -	\$ -	\$ 279,884	\$ 40,741
Oregon Business Development Department	688,421	-	-	688,421	99,745
Oregon Department of Environmental Quality	3,439,888	-	-	3,439,888	241,113
Oregon Department of Environmental Quality	<u>853,402</u>	<u>-</u>	<u>-</u>	<u>853,402</u>	<u>90,401</u>
	<u>\$ 5,261,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,261,595</u>	<u>\$ 472,000</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

# **CRESCENT SANITARY DISTRICT**

## **Notes to the Financial Statements**

**Year Ended June 30, 2025**

**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 2025, under a deferment agreement with OBDD and both notes mature on the 24<sup>th</sup> 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 loan is currently in default.

**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 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 loan is currently in default.

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

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

**CRESCENT SANITARY DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2025**

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
2026	140,485	38,396	178,881	241,113	143,943	385,056	90,402	22,187	112,589
2027	47,947	9,851	57,798	99,081	47,657	146,738	25,847	7,238	33,085
2028	48,518	9,280	57,798	100,623	46,091	146,714	26,078	7,007	33,085
2029	49,095	8,703	57,798	102,189	44,501	146,690	26,311	6,774	33,085
2030	49,680	8,119	57,799	103,779	32,699	136,478	26,546	6,539	33,085
2031-2035	257,408	31,585	288,993	543,623	197,777	741,400	136,333	29,093	165,426
2036-2040	273,093	15,901	288,994	587,256	154,146	741,402	142,535	22,891	165,426
2041-2045	102,079	1,756	103,835	635,389	107,011	742,400	149,018	16,408	165,426
2046-2050	-	-	-	685,306	55,094	740,400	155,797	9,629	165,426
2051-2054	-	-	-	341,529	7,691	349,220	74,535	2,616	77,151
	\$ 968,305	\$ 123,591	\$ 1,091,896	\$ 3,439,888	\$ 836,610	\$ 4,276,498	\$ 853,402	\$ 130,382	\$ 983,784

**Note 8: 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 9: Compensated absences**

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, for the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes a single recognition and measurement model for all types of compensated absences, including vacation, sick leave, paid time off, holidays, parental leave, bereavement leave, and certain types of sabbatical leave. The Statement requires that a liability for compensated absences be recognized for leave that has been earned based on services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date and includes salary-related payments directly and incrementally associated with payments for compensated absences.

The District's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits, subject to certain limitations. The liability for compensated absences is reported in the government-wide. In governmental funds, only the portion of the liability that is expected to be liquidated with expendable available financial resources is reported. As of June 30, 2025, no part of the liability was recognized in the governmental fund statements.

The following table summarizes the changes in the District's compensated absences liability for the year ended June 30, 2025:

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

**CRESCENT SANITARY DISTRICT**

**Notes to the Financial Statements**

**June 30, 2025**

	<u>Beginning Balance</u>		<u>Net Change</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
\$	3,155	\$	438	\$	3,593	\$	3,079

The liability includes salary-related payments. The District presents the change in liability as a net figure, as permitted by paragraph 30 of GASB Statement No. 101.

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

**Required Supplemental Information**

**CRESCENT SANITARY DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Net Position Budget to Actual -**  
**Sewer Funds**  
**June 30, 2025**

	Original Budget	Final Budget	Actual - Budgetary Basis	Reconciliation Between Actual And Budgetary	Actual	Variance with Budget (Over) Under
<b><u>Revenues:</u></b>						
Property taxes	\$ 45,000	\$ 45,000	\$ 39,131	\$ -	\$ 39,131	\$ 5,869
Charges for service	355,540	355,440	400,512	-	400,512	(45,072)
Other income	180	180	1,226	-	1,226	(1,046)
Total revenues	<u>400,720</u>	<u>400,620</u>	<u>440,869</u>	<u>-</u>	<u>440,869</u>	<u>(40,249)</u>
<b><u>Expenditures:</u></b>						
Administration	535,258	464,160	424,625	(319,164)	743,789	39,535
Contingencies	20,000	30,000	-	-	-	30,000
Total expenditures	<u>555,258</u>	<u>494,160</u>	<u>424,625</u>	<u>(319,164)</u>	<u>743,789</u>	<u>69,535</u>
Change in fund balance	<u>(154,538)</u>	<u>(93,540)</u>	<u>16,244</u>	<u>319,164</u>	<u>(302,920)</u>	<u>(109,784)</u>
Fund Balance - July 1, 2024	<u>155,544</u>	<u>111,722</u>	<u>5,525,831</u>	<u>-</u>	<u>5,525,831</u>	<u>(5,414,109)</u>
Fund Balance - June 30, 2025	\$ <u>1,006</u>	\$ <u>18,182</u>	\$ <u>5,542,075</u>	<u>319,164</u>	<u>5,222,911</u>	\$ <u>(5,523,893)</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.

## 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, with the following exceptions:

- The District is currently in default with its obligation for financing from Department of Environmental Quality and has not made payments of principal, interest or loan fees since the loan became due.
- The District's fidelity bond of \$25,000 did not meet the minimum coverage required by state law.

Except for the bullet items described above, 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 \$25,000 fidelity bond from July 1, 2024 through December 31, 2025.

  
box SIGN \_\_\_\_\_ 13VXWR8R-1JQX9Y5  
Jim Simmons, Board President

December 31, 2025