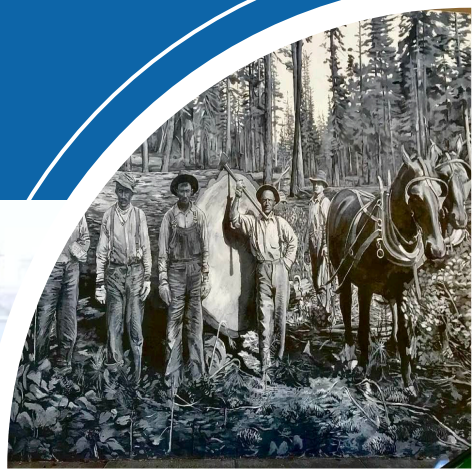
ANNUAL COMPREHENSIVE

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025

Klamath Falls, Oregon



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City of Klamath Falls, Oregon

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2025

Prepared by the Finance Department

Annual Comprehensive Financial Report
June 30, 2025

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City of Klamath Falls, Oregon

Introductory Section

CITY OF KLAMATH FALLS
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KLAMATH FALLS, OREGON 97601
Sister City - Rotorua, New Zealand
FAX (541) 883-5399 - TDD (541) 883-5324

January 30, 2026

To the Honorable Mayor, City Council, and Citizens of Klamath Falls:

We are pleased to submit the Annual Comprehensive Financial Report for the City of Klamath Falls for the fiscal year ended June 30, 2025. State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Sorren, a firm of licensed certified public accountants, has issued an unmodified (clean) opinion on the City's financial statements for the year ended June 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of Klamath Falls, incorporated in 1905, is located in the south-central portion of Oregon, approximately 275 miles southeast of Portland and 300 miles north of Sacramento, California. The City of Klamath Falls has a land area of about 20.7 square miles and an approximate population of 22,000. Although the population within the city limits is only 23,000, the entire urban growth boundary consists of approximately 42,000 people.

The City of Klamath Falls operates under a council-manager form of government. Policy-making and legislative authorities are vested in the City Council, which consists of a mayor and a five-member council. The City Council is responsible, among other things, for passing ordinances, adopting resolutions, adopting the budget, appointing committees, and appointing the City Manager, City Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the governing council, appointing City department heads and staff, and overseeing the day-to-day operations of the municipal government.

The City Council is elected on a non-partisan basis. The Mayor and Council members are elected to four-year staggered terms, with three members elected every two years. All five council members are elected within their respective areas or wards. The mayor is elected at-large.

The City of Klamath Falls has a permanent tax rate of $5.4423 per $1,000 of assessed valuation. The assessed value can increase up to 3% per year, but can increase more if the market value rebounds after falling below the assessed value. The City is subject to compression, which limits the combined total of all taxes assessed on a property to $10 per $1,000, as established by Ballot Measure 5, which was passed in 1990. The City of Klamath Falls collected $323,692 more in property tax in the General Fund and Airport Fund than the previous fiscal year, which is a 4% increase. Total property tax collected increased $594,207 from the prior year.

The City provides a full range of services, including police protection, code enforcement, municipal court, airport, the construction and maintenance of streets and other infrastructure; as well as a pool and parks facilities. Wastewater, water, geothermal, and right-of-way services are also provided by the City of Klamath Falls on a fee-for-services basis.

The City is also financially responsible for a legally separate Urban Renewal Agency that includes three urban renewal areas: Lakefront, Town Center, and Spring Street. The agency functions, in essence, as a department of the City and therefore, is included in the financial statements of the City, in addition to being reported separately.

The Council is required to adopt a budget for two fiscal years no later than June 30 of every odd year preceding the fiscal year beginning July 1. This biennial budget serves as the foundation for the City's financial planning and control. The budget is prepared and approved by fund and division/department, or category (e.g., debt service or transfers out). Department heads may transfer resources within a department with the approval of the Finance Director. Transfers between departments, however, need approval from the City Council.

Local economy

The base economic elements of the City of Klamath Falls are agriculture, transportation, tourism, manufacturing, wood products, medical, military, and other services. The progressive nature of planned economic development within the City reflects a continued effort to diversify these elements.

Like many other cities in the nation, the City of Klamath Falls is experiencing a housing shortage. Higher material costs and interest rates along with a shortage of builders has helped create this shortage. Klamath Community College and the local middle and high schools have added trades classes hoping to rectify the builder shortage.

Due to the City's location in a region with a limited economic base, the unemployment rate has traditionally exceeded that of the state and the nation. As of June 30, 2025, our unemployment rate was approximately 6.6% percent, which is higher than the state and national average.

The Klamath Basin prides itself on its use of alternative energy sources. With the sun shining a majority of the year, there are several solar facilities in the Basin. Additionally, our geothermal heating system has been highlighted as one of the most impressive in the country. The sidewalks downtown have a geothermal snowmelt system installed and many of the downtown buildings are heated by geothermal energy.

The Klamath Falls area continues to work hard to attract high-tech industries. Any success in this area is also directly tied to the presence of Oregon Institute of Technology (OIT), located within the City of Klamath Falls. OIT offers computer science and engineering degrees and graduates are consistently recruited for positions around the country. Numerous technology companies compete to hire OIT graduates.

With access to fiber optic cable, a major highway system, technical college, numerous recreational opportunities, and a good quality of life, Klamath Falls is an attractive place to live. The City and County, along with other stakeholders in the community, continue to work diligently to attract new commercial and industrial businesses to Klamath Falls. We look forward to a Klamath Falls that continues to grow a stronger and more diverse economy.

Long-term financial planning and major initiatives

The City of Klamath Falls, guided by the City Manager, looks at a ten-year sustainability model for the City. The initial model in 2014, determined that the City could not operate at status quo without resulting fund deficits ten years out. Consequently, the City was reorganized to save money and redirect resources to priority services. The City continues to balance service demands with available resources. Personnel services continue to increase in dollars spent due to the pressure of Public Employment Retirement System (PERS) funding and health care costs.

Council's Goals and Objectives include citizen safety, customer service, economic viability, integrity of infrastructure to ensure the City can meet long-term stability and efficiency in delivery of services. To meet the goal of customer service and service efficiency, the City continues to leverage opportunities with technology. The City implemented public records request software, which allows users to submit requests electronically for a more streamlined workflow and better response tracking. There are two large technology projects in the works. One is new police reporting software. The City is heading the project, but the project includes other agencies such as 911 and the sheriff's office. The new software will offer greater data and reporting capabilities and connectivity with our Municipal Court software. The other large technology project is an ERP upgrade. We will see greater efficiencies in payroll and budgeting among other processes.

The Airport has eight Military Construction Cooperative Agreements (MCCA's) that are currently in place for a total of $65,488,632. We have received $58,071,126 in funding for the projects. Of this amount, the City receives a 4-5% administrative fee for managing the project. That could increase to $339,135,960 once the construction phase of all the projects is authorized with the City's administrative fee amounting to $13,946,993.

The Lakefront Urban Renewal District has a development agreement with Timbermill Shores who laid the infrastructure for development of several commercial lots. Due to the increase in tax increment, the district was able to take out a $2,248,564 loan to pay off the developer for infrastructure that was completed. A Fairfield Inn, People's Bank, Department of Human Services and a real estate office building have been completed in the District. An additional hotel is in the design phase and a medical office is under construction. Based on tax estimates, the district will be able to pay the debt service on the new loan and have additional tax increment for other projects as authorized in the Urban Renewal Plan.

During 2016, the Town Center Urban Renewal District reached a development agreement with Argo Klamath Two, LLC. The developer has completed project milestones one and two of the development agreement which were to repair and lease certain areas of the shopping center. All available storefronts are currently occupied. The third project milestone is to complete improvements on a vacant site within the shopping center. The developer does not currently have plans for the area but there have been discussions with the District.

The City formed the Spring Street Urban Renewal Area in October 2017. The area has long suffered from a lack of investment on both the public and private sides. A Disposition and Development Agreement was executed in December of 2019 for the redevelopment of the Main & Esplanade or Balsiger Block which had become blighted after many years of business vacancy. The site is visioned for redevelopment as an urban mixed-use project with commercial and residential uses that are to re-activate the prominent downtown intersection and surrounding area. Private redevelopment efforts began with the demolition of the site's remaining structures in April of 2020. The land was excavated, filled, and prepared for new development, but the project stalled due to rising construction costs. In July 2023, the Urban Renewal Agency approved an amendment to the Disposition and Development Agreement to allow for a time extension but with added milestones to keep the project moving forward. The development team retained a new architect and submitted revised project plans which are under City Development Services and Klamath County Building review. It is anticipated vertical redevelopment of the site will begin in the spring/summer of 2026.

The City's Parks Division takes pride in maintaining and improving our approximately 600 acres of parks, keeping them safe, well-groomed and beautiful. The Parks Division completed the Moore Park Regional Playground, which is an 18,000 square foot playground accessible to persons with disabilities. The project was funded by a State Parks and Recreation Grant that Healthy Klamath helped the City to acquire, American Rescue Plan Act (ARPA) funding, and donation from citizens and businesses. The playground was reopened to the public in August 2024. The Parks Division is currently replacing the old parking lot next to the playground to accommodate more vehicles and will be adding additional restrooms next to the playground next fiscal year.

In terms of Street Division projects, the City completed an intersection improvement for our Main and East Main Street which added safety and traffic flow improvements. After many years of diligent work by staff and citizens, the City has completed its Quiet Zone project on Portland Street, which prevents trains from blowing their whistle at a crossing unless it is an emergency.

The City is continuing a major overhaul of the Wastewater Treatment Plant to replace facilities and equipment that are more than 50 years old. The nature of this work is complex in that there are several options for constructing the improvements and the existing plant must remain operational while construction moves forward. The City is utilizing an alternative delivery process known as progressive design build. Construction is underway and the headworks portion of the project as well as the solids dewatering system and new aeration basin has been completed. The City also received our National Pollution Discharge Elimination System (NPDES) permit and one of the difficult requirements to meet is temperature. As a result of the temperature issue, the City evaluated getting out of the river and reinjecting the water indirectly back into the aquifer. Unfortunately, this did not prove feasible and the City is once again looking at discharge options to either: the river, agricultural use, or wetlands. We are unsure at this point when the water reuse piece will be completed but according to our permit, it must be completed by December 31, 2035.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the City of Klamath Falls' Annual Comprehensive Financial Report (ACFR) for fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Division. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Mayor and City Council for establishing policies in a fiscally responsible and progressive manner and to the City Manager for their leadership in developing strategies to achieve those goals.

Respectfully submitted,

Jonathan Teichert, City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Klamath Falls
Oregon

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

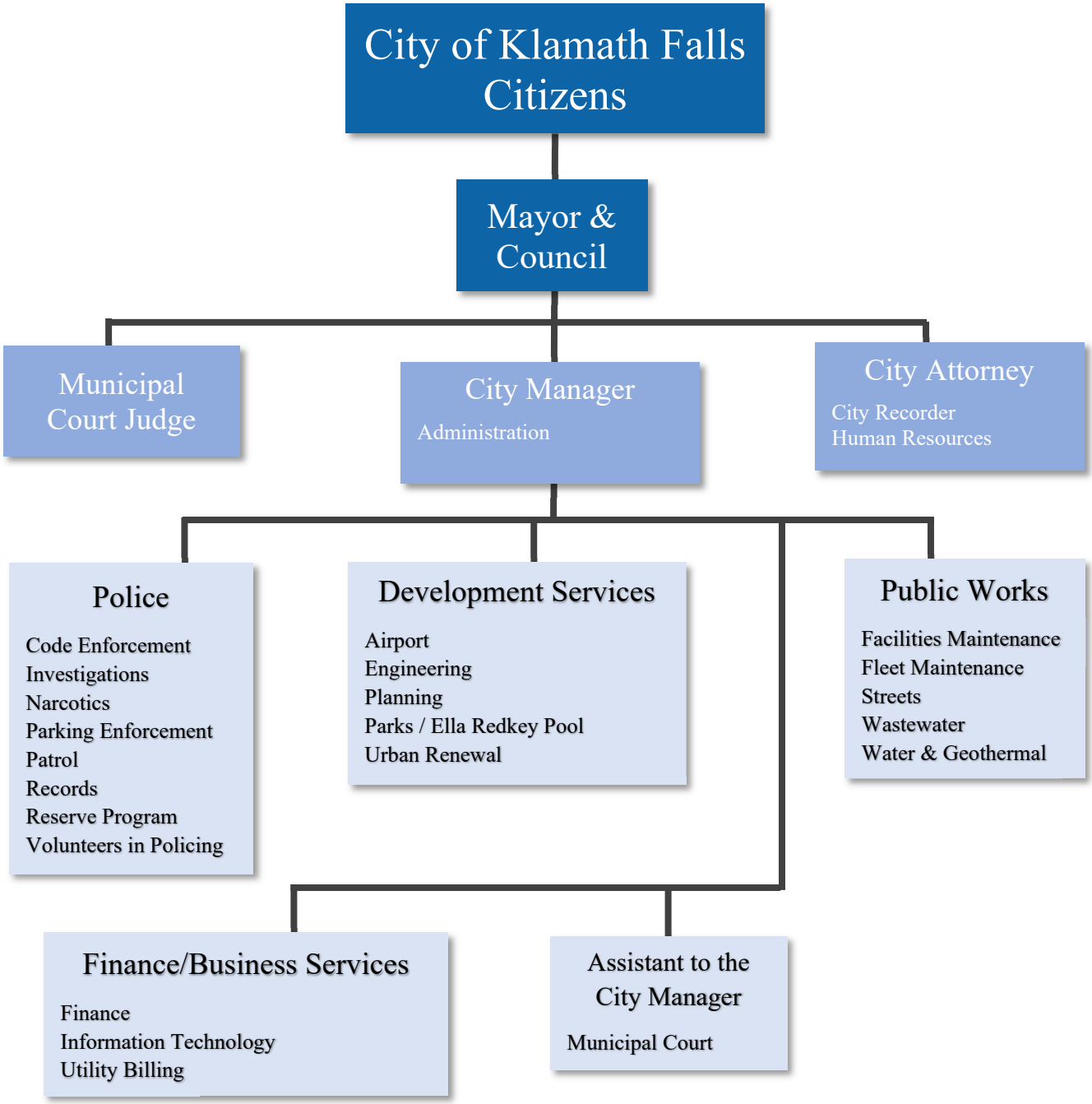
June 30, 2024

Christopher P. Morrill

Executive Director/CEO

City of Klamath Falls, Oregon

Organization Chart



City of Klamath Falls, Oregon
List of Principal Officials and
Staff As of June 30, 2024

Carol Westfall
Mayor

Phil Studenberg
Ward I

Terra Russo
Ward III

Abbie McClung
Ward IV

Kelsey Mueller Wendt
Ward V

Jonathan Teichert
City Manager

Michael Swanson
City Attorney

Nathan Ratliff
Judge

Mark Willrett
Public Works Director

Rob Dentinger
Chief of Police

Iain Vasey
Development Services Director

Jessica Lindsay
Finance & Business Services Director

City of Klamath Falls, Oregon

Financial Section

INDEPENDENT
AUDITOR'S REPORT

sorren CPAs P.C.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Klamath Falls, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund and major special revenue fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, certain pension schedules and certain other post-employment benefit schedules in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and major special revenue fund budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the general fund and major special revenue fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City‘s basic financial statements. The other supplementary information as listed in the Table of Contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information as listed in the Table of Contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Other Reporting Required by *Oregon State Regulations*

In accordance with *Oregon State Regulations*, we have also issued our report dated January 30, 2026 on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

Donald F. Ewalt, CPA
Sorren CPAs, P.C.
Medford, Oregon
January 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The Management Discussion and Analysis section of the City of Klamath Falls' Annual Comprehensive Financial Report (ACFR) provides an overview of the City's financial activities for the years ended June 30, 2025, and June 30, 2024. The purpose is to highlight significant financial issues, major financial activities and resulting changes in the financial position and economic factors affecting the City. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal, the City's financial statements and the accompanying notes following the financial information.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $302,229,873 (*net position*). Of this amount, $62,529,145 represents unrestricted net position, which may be used to meet the government's ongoing obligations and pay for daily operations.

- The City's total net position increased by $37,598,758 over the prior year. The net position from governmental activities increased $19,424,742 while the net position from business-type activities increased $18,174,016.

- At the close of fiscal year 2025, the City's governmental funds reported combined fund balances of $38,838,927, a decrease of $7,327,048 in comparison with the prior fiscal year. Approximately 38% of this amount, $14,724,193, is available for spending at the government's discretion (*unassigned fund balance)*.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $16,670,278, or approximately 54% of total General Fund expenditures.

- Government-wide outstanding debt was $54,501,189 at year end. The City's total outstanding debt increased by $6,203,278 during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, airport, culture and recreation, public safety, and highways and streets. The business-type activities of the City include wastewater and water and geothermal operations. The Wastewater Fund includes collections, treatment, and stormwater operations. The Water Fund includes water and geothermal utilities.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also three legally separate districts for which the City is financially accountable. The Klamath Falls Urban Renewal Agency (Agency), although legally separate, functions for all practical purposes as a department of the City, and therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on the pages immediately following this Management's Discussion and Analysis in the Basic Financial Statements of the Financial Section.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds including three funds for the Agency. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund, and Escrow Reserve Fund, which are considered to be major funds. The Airport Fund accounts for the operation of the Crater Lake-Klamath Regional Airport and receives property taxes, rental revenue, landing fees, and Federal Aviation Administration (FAA) grants. The Escrow Reserve Fund

is a major capital project fund whose primary source of revenue is proceeds from the sale of the Cogeneration Plant. Expenditures include projects outside the scope of normal business approved by City Council. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules in the other supplementary information's combining and individual fund schedules section of this report.

The City adopts a biennial appropriated budget for all its funds. A budgetary comparison schedule has been provided for the General Fund and Airport Fund in the required supplementary information. All other budgetary comparisons have been included in the other supplementary information to demonstrate compliance with this budget.

The basic governmental fund financial statements follow the government-wide financial statements in the financial section of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water and geothermal operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Wastewater and Water Funds, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements follow the governmental fund statements in the financial section's basic financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund. The *Custodial fund* reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements follow the proprietary fund statements.

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the financial section's basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparisons for the General Fund and Airport Fund and Other Post-Employment Benefits (OPEB) and pension schedules. Required supplementary information statements can be found in the financial section following the notes to the financial statements.

The combining schedules referred to earlier in connection with nonmajor governmental funds are

presented immediately following the required supplementary information fund budgetary comparisons and information on OPEB and pensions. Combining and individual fund statements and schedules can be found in the financial section's other supplementary information.

Other Supplementary Schedules. Other schedules contain pertinent information that round out the financial section of this report.

Government-wide Overall Financial Analysis

Statement of Net Position

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $302,229,873, at the close of the most recent fiscal year.

City of Klamath Falls' Net Position

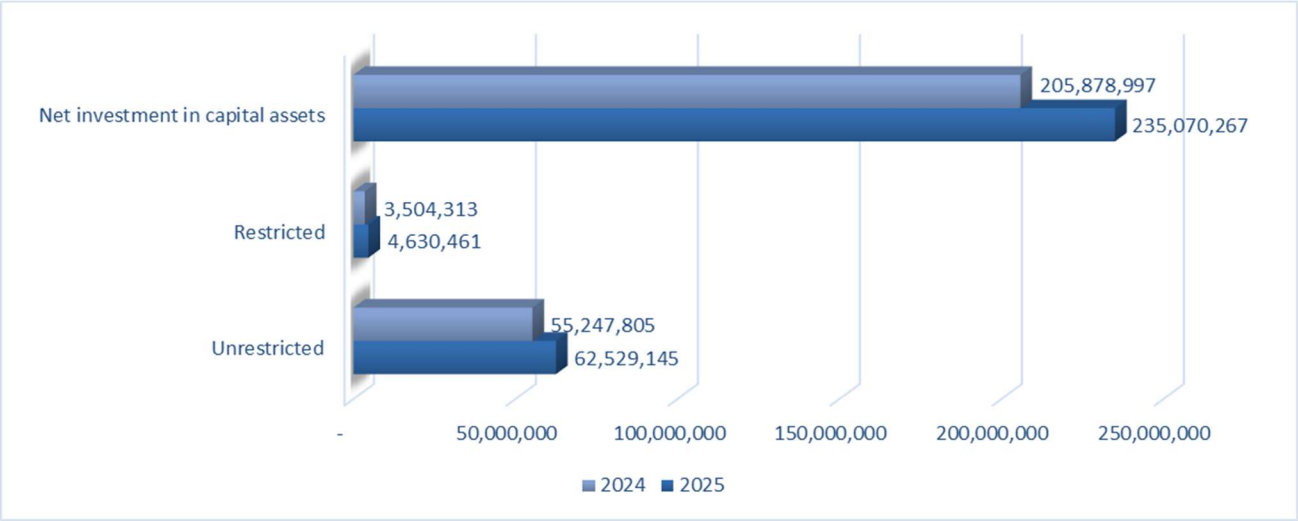
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 80,737,155	$ 88,562,738	$ 42,319,006	$ 25,058,088	$ 123,056,161	$ 113,620,826
Capital assets	162,876,631	135,014,252	128,460,677	120,643,075	291,337,308	255,657,327
Total assets	243,613,786	223,576,990	170,779,683	145,701,163	414,393,469	369,278,153
Deferred outflow of resources	7,013,651	6,231,230	1,569,030	1,542,034	8,582,681	7,773,264
Current liabilities	31,646,207	31,984,571	5,536,246	6,268,123	37,182,453	38,252,694
Long-term liabilities	19,390,670	17,675,819	53,699,482	45,899,533	73,090,152	63,575,352
Total liabilities	51,036,877	49,660,390	59,235,728	52,167,656	110,272,605	101,828,046
Deferred inflows of resources	9,417,808	9,399,820	1,055,864	1,192,436	10,473,672	10,592,256
Net position:						
Net investment in capital assets	158,616,894	130,228,617	76,453,373	75,650,380	235,070,267	205,878,997
Restricted	1,505,248	1,085,708	3,125,213	2,418,605	4,630,461	3,504,313
Unrestricted	30,050,610	39,433,685	32,478,535	15,814,120	62,529,145	55,247,805
Total net position	$ 190,172,752	$ 170,748,010	$ 112,057,121	$ 93,883,105	$ 302,229,873	$ 264,631,115

By far, the largest portion of the City's net position (78%) reflects its investment in capital assets (e.g., land, construction in progress, intangible assets, buildings and system, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $62,529,145 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

City of Klamath Falls' Net Position
June 30, 2024 and 2025



Changes in Net Position

The City's overall net position increased $37,598,758, or 14% from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Klamath Falls' Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 6,244,547	$ 5,567,920	$ 22,761,007	$ 20,120,410	$ 29,005,554	$ 25,688,330
Operating grants & contributions	202,984	364,057	-	-	202,984	364,057
Capital grants & contributions	31,055,898	19,195,861	216,373	361,664	31,272,271	19,557,525
General revenues:					-	-
Property taxes	11,225,812	10,631,605	-	-	11,225,812	10,631,605
Other taxes	7,079,333	6,740,782	-	-	7,079,333	6,740,782
Other	4,032,458	2,617,307	1,832,990	1,523,193	5,865,448	4,140,500
Total revenues	59,841,032	45,117,532	24,810,370	22,005,267	84,651,402	67,122,799
Expenses:						
General government	8,831,872	7,068,702	-	-	8,831,872	7,068,702
Airport	3,464,470	3,488,942	-	-	3,464,470	3,488,942
Culture & recreation	2,853,439	2,570,000	-	-	2,853,439	2,570,000
Public safety	8,077,657	7,773,682	-	-	8,077,657	7,773,682
Highways & streets	5,595,897	5,094,698	-	-	5,595,897	5,094,698
Interest on long-term debt	393,455	431,710	-	-	393,455	431,710
Wastewater	-	-	8,769,417	8,079,087	8,769,417	8,079,087
Water	-	-	9,066,437	8,064,692	9,066,437	8,064,692
Total expenses	29,216,790	26,427,734	17,835,854	16,143,779	47,052,644	42,571,513
Increase (decrease) in net position before transfers & other sources	30,624,242	18,689,798	6,974,516	5,861,488	37,598,758	24,551,286
Transfers	(11,199,500)	476,495	11,199,500	(476,495)	-	-
Increase (decrease) in net position	19,424,742	19,166,293	18,174,016	5,384,993	37,598,758	24,551,286
Net position - beginning	170,748,010	151,581,717	93,883,105	88,498,112	264,631,115	240,079,829
Net position - ending	$ 190,172,752	$ 170,748,010	$ 112,057,121	$ 93,883,105	$ 302,229,873	$ 264,631,115

Governmental Activities. During the current fiscal year, net position for governmental activities increased by $19,424,742, or 11%. Key Changes from the prior year are as follows:

- Investments decreased by $10 million due to the Capital Project Fund transferring back funds to the Water and Wastewater Funds to cover large capital projects underway.
- Accounts receivable increased by $5.3 million due to a large receivable due from the Air National Guard for their aircraft shelter capital project.
- Capital assets increased by $27.9 million primarily due to projects for the Air National Guard to prepare them for the new F-35 mission. The City is the administrator of these projects, and the assets will be turned over to the Air National Guard upon completion.
- Capital grants and contributions increased $11.8 million due to federal grants for the Air National Guard projects.
- Investment income increased $1.4 million due to higher interest rates and market value.

Expenses and Program Revenues - Governmental Activities

Business-type Activities. For the City's business-type activities, the results for the current fiscal year show an increase in the overall net position. The net position increased to an ending balance of $112,057,121. The total increase in net position for business-type activities (Wastewater and Water Funds) was $18,174,016 or 19% from the prior fiscal year. Key changes from the prior year are as follows:

- Investments increased by $10 million due to the transfer from the Capital Project Fund.
- Capital assets increased by $7.8 million. $5.8 million of this was for the new wastewater treatment plant.
- Long-term liabilities increased $7.3 million due to loan disbursements for the wastewater treatment plant.
- The City's water and sewer rates increase based on CPI. On January 1, 2025, rates increased 5.4%.
- Salaries increased due to an adjusted CPI of 3.1% and step increases.

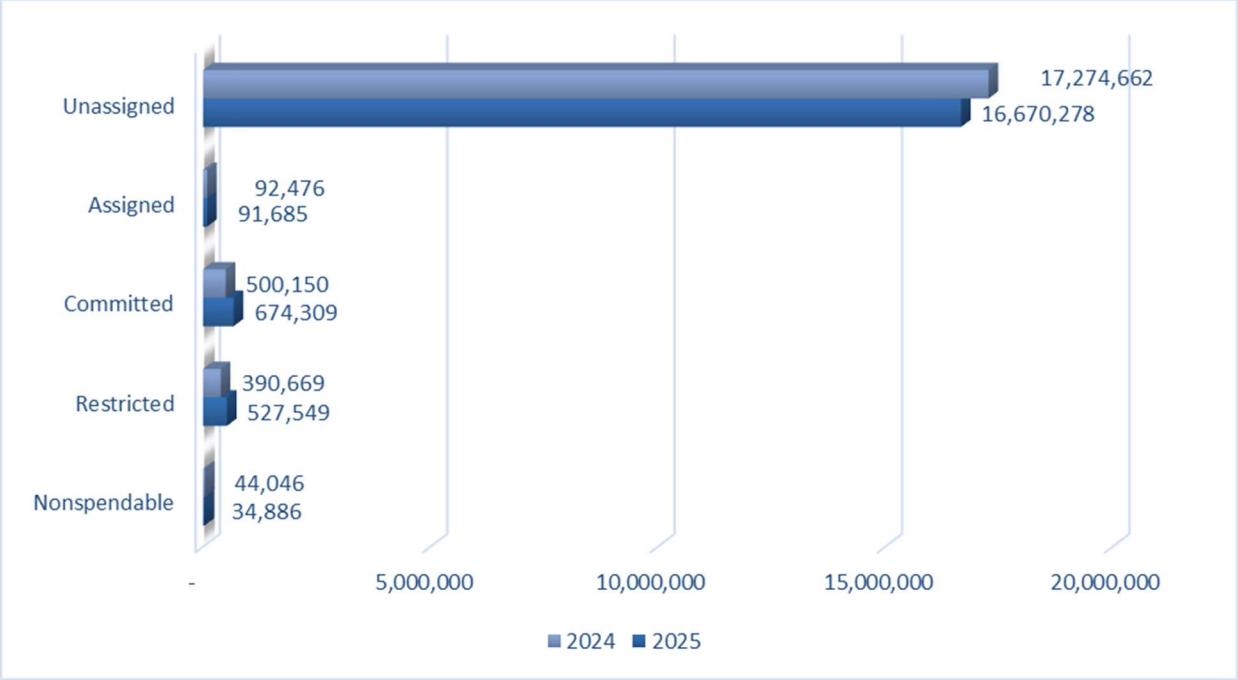
Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the City's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City's Council.

At June 30, 2025, the City's governmental funds reported combined fund balances of $38,838,927, a decrease of $7,327,048 in comparison with the prior year. Approximately 38% of this amount, $14,724,193, constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed or assigned* to indicate that it is 1) not in spendable form ($34,886), 2) legally required to be maintained intact or restricted for particular purposes ($1,232,064), 3) committed for specific purposes ($674,309), or 4) assigned for particular purposes ($22,173,475).

General Fund - Components of Fund Balance
June 30, 2024 and 2025



Major Governmental Funds
The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $16,670,278, while total fund balance decreased to $17,998,707. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 54% of total General Fund expenditures, while total fund balance represents approximately 58% of that same amount. The City's fund balance policies are in the notes to the financial statements.

The fund balance of the City's General Fund decreased by $303,296 during the current fiscal year. Revenues increased $4,607,309, or 18% from the prior reporting period due to the following:

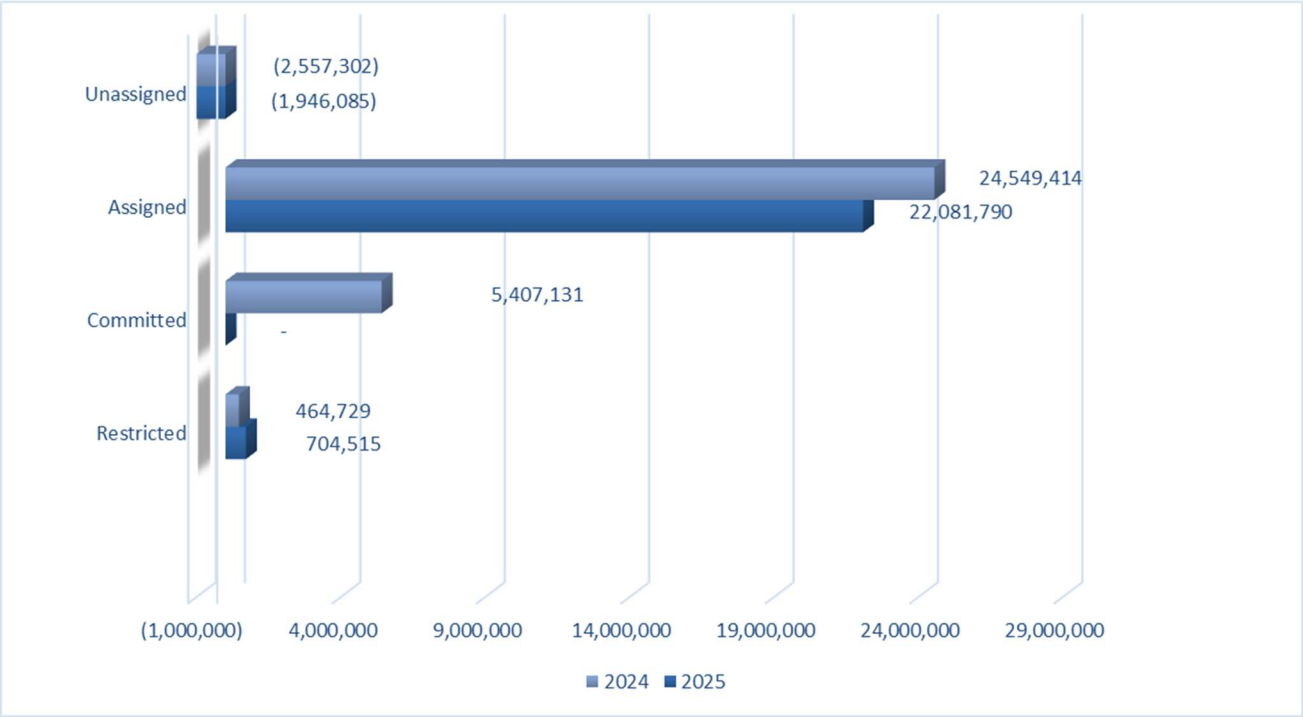
- Intergovernmental revenue increased $2,650,636 primarily due to federal funding for the Air National Guard projects.
- Franchise fees increased $427,032 due to power and trash service fee increases.
- Internal charges for services increased $704,281 as the allocation year for the charges was the year the City contributed to a PERS side account which caused an increase in expense.
- Investment income increased $721,116 due to increased cash flow from the Air National Guard

Expenditures increased $4,133,279, or 15% from the prior reporting period due to the following:

- Salaries increased 3.1% due to a CPI adjustment along with annual step increases ranging from 2.5% to 5%. Health insurance costs increased 7.5% in January 2025.
- The City experienced a severe winter storm which caused over $300,000 in damage and increased snow removal costs.
- Capital Outlay increased $2,711,595 due to the Air National Guard projects.

Overall expenditures exceeded revenues by $468,981 before transfers and asset sales. Transfer activity is detailed in the interfund transfers section of the notes to the financial statements.

Other Governmental Funds - Components of Fund Balance
June 30, 2024 and 2025



The Airport Fund had an increase in fund balance of $2,862,040 which is a 134% increase over the prior year fund balance. Below are the reasons for this change:

- Revenues increased $13,855,085 and expenditures increased $9,009,149 from the prior fiscal year both primarily from construction of an Air National Guard north ramp replacement.

- Overall expenditures exceeded revenues by $2,399,315 before transfers.

The final major governmental fund, the Escrow Reserve Fund, had an increase in fund balance of $932,607. Investment income increased $72,226 due to interest rate increases.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Wastewater and Water Funds are both major funds.

Unrestricted net position of the Wastewater Fund at the end of the year was $16,417,601. The total change in net position was $9,451,025.

Unrestricted net position of the Water Fund at the end of the year was $16,060,934. The total change in net position was $8,722,991.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Klamath Falls budgets on a biennial basis. The final adopted budget for the 2023-2025 biennium includes the following significant amendments to the originally adopted budget for the General Fund:

Fiscal Year 2024:

- $218,000 increase in intergovernmental revenues and Public Works expenditures for an urban area transportation system plan update
- $240,575 increase in intergovernmental revenues and Streets expenditures due to CMAQ Grant for street sweepers
- $300,000 rollover of intergovernmental revenues and Parks expenditures for County contribution for F-15 static display
- $508,900 increase in intergovernmental revenues from State and Local Fiscal Recovery Funds (SLFRF) and $255,000 in Parks expenditures for the F-15 static display and a portion to Police expenditures of $290,000 for body and car cameras.
- $750,000 increase in intergovernmental revenues and Parks expenditures due to Oregon Parks and Rec grant for Moore Park Regional Playground
- $475,050 increase in contributions for: Administration expenditure of $112,000 for sculptures; Parks expenditures of $250,000 for Moore Park Restrooms and $113,050 for Moore Park Regional Playground
- $230,650 increase in Streets expenditures due to budget rollover for a dump truck

Fiscal Year 2025:

- $18,920,900 increase in intergovernmental revenue and Development Services expenditures for the Air National Guard projects
- $891,600 increase in charges for services and Police expenditures to properly record the use of our new public safety software by other agencies
- $440,700 increase for investment income due to Air National Guard funding and transfer out to the Economic Development/Property Fund to establish a housing reserve fund program
- $146,725 increase for sale of capital assets at auction and Streets expense for compact loader
- $200,000 increase for storm tree damage in the right of way

For the 2023-2025 biennium, actual General Fund revenues and expenses significantly varied from the final amended budget as follows:

Revenue:

- Property tax: The City anticipated a 7% increase from the previous biennium but recorded a 10% increase due to more new development than anticipated
- Intergovernmental: The revenue budget for the Air National Guard projects was based on the revenue to be received; however, any unexpended funds are reclassed to unearned revenue
- Charges for services: Invoicing regarding our public safety software was delayed due to staffing issues
- Investment income: Interest rates remained higher than anticipated and cash flow was higher due to funding for the Air National Guard projects

Expenses:

- Information Technology: The City is implementing new ERP software but the go live date was pushed out to the next fiscal year which left $229,175 in the budget to be moved to the next biennium.
- Public Work Administration: The City budgeted the full $218,000 of the grant and expenditures for the Transportation and Growth Management Grant but should have only budgeted the City's match amount of $15,000.
- Development Services: The City budgeted the full amount to be received from the Air National Guard projects which was $18,920,900 but only $6,155,545 was earned.
- Police: The City Police department is implementing new public safety software but the go live date was pushed to the next fiscal year leaving a remaining budget of $564,175.
- Parks and Recreation: $250,000 was budgeted for new restrooms for the new regional playground but there wasn't enough funding, so it was moved to the next biennium. $175,000 for restroom replacement at Veteran's Memorial Park was moved to the next biennium to try to consolidate the two restroom projects for better bid pricing. The Moore Park parking lot replacement project is underway but wasn't completed as anticipated this fiscal year so there is $205,950 remaining in the budget. The Eulalona Park parking lot of $275,000 is only needed for the new bicycle pump track but this project has been pushed out due delays in trying to secure some land from Oregon Department of Transportation.
- Ella Redkey Pool: The geothermal reinjection project went out to bid but the construction won't occur until the next fiscal year leaving a remaining budget of $224,325.
- Street Maintenance: $900,000 was budgeted for the biennium for two street sweepers. One of the sweepers has been ordered but didn't arrive this fiscal year. The All-Roads Transportation Safety (ARTS) grand and project of $641,000 has been moved to the next biennium so the City can analyzed the best options for safety improvements.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to $291,337,308 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, subscriptions, construction in progress, buildings and system, machinery and equipment, and infrastructure. The total increase in capital assets after disposals and depreciation for the current fiscal year was approximately 14%.

City of Klamath Falls' Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 14,057,144	$ 14,051,036	$ 1,965,269	$ 1,962,119	$ 16,022,413	$ 16,013,155
Intangible assets	332,934	359,001	137,489	137,674	470,423	496,675
Subscription	107,672	95,037	274,904	-	382,576	95,037
Construction in progress	54,467,104	28,055,555	67,477,672	59,011,243	121,944,776	87,066,798
Buildings & system	8,926,953	9,030,589	2,559,993	2,696,124	11,486,946	11,726,713
Machinery & equipment	4,820,818	3,877,578	5,628,350	6,696,663	10,449,168	10,574,241
Infrastructure	80,164,006	79,545,455	50,417,000	50,139,252	130,581,006	129,684,707
Total	$162,876,631	$135,014,252	$128,460,677	$120,643,075	$291,337,308	$255,657,327

Major capital asset events during the current fiscal year included the following:

- Development Services: Air National Guard projects design $6,156,752
- Streets: Main & East Main intersection improvements $1,324,496
- Airport: Field Base Operator (FBO) building roof replacement $780,595
- Airport: Air National Guard north ramp replacement $23,789,858
- Wastewater: California Ave pump station rehabilitation $1,420,379
- Wastewater: Treatment plant $5,828,946
- Water: Arthur, Alva, Bisbee, and Crest main replacement $1,326,115
- Water: Center Reservoir replacement $470,663
- Water: Lavern Avenue water main improvements $461,720

Additional information on the City's capital assets can be found in the notes to the financial statements in Note III.C.

Long-term Debt

At the end of the current fiscal year, the City had outstanding debt totaling $54,501,189. Of this amount, $3,190,249 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and $1,056,058 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. Another $50,254,882 are loans for acquisition of capital assets which are secured by the revenues of the applicable funds owning those assets.

City of Klamath Falls' Outstanding Debt
(net of unamortized discounts)

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Leases/loans payable	$ -	$ -	$ 50,254,882	$ 42,867,224	$ 50,254,882	$ 42,867,224
General obligation bonds	3,190,249	3,351,550	-	-	3,190,249	3,351,550
Full faith and credit bond	1,056,058	1,292,605	-	-	1,056,058	1,292,605
Revenue bonds	-	-	-	786,532	-	786,532
Total	$ 4,246,307	$ 4,644,155	$ 50,254,882	$ 43,653,756	$ 54,501,189	$ 48,297,911

The City's total debt increased $6,203,278 or 12.8% during the current fiscal year. The City drew funds of $7,652,458 from the DEQ State Revolving Loan agreement for financing the Wastewater treatment plant upgrades. As of June 30, 2025 there is $14,354,335 that can still be drawn down.

State statutes limit the amount of general obligation debt a government entity may issue up to 3% of its total assessed valuation. The current debt limitation for the City is approximately $57,953,340 which is significantly in excess of the City's outstanding general obligation debt of $4,246,307.

Additional information on the City's long-term debt can be found in the notes to the financial statements in Note III.J.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City and were considered in developing the biennial 2025-2027 budget:

- The unemployment rate for Klamath County as of June 2025 was 6.6 percent, an increase of 38% percent from the prior year. This rate is above the state and national average. Klamath County ranked 2nd highest in the state out of 36.

- Salaries increased by 3.1% July 1, 2024, and will increase 2.5% July 1, 2025. PERS rates will increase an average of 26% as of July 1, 2025. Health insurance rates increased by 7% January 1, 2025, and will increase 8% January 1, 2026.

- Sewer and water rates increased 5.4% in January 2025 and will increase by 3.0% in January 2026 based on CPI increases.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, City of Klamath Falls, 500 Klamath Avenue, Klamath Falls, OR 97601.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 36,513,040	$ 8,009,559	$ 44,522,599
Investments	21,482,117	25,808,233	47,290,350
Restricted cash and cash equivalents	1,919,992	3,063,307	4,983,299
Accounts receivable *(net of uncollectibles)*	9,483,955	4,015,068	13,499,023
Leases receivable *(current)*	303,296	20,824	324,120
Taxes receivable	762,409	-	762,409
Special assessments receivable	72,821	2,772	75,593
Interest receivable	144,863	95,818	240,681
Inventories	34,886	653,020	687,906
Prepaid items	2,953,698	80,180	3,033,878
Total Current Assets	73,671,077	41,748,781	115,419,858
Noncurrent Assets			
Leases receivable	6,790,127	508,319	7,298,446
Prepaid bond insurance	2,766	-	2,766
Net OPEB asset	273,185	61,906	335,091
Capital assets not being depreciated	68,641,020	69,580,430	138,221,450
Capital assets *(net of accumulated depreciation)*	94,235,611	58,880,247	153,115,858
Total Noncurrent Assets	169,942,709	129,030,902	298,973,611
Total Assets	243,613,786	170,779,683	414,393,469
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	89,630	-	89,630
Deferred outflow of resources - OPEB related	100,868	22,857	123,725
Deferred outflow of resources - pension related	6,823,153	1,546,173	8,369,326
Total Deferred Outflows of Resources	7,013,651	1,569,030	8,582,681
LIABILITIES			
Current Liabilities *(payable from unrestricted assets):*			
Accounts payable	3,835,153	955,860	4,791,013
Retainage payable	15,534	1,478,458	1,493,992
Accrued interest payable	11,494	-	11,494
Accrued payroll payable	285,615	77,583	363,198
Compensated Absences	758,233	158,036	916,269
Customer deposits	79,179	249,431	328,610
Unearned revenues	26,098,233	128,419	26,226,652
Subscriptions payable	59,387	61,569	120,956
Bonds payable	419,599	-	419,599
OPEB payable	83,780	18,985	102,765
Current Liabilities *(payable from restricted assets):*			
Accrued interest payable	-	2,133,372	2,133,372
Notes and loans payable	-	274,533	274,533
Total Current Liabilities	31,646,207	5,536,246	37,182,453
Noncurrent Liabilities:			
Compensated absences	758,232	158,036	916,268
Notes and loans payable	-	49,980,349	49,980,349
Bonds payable *(net of unamortized discounts and premiums)*	3,826,708	-	3,826,708
Subscriptions liability	28,139	212,395	240,534
OPEB liability	335,120	75,940	411,060
Net pension liability	14,442,471	3,272,762	17,715,233
Total Noncurrent Liabilities	19,390,670	53,699,482	73,090,152
Total Liabilities	51,036,877	59,235,728	110,272,605
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	153,283	34,735	188,018
Deferred inflows of resources - pension related	2,171,102	491,986	2,663,088
Deferred inflows of resources - leases	7,093,423	529,143	7,622,566
Total Deferred Inflows of Resources	9,417,808	1,055,864	10,473,672
NET POSITION			
Net investment in capital assets	158,616,894	76,453,373	235,070,267
Restricted for:			
Outside legal authority	850,268	-	850,268
System development	297,772	2,848,908	3,146,680
Capital outlay	52,022	-	52,022
Debt service	32,001	214,399	246,400
Net OPEB Asset	273,185	61,906	335,091
Unrestricted	30,050,610	32,478,535	62,529,145
Total Net Position	$ 190,172,752	$ 112,057,121	$ 302,229,873

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 8,831,872	$ 5,204,354	$ 135,812	$ 6,155,447	$ 2,663,741	$ -	$ 2,663,741
Airport	3,464,470	605,138	-	24,205,651	21,346,319	-	21,346,319
Culture and recreation	2,853,439	284,988	23,523	323,985	(2,220,943)	-	(2,220,943)
Public safety	8,077,657	20,233	43,649	-	(8,013,775)	-	(8,013,775)
Highways and streets	5,595,897	129,834	-	370,815	(5,095,248)	-	(5,095,248)
Interest on long-term debt	393,455	-	-	-	(393,455)	-	(393,455)
Total Government Activities	29,216,790	6,244,547	202,984	31,055,898	8,286,639	-	8,286,639
Business-Type Activities:							
Wastewater	8,769,417	10,127,434	-	47,120	-	1,405,137	1,405,137
Water	9,066,437	12,633,573	-	169,253	-	3,736,389	3,736,389
Total Business-Type Activities	17,835,854	22,761,007	-	216,373	-	5,141,526	5,141,526
Total	$ 47,052,644	$ 29,005,554	$ 202,984	$ 31,272,271	8,286,639	5,141,526	13,428,165
		General Revenues:					
		Property taxes			11,225,812	-	11,225,812
		Franchise taxes			3,734,303	-	3,734,303
		Motor fuel taxes			1,822,493	-	1,822,493
		Alcoholic beverage taxes			351,493	-	351,493
		Cigarette taxes			12,958	-	12,958
		Transient room taxes			896,059	-	896,059
		State revenue sharing			262,027	-	262,027
		Investment Income (loss)			4,032,458	1,830,651	5,863,109
		Gain on sale of capital assets			-	2,339	2,339
		Transfers			(11,199,500)	11,199,500	-
		Total General Revenues and Transfers			11,138,103	13,032,490	24,170,593
		Change in Net Position			19,424,742	18,174,016	37,598,758
		Net Position - Beginning			170,748,010	93,883,105	264,631,115
		Net Position - Ending			$ 190,172,752	$ 112,057,121	$ 302,229,873

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

City of Klamath Falls, Oregon
Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Airport Fund	Escrow Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 19,072,524	$ 10,119,779	$ 2,493,768	$ 4,826,969	$ 36,513,040
Accounts receivable	9,032,305	426,165	-	25,485	9,483,955
Lease receivable	-	6,959,499	-	133,924	7,093,423
Taxes receivable	655,384	23,770	-	83,255	762,409
Special assessments receivable	72,821	-	-	-	72,821
Interest receivable	101,156	340	42,412	955	144,863
Advances to other funds	-	-	2,973,871	-	2,973,871
Inventories	34,886	-	-	-	34,886
Restricted assets					
Cash and cash equivalents	232,702	52,022	-	1,635,268	1,919,992
Long-term assets					
Investments	14,397,140	-	6,655,174	429,803	21,482,117
Total Assets	$ 43,598,918	$ 17,581,575	$ 12,165,225	$ 7,135,659	$ 80,481,377
LIABILITIES					
Liabilities:					
Accounts payable	$ 2,810,194	$ 932,739	$ -	$ 80,169	$ 3,823,102
Payroll payable	278,285	7,330	-	-	285,615
Retainage payable	15,534	-	-	-	15,534
Advances from other funds	-	-	-	2,973,871	2,973,871
Deposits payable	64,919	9,260	-	5,000	79,179
Unearned revenue	21,433,874	4,491,499	-	172,860	26,098,233
Total Liabilities	24,602,806	5,440,828	-	3,231,900	33,275,534
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable	216,846	4,325	-	9,014	230,185
Unavailable revenue - code enforcement fines	3,069	-	-	-	3,069
Unavailable revenue - grant	-	164,500	-	-	164,500
Unavailable revenue - leases receivable	-	6,959,499	-	133,924	7,093,423
Unavailable revenue - municipal court fines	177,237	-	-	11,608	188,845
Unavailable revenue - property taxes	527,432	19,130	-	67,511	614,073
Unavailable revenue - special assessment debt receivable	72,821	-	-	-	72,821
Total Deferred Inflows of Resources	997,405	7,147,454	-	222,057	8,366,916
Total Liabilities and Deferred Inflows of Resources	25,600,211	12,588,282	-	3,453,957	41,642,450
FUND BALANCES (DEFICITS)					
Nonspendable	34,886	-	-	-	34,886
Restricted	527,549	52,022	-	652,493	1,232,064
Committed	674,309	-	-	-	674,309
Assigned	91,685	4,941,271	12,165,225	4,975,294	22,173,475
Unassigned	16,670,278	-	-	(1,946,085)	14,724,193
Total Fund Balances	17,998,707	4,993,293	12,165,225	3,681,702	38,838,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 43,598,918	$ 17,581,575	$ 12,165,225	$ 7,135,659	

Amounts reported for governmental activities in the statement of net position are different because:

Prepaid assets are not reported in the funds.		2,953,698
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		162,768,959
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the		1,273,493
Pension related liability and deferred outflows and inflows of resources.		(9,790,420)
Other post employment benefits related liability and deferred outflows and inflows of resources.		(198,130)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds. In addition, governmental funds report the effect of prepaid insurance when debt is first issued, whereas, these amounts are amortized and shown net of the amortization in the statement of net position.		
Long-term debt	(4,246,307)	
Deferred charge on refunding	89,630	
Prepaid bond insurance	2,766	
Subscriptions and subscriptions payable, net	20,146	
Accrued interest	(11,494)	
Accounts payable	(12,051)	
Compensated absences	(1,516,465)	(5,673,775)
		$ 190,172,752

City of Klamath Falls, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Airport Fund	Formerly Major Fund Capital Project Fund	Escrow Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 9,609,608	$ 333,674	$ -	$ -	$ 1,224,056	$ 11,167,338
Intergovernmental	10,334,311	26,002,531	-	-	52,138	36,388,980
Licenses, fees and permits	241,105	-	-	-	58,830	299,935
Franchise fees	3,734,303	-	-	-	-	3,734,303
Charges for services	795,368	595,065	-	681,884	14,942	2,087,259
Internal charges for services	3,487,177	-	-	-	-	3,487,177
Fines and forfeits	250,882	-	-	-	33,933	284,815
Investment income (loss)	1,886,765	1,221,969	-	613,097	310,627	4,032,458
Miscellaneous revenues	195,514	10,073	-	-	-	205,587
Total Revenues	30,535,033	28,163,312	-	1,294,981	1,694,526	61,687,852
EXPENDITURES						
Current:						
General government	7,592,539	-	-	324	577,490	8,170,353
Airport	-	1,123,767	-	-	-	1,123,767
Culture and recreation	2,329,524	-	-	-	-	2,329,524
Public safety	8,047,801	-	-	-	-	8,047,801
Highways and streets	3,173,206	-	-	-	83,236	3,256,442
Debt service:						
Principal	235,000	-	-	-	161,301	396,301
Interest	57,345	-	-	-	331,437	388,782
Capital outlay:						
General government	6,374,060	-	-	-	-	6,374,060
Airport	-	24,640,230	-	-	-	24,640,230
Culture and recreation	490,676	-	-	-	-	490,676
Public safety	643,855	-	-	-	-	643,855
Highways and streets	2,060,008	-	-	-	21,394	2,081,402
Total Expenditures	31,004,014	25,763,997	-	324	1,174,858	57,943,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(468,981)	2,399,315	-	1,294,657	519,668	3,744,659
OTHER FINANCING SOURCES (USES)						
Proceeds from subscriptions issuance	84,468	-	-	-	-	84,468
Proceeds from sale of capital assets	35,505	-	-	-	-	35,505
Transfers in	703,592	462,725	-	-	665,700	1,832,017
Transfers out	(665,700)	-	-	(362,050)	(12,003,767)	(13,031,517)
Insurance recoveries	7,820	-	-	-	-	7,820
Total Other Financing Sources (Uses)	165,685	462,725	-	(362,050)	(11,338,067)	(11,071,707)
Net Change in Fund Balance	(303,296)	2,862,040	-	932,607	(10,818,399)	(7,327,048)
Fund Balances, as previously presented	18,302,003	2,131,253	15,499,121	11,232,618	(999,020)	46,165,975
Change within financial Reporting Entity			(15,499,121)		15,499,121	-
Fund Balances, as restated	18,302,003	2,131,253	-	11,232,618	14,500,101	46,165,975
Fund Balances - Ending	$ 17,998,707	$ 4,993,293	$ -	$ 12,165,225	$ 3,681,702	$ 38,838,927

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds		$	(7,327,048)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.			
Expenditures for capital assets	$ 33,986,919		
Less current year depreciation	(6,182,286)		27,804,633
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.			
Contributions from outside parties	57,747		57,747
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes	58,474		
Special assessments against benefiting properties	262		
Grant receivable - non-current portion	(1,897,331)		
Accounts receivable - non-current portion	101,481		
Fines and forfeitures - non current portion	41,126		(1,695,988)
The issuance of long-term debt (e.g., bonds, loans) and the recognition of subscriptions provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issues, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Principal payments	396,301		
Subscriptions payable activity, net	(1,608)		
Amortization of deferred charge on refunding	(7,464)		
Amortization of bond premium	1,546		
Amortization of bond insurance	(706)		388,069
The net effect of various pension related transactions			(872,233)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Prepaid expenses	1,377,112		
Accrued interest on long-term obligations	1,245		
Compensated absences	(323,572)		
Other postemployment benefits	14,777		1,069,562
Change in net position of governmental activities		$	19,424,742

PROPRIETARY
FUNDS

City of Klamath Falls, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities		
	Wastewater	Water	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 5,047,496	$ 2,962,063	$ 8,009,559
Accounts receivable *(net of uncollectibles)*	2,262,816	1,752,252	4,015,068
Leases receivable	-	529,143	529,143
Loans receivable	-	2,772	2,772
Interest receivable	40,824	54,994	95,818
Inventories	37,741	615,279	653,020
Prepaid items	34,449	45,731	80,180
Restricted assets			
Cash and cash equivalents	291,129	2,772,178	3,063,307
Total Current Assets	7,714,455	8,734,412	16,448,867
Noncurrent Assets:			
Investments	12,767,945	13,040,288	25,808,233
Capital assets *(net of accumulated depreciation)*			
Land	1,322,899	642,370	1,965,269
Intangible assets	-	137,489	137,489
Construction in progress	65,070,770	2,406,902	67,477,672
Buildings and system	1,924,246	635,747	2,559,993
Machinery and equipment	3,070,336	2,558,014	5,628,350
Infrastructure	18,738,854	31,678,146	50,417,000
Subscription	-	274,904	274,904
OPEB asset, net	26,014	35,892	61,906
Total Noncurrent Assets	102,921,064	51,409,752	154,330,816
Total Assets	110,635,519	60,144,164	170,779,683
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - OPEB related	9,605	13,252	22,857
Deferred outflow of resources - pension related	649,723	896,450	1,546,173
Total Deferred Outflows of Resources	659,328	909,702	1,569,030
LIABILITIES			
Current Liabilities:			
Accounts payable	499,100	456,760	955,860
Retainage payable	1,478,458	-	1,478,458
Accrued payroll	27,717	49,866	77,583
Compensated absences	71,874	86,162	158,036
Customer deposits	-	249,431	249,431
Unearned revenue	-	128,419	128,419
Subscriptions payable	-	61,569	61,569
Current Liabilities (*payable from restricted assets*):			
Accrued interest payable	2,125,950	7,422	2,133,372
Loans payable	220,803	53,730	274,533
Total Current Liabilities	4,423,902	1,093,359	5,517,261
Long-term Liabilities:			
Compensated absences	71,874	86,162	158,036
Loans payable	49,751,320	229,029	49,980,349
Subscriptions liability	-	212,395	212,395
Total OPEB liability	39,889	55,036	94,925
Net pension liability	1,375,259	1,897,503	3,272,762
Total Noncurrent Liabilities	51,238,342	2,480,125	53,718,467
Total Liabilities	55,662,244	3,573,484	59,235,728
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	14,596	20,139	34,735
Deferred inflows of resources - pension related	206,739	285,247	491,986
Deferred inflows of resources - leases	-	529,143	529,143
Total Deferred Inflows of Resources	221,335	834,529	1,055,864
NET POSITION			
Net investment in capital assets	38,676,524	37,776,849	76,453,373
Restricted for:			
System development	147,602	2,701,306	2,848,908
Debt service	143,527	70,872	214,399
Net OPEB Asset	26,014	35,892	61,906
Unrestricted	16,417,601	16,060,934	32,478,535
Total Net Position	$ 55,411,268	$ 56,645,853	$ 112,057,121

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities		
	Wastewater	Water	Totals
OPERATING REVENUES			
Charges for sales and services			
Wastewater charges (net of allowances)	$ 8,929,026	$ -	$ 8,929,026
Geothermal charges (net of allowances)	-	209,624	209,624
Water charges (net of allowances)	-	11,001,292	11,001,292
Total operating revenues	8,929,026	11,210,916	20,139,942
OPERATING EXPENSES			
Costs of sales and services	5,361,387	5,967,214	11,328,601
Administration	999,600	1,074,075	2,073,675
Depreciation and amortization	1,472,461	2,011,543	3,484,004
Total operating expenses	7,833,448	9,052,832	16,886,280
Operating income (loss)	1,095,578	2,158,084	3,253,662
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	683,838	1,146,813	1,830,651
Interest expense	(935,969)	(13,605)	(949,574)
Gain/(loss) on sale/disposition of capital assets	(432,667)	2,339	(430,328)
System development charges	1,631,075	1,422,657	3,053,732
Total nonoperating revenue (expenses)	946,277	2,558,204	3,504,481
Income before contributions and transfers	2,041,855	4,716,288	6,758,143
CAPITAL CONTRIBUTIONS	47,120	169,253	216,373
TRANSFERS IN	7,362,050	5,000,000	12,362,050
TRANSFERS OUT	-	(1,162,550)	(1,162,550)
Change in net position	9,451,025	8,722,991	18,174,016
Total net position - beginning	45,960,243	47,922,862	93,883,105
Total net position - ending	$ 55,411,268	$ 56,645,853	$ 112,057,121

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities		
	Wastewater	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 7,908,691	$ 11,016,810	$ 18,925,501
Receipts from interfund services provided	72,068	326,967	399,035
Payments to suppliers	(3,679,451)	(3,612,495)	(7,291,946)
Payments to employees	(1,426,276)	(2,378,896)	(3,805,172)
Payments for interfund services used	(2,073,759)	(1,031,302)	(3,105,061)
Net cash provided by operating activities	801,273	4,321,084	5,122,357
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	7,362,050	3,837,450	11,199,500
Net Cash (Used) by Noncapital Financing Activities	7,362,050	3,837,450	11,199,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees collected	1,631,075	1,422,657	3,053,732
Purchases and construction of capital assets	(7,046,977)	(3,917,237)	(10,964,214)
Proceeds from sale of capital assets	(432,667)	2,339	(430,328)
Loan proceeds	7,652,458	343,630	7,996,088
Interest received on leases	-	11,193	11,193
Principal paid on capital and subscription debt	(1,002,968)	(118,030)	(1,120,998)
Interest paid on capital debt	(135,475)	(14,840)	(150,315)
Net Cash Provided (Used) by Capital and Related Financing Activities	665,446	(2,270,288)	(1,604,842)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(7,608,073)	(6,046,409)	(13,654,482)
Investment earnings	677,298	1,128,565	1,805,863
Net Cash Provided (Used) by Investing Activities	(6,930,775)	(4,917,844)	(11,848,619)
Net Change in Cash and Cash Equivalents	1,897,994	970,402	2,868,396
Cash and Cash Equivalents - Beginning of Year	3,440,631	4,763,839	8,204,470
Cash and Cash Equivalents - End of Year	$ 5,338,625	$ 5,734,241	$ 11,072,866
Cash and Cash Equivalents - Unrestricted	$ 5,047,496	$ 2,962,063	$ 8,009,559
Cash and Cash Equivalents - Restricted	291,129	2,772,178	3,063,307
Total Cash and Cash Equivalents	$ 5,338,625	$ 5,734,241	$ 11,072,866
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 1,095,578	$ 2,158,084	$ 3,253,662
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,472,461	2,011,543	3,484,004
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	(948,267)	124,834	(823,433)
Inventories	1,839	128,389	130,228
Prepaid items	(20,024)	(26,042)	(46,066)
Net OPEB asset	(4,723)	19	(4,704)
Deferred charges on refunding	18,500	-	18,500
Deferred outflows related to other post employment benefits	5,309	11,903	17,212
Deferred outflows related to pensions	(97,571)	34,863	(62,708)
Increases (decrease) in liabilities			
Accounts payable	(963,883)	(19,614)	(983,497)
Payroll liabiltities	782	4,862	5,644
Compensated absences	37,263	42,440	79,703
Customer deposits	-	10,934	10,934
Unearned revenue	-	(2,907)	(2,907)
Other post employment benefits	(8,377)	(26,374)	(34,751)
Net pension liability	230,662	(33,084)	197,578
Deferred inflows related to other post employment benefits	6,976	7,286	14,262
Deferred inflows related to pensions	(25,252)	(106,052)	(131,304)
Total Adjustments	(294,305)	2,163,000	1,868,695
Net cash provided by operating activities	$ 801,273	$ 4,321,084	$ 5,122,357
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets	$ 47,120	$ 169,253	$ 216,373
Retainage Payable	169,367	(48,348)	121,019

FIDUCIARY FUNDS

City of Klamath Falls, Oregon
Statement of Changes in Fiduciary Net Position
Veterans Memorial Custodial Fund
For the Year Ended June 30, 2025

ADDITIONS	
Contributions:	
Private contributions	$ 3,250
Investment earnings:	
Interest	9,169
Total additions	12,419
DEDUCTIONS	
Memorial improvements	1,841
Net increase in fiduciary net position	10,578
Net position - beginning	182,746
Net position - ending	$ 193,324

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon
Statement of Fiduciary Net Position
Veterans Memorial Custodial Fund
June 30, 2025

	Veterans Memorial Fund
ASSETS	
Cash and cash equivalents	$ 193,324
Total assets	193,324
NET POSITION	
Restricted for:	
Individuals and organizations	193,324
Total net position	$ 193,324

The notes to the financial statements are an integral part of this statement.

City of Klamath Falls, Oregon

Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support.

B. Reporting entity

The City of Klamath Falls, Oregon (located in Klamath County), was incorporated in 1905. The City Council, composed of the Mayor and Council members, forms the legislative branch of the government. The administration of the government is vested in the City Manager. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The blended component unit is, in substance, part of the government's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as a fund of the primary government.

Blended component unit. The Klamath Falls Urban Renewal Agency (Agency) is composed of the Lakefront Urban Renewal Fund, the Town Center Urban Renewal Fund, and the Spring Street Urban Renewal Fund. The Agency is a legally separate entity, governed by a board comprised of the members of City Council. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency.

Requests for the Agency's financial statements can be obtained from the City of Klamath Falls administration office located at 500 Klamath Avenue, Klamath Falls, Oregon 97601, URL: https://klamathfalls.city/191/Finance or by telephone: (541) 883-5316.

Related organizations. The Klamath Falls Intercommunity Hospital Authority was established by resolution adopted by the City Council of the City of Klamath Falls to provide hospital facilities. The City Council appoints the board of directors of the Authority. The board of directors manages and controls the Authority. Bonds or other obligations of the Authority are not obligations of the City of Klamath Falls.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, grants, state and county shared revenues, and administrative services from other funds. Primary expenditures are for general government, police, streets, and culture and recreation.

The *Airport Fund* is a special revenue fund whose primary source of revenue is intergovernmental grants for capital construction and improvements to the airport runways and facilities. Other revenues consist of property taxes, transient room taxes, rental revenue and landing fees. Expenditures are assigned or restricted for airport operations and capital.

The *Escrow Reserve Fund* is a capital project fund whose primary source of revenue is proceeds from the sale of the Cogeneration Plant that have been completely paid out. Expenditures include projects outside the scope of normal business approved by City Council.

The government reports the following major enterprise funds:

The *Wastewater Fund* accounts for the expansion, operation, and maintenance of the government's sanitary sewer system.

The *Water Fund* accounts for the expansion, operation and maintenance of the government's water supply system and its geothermal heating distribution system.

The government also reports nonmajor funds in the following categories: special revenue funds, capital projects funds, and debt service funds.

Additionally, the government reports the following custodial fund:

The *Veterans Memorial Custodial Fund* accounts for monies held on behalf of the Veterans Memorial Committee that uses donations to maintain the memorial at Veterans Park.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Indirect expenses, which includes general government, support services, and administrative costs, are allocated based on a full-cost allocation approach, thereby allocating indirect expenses among functions with the objective of allocating all expenses. This allocation is done through the General Fund and is included in direct program expenses for the various functional activities within individual funds.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The custodial funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

On or before June 30 of every other year, the government enacts a resolution adopting a biennial budget, appropriating the expenditures, and levying the property taxes. The government is required to prepare a balanced budget for each fund in accordance with ORS 294 – Local Budget Law. The government's budget is presented on the modified accrual basis of accounting.

The Budget Committee, which consists of the City Council and an equal number of citizens of the City, conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than ten (10) percent by Council without returning to the Budget Committee for a second approval.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by division as established by the resolution are the legal level of control for the funds. Non-departmental expenditures within the funds are categorized by materials and services, capital outlay, debt service, transfers, and contingency, and are the legal level of control for non-departmental expenditures. The detail budget document, however, is required to contain more specific information for the above-mentioned expenditure categories.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The government had appropriation transfers and supplemental budgets during the fiscal year ending June 30, 2025. Appropriations lapse at the end of the biennium budget period.

2. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2025, expenditures exceeded appropriations in the downtown maintenance department (the legal level of budgetary control) within the general government function of the General Fund by $164.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

The government's investment policy is in accordance with ORS 294 and sets the parameters within which funds are invested to ensure effective and judicious management of funds. Investments for the government are reported at fair value. The government participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open-ended, no-load, diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Bond Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the government's share of fair value is the same as the reported value. The individual funds' and blended component unit's portion of the pool's fair value are presented as "Cash and Cash Equivalents" in the basic financial statements as these are demand deposits.

3. Inventories and prepaid items

All inventories are valued at cost using first-in/first-out (FIFO) basis and are accounted for using the consumption method.

Within the proprietary funds, prepaid items are accounted for using the consumption method. Within the governmental funds, prepaid items are accounted for using the purchases method.

4. Capital assets

Capital assets include property (including right of way easements), plant, equipment (including computer software), and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession agreement are reported at acquisition value.

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000, and an initial useful life extending beyond a single reporting period. All property, right of way easements, and vehicles (rolling stock) are capitalized regardless of cost. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent on the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

The government's computer software, an intangible asset, is deemed to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life. If changes in factors and conditions arise that affect the indefinite life, the carrying value of the software will be amortized in subsequent reporting periods over the estimated remaining useful life. The government capitalizes commercially purchased software that was licensed by the government and modified using more than minimal incremental effort before being put into operation. These programs include financial accounting, geographic information systems, and engineering construction programs.

The reported value excludes normal maintenance and repairs, which essentially are amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Land, construction in progress, and certain intangible assets are not depreciated. Property, plant, and equipment of the government are depreciated using the "straight line" method.

The estimated useful lives of capital assets are:

- Infrastructure & land improvements – 20 to 40 years
- Buildings & building improvements – 10 to 40 years
- Machinery & equipment – 5 to 25 years
- Intangible assets – 5 to 10 years
- Vehicles – 3 to 5 years
- Subscriptions – based on length of the subscription

5. Leases

Leases are recognized in accordance with GASB Statement No. 87, *Leases*.

A lessor is required to recognize a lease receivable and a deferred inflow of resources. Lease receivables are recognized at the net present value of the leased assets either explicitly described in the agreement or at the City's incremental borrowing rate at the time of the lease agreement and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. These deferred inflows of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and an intangible right-to-use lease asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees. The right-to-use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease.

In the government-wide, proprietary, and fiduciary fund financial statements, deferred inflows related to leases and any respective right-to-use assets are reported in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources. Under modified accrual accounting, lease payments are considered capital outlay and proceeds of lease contracts, and thereafter are recorded as principal and interest payments.

The City has chosen not to implement GASB 87 for the budgetary basis of accounting. For both the budgetary basis of accounting and for leases that do not meet the criteria for valuation under GASB 87, the City will report inflows of cash for lessor leases and outflows of cash for lessee leases.

6. Subscription-Based Information Technology Agreements

The City obtains the right to use vendor's information technology software through various long-term contracts. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the applicable governmental or business-type activities column in the government-wide financial statements.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The right-to-use asset is initially measured as the initial amount of the subscription liability adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Right-to-use subscription assets' useful lives are determined by the length of the subscription period and are amortized using the straight-line method. See further discussion Note III.I.

Key estimates and judgments include how the City determines the discount rate and subscription term it uses to discount the expected subscription payments to present value. The City uses the market rate of interest at the subscription's inception as the discount rate. The subscription's term includes the noncancelable period of the subscription. Subscription payments included in the measurement of the subscription payable are composed of fixed payments as outlined in the subscription.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied**.**

9. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund balance policies

In accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the government classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The government's highest formal action is a resolution or ordinance approved by the City Council.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Manager or his/her designee per the Financial Policies.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Minimum fund balance policies. The City Council annually adopts a reserve balance in the General Fund of at least 20% of the annual General Fund operating budget. If Council authorizes expenditure of reserves for any purpose identified in the previous section, which causes reserve balances to fall below 20%, reserves must begin to be restored in the fiscal year following their use.

The City Council annually adopts a reserve balance in the Water and Wastewater Funds of at least 15% of the annual operating budget. The City Council annually adopts a reserve balance in other funds receiving property tax support at a minimum level of 10% of the annual operating budget.

Other special revenue funds will be evaluated individually based on the type of service, potential for unexpected expenditures, and purpose of the fund, to determine the appropriate reserve. There may be some funds that require no reserve.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1. Taxes are billed in October and payments are due on November 15 of the same calendar year. Under the partial payment schedule, the first one-third of taxes is due on November 15, the second one-third on February 15, and the remaining one-third on May 15. A discount of 3 percent is allowed if full payment is made by November 15; a 2 percent discount is allowed for a two-thirds payment made by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent and are subject to lien, and penalties and interest are assessed.

The government participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the government and others by other local governments and state agencies. There were no material taxes abated for the year ended June 30, 2025.

3. Compensated absences

The government recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carries over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences – *vacation, sick, compensatory time leave, and paid time off.* The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Any and all funds directly responsible for the payment of the employee's services while still in the government's employment are also responsible for the liquidation of the compensated absence liability upon termination of the employee.

Vacation

The government's policy permits employees to accumulate up to 240 hours of earned but unused vacation benefits depending on the contract and years of service. These hours are eligible for payment upon separation from government service.

Sick Leave

The government's policy permits employees to accumulate earned but unused sick leave benefits. Union employees hired before July 1, 2011, are eligible for payment up to 25% of 960 hours upon separation from government services. Non-represented employees hired before July 1, 2011, may have two sick leave banks. All sick leave accumulated prior to July 1, 2011, is tracked as "frozen sick leave" and is subject to payout at separation up to 25% of 960 hours. Leave amounts accrued after July 1, 2011, are tracked as current sick leave, which is no longer subject to a payout upon termination. A liability for estimated value of sick leave, not eligible for payout, that will be used by employees as time off is included in the liability for compensated absences.

Compensatory Time Leave

The government's policy permits AFSCME represented employees and Sergeants to accumulate up to 80 hours, and Teamsters represented employees to accumulate up to 120 hours of earned but unpaid compensatory time off. Straight overtime hours worked are accumulated at the straight rate for hours worked, while overtime hours worked are accumulated at the rate of time and one-half. This accumulation is eligible for payment upon separation from government service. The government may compensate Teamsters represented employees at fiscal year-end for all accrued compensatory time more than 40 hours. All time over the allowed accumulation must be paid in full when earned.

Paid Time Off

The government's policy permits non-represented employees who have been employed for 20 years or more to accrue paid time off up to 40 hours. Paid time off it not subject to payout upon termination but the estimated value of the leave that will be used by employees as time off is included in the liability for compensated absences.

4. Proprietary fund operating and nonoperating revenues and expenses

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 Wastewater and Water Funds are charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A. Revenue diversion

The government was in compliance with the *Policies and Procedures Concerning the Generation and Use of Airport Revenue*, issued February 16, 1999 (64 CFR 7695), which requires that all airport revenues generated by a public airport will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport, and are directly and substantially related to the actual air transportation of passengers or property.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

B. Violations of legal or contractual provisions

There were no violations of legal or contractual provisions for the year ended June 30, 2025.

C. Deficit fund balance

At June 30, 2025, the Lakefront Urban Renewal Fund has a deficit fund balance of $1,406,123 and the Spring Street Urban Renewal Fund has a deficit fund balance of $539,962. The reason for the deficits is interfund loans. The interfund loans are reported as a fund liability on the Governmental Funds balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balance). This deficit will be eliminated as the scheduled principal payments on the loans are made.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash, cash equivalents and investments

At June 30, 2025, the government's cash, cash equivalents and investments were comprised of the following:

Cash and cash equivalents:	
Cash on hand	$ 1,300
Deposits with financial institutions	6,886,065
State of Oregon Local Government Investment Pool	42,618,533
Total cash and cash equivalents	49,505,898
Investments:	
Oregon State Treasurer's Local Government Intermediate Fund	10,461,420
U.S. agency and municipal obligations	26,367,737
Commercial paper and corporate bonds	10,461,193
Total Investments	47,290,350
Total cash, cash equivalents and investments	$ 96,796,248

Cash, cash equivalents and investments are reflected on the Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	$ 36,513,040	$ 8,009,559	$ 44,522,599
Restricted cash and cash equivalents	1,919,992	3,063,307	4,983,299
Investments	21,482,117	25,808,233	47,290,350
Total cash, cash equivalents, and investments	$ 59,915,149	$ 36,881,099	$ 96,796,248

Custodial credit risk-deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The government's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by compliance with ORS 295. As of June 30, 2025, the government's bank balances were $7,016,033.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Fair Value Measurement. GASB Statement No. 72, *Fair Value Measurement and Application*, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These Classifications are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risk and default rates).

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant valuation drivers are unobservable.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets of identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The government has recorded its investments at fair value and primarily uses the Market Approach to value each security. Security pricing is provided by a third-party and reported to the government by its custodian bank. Assets are categorized by asset type, which is a key component of determining hierarchy levels. Asset types allowable per the government's investment policy generally fall within hierarchy level 1 and 2.

As of June 30, 2025, the government's investments in U.S. Treasury Securities are classified as Level 1. All other securities, excluding the Local Government Investment Pool, which is valued at amortized cost and is not in the leveling hierarchy, are classified as Level 2.

As of June 30, 2025, the government had the following investments:

Investment Type	Fair Value	% of Investment Portfolio	Weighted Average Maturity (Years)
Local Government Investment Pool	$ 42,618,533	47.4%	0.30
Local Government Intermidiate Fund	10,461,420	11.6%	0.09
U.S. Agency Securities	14,930,693	16.6%	2.51
U.S. Treasury Securities	1,743,787	1.9%	1.38
Municipal Commercial Paper	9,693,257	10.8%	2.67
Corporate Commercial Paper and Bonds	10,461,193	11.6%	1.68
Total	$ 89,908,883	100.0%	

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

The earnings on investments reported in the Capital Projects Fund are assigned to and treated as direct revenue of the contributing funds.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the duration of its investments for operating purposes to eighteen months. Reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the City Council, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

Credit risk. The government has adopted the policies as described in the Oregon Revised Statutes, Chapter 294, as it pertains to credit risk. Oregon Revised Statutes, Chapter 294, authorizes the government to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others.

The government's investment portfolio as of June 30, 2025, is representative of the types of investments made throughout the year. The government's investments in guaranteed investment contracts and the state treasurer's investment pool are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7 like external investment pool and is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same amount as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

At June 30, 2025, the government's investments were rated by Standard & Poors as follows:

	Commercial Paper and Corporate Bonds	Municipal Corporations	US Agency Corporations	US Treasury Notes (1)	Local Governmnent Investment Pool
AAA	$ -	$ 2,751,020	$ 1,150,476	$ -	$ -
AA+	-	2,954,975	12,893,843	1,743,787	-
AA	972,525	1,170,248	-	-	-
AA-	5,019,188	2,620,278	-	-	-
A+	3,489,235	-	-	-	-
A	980,245	-	-	-	-
A-	-	-	-	-	-
Unrated	-	196,736	886,374	-	53,079,953
	$ 10,461,193	$ 9,693,257	$ 14,930,693	$ 1,743,787	$ 53,079,953

(1) U. S. Treasury securities are not rated by the credit rating agencies as they carry an implicit guarantee of the U. S. Government.

Concentration of credit risk. The government has adopted the policies described in the Oregon Revised Statutes, Chapter 294, as it pertains to investments. The policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Negotiable Certificates of Deposit have custodial credit risk exposure because the security is uninsured, unregistered, and held by the counterparty for the security. The government does not have a separate deposit policy for custodial credit risk but has adopted the policies as described in the Oregon Revised Statutes, Chapter 294.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

General Fund	Municipal Court	Grants	Other	Total General Fund
Gross Accounts Receivable	$ 3,198,156	$ 7,417,506	$ 1,480,237	$ 12,095,900
Uncollectibles	(2,985,703)	-	(77,892)	(3,063,595)
Net Accounts Receivable	$ 212,453	$ 7,417,506	$ 1,402,346	$ 9,032,305

	General Fund	Airport Fund	Nonmajor Governmental Funds	Total Governmental Activities
Gross Accounts Receivable	$ 12,095,900	$ 426,165	$ 218,461	$ 12,740,526
Uncollectibles	(3,063,595)	-	(192,976)	(3,256,571)
Net Accounts Receivable	$ 9,032,305	$ 426,165	$ 25,485	$ 9,483,955

Business-type Activities

	Wastewater Fund	Water Fund	Total Business-type Activities
Gross Accounts Receivable	$ 2,278,678	$ 1,778,877	$ 4,057,555
Uncollectibles	(15,862)	(26,625)	(42,487)
Net Accounts Receivable	$ 2,262,816	$ 1,722,252	$ 4,015,068

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

Governmental Activities:

	Restated Balance July 1, 2024	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	$ 14,051,036	$ 6,109	$ -	$ -	$ 14,057,144
Construction in progress	28,055,555	32,851,231	-	(6,439,682)	54,467,104
Intangible assets	116,771	-	-	-	116,771
Total capital assets, not being depreciated	42,223,361	32,857,339	-	(6,439,682)	68,641,020
Capital assets, being depreciated:					
Buildings	18,565,251	-	-	528,023	19,093,273
Intangible assets	493,068	-	-	-	493,068
Subscriptions	194,449	84,468	(54,594)	-	224,323
Machinery, equipment, and vehicles	12,905,326	942,847	(498,255)	752,356	14,102,274
Infrastructure	235,015,309	160,010	-	5,159,303	240,334,622
Total capital assets being depreciated	267,173,403	1,187,325	(552,849)	6,439,682	274,247,560
Less accumulated depreciation for:					
Buildings	(9,534,661)	(631,659)	-	-	(10,166,320)
Intangible assets	(250,838)	(26,068)	-	-	(276,905)
Subscriptions	(99,412)	(71,833)	54,594	-	(116,651)
Machinery, equipment, and vehicles	(9,027,747)	(751,965)	498,255	-	(9,281,457)
Infrastructure	(155,469,854)	(4,700,762)	-	-	(160,170,616)
Total accumulated depreciation	(174,382,512)	(6,182,286)	552,849	-	(180,011,950)
Total capital assets, being depreciated, net	92,790,891	(4,994,961)	-	6,439,682	94,235,611
Government activities capital assets, net	$ 135,014,252	$ 27,862,378	$ -	$ -	$ 162,876,631

The increase column is used only to show the sum of the current fiscal year's capital outlay, donated capital assets, and current year's depreciation. The decreases and transfers column is used to show the sale and disposal of capital assets. The placed-in-service column shows transfers from CIP to the various asset categories.

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

Governmental activities:	
General government	$ 283,410
Public safety	718,351
Highways and streets	2,271,161
Culture and recreaction	436,767
Airport	2,472,598
Total depreciation expense - governmental activities	$ 6,182,286

NOTE III – DETAILED NOT6ES ON ALL ACTIVITIES AND FUNDS (continued)

Business-type Activities:

	Balance July 1, 2024	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	$ 1,962,119	$ 3,150	$ -	$ -	$ 1,965,269
Construction in progress	59,011,243	11,069,146	-	(2,602,716)	67,477,672
Intangible assets	137,489	-	-	-	137,489
Total capital assets, not being depreciated	61,110,851	11,072,296	-	(2,602,716)	69,580,430
Capital assets, being depreciated:					
Buildings	7,684,884	-	(336,351)	-	7,348,533
Intangible assets	7,500	-	-	-	7,500
Subscriptions	-	343,630	-	-	343,630
Machinery and equipment	22,851,138	72,066	(1,616,873)	-	21,306,331
Infrastructure	98,801,822	255,373	(2,447,202)	2,602,716	99,212,709
Total capital assets being depreciated	129,345,344	671,069	(4,400,426)	2,602,716	128,218,703
Less accumulated depreciation for:					
Buildings	(4,988,760)	(129,195)	329,416	-	(4,788,540)
Intangible assets	(7,314)	(185)	-	-	(7,500)
Subscriptions	-	(68,726)	-	-	(68,726)
Machinery and equipment	(16,154,476)	(920,577)	1,397,072	-	(15,677,981)
Infrastructure	(48,662,570)	(2,365,319)	2,232,180	-	(48,795,709)
Total accumulated depreciation	(69,813,120)	(3,484,002)	3,958,668	-	(69,338,456)
Total capital assets, being depreciated, net	59,532,224	(2,812,933)	(441,758)	2,602,716	58,880,247
Business-type activities capital assets, net	$ 120,643,075	$ 8,259,363	$ (441,758)	$ -	$ 128,460,677

Depreciation expense was charged to the functions of the business-type activities as follows:

Business-type activities:	
Water	$ 2,011,543
Wastewater	1,472,459
Total depreciation expense - business-type activities	$ 3,484,002

D. Pension obligations

Oregon Public Employees Retirement System (OPERS)

Plan description. Employees of the government are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit Plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at: https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

1. **Tier One/Tier Two Retirement Benefit, ORS Chapter 238**

Pension benefits. The OPERS retirement allowance is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. Beginning January 1, 2025, PERS subject salary limits increased from $232,976 to $238,567 per year in accordance with the Consumer Price Index for West Region.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police members). General service employees may retire after reaching age 55. Police members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58, with fewer than 30 years of service. Police member benefits are reduced if retirement occurs prior to age 55, with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by an OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in an OPERS-covered job, or
- the member was on an official leave of absence from an OPERS-covered job at the time of death.

Disability benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police members) when determining the monthly benefit.

Benefit Changes After Retirement. After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the fair value of equity investments. Under ORS 238.360, monthly benefits are adjusted through cost-of-living changes (COLA). The COLA is capped at 2.0%.

2. **OPSRP Defined Benefit Pension Program (OPSRP DB)**

Pension benefits. The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police members is age 60, or age 53 with 25 years of retirement credit. To be classified as a police member, the individual must have been employed continuously as a police member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled, or a member who becomes disabled due to job-related injury, shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement. Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and $750 plus 0.15 percent on annual benefits above $60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension benefits. The Individual Account Program (IAP) is a defined contribution pension plan. The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account, as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping. OPERS contracts with VOYA Financial to maintain IAP participant records.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Employer Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2021, actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2023. Employer contributions for the year ended June 30, 2025, were $2,004,419, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2025, were 19.22 percent for Tier One/Tier Two members, 12.85 percent for OPSRP Pension Program General Service Members, and 17.64 percent for OPSRP Pension Program Police Members. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6.0 percent) contributions.

Employee Contributions. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Starting July 1, 2020, Senate Bill 1049 required member contributions to their IAP accounts to be redirected to the Defined Benefit Fund. If the member earns more than $2,500 a month, 0.75% for OPSRP members and 2.5% Tier One- and Two-members' salaries that were previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts (EPSA) to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. Employee contributions were $581,818 for IAP and $143,220 for EPSA for the year ended June 30, 2025.

Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2025, the government reported a liability of $17,715,232 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to June 30, 2024. The government 's proportion of the net pension liability was based on a projection of the government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the government's proportion was 0.07970054 percent, which was a decrease of .00281996 percent from its proportion measured as of June 30, 2023.

For the year ending June 30, 2025, the government's recognized pension expense (reduction) was $875,799. As of June 30, 2025, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,049,464	$ 42,280
Changes of assumptions	1,781,095	2,282
Net difference between projected and actual earnings on investments	1,125,413	-
Changes in proportion	624,295	1,370,057
Differences between employer contributions and proportionate share of contributions	1,819,101	1,248,469
Total (prior to post-MD contributions)	6,399,368	2,663,088
Contributions subsequent to the MD	1,969,957	
Total	$ 8,369,325	$ 2,663,088

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

The $1,969,957 reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 82,435
2027	2,041,461
2028	1,062,607
2029	483,196
2030	66,580
Total	$ 3,736,279

Actuarial valuations. The employer contribution rates effective July 1, 2023, through June 30, 2025, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Measurement Date	June 30, 2024
Experience Study Report	2022, published July 24, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* decision, blend based on service.
Mortality	**Healthy retirees and beneficiaries:** Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Active Members:** Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. **Disabled retirees:** Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2022 Experience Study which reviewed experience for the four-year period ending on December 31, 2022.

Depletion date projection. GASB Statement No. 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

	Assumed Asset Allocation		
Asset Class/Strategy	**Low Range**	**High Range**	**Target**
Debt Securities	20.00 %	30.00 %	25.00 %
Public Equity	22.50	32.50	27.50
Real Estate	7.50	17.50	12.50
Private Equity	15.00	27.50	20.00
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio *	0.00	5.00	0.00
Total			100.00 %

* Opportunity Portfolio is an investment strategy and it may be invested up to 5% of total Fund assets.

Long-term expected rate of return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2023, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	**Target Allocation**	**20-Year Annualized Geometric Mean**
Global Equity	27.50 %	7.07 %
Private Equity	25.50	8.83
Core Fixed Income	25.00	4.50
Real Estate	12.25	5.83
Master Limited Partnerships	0.75	6.02
Infrastructure	1.50	6.51
Hedge Fund of Funds - Multistrategy	1.25	6.27
Hedge Fund Equity - Hedge	0.63	6.48
Hedge Fund - Macro	5.62	4.83
Total	100.00 %	
Assumed Inflation - Mean		2.35%

Discount rate. The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the government's proportionate share of the net pension liability to changes in the discount rate. The following presents the government's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)	$ 27,945,060	$ 17,715,232	$ 9,147,252

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in actuarial methods and assumptions. A summary of key changes implemented since the December 31, 2022 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2022 Experience Study for the System, which was published in July 2023, and can be found at: https://www.oregon.gov/ pers/Documents/Financials/Actuarial/2023/2022_Exp_Study.pdf.

Allocation of liability for service segments. For purposes of allocating Tier One/Tier Two member's actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology, which utilizes member account balance, and the Full Formula methodology, which uses service. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2020 and December 31, 2021 valuations, the Money Match was weighted 10% for General Service members and 0% for Police members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates. The December 31, 2022 allocation is 5% (0% for police) based on account balance with each employer and 95% (100% for police) based on service with each employer. The entire normal cost is allocated to the current employer.

Changes in economic assumptions

Administrative expenses. The administrative expense assumptions were updated to $72.0 million per year and allocated between Tier 1/Tier 2 and OPSRP based on valuation payroll. Previously these were assumed to be $64.0 million per year.

Healthcare cost inflation. The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries.

Changes in demographic assumptions

Healthy annuitant mortality base tables. The healthy annuitant mortality base tables were updated to Pub-2010 generational Healthy Retiree mortality tables with group-specific job category and setback adjustments. Previously they were based on RP-2014 generational Healthy Annuitant mortality tables with group-specific class and setback adjustments. Disabled mortality base tables. The disabled mortality base tables were updated to Pub-2010 generational Disabled Retiree mortality tables with group-specified job category and setback adjustments. Previously they were based on RP-2014 generational Disabled Retiree mortality tables.

Non-annuitant mortality base tables. Non-annuitant mortality base tables were updated to Pub-2010 generational mortality tables with the same group-specific job category and setback adjustments as for healthy annuitants, and with an additional scaling factor adjustment for certain subgroups. Previously they were based on RP-2014 generational Employee mortality tables with the same group-specific collar and setback adjustments as for healthy annuitants

E. Other Postemployment Benefits (OPEB)

City County Insurance Services (CIS)

Plan description. The government does not have a formal post-employment benefits plan for any employee groups; however, the government is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 75 is applicable to the government due to the implicit rate subsidy. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

This "plan" is a single employer defined benefit plan. This plan is not considered a trust or equivalent arrangement as there are no plan assets. It is not a stand-alone plan and therefore does not issue its own financial statements. GASB 75 is only applicable to the government's non-represented and AFSCME-represented employees.

Benefits provided. All employees of the government retiring from active service with a pension benefit payable immediately under Oregon PERS is eligible. Retirees and their dependents under age 65 are allowed to continue the health care coverage received prior to retirement. Premiums for retirees are tiered and based upon the premium rate available to active employees. The retiree is responsible for payment of the premiums.

Employees covered by benefit terms. At June 30, 2025 the following employees were covered by the benefit terms:

Active employees	118
Eligible retirees	1
Spouses of ineligible retirees	3
Total participants	122

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2025, the government reported an OPEB liability of $513,825. Total OPEB liability is determined using the entry age normal actuarial cost allocation method. In addition, GASB 75 requires that the allocation of costs for accounting purposes be made as a level percentage of employees' projected pay, including future anticipated pay increases. This measurement is based on the July 1, 2024 valuation date and a June 30, 2024 measurement date.

	Total OPEB Liability
Balance as of June 30, 2024	$ 651,786
Changes for the year:	
Service cost	37,983
Interest on Total OPEB Liability	23,915
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	(7,967)
Effect of assumptions changes or inputs	(122,114)
Benefit payments	(69,778)
Balance as of June 30, 2025	$ 513,825

For the year ended June 30, 2025, the government's recognized OPEB expense (reduction) was $31,387. On June 30, 2025, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,149	$ 12,627
Changes of assumptions	38,611	156,359
Total (prior to post-MD contributions)	71,760	168,986
Contributions subsequent to the MD	32,535	-
Total	$ 104,295	$ 168,986

The $32,535 reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources prior to post-measurement date contributions related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (25,606)
2027	(12,928)
2028	(13,828)
2029	(5,865)
2030	(6,077)
Thereafter	(32,922)
Total	$ (97,226)

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2025 actuarial valuation, the entry age normal cost method was used. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2023.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.4 percent
Discount Rate	3.93 percent
Projected Salary Increases	3.40 percent overall payroll growth
Retiree Healthcare Participation	30% of eligible employees 60% of male members and 35% of female members will elect spouse coverage. 5% annual lapse rate.
Mortality	**Health retirees and beneficiaries:** Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees and retirees. **Healthcare cost trend rate:** Medical and vision: 6.90 percent decreasing to 3.75 percent.

Discount rate. Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions reflect the Bond Buyer 20-Year General Obligation Bond Index. The discount rate in effect for the June 30, 2025, reporting date is 3.93 percent. The previous year's discount rate was 3.65 percent.

Sensitivity of the government's proportionate share of the total OPEB liability. The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.93%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Discount Rate:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB Liability	$ 551,567	$ 513,825	$ 478,363

Healthcare Cost Trend:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 462,468	$ 513,825	$ 573,924

The government's Teamsters-represented employees are provided OPEB through Oregon Teamsters Employers Trust which is administered by William C. Earhart Co., Inc. This is a cost-sharing OPEB plan that meets the requirements of GASB 85, as it is not a state or local governmental OPEB plan, provides benefits to employees of both government and non-government employers, and has no predominant government employer. The financial statements for the plan are not publicly available. As of June 30, 2025, there were 30 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2023, and ending June 30, 2026, the government will provide retirees the opportunity to purchase medical, dental, and vision insurance through the existing group health plan for Teamsters-covered employees, provided this coverage is available through the carrier of record. If Teamster-retired employees choose retiree insurance, they will pay $1,821 per month, but the government does not have any obligation to pay for the insurance.

Retirement Health Insurance Account (RHIA)

Plan description. As a member of Oregon Public Employees Retirement System (OPERS), the government contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefits, other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA resides with the Oregon Legislature. The plan was closed to new entrants hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at: https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

Benefits provided. ORS requires that an amount equal to $60, or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS, or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2023. Employer RHIA contributions for the year ended June 30, 2025, were $0.00. The City's contribution rates in effect for the period were .05 percent for Tier One/Tier Two members and .00 percent for OPSRP Pension Program Members.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

RHIA OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. At June 30, 2025 the government reported an asset of $335,091 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. The government's proportion of the net OPEB asset was based on a projection of the government's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the government's proportion was .08296218 percent, which was an increase of .00444252 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the government's recognized OPEB expense (reduction) was ($21,655). As of June 30, 2025, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,554
Changes of assumptions	-	4,239
Net difference between projected and actual earnings on investments	9,461	-
Changes in proportionate share	9,969	8,239
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	19,430	19,032
Contributions subsequent to the MD	-	-
Total	$ 19,430	$ 19,032

Other amounts reported as deferred outflows or resources and deferred inflows of resources prior to post-measurement date contributions related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (16,515)
2027	10,704
2028	5,119
2029	1,090
2030	-
Total	$ 398

Actuarial assumptions. Please see PERS above for assumptions, rate of return, and discount rate as these are the same for RHIA OPEB.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Sensitivity of the government's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the government's proportionate share of the net OPEB asset calculated using the discount rate of 6.90 percent, as well as what the government's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

Discount Rate:	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Total OPEB Liability	$ (310,193)	$ (335,091)	$ (356,530)

OPEB Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

OPEB expense (reduction) for the year ended June 30, 2025 was $31,387 for CIS and ($21,655) for RHIA for a total aggregate OPEB expense (reduction) of $9,732.

Defined Contribution Plans

Plan Description. The government sponsors three defined contribution plans; a Section 457 Plan, a Section 457 Roth Plan and a Section 401(k) Plan. Mission Square Retirement is the fund provider for the City of Klamath Falls Deferred Compensation Plan which has been adopted and amended by the City Council. They have authority to change their plans per the City of Klamath Falls Deferred Compensation Plan.

Funding Policy. Under the plans, employees may make elective contributions and the authority to change the contributions remains with the employee. The government does not make any matching contributions to the plans, and the plan assets are not included in the financial statements. Employees elected to contribute $384,224, $42,906 and $2,700 to the Section 457, Section 457 Roth and the Section 401(k) plans respectively, in 2025.

F. Construction and other significant commitments

The government has active construction and professional service contracts as of June 30, 2025. General Fund commitments include multiple Air National Guard projects, Moore Park parking lot rehabilitation, Ella Redkey pool well project, Portland Street quiet zone, and downtown intersection improvements. Airport commitments are for Air National Guard north ramp replacement. Wastewater commitments are for the treatment plant upgrade, pipelining, and pump station retrofit. Water commitments are for South 6th booster station, water fill station feasibility study, main replacements, Center Reservoir replacement, and 8th St. geothermal replacement. At year-end, the government's contract commitments were as follows:

Project	Cost to date	Commitment
General Fund professional service contracts	$ 5,882,858	$ 13,156,256
General Fund construction contracts	248,548	245,751
Airport professional service contracts	579,386	61,695
Airport construction contracts	31,827,057	3,283,961
Wastewater professional services contract	2,578,893	224,619
Wastewater construction contracts	58,000,568	6,325,039
Water professional services contract	924,192	2,402,558
Water construction contracts	-	-
Nonmajor Governmental Funds professional service contracts	-	-
Total	$ 100,041,502	$ 25,699,878

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance for all risks of loss except those discussed below. Settlements have not exceeded coverage for each of the past three fiscal years.

During Fiscal Year 1993, the government became self-insured for its uninsured risks of loss from unemployment claims by former employees. All pertinent funds and departments of the government participate in the program and charges are based on actual amounts needed to pay current year claims.

	Year Ended June 30, 2025
Unpaid claims, beginning	$ -
Incurred claims (including IBNRs)	27,088
Claims paid	27,088
Unpaid claims, ending	$ -

During fiscal year 1993, the government became self-insured for its uninsured risks of loss from collisions involving government owned motor vehicles over two years old, having a value less than $20,000. All pertinent funds and departments of the government participate in the program and charges are based on actual amounts needed to pay current year claims.

	Year Ended June 30, 2025
Unpaid claims, beginning	$ -
Incurred claims (including IBNRs)	18,157
Claims paid	18,157
Unpaid claims, ending	$ -

H. Leases

The City is involved in various leasing arrangements for land and buildings which are leased mainly to commercial customers. In accordance with GASB Statement No. 87 Leases, all existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases.

Lessor lease receivables

The City has entered into 68 lease agreements as the lessor for buildings and land. The receivable related to these leases was initially recognized on July 1, 2021 with the adoption of GASB Statement No. 87. Out of these, 65 of the leases are related to land and 3 are split between land and buildings.

The majority of the land leases are used for airport hangars. The other land leases include a joint use agreement with the Air National Guard, an air tanker base with the United States Forest Service, and cell tower lease. Periods cover various ranges with the latest expiring on June 30, 2095. Interest rates for lessor leases range from 1.68% to 4.78%. Annual payments for the current year range from $408 to $116,148.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

The land and building leases are for a hangar, office building and fixed base operation (FBO) for fuel. The hangar lease expires August 31, 2041, has an interest rate of 1.68% and an annual payment of $54,996. The office building lease expires May 31, 2026, has an interest rate of 4.06% and an annual payment of $21,840. The FBO lease expires November 30, 2047, has an interest rate of 2.62% and annual payments of $48,097.

Lease receivables for the year ended June 30, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Building	$ 1,260,156	$ 21,433	$ (52,455)	$ 1,229,135	$ 71,377
Land	5,494,531	568,305	(198,549)	5,864,287	231,918
Total governmental activities	$ 6,754,687	$ 589,739	$ (251,003)	$ 7,093,423	$ 303,296
Business-type activities:					
Land	$ 548,673	$ -	$ (19,530)	$ 529,143	$ 20,824
Total business-type activities	$ 548,673	$ -	$ (19,530)	$ 529,143	$ 20,824

The net present value of lease receivables for the year ended June 30, 2025, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	$ 303,296	$ 149,947	$ 20,824	$ 10,085
2027	289,190	144,039	22,170	9,665
2028	290,215	138,194	23,572	9,219
2029	282,384	132,288	25,030	8,745
2030	235,189	127,204	26,546	8,242
2031-2035	1,211,181	562,824	157,670	32,563
2036-2040	1,167,452	434,508	205,615	14,917
2041-2045	500,718	348,719	47,718	431
2046-2050	348,170	298,337	-	-
2051-2055	257,941	272,350	-	-
2056-2060	236,452	203,311	-	-
2061-2065	266,851	172,912	-	-
2066-2070	299,226	137,302	-	-
2071-2072	235,678	108,600	-	-
2076-2080	256,443	87,834	-	-
2081-2085	279,038	65,240	-	-
2086-2090	303,623	40,654	-	-
2091-2095	330,375	13,903	-	-
Total	$ 7,093,423	$ 3,438,165	$ 529,143	$ 93,866

Minimum future rentals do not include contingent rentals that may be received under certain leases of land and buildings, because payments are based upon usage, a percentage of sales, or increases based upon changes in the consumer price index.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Lessor lease inflows

Lease inflows of resources for the year ended June 30, 2025, are as follows:

	Governmental Activities	Business-Type Activities
Lease revenue	$ 251,003	$ 19,530
Lease interest income	137,517	10,479
Total lease inflows	$ 388,520	$ 30,008

I. Subscription Based IT Arrangements

The City is involved in various subscription-based information technology arrangements (SBITAs) for information technology software and underlying subscription assets which are subscribed from commercial and retail software vendors.

The City has entered into 4 qualified SBITA agreements as the subscriber for software. The subscription liability related to these SBITAs was initially recognized on July 1, 2022, with the adoption of GASB Statement No. 96. All 4 of the SBITAs are related to software. All agreements had payments included in the measurement of the subscription liability with periods covering various ranges and the latest expiring in June 2029. Interest rates range from 1.5% to 4.12%. Annual payments for the current year range from $24,000 to $78,477. The software has an estimated useful life equal to the lease term.

Subscription payables currently outstanding as of June 30, 2025, are as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Governmental activities	$ 85,918	$ 147,198	$ (82,860)	$ 87,526	$ 59,387
Business-type activities	-	343,630	(69,666)	273,964	61,569
Total subscription liabilities	$ 85,918	$ 490,828	$ (152,526)	$ 361,490	$ 120,956

The future principal and interest payments of the Subscription Based IT Agreements as of June 30, 2025, were as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	$ 59,387	$ 2,758	$ 61,569	$ 10,219
2027	28,139	1,159	66,027	7,922
2028	-	-	70,713	5,460
2029	-	-	75,655	2,822
Total	$ 87,526	$ 3,917	$ 273,964	$ 26,423

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-Term Liabilities

Compensated Absences

Changes in compensated absences during the fiscal year ended June 30, 2025, were as follows and are included in other liabilities on the Statement of Net Position:

Compensated Absences:	Balance June 30, 2024	Net Change	Balance June 30, 2025	Amounts Due Within One Year
Governmental activities	$ 1,192,893	$ 323,572	$ 1,516,465	$ 758,233
Business-type activities	236,369	79,703	316,072	158,036
Total compensated absenses	$ 1,429,262	$ 403,275	$ 1,832,537	$ 916,270

Pledged Revenues

The government does not sell receivables or future revenues. However, the government does pledge revenues to collateralize debt until the debt is fully repaid.

The government issues a variety of debt types for the purposes of carrying out its capital financing activities. The various types of debt are discussed below, and each debt type reports the range of maturities for each of its outstanding debt issues.

General Obligation Refunding Bond, Series 2017 – Police Department of the General Fund
The government has pledged general non-restricted revenues and other funds that are lawfully available to repay $4,188,535 in General Obligation Refunding Bonds issued in September of 2017. Proceeds from the bonds provided funds to pay off the government's 2008 General Obligation Bonds in September 2017. The bonds are to be paid from ad valorem taxes levied on all taxable property within the City boundaries. The taxes imposed are not subject to the limits of Sections 11 and 11b, Article XI of the Oregon Constitution. Principal and interest paid in the current year and taxes received were $256,821 and $242,085, respectively.

Full Faith and Credit Bond, Series 2008 – Police Department of the General Fund
The government has pledged general non-restricted revenues and other funds that are lawfully available to repay $3,995,000 in Full Faith and Credit Obligations issued in September of 2008. Proceeds of the bonds financed a portion of the costs of capital construction and capital improvements of the new City Police station facilities and equipment. The source for the repayment of the bonds are the ad valorem property taxes levied under the government's permanent rate limitations under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the government in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted, or obligated by law or contract to an inconsistent expenditure or use. Interest rates range from 3.5% to 5.0%. The bonds are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of the total non-restricted property taxes collected in any given fiscal year. Principal and interest paid in the current year and total non-restricted property taxes collected were $292,345 and $9,199,875 respectively.

Special Public Works Fund (Water Line Service Extension) – Water Fund
The government's Water Fund has pledged future customer revenues, net of specified operating expenses, to repay a $976,000 Special Public Works Fund (SPWF) loan received in November 2004. The funds were used to install 6,500 feet of 12" pipe, increase 620 feet of 4" pipe to 6" pipe, and connect the Sturdicraft facility to the water system. Payments are due annually at 4.16% interest. The SPWF loan is payable solely from water customer net revenues and is payable through fiscal year 2030. Annual principal and interest payments on the loan are expected to require 2.0% of net revenues. Principal and interest paid in the current year and total customer net revenues were $63,204 and $6,709,240, respectively.

Wastewater Revenue Refunding Bonds, Series 2015
The government's Wastewater Fund has pledged future customer revenues, net of specific operating expenses, to repay $7,171,770 in wastewater revenue refunding bonds issued in August 2015. Proceeds from the bonds provided funds to pay off the government's 2005 wastewater revenue bonds in September 2015. The 2015 refunding bonds are payable solely from wastewater customer net revenues which are payable through Fiscal Year 2025. The interest rate is 2.32%. Annual principal and interest payments on the loan are expected to require 26% of revenue. Principal and interest paid in the current year, and total customer net revenues were $804,779 and $4,375,477, respectively. This debt was paid in full in June 2025.

Oregon Department of Environmental Quality – Wastewater Fund
In May of 2011, and amended July 2018 and June 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for $4,550,200 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. Semi-annual payments of principal and interest payment of $143,053 will be made for 20 years with an interest only payment of $400,913 due June 1, 2023. An annual fee of 0.5% of the outstanding loan amount is due during the repayment period commencing with the second payment date and thereafter. The interest rate is 2.12% per annum. Principal and interest paid in the current year and total customer net revenues were $286,106 and $4,375,477 respectively.

Oregon Department of Environmental Quality – Wastewater Fund
In June of 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for $45,449,800 for wastewater treatment facility headworks improvements. In May of 2025 the government entered into a loan amendment to increase the loan amount an additional $14,000,000 for a total loan of $59,449,800. The government has pledged wastewater net operating revenues to repay the loan. An interest only payment of $3,261,661 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees will be made for 30 years after the completion date or the estimated completion date, whichever date is earlier. An annual fee of 0.5% of the outstanding loan amount is due during the repayment period commencing with the second payment date and thereafter. The interest rate is 1.88% per annum.

Oregon Infrastructure Finance Authority of the Business Development Department – Wastewater Fund
In November of 2020, the government entered into a revenue secured loan with the Oregon Infrastructure Finance Authority of the Business Development Department (OBDD) for $750,000 for wastewater treatment facility upgrade. The government has pledged wastewater net operating revenues to repay the loan. The interest rate is 1.00% per annum. The loan term is 30 years. Principal and interest paid in the current year and total customer net revenues were $29,061 and $4,375,477 respectively.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Long-term liability activity for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General Obligation Bonds, Series 2017	$ 3,351,550	$ -	$ 161,301	$ 3,190,249	$ 174,599
Full Faith and Credit Bonds, Series 2008	1,285,000	-	235,000	1,050,000	245,000
Plus: Bond issuance premium	7,605	-	1,547	6,058	-
Long-term bonded debt obligations	4,644,155	-	397,848	4,246,307	419,599
Total governmental activities	$ 4,644,155	$ -	$ 397,848	$ 4,246,307	$ 419,599
Business-type activities:					
Revenue Bonds:					
Wastewater Revenue Refunding Bonds, Series 2015	$ 786,532	$ -	$ 786,532	$ -	$ -
Direct borrowings:					
Clean Water State Revolving Loan	4,359,553	-	194,710	4,164,843	198,860
Clean Water State Revolving Loan	37,443,007	7,652,458	-	45,095,465	-
Water Fund Water Project	733,541	-	21,726	711,815	21,943
Special Public Works Fund	331,123	-	48,364	282,759	53,730
Direct borrowings	42,867,224	7,652,458	264,800	50,254,882	274,533
Total business-type activities	$ 43,653,756	$ 7,652,458	$ 1,051,332	$ 50,254,882	$ 274,533
Total long-term debt obligations					
Bonds	$ 5,423,082	$ -	$ 1,182,833	$ 4,240,249	$ 419,599
Bond issuance premiums	7,605	-	1,547	6,058	-
Direct borrowings	42,867,224	7,652,458	264,800	50,254,882	274,533
Total long-term obligations	$ 48,297,911	$ 7,652,458	$ 1,449,180	$ 54,501,189	$ 694,132

	2026	2027	2028	2029	2030
General Obligation Bonds					
General obligation bonds are a voted indebtedness and are the direct obligation of the tax payers. The government issued general obligation bonds to finance capital projects as approved by City Council. General obligation bond debt service requirements to maturity are as follows:					
General Obligation Bonds, Series 2017					
Principal	$ 174,599	$ 187,487	$ 204,956	$ 216,872	$ 233,340
Interest	90,922	85,946	80,603	74,761	68,581
Total General Obligation Bonds	$ 265,521	$ 273,433	$ 285,559	$ 291,633	$ 301,921
Full Faith and Credit Bonds					
Full faith and credit bonds were issued for the government's capital projects as approved by City Council. They are a direct obligation and pledge of the full faith and credit of the government. Full faith and credit bond debt service requirements to maturity are as follows:					
Full Faith and Credit Obligations, Series 2008					
Principal	$ 245,000	$ 255,000	$ 270,000	$ 280,000	$ -
Interest	47,005	36,225	24,750	12,600	-
Total Full Faith and Credit Bonds	$ 292,005	$ 291,225	$ 294,750	$ 292,600	$ -
Other Long-term Liabilities					
The government has entered into several long-term agreements as noted below:					
Special Public Works Fund					
Principal	$ 53,730	$ 54,123	$ 54,533	$ 59,962	$ 60,411
Interest	12,724	10,306	7,871	5,417	2,719
Business Oregon Wastewater Fund					
Principal	21,943	22,162	22,384	22,608	22,834
Interest	7,118	6,899	6,677	6,453	6,227
Clean Water State Revolving Loan					
Principal	198,860	203,098	207,426	211,847	216,362
Interest	87,246	83,008	78,680	74,259	69,744
Clean Water State Revolving Loan					
Principal	-	575,369	1,167,015	1,189,058	1,211,517
Interest	-	3,457,939	831,518	809,475	787,016
Total other long-term liabilities	$ 381,621	$ 4,412,904	$ 2,376,104	$ 2,379,079	$ 2,376,830
Total Long-term Liabilities	$ 939,147	$ 4,977,562	$ 2,956,413	$ 2,963,312	$ 2,678,751

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

2031-2035	2036-2040	2041-2045	2046-2050	2051-2055	2056-2060	Total
$ 1,451,848	$ 721,147	$ -	$ -	$ -	$ -	$ 3,190,249
232,395	31,145	-	-	-	-	664,353
$ 1,684,243	$ 752,292	$ -	$ -	$ -	$ -	$ 3,854,602
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,050,000
-	-	-	-	-	-	120,580
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,170,580
$ -	$ -	$ -	$ -	$ -	$ -	$ 282,759
-	-	-	-	-	-	39,037
117,641	123,641	129,948	136,577	92,077	-	711,815
27,665	21,664	15,357	8,728	1,915	-	108,703
1,152,975	1,281,189	693,086	-	-	-	4,164,843
277,555	149,341	22,195	-	-	-	842,028
6,409,607	7,038,246	7,728,540	8,486,536	9,318,874	1,970,703	45,095,465
3,583,059	2,954,421	2,264,126	1,506,130	673,792	27,830	16,895,306
$ 11,568,502	$ 11,568,502	$ 10,853,252	$ 10,137,971	$ 10,086,658	$ 1,998,533	$ 68,139,956
$ 13,252,745	$ 12,320,794	$ 10,853,252	$ 10,137,971	$ 10,086,658	$ 1,998,533	$ 73,165,138

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Debt service requirements on long-term debt at June 30, 2025, are as follows:

	Governmental Activities				Business-Type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements		Bonds		Notes from Direct Borrowings	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 419,599	$ 137,927	$ -	$ -	$ -	$ -	$ 274,533	$ 107,088
2027	442,487	122,171	-	-	-	-	854,752	3,558,152
2028	474,956	105,353	-	-	-	-	1,451,358	924,746
2029	496,872	87,361	-	-	-	-	1,483,475	895,604
2030	233,340	68,581	-	-	-	-	1,511,124	865,706
2031-2035	1,451,848	232,395	-	-	-	-	7,680,223	3,888,279
2036-2040	721,147	31,145	-	-	-	-	8,443,076	3,125,426
2041-2045	-	-	-	-	-	-	8,551,574	2,301,678
2046-2050	-	-	-	-	-	-	8,623,113	1,514,858
2048-2052	-	-	-	-	-	-	9,410,951	675,707
2053-2057	-	-	-	-	-	-	1,970,703	27,830
	$ 4,240,249	$ 784,933	$ -	$ -	$ -	$ -	$ 50,254,882	$ 17,885,074

The government's outstanding notes from direct borrowings related to business-type activities of $42,867,224 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

	Governmental Activities		Business-Type Activities		Total	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 419,599	$ 137,927	$ 274,533	$ 107,088	$ 694,132	$ 245,015
2027	442,487	122,171	854,752	3,558,152	1,297,239	3,680,323
2028	474,956	105,353	1,451,358	924,746	1,926,314	1,030,099
2029	496,872	87,361	1,483,475	895,604	1,980,347	982,965
2030	233,340	68,581	1,511,124	865,706	1,744,464	934,287
2031-2035	1,451,848	232,395	7,680,223	3,888,279	9,132,071	4,120,674
2036-2040	721,147	31,145	8,443,076	3,125,426	9,164,223	3,156,571
2041-2045	-	-	8,551,574	2,301,678	8,551,574	2,301,678
2046-2050	-	-	8,623,113	1,514,858	8,623,113	1,514,858
2048-2052	-	-	9,410,951	675,707	9,410,951	675,707
2053-2057	-	-	1,970,703	27,830	1,970,703	27,830
	$ 4,240,249	$ 784,933	$ 50,254,882	$ 17,885,074	$ 54,495,131	$ 18,670,007

The government also has an unused line of credit in the amount of $14,354,335 related to the 2020 Clean Water State Revolving Loan.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Fund balance

Fund Balance as of June 30, 2025 is detailed as follows:

	General Fund	Airport Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	$ 34,886	$ -	$ -	$ -	$ 34,886
Restricted:					
Capital projects	53,570	52,022	-	-	105,592
Forefeiture	176,206	-	-	-	176,206
DOJ Equitable Sharing	-	-	-	98,583	98,583
System Development	297,773	-	-	-	297,773
Debt Service	-	-	-	32,002	32,002
Urban Renewal	-	-	-	521,908	521,908
Committed:					
Right-of-way	674,309	-	-	-	674,309
Assigned:					
Capital projects	-	-	12,165,225	3,645,953	15,811,178
Community programs	66,685	-	-	-	66,685
Public Access Television	25,000	-	-	-	25,000
Operations	-	4,941,271	-	1,329,341	6,270,612
Unassigned:					
Unassigned	16,670,278	-	-	(1,946,085)	14,724,192
Total Fund Balances	$ 17,998,706	$ 4,993,293	$ 12,165,225	$ 3,681,702	$ 38,838,926

L. Interfund receivables and payables

The composition of interfund balances as of June 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount
Escrow Reserve Fund	Lakefront Urban Renewal Fund	$ 1,929,141
Escrow Reserve Fund	Town Center Urban Renewal Fund	$ 406,184
Escrow Reserve Fund	Spring Street Urban Renewal Fund	$ 534,542
Escrow Reserve Fund	Spring Street Urban Renewal Fund	$ 104,004

An interfund capital loan in the amount of $2,248,564 from the Escrow Reserve Fund to the Lakefront Urban Renewal Fund was authorized by the government's council in June 2023. The loan was used to reimburse the developer, Timbermill Shores, for work done on the lakefront of Lake Ewauna. The loan accrues interest at 8.25% and matures in 2033. The loan will be repaid using tax increment financing. For the current year, principal and interest paid and total incremental property tax revenues were $338,891 and $622,186, respectively.

An interfund capital loan in the amount of $628,000 from the Escrow Reserve Fund to the Town Center Urban Renewal Fund was authorized by the government's council in June 2023. The loan will be used to reimburse the developer for Project Milestones costs as they are completed per the developer agreement. The loan accrues interest at 8.25% and matures in 2028. For the current year, principal and interest paid and total incremental property tax revenues were $158,324 and $213,514, respectively.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

An interfund capital loan in the amount of $729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government's council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. For the current year, principal and interest paid and total incremental property tax revenues were $115,821 and $146,271, respectively.

An interfund capital loan in the amount of $560,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government's council in February 2021. The loan was used for permitting and system development charges. The loan accrues interest at 2.30% and matures in fiscal year 2031. The loan will be repaid using tax increment financing. For the current year, principal and interest paid and total incremental property tax revenues were $18,776 and $146,271, respectively.

M. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2025, is as follows:

Interfund transfers:

Transfer Out	Transfer In	Amount	
General Fund	Nonmajor Governmental Funds	$	665,700
Escrow Reserve Fund	Wastewater Fund	$	362,050
Nonmajor Governmental Funds	General Fund	$	3,767
Nonmajor Governmental Funds	Wastewater Fund	$	7,000,000
Nonmajor Governmental Funds	Water Fund	$	5,000,000
Water Fund	General Fund	$	699,825
Water Fund	Airport Fund	$	462,725

In the year ended June 30, 2025, the government made the following transfers:

General Fund transferred $665,700 to the Economic Development/Property Fund for economic development initiatives, $195,000 and a housing reverse fund program $440,700.

The Capital Projects Fund transferred $7,000,000 back to Wastewater for the treatment plant project and $5,000,000 back to Water for the Center Reservoir Project.

The Escrow Reserve Fund transferred $362,050 to the Wastewater Fund for effluent operating costs.

The Water Fund transferred $699,825 to the General Fund and $462,725 to the Airport Fund to support operations and capital improvements for airport, parks, and streets. Of the funds provided to the Airport Fund by the City, the City designates $3,128/yr. of the total funds provided for the 6,950 square foot portion of Brett Way allocated to the Brett Way Extension access to the Airport.

The BINET Fund transferred $3,767 to the General Fund to reimburse BINET expenses incurred.

NOTE IV – CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE V – ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 102, *Certain Risk Disclosures,* was issued December 2023. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB Statement No. 102 is effective for the fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements,* was issued April 2024 in order to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. GASB Statement No. 103 will be effective for the fiscal year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued September 2024 to improve financial reporting by providing users of financial statement with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. GASB Statement No. 104 will be effective for the fiscal year ending June 30, 2026.

GASB Statement No. 105, *Subsequent Events*, was issued December 2025 to improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement user. GASB Statements No. 105 will be effective for the fiscal year ending June 30, 2027.

NOTE VI – SUBSEQUENT EVENTS

The government purchased a new administrative building in September 2025 for $3,211,207 using funds from the Capital Project Fund (historically the Building Reserve Fund). This purchase will allow the government to consolidate three buildings into one for better efficiency and customer service. The government is still deciding whether to sell or repurpose the current buildings.

City of Klamath Falls, Oregon

Required Supplementary Information

CITY OF KLAMATH FALLS, OREGON
MAJOR GOVERNMENTAL FUNDS

The General Fund is the chief operating fund of the City and accounts for all financial resources except those required to be accounted for in another fund.

The Airport Fund is a special revenue fund that accounts for the operations of the Crater Lake Klamath Regional Airport. Revenues consist of property taxes, rental revenue, landing fees, FAA grants and other intergovernmental revenues. Expenditures are assigned for maintenance, repairs and capital improvements to the City's airport facilities.

City of Klamath Falls, Oregon
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule A-1

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 17,903,625	$ 17,903,625	$ 9,230,817	$ 9,609,608	$ 18,840,425	$ 936,800
Intergovernmental	10,928,150	31,866,525	7,683,675	10,334,311	18,017,986	(13,848,539)
Licenses, fees and permits	444,325	444,325	259,026	241,105	500,131	55,806
Franchise fees	7,006,975	7,006,975	3,307,271	3,734,303	7,041,574	34,599
Charges for services	1,225,875	2,117,475	970,664	795,368	1,766,032	(351,443)
Internal charges for services	6,030,350	6,030,350	2,782,896	3,487,177	6,270,073	239,723
Fines and forfeits	523,225	523,225	216,199	250,882	467,081	(56,144)
Investment income (loss)	764,200	1,204,900	1,165,649	1,886,765	3,052,414	1,847,514
Miscellaneous revenue	190,200	665,250	311,527	195,514	507,041	(158,209)
Total revenues	45,016,925	67,762,650	25,927,724	30,535,033	56,462,757	(11,299,893)
EXPENDITURES						
Municipal Court	486,575	486,575	227,921	217,805	445,726	40,849
City Manager	1,885,200	2,072,200	902,977	1,003,165	1,906,142	166,058
Finance	1,928,425	1,941,325	952,225	970,191	1,922,416	18,909
Human Resources	758,725	758,725	377,834	359,957	737,791	20,934
Information Technology	2,408,150	2,408,150	919,807	1,099,324	2,019,131	389,019
Public Works Administration	1,172,475	1,405,475	541,534	557,877	1,099,411	306,064
Development Services	3,551,275	22,472,175	1,485,857	7,786,785	9,272,642	13,199,533
Police	16,039,075	17,266,375	8,268,621	8,691,656	16,960,277	306,098
Legislative	646,150	646,150	293,765	298,300	592,065	54,085
Maintenance	2,550,400	2,550,400	1,176,344	1,302,518	2,478,862	71,538
Facilities Maintenance	360,375	360,375	230,013	88,791	318,804	41,571
Parks and Recreation	4,794,100	6,694,475	3,517,842	2,029,092	5,546,934	1,147,541
Ella Redkey Pool	1,850,350	1,904,950	843,957	791,108	1,635,065	269,885
Street Maintenance	12,153,500	12,875,375	5,859,704	4,412,389	10,272,093	2,603,282
Vehicle Maintenance	725,525	725,525	314,587	403,486	718,073	7,452
Right-of-Way	494,350	694,350	231,576	417,339	648,915	45,435
Downtown Maintenance	438,025	491,325	294,071	197,418	491,489	(164)
Debt Service	584,600	584,600	292,245	292,345	584,590	10
Total expenditures	52,827,275	76,338,525	26,730,880	30,919,546	57,650,426	18,688,099
expenditures	(7,810,350)	(8,575,875)	(803,156)	(384,513)	(1,187,669)	7,388,206
OTHER FINANCING SOURCES (USES)						
Transfers out	(500,000)	(940,700)	(275,000)	(665,700)	(940,700)	-
Transfers in	1,427,750	1,441,225	689,602	703,592	1,393,194	(48,031)
Proceeds from sale of capital assets	-	179,925	142,819	35,505	178,324	(1,601)
Insurance recoveries	-	39,625	54,330	7,820	62,150	22,525
Total other financing sources (uses)	927,750	720,075	611,751	81,217	692,968	(27,107)
Net change in fund balance	(6,882,600)	(7,855,800)	(191,405)	(303,296)	(494,701)	7,361,099
Fund balance - beginning	8,078,850	18,493,400	18,493,408	18,302,003	18,493,408	8
Fund balance - ending	$ 1,196,250	$ 10,637,600	$ 18,302,003	$ 17,998,707	$ 17,998,707	$ 7,361,107

City of Klamath Falls, Oregon
Airport Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule A-2

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 614,325	$ 614,325	$ 322,345	$ 333,674	$ 656,019	$ 41,694
Intergovernmental	14,578,925	15,044,825	12,915,296	26,002,531	38,917,827	23,873,002
Charges for services	1,118,725	1,118,725	381,656	595,065	976,721	(142,004)
Investment income (loss)	145,175	145,175	687,314	1,221,969	1,909,283	1,764,108
Miscellaneous revenue	-	36,267,800	1,616	10,073	11,689	(36,256,111)
Total revenues	16,457,150	53,190,850	14,308,227	28,163,312	42,471,539	(10,719,311)
EXPENDITURES						
Airport operations	3,133,950	39,964,975	10,892,334	25,741,030	36,633,364	3,331,611
FAA	15,230,850	15,230,850	5,862,514	22,967	5,885,481	9,345,369
Total expenditures	18,364,800	55,195,825	16,754,848	25,763,997	42,518,845	12,676,980
expenditures	(1,907,650)	(2,004,975)	(2,446,621)	2,399,315	(47,306)	1,957,669
OTHER FINANCING SOURCES (USES)						
Transfers in	919,875	919,875	441,825	462,725	904,550	(15,325)
Net change in fund balance	(987,775)	(1,085,100)	(2,004,796)	2,862,040	857,244	1,942,344
Fund balance - beginning	2,029,325	4,136,050	4,136,049	2,131,253	4,136,049	(1)
Fund balance - ending	$ 1,041,550	$ 3,050,950	$ 2,131,253	$ 4,993,293	$ 4,993,293	$ 1,942,343

City of Klamath Falls, Oregon
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Last Eight Fiscal Years[1]

Schedule A-3

	2025	2024	2023	2022	2021
Total OPEB Liability					
Service Interest	$ 37,983	$ 37,297	$ 40,387	$ 39,207	$ 34,398
Interest	23,915	23,691	12,614	12,469	21,814
Differences between economic/demographic gains or losses	(7,967)	-	32,534	-	31,558
Changes of assumptions	(122,114)	(4,739)	51,184	1,857	(101,620)
Benefit payment	(69,778)	(72,195)	(25,056)	(44,656)	(55,135)
Net change in total OPEB liability	(137,961)	(15,946)	111,663	8,877	(68,985)
Total OPEB liability - beginning	651,786	667,732	556,069	547,192	616,177
Total OPEB liability - ending (a)	$ 513,825	$ 651,786	$ 667,732	$ 556,069	$ 547,192
Covered-employee payroll	$ 11,916,966	$ 11,154,499	$ 11,056,277	$ 10,465,729	$ 10,261,348
Total OPEB liability as a percentage of covered-employee payroll	4.31%	5.84%	6.04%	5.31%	5.33%

	2020	2019	2018
Total OPEB Liability			
Service Interest	$ 30,599	$ 34,480	$ 37,018
Interest	23,732	26,161	22,055
Differences between economic/demographic gains or losses	15,649	(48,962)	-
Changes of assumptions	-	(56,255)	(36,597)
Benefit payment	(72,198)	(66,022)	(60,244)
Net change in total OPEB liability	(2,218)	(110,598)	(37,768)
Total OPEB liability - beginning	618,395	728,993	766,761
Total OPEB liability - ending (a)	$ 616,177	$ 618,395	$ 728,993
Covered-employee payroll	$ 10,020,468	$ 9,905,073	$ 9,507,830
Total OPEB liability as a percentage of covered-employee payroll	6.15%	6.24%	7.67%

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

[1]This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

City of Klamath Falls, Oregon
Schedule of Proportionate Share - RHIA
Last Eight Fiscal Years[1]

Schedule A-4

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) Covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2024	0.08296218 %	$ (335,091)	$ 11,916,966	2.81 %	220.6 %
2023	0.07851966	(287,512)	11,154,499	2.58	201.6
2022	0.10320904	(366,738)	11,056,277	3.32	194.6
2021	0.08833194	(303,332)	10,465,729	2.90	183.9
2020	0.08542616	(174,065)	10,261,348	1.70	150.1
2019	0.08760296	(169,281)	10,020,468	1.69	144.4
2018	0.09072752	(101,277)	9,905,073	1.02	124.0
2017	0.09196963	(38,383)	9,507,830	0.40	108.9

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

[1]This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2021 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.20 to 6.90 percent and the inflation rate from 2.5 to 2.4 percent. In addition, the healthy healthcare participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

City of Klamath Falls, Oregon
Schedule of Contributions - RHIA
Last Nine Fiscal Years[1]

Schedule A-5

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2025	$ -	$ -	$ -	$ 12,292,569	- %
2024	228	228	-	11,916,996	0.002
2023	1,547	1,547	-	11,154,499	0.014
2022	2,544	2,544	-	11,056,277	0.023
2021	2,363	2,363	-	10,465,729	0.023
2020	6,100	6,100	-	10,261,348	0.059
2019	43,418	43,418	-	10,020,468	0.433
2018	43,931	43,931	-	9,905,073	0.444
2017	45,788	45,788	-	9,507,830	0.482

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

[1]This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2021	December 31, 2019	December 31, 2017	December 31, 2015
Effective:	July 2023 - June 2025	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair Value	Fair Value	Fair Value	Fair Value
Remaining amortization periods:	10 Years	10 Years	10 Years	20 years
Actuarial assumptions				
Inflation rate	2.40 percent	2.40 percent	2.50 percent	2.50 percent
Projected salary increases	3.40 percent	3.40 percent	3.50 percent	3.50 percent
Investment rate of return	6.90 percent	6.90 percent	7.20 percent	7.50 percent

Actuarial valuation:	December 31, 2013
Effective:	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll
Asset valuation method:	Fair Value
Remaining amortization periods:	20 years
Actuarial assumptions	
Inflation rate	2.75 percent
Projected salary increases	3.75 percent
Investment rate of return	7.75 percent

City of Klamath Falls, Oregon
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan
Last Nine Fiscal Years[1]

Schedule A-6

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2025	$ 32,535	$ 32,535	$ -	$ 12,292,569	0.265 %
2024	69,778	69,778	-	11,916,996	0.586
2023	72,195	72,195	-	11,154,499	0.647
2022	25,056	25,056	-	11,056,277	0.227
2021	44,656	44,656	-	10,465,729	0.427
2020	55,135	55,135	-	10,261,348	0.537
2019	72,198	72,198	-	10,020,468	0.721
2018	66,022	66,022	-	9,905,073	0.667
2017	60,244	60,244	-	9,507,830	0.634

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarial determined at July 1 and rolled forward to the measurement date.

[1]This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2024	July 1, 2022
Effective:	June 30, 2025 and 2026	June 30, 2023 and 2024
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years
Asset valuation method:	Market Value	Market Value
Remaining amortization periods:	10 years	10 years
Actuarial assumptions		
Inflation rate	2.40 percent	2.40 percent
Projected salary increases	3.40 percent	3.40 percent

Actuarial valuation:	July 1, 2018	July 1, 2016
Effective:	June 30, 2019 and 2020	June 30, 2017 and 2018
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	6.8 years	8.9 years
Asset valuation method:	Market Value	Market Value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50 percent	2.50 percent
Projected salary increases	3.50 percent	3.50 percent

City of Klamath Falls, Oregon
Schedule of Proportionate Share of Net Pension (Asset) / Liability
For the Last Ten Fiscal Years

Schedule A-7

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2024	0.07970054 %	$ 17,715,232	$ 11,916,996	148.66 %	79.30 %
2023	0.08252050	15,456,656	11,154,499	138.57	81.70
2022	0.09230380	14,133,564	11,056,277	127.83	84.50
2021	0.08698128	10,408,597	10,465,729	127.83	87.60
2020	0.08205440	17,907,092	10,261,348	99.45	75.80
2019	0.09192974	15,901,643	10,020,468	174.51	80.20
2018	0.08956258	13,567,551	9,905,073	158.69	82.10
2017	0.08938908	12,049,682	9,507,830	136.98	83.10
2016	0.09248144	13,883,611	9,314,418	126.73	80.53
2015	0.09065128	5,204,708	9,389,238	149.06	91.90

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

NOTES TO SCHEDULE

Changes in Benefit Terms:

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. For June 30, 2021, the long-term expected rate of return was lowered to 6.90 percent, and the inflation rate was lowered from 2.5 to 2.4 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

City of Klamath Falls, Oregon

Schedule of Pension Contributions

For the Last Ten Fiscal Years

Schedule A-8

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2024	$ 1,969,957	$ 1,969,957	$ -	$ 12,292,569	16.03 %
2023	1,741,713	1,741,713	-	11,916,996	14.62
2022	1,782,934	1,782,934	-	11,154,499	15.98
2021	1,706,216	1,706,216	-	11,056,277	15.43
2020	1,612,330	1,612,330	-	10,465,729	15.41
2019	1,509,744	1,509,744	-	10,261,348	14.71
2018	1,066,031	1,066,031	-	10,020,468	10.64
2017	1,080,324	1,080,324	-	9,905,073	10.91
2016	762,604	762,604	-	9,507,830	8.02
2015	756,647	756,647	-	9,314,418	8.12

NOTES TO SCHEDULE

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2021	December 31, 2019	December 31, 2017	December 31, 2015
Effective:	July 2023 - June 2025	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair value	Fair value	Fair value	Fair value
Remaining amortization periods:	20 years	20 years	20 years	20 years
Actuarial assumptions				
Inflation rate	2.40 percent	2.40 percent	2.50 percent	2.50 percent
Projected salary increases	3.40 percent	3.40 percent	3.50 percent	3.50 percent
Investment rate of return	6.90 percent	6.90 percent	7.20 percent	7.50 percent

Actuarial valuation:	December 31, 2013	December 31, 2011
Effective:	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair value	Fair value
Remaining amortization periods:	20 years	N/A
Actuarial assumptions		
Inflation rate	2.75 percent	2.75 percent
Projected salary increases	3.75 percent	3.75 percent
Investment rate of return	7.75 percent	8.00 percent

Stewardship, Compliance, and Accountability

On or before June 30 of every other year, the City enacts a resolution adopting the biennial budget, appropriating the expenditures, and levying the property taxes. The City is required to prepare a budget for each fund that is balanced in accordance with ORS 294 – Local Budget Law. The City's budget is presented on the modified accrual basis of accounting which is not the same basis as GAAP.

The Budget Committee, which consists of the City Council and an equal number of citizens of the City, conducts public hearings for obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Budget Committee for a second approval.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the funds. Non-departmental expenditures within the funds are categorized by materials and services, capital outlay, debt service, transfers and contingency and are the legal level of control for non-departmental expenditures. The detail budget document, however, contains more specific information for the above-mentioned expenditure categories.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City had supplemental budgets during the current fiscal year. Appropriations lapse as of year-end.

City of Klamath Falls, Oregon

Other Supplementary Information

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS

City of Klamath Falls, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Schedule B-1

	Special Revenue Funds	Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,582,507	$ 3,216,150	$ 28,312	$ 4,826,969
Accounts receivable	25,485	-	-	25,485
Taxes receivable	65,643	-	17,612	83,255
Leases receivable	133,924	-	-	133,924
Interest receivable	694	-	261	955
Restricted assets				
Cash and cash equivalents	1,635,268	-	-	1,635,268
Long-term assets				
Investments		429,803	-	429,803
Total Assets	$ 3,443,521	$ 3,645,953	$ 46,185	$ 7,135,659
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 80,169	$ -	$ -	$ 80,169
Unearned revenue	172,860	-	-	172,860
Advances from other funds	2,973,871	-	-	2,973,871
Deposits payable	5,000	-	-	5,000
Total Liabilities	3,231,900	-	-	3,231,900
Deferred inflows of resources:				
Unavailable revenue - accounts receivable	9,014	-	-	9,014
Unavailable revenue - leases receivable	133,924	-	-	133,924
Unavailable revenue - municipal court fines	11,608	-	-	11,608
Unavailable revenue - property taxes	53,328	-	14,183	67,511
Total Deferred Inflows of Resources	207,874	-	14,183	222,057
Total Liabilities and Deferred Inflows of Resources	3,439,774	-	14,183	3,453,957
Fund Balances:				
Restricted	620,491	-	32,002	652,493
Assigned	1,329,341	3,645,953	-	4,975,294
Unassigned	(1,946,085)	-	-	(1,946,085)
Total Fund Balances	3,747	3,645,953	32,002	3,681,702
Total Liabilities and Fund Balances	$ 3,443,521	$ 3,645,953	$ 46,185	$ 7,135,659

City of Klamath Falls, Oregon
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

Schedule B-2

	Special Revenue Funds	Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	$ 981,971	$ -	$ 242,085	$ 1,224,056
Intergovernmental	52,138	-	-	52,138
Licenses, fees and permits	58,830	-	-	58,830
Charges for services	14,942	-	-	14,942
Fines and forfeits	33,933	-	-	33,933
Investment income (loss)	156,963	146,832	6,832	310,627
Total Revenues	1,298,777	146,832	248,917	1,694,526
EXPENDITURES				
Current:				
General government	577,490	-	-	577,490
Highways and streets	104,630	-	-	104,630
Debt service:				
Principal	-	-	161,301	161,301
Interest	235,917	-	95,520	331,437
Total Expenditures	918,037	-	256,821	1,174,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	380,740	146,832	(7,904)	519,668
OTHER FINANCING SOURCES (USES)				
Transfers in	665,700	-	-	665,700
Transfers out	(3,767)	(12,000,000)	-	(12,003,767)
Total Other Financing Sources and (Uses)	661,933	(12,000,000)	-	(11,338,067)
Net Change in Fund Balances	1,042,673	(11,853,168)	(7,904)	(10,818,399)
Fund Balances, as previously presented	(1,038,926)	-	39,906	(999,020)
Change within financial reporting entity	-	15,499,121	-	15,499,121
Fund Balances, as adjusted or restated	(1,038,926)	15,499,121	39,906	14,500,101
Fund Balances - Ending	$ 3,747	$ 3,645,953	$ 32,002	$ 3,681,702

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Lakefront, Town Center and Spring Street Urban Renewal Funds account for receipts from the property tax increment for the specified area. Funds are restricted for capital improvements, payments to developers and debt service.

The Parking Fund accounts for expenditures to provide parking for customers of downtown businesses. Revenues consist of parking fees and parking fines.

The Downtown Maintenance District Fund imposes an annual assessment on benefited properties to partially offset the costs of landscaping, banners, benches, entry signs, sidewalk sweeping, garbage removal and other public area maintenance. The activities of this fund were transferred to the General Fund in the current fiscal year.

The Economic Development Fund accounts for infrastructure improvements and costs to encourage development within the City of Klamath Falls and other costs associated with property owned by the City. Revenue is generally transferred in from other funds.

The Basin Interagency Narcotics Enforcement Team (BINET) Fund accounts for the intergovernmental revenue of various agencies that make up the team. The funds are used to enforce state and federal drug laws.

City of Klamath Falls, Oregon
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025

Schedule C-1

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund
ASSETS			
Cash and cash equivalents	$ -	$ -	$ -
Receivables			
Accounts	-	-	-
Taxes	40,614	15,642	9,387
Leases	-	-	-
Interest	383	216	95
Restricted assets			
Cash and cash equivalents	515,069	924,916	96,700
Total Assets	$ 556,066	$ 940,774	$ 106,182
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Deposits payable	-	-	
Unearned revenue	-	-	-
Advances from other funds	1,929,141	406,184	638,546
Total Liabilities	1,929,141	406,184	638,546
Deferred inflows of resources:			
Unavailable revenue - accounts receivable	-	-	
Unavailable revenue - leases receivable	-	-	
Unavailable revenue - municipal court fines	-	-	-
Unavailable revenue - property taxes	33,048	12,682	7,598
Total Deferred Inflows of Resources	33,048	12,682	7,598
Total Liabilities and Deferred Inflows of Resources	1,962,189	418,866	646,144
Fund Balance:			
Restricted	-	521,908	-
Assigned	-	-	-
Unassigned	(1,406,123)	-	(539,962)
Total Fund Balance	(1,406,123)	521,908	(539,962)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 556,066	$ 940,774	$ 106,182

Continued on next page

Parking Fund	Downtown Maintenance District Fund	Economic Development/ Property Fund	BINET Fund	Total
$ 103,726	$ -	$ 1,478,781	$ -	$ 1,582,507
15,470	-	10,015	-	25,485
-	-	-	-	65,643
-	-	133,924	-	133,924
-	-	-	-	694
-	-	-	98,583	1,635,268
$ 119,196	$ -	$ 1,622,720	$ 98,583	$ 3,443,521
$ 13,043	$ -	$ 67,126	$ -	$ 80,169
-	-	5,000	-	5,000
32,860	-	140,000	-	172,860
-	-	-	-	2,973,871
45,903	-	212,126	-	3,231,900
-	-	9,014	-	9,014
-	-	133,924	-	133,924
11,608	-	-	-	11,608
-	-	-	-	53,328
11,608	-	142,938	-	207,874
57,511	-	355,064	-	3,439,774
-	-	-	98,583	620,491
61,685	-	1,267,656	-	1,329,341
-	-	-	-	(1,946,085)
61,685	-	1,267,656	98,583	3,747
$ 119,196	$ -	$ 1,622,720	$ 98,583	$ 3,443,521

City of Klamath Falls, Oregon
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2025

Schedule C-2

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund
Revenues			
Taxes	$ 622,186	$ 213,514	$ 146,271
Intergovernmental	-	-	-
Licenses, fees and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	28,748	53,821	6,907
Total Revenues	650,934	267,335	153,178
Expenditures			
Current:			
General government	-	-	-
Highways and streets	-	-	-
Debt service:			
Interest	172,852	43,022	20,043
Total Expenditures	172,852	43,022	20,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	478,082	224,313	133,135
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources and (Uses)	-	-	-
Net Change in Fund Balance	478,082	224,313	133,135
Fund Balance - Beginning	(1,884,205)	297,595	(673,097)
Fund Balance - Ending	$ (1,406,123)	$ 521,908	$ (539,962)

Continued on next page

Schedule C-2 *continued*

Parking Fund	Downtown Maintenance District Fund	Economic Development/ Property Fund	BINET Fund	Total
$ -	$ -	$ -	$ -	$ 981,971
-	-	25,000	27,138	52,138
58,830	-	-	-	58,830
-	-	14,942	-	14,942
33,933	-	-	-	33,933
5,661	-	61,820	6	156,963
98,424	-	101,762	27,144	1,298,777
-	-	577,490	-	577,490
104,630	-	-	-	104,630
-	-	-	-	235,917
104,630	-	577,490	-	918,037
(6,206)	-	(475,728)	27,144	380,740
-	-	665,700	-	665,700
-	-	-	(3,767)	(3,767)
-	-	665,700	(3,767)	661,933
(6,206)	-	189,972	23,377	1,042,673
67,891	-	1,077,684	75,206	(1,038,926)
$ 61,685	$ -	$ 1,267,656	$ 98,583	$ 3,747

City of Klamath Falls, Oregon
Lakefront Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-3

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 1,042,400	$ 1,042,400	$ 518,487	$ 622,186	$ 1,140,673	$ 98,273
Investment income (loss)	17,575	17,575	17,286	28,748	46,034	28,459
Total revenues	1,059,975	1,059,975	535,773	650,934	1,186,707	126,732
EXPENDITURES						
Lakefront Urban Renewal	215,000	215,000	-	-	-	215,000
Debt service	677,850	677,850	338,891	338,891	677,782	68
Total expenditures	892,850	892,850	338,891	338,891	677,782	215,068
Net change in fund balance	167,125	167,125	196,882	312,043	508,925	341,800
Fund balance - beginning	-	14,100	14,093	210,975	14,093	(7)
Fund balance - ending	$ 167,125	$ 181,225	$ 210,975	$ 523,018	$ 523,018	$ 341,793
Reconciliation: Interfund loan				(1,929,141)		
Fund balance - ending (GAAP)				$ (1,406,123)		

City of Klamath Falls, Oregon
Town Center Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-4

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 412,400	$ 412,400	$ 202,712	$ 213,514	$ 416,226	$ 3,826
Investment income (loss)	6,725	6,725	40,393	53,821	94,214	87,489
Total revenues	419,125	419,125	243,105	267,335	510,440	91,315
EXPENDITURES						
Debt service	396,475	396,475	158,324	158,324	316,648	79,827
Net change in fund balance	22,650	22,650	84,781	109,011	193,792	171,142
Fund balance - beginning	-	734,300	734,300	819,081	734,300	-
Fund balance - ending	$ 22,650	$ 756,950	$ 819,081	$ 928,092	$ 928,092	$ 171,142
Reconciliation: Interfund loan				(406,184)		
Fund balance - ending (GAAP)				$ 521,908		

City of Klamath Falls, Oregon
Spring Street Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-5

	BN 2023-2025 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 217,825	$ 249,475	$ 125,588	$ 146,271	$ 271,859	$ 22,384
Investment income (loss)	2,825	2,825	6,547	6,907	13,454	10,629
Total revenues	220,650	252,300	132,135	153,178	285,313	33,013
EXPENDITURES						
Spring Street Urban Renewal	485,000	485,000	3,542	-	3,542	481,458
Debt service	221,525	253,175	118,581	134,577	253,158	17
Total expenditures	706,525	738,175	122,123	134,577	256,700	481,475
expenditures	(485,875)	(485,875)	10,012	18,601	28,613	514,488
OTHER FINANCING SOURCES (USES)						
Loan proceeds - interfund loan	485,000	485,000	-	-	-	(485,000)
Net change in fund balance	(875)	(875)	10,012	18,601	28,613	29,488
Fund balance - beginning	875	69,975	69,971	79,983	69,971	(4)
Fund balance - ending	$ -	$ 69,100	$ 79,983	$ 98,584	$ 98,584	$ 29,484
Reconciliation: Interfund loan				(638,546)		
Fund balance - ending (GAAP)				$ (539,962)		

City of Klamath Falls, Oregon
Parking Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-6

	BN 2023-2025 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Licenses, fees and permits	$ 139,925	$ 139,925	$ 57,123	$ 58,830	$ 115,953	$ (23,972)
Charges for services	400	400	200	-	200	(200)
Fines and forfeits	88,200	88,200	29,732	33,933	63,665	(24,535)
Investment income (loss)	1,825	1,825	11,151	5,661	16,812	14,987
Miscellaneous revenue	-	-	347	-	347	347
Total revenues	230,350	230,350	98,553	98,424	196,977	(33,373)
EXPENDITURES						
Parking	380,725	471,875	330,577	104,630	435,207	36,668
expenditures	(150,375)	(241,525)	(232,024)	(6,206)	(238,230)	3,295
OTHER FINANCING SOURCES (USES)						
Transfers in	80,000	80,000	80,000	-	80,000	-
Net change in fund balance	(70,375)	(161,525)	(152,024)	(6,206)	(158,230)	3,295
Fund balance - beginning	87,775	219,925	219,915	67,891	219,915	(10)
Fund balance - ending	$ 17,400	$ 58,400	$ 67,891	$ 61,685	$ 61,685	$ 3,285

City of Klamath Falls, Oregon
Downtown Maintenance District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-7

	BN 2023-2025 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
OTHER FINANCING SOURCES (USES)						
Transfers out	-	(13,475)	(13,452)	-	(13,452)	23
Net change in fund balance	-	(13,475)	(13,452)	-	(13,452)	23
Fund balance - beginning	-	13,475	13,452	-	13,452	(23)
Fund balance - ending	$ -	$ -	$ -	$ -	$ -	$ -

City of Klamath Falls, Oregon
Economic Development/Property Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-8

	BN 2023-2025 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Intergovernmental	$ -	$ 420,000	$ 294,262	$ 25,000	$ 319,262	$ (100,738)
Charges for services	24,000	24,000	13,808	14,942	28,750	4,750
Investment income (loss)	3,375	3,375	19,139	61,820	80,959	77,584
Total revenues	27,375	447,375	327,209	101,762	428,971	(18,404)
EXPENDITURES						
Economic development/property	892,125	2,442,700	530,511	577,490	1,108,001	1,334,699
Excess (deficiency) of revenues over expenditures	(864,750)	(1,995,325)	(203,302)	(475,728)	(679,030)	1,316,295
OTHER FINANCING SOURCES (USES)						
Transfers in	825,000	1,365,700	497,500	665,700	1,163,200	$ (202,500)
Proceeds from sale of asset	-	559,300	559,298	-	559,298	$ (2)
Total other financing source (uses)	825,000	1,925,000	1,056,798	665,700	1,722,498	(202,502)
Net change in fund balance	(39,750)	(70,325)	853,496	189,972	1,043,468	1,113,793
Fund balance - beginning	41,800	224,200	224,188	1,077,684	224,188	(12)
Fund balance - ending	$ 2,050	$ 153,875	$ 1,077,684	$ 1,267,656	$ 1,267,656	$ 1,113,781

City of Klamath Falls, Oregon
BINET Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule C-9

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Intergovernmental	$ -	$ -	$ 10,000	$ 27,138	$ 37,138	$ 37,138
Investment income (loss)	50	50	7	6	13	(37)
Total revenues	50	50	10,007	27,144	37,151	37,101
OTHER FINANCING SOURCES (USES)						
Transfers out	(20,000)	(20,000)	-	(3,767)	(3,767)	16,233
Net change in fund balance	(19,950)	(19,950)	10,007	23,377	33,384	53,334
Fund balance - beginning	65,250	65,200	65,199	75,206	65,199	(1)
Fund balance - ending	$ 45,300	$ 45,250	$ 75,206	$ 98,583	$ 98,583	$ 53,333

CITY OF KLAMATH FALLS, OREGON
CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Capital Projects Fund is a major fund that accounts for funds received for major projects and acquisitions. Revenue consists of investment income. Projects may be completed in this fund or the funds may be transferred back to the originating fund once the project begins.

The Escrow Reserve Fund is a major fund that accounts for the annual distribution of the non-restricted proceeds from the sale of the City's 500-megawatt gas-fired, combined-cycle power plant. City Council has chosen to use the distribution for needed capital projects or one-time expenditures.

City of Klamath Falls, Oregon
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule D-1

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2023-24	FY 2024-25		
REVENUES						
Investment income (loss)	$ 117,525	$ 117,525	$ 120,474	$ 146,832	$ 267,306	$ 149,781
Excess (deficiency) of revenues over expenditures	117,525	117,525	120,474	146,832	267,306	149,781
OTHER FINANCING SOURCES (USES)						
Transfers out	(12,000,000)	(12,000,000)	-	(12,000,000)	(12,000,000)	-
Net change in fund balance	(11,882,475)	(11,882,475)	120,474	(11,853,168)	(11,732,694)	149,781
Fund balance - beginning	15,346,850	15,378,650	15,378,647	15,499,121	15,378,647	(3)
Fund balance - ending	$ 3,464,375	$ 3,496,175	$ 15,499,121	$ 3,645,953	$ 3,645,953	$ 149,778

City of Klamath Falls, Oregon
Escrow Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule D-2

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Charges for services	$ 1,336,350	$ 1,336,350	$ 671,319	$ 681,884	$ 1,353,203	$ 16,853
Investment income (loss)	839,400	839,400	540,871	613,097	1,153,968	314,568
Total revenues	2,175,750	2,175,750	1,212,190	1,294,981	2,507,171	331,421
EXPENDITURES						
Escrow reserve	2,000	2,000	379	324	703	1,297
Excess (deficiency) of revenues over expenditures	2,173,750	2,173,750	1,211,811	1,294,657	2,506,468	329,800
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,535,100)	(1,981,525)	(943,980)	(362,050)	(1,306,030)	675,495
Interfund loan repayment	787,475	787,475	355,818	395,875	751,693	(35,782)
Total other financing sources (uses)	(747,625)	(1,194,050)	(588,162)	33,825	(554,337)	639,713
Net change in fund balance	1,426,125	979,700	623,649	1,328,482	1,952,131	969,513
Fund balance - beginning	6,542,175	7,239,225	7,239,223	7,862,872	7,239,223	(2)
Fund balance - ending	$ 7,968,300	$ 8,218,925	$ 7,862,872	$ 9,191,354	$ 9,191,354	$ 969,511
Reconciliation: Interfund loan				2,973,871		
Fund balance - ending (GAAP)				$ 12,165,225		

Debt Service Fund

The Debt Service Fund is used to account for taxes collected for the principal and interest payments of the 2008 general obligation bond used to build the Police Department.

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City of Klamath Falls, Oregon
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule E-1

	BN 2023-2025 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Taxes	$ 475,400	$ 475,400	$ 236,778	$ 242,085	$ 478,863	$ 3,463
Investment income (loss)	9,725	9,725	8,476	6,832	15,308	5,583
Total revenues	485,125	485,125	245,254	248,917	494,171	9,046
EXPENDITURES						
Debt service	504,225	504,225	247,333	256,821	504,154	71
Net change in fund balance	(19,100)	(19,100)	(2,079)	(7,904)	(9,983)	265,938
Fund balance - beginning	34,950	41,975	41,985	39,906	41,985	10
Fund balance - ending	$ 15,850	$ 22,875	$ 39,906	$ 32,002	$ 32,002	$ 265,948

Enterprise Funds

Enterprise Funds are used for activities which are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City of Klamath Falls Enterprise Funds consist of the following:

The Wastewater Fund accounts for the expansion, operation, and maintenance of the City's sanitary sewer system. Revenues consist primarily of charges for services.

The Water Fund accounts for the expansion, operation, and maintenance of the City's water supply system and the geothermal system. Revenues consist primarily of charges for services.

City of Klamath Falls, Oregon
Wastewater Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule F-1

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Intergovernmental	$ 746,250	$ 746,250	$ 263,049	$ -	$ 263,049	$ (483,201)
Charges for services	18,906,425	18,906,425	8,473,119	8,983,683	17,456,802	(1,449,623)
Investment income (loss)	618,250	618,250	540,450	683,838	1,224,288	606,038
System development charges	746,525	746,525	676,622	879,104	1,555,726	809,201
Miscellaneous revenue	-	-	3,478	51,179	54,657	54,657
Total revenues	21,017,450	21,017,450	9,956,718	10,597,804	20,554,522	(462,928)
EXPENDITURES						
Collections	7,513,250	9,141,575	4,371,974	4,431,829	8,803,803	337,772
Treatment	26,822,950	26,691,850	16,750,740	9,375,273	26,126,013	565,837
Stormwater	121,000	371,000	53,853	83,764	137,617	233,383
Debt service	5,135,475	5,135,475	1,126,856	1,119,943	2,246,799	2,888,676
Total expenditures	39,592,675	41,339,900	22,303,423	15,010,809	37,314,232	4,025,668
Excess (deficiency) of revenues over	(18,575,225)	(20,322,450)	(12,346,705)	(4,413,005)	(16,759,710)	3,562,740
OTHER FINANCING SOURCES (USES)						
Transfers in	7,645,100	7,991,525	641,480	7,362,050	8,003,530	12,005
Loan Proceeds	13,000,000	13,000,000	10,285,810	7,652,458	17,938,268	4,938,268
Proceeds from the sale of capital assets	-	103,900	16,200	5,130	21,330	(82,570)
Total other financing sources (uses)	20,645,100	21,095,425	10,943,490	15,019,638	25,963,128	4,867,703
Net change in fund balance	2,069,875	772,975	(1,403,215)	10,606,633	9,203,418	8,430,443
Fund balance - beginning	7,039,350	8,487,300	8,487,288	7,084,073	8,487,288	(12)
Fund balance - ending	$ 9,109,225	$ 9,260,275	$ 7,084,073	$ 17,690,706	$ 17,690,706	$ 8,430,431

Reconciliation	
Prepaid items	34,449
Notes & accounts receivable	751,970
Capital assets, net of accumulated depreciation	90,127,105
Net OPEB asset/(liability)	(13,875)
OPEB deferred inflows of resources	(14,596)
OPEB deferred outflows of resources	9,605
Compensated absences	(143,748)
Accrued interest payable	(2,125,950)
Loan payable	(49,972,123)
Deferred outflows of resources - pensions	649,723
Deferred inflows of resources - pensions	(206,739)
Net pension liability	(1,375,259)
Net position - ending (GAAP)	$ 55,411,268

City of Klamath Falls, Oregon
Water Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2025

Schedule F-2

	BN 2023-2025 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2023-24	FY 2024-25	period	Final Budget
REVENUES						
Charges for services	$ 21,016,625	$ 21,016,625	$ 9,951,491	$ 10,684,685	$ 20,636,176	$ (380,449)
Investment income (loss)	523,450	523,450	962,133	1,146,813	2,108,946	1,585,496
Internal service charges	929,950	929,950	453,625	525,700	979,325	49,375
System development charges	559,875	559,875	412,260	1,425,012	1,837,272	1,277,397
Miscellaneous revenue	20,000	20,000	22,651	16,356	39,007	19,007
Total revenues	23,049,900	23,049,900	11,802,160	13,798,566	25,600,726	2,550,826
EXPENDITURES						
Operations	24,551,600	23,795,500	6,097,456	8,272,402	14,369,858	9,425,642
Utility billing	3,346,125	3,385,575	1,487,670	1,555,848	3,043,518	342,057
Geothermal	880,725	1,643,800	369,757	906,967	1,276,724	367,076
Debt service	128,200	128,200	64,955	63,204	128,159	41
Total expenditures	28,906,650	28,953,075	8,019,838	10,798,421	18,818,259	10,134,816
Excess (deficiency) of revenues over	(5,856,750)	(5,903,175)	3,782,322	3,000,145	6,782,467	12,685,642
OTHER FINANCING SOURCES (USES)						
Transfers in	5,000,000	5,000,000	-	5,000,000	5,000,000	-
Transfers out	(2,327,625)	(2,327,625)	(1,117,975)	(1,162,550)	(2,280,525)	47,100
Proceeds from the sale of capital assets	-	11,425	4,410	6,300	10,710	(715)
Total other financing sources (uses)	2,672,375	2,683,800	(1,113,565)	3,843,750	2,730,185	46,385
Net change in fund balance	(3,184,375)	(3,219,375)	2,668,757	6,843,895	9,512,652	12,732,027
Fund balance - beginning	5,013,500	10,786,050	10,786,056	13,454,813	10,786,056	6
Fund balance - ending	$ 1,829,125	$ 7,566,675	$ 13,454,813	$ 20,298,708	$ 20,298,708	$ 12,732,033

Reconciliation	
Prepaid items	45,731
Notes & accounts receivable	16,642
Capital assets, net of accumulated depreciation	38,333,572
Net OPEB asset/(liability)	(19,144)
OPEB deferred inflows of resources	(20,139)
OPEB deferred outflows of resources	13,252
Compensated absences	(172,324)
Accrued interest payable	(7,422)
Loans payable	(282,759)
Subscriptions payable	(273,964)
Deferred outflows of resources - pensions	896,450
Deferred inflows of resources - pensions	(285,247)
Net pension liability	(1,897,503)
Net position - ending (GAAP)	$ 56,645,853

OTHER SUPPLEMENTARY SCHEDULES

City of Klamath Falls, Oregon
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2025

Schedule G-1

Function and Activity	Land	Buildings	Machinery and Equipment	Intangibles	Subscriptions	Infrastructure	Construction in Progress	Total
General Government:								
Manager	$ 968,750	$ 4,013,046	$ 137,102	$ -	$ -	$ 1,639,575	$ 25,000	$ 6,783,473
Information Systems	-	-	314,686	530,233	92,667	-	-	937,586
Engineering	-	-	230,152	7,000	84,468	-	6,155,545	6,477,165
Maintenance	-	90,742	143,959	-	-	-	-	234,701
Economic Development	544,243	-	-	-	-	-	-	544,243
Total General Government	1,512,993	4,103,788	825,899	537,233	177,135	1,639,575	6,180,545	14,977,168
Airport	9,193,404	4,552,642	2,725,506	-	-	78,462,389	45,930,390	140,864,331
Culture and Recreation	807,076	1,956,962	2,807,880	-	-	8,022,237	1,909,928	15,504,083
Public safety	399,111	8,152,307	3,405,477	-	47,188	-	-	12,004,083
Highways and Streets:								
Maintenance	-	327,574	4,337,512	72,606	-	-	-	4,737,692
Street System	2,144,560	-	-	-	-	152,210,421	446,241	154,801,222
Total Highways and Streets	2,144,560	327,574	4,337,512	72,606	-	152,210,421	446,241	159,538,914
Total Governmental Funds Capital Assets	$ 14,057,144	$ 19,093,273	$ 14,102,274	$ 609,839	$ 224,323	$ 240,334,622	$ 54,467,104	$ 342,888,579

City of Klamath Falls, Oregon
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2024

Schedule G-2

Function and Activity	Governmental Funds Capital Assets July 1, 2023	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2024
General Government:				
Manager	$ 6,447,910	$ 25,000	$ 310,563	$ 6,783,473
Information Systems	937,586	-	-	937,586
Engineering	291,746	6,240,013	(54,594)	6,477,165
Maintenance	234,701	-	-	234,701
Economic Development	544,243	-	-	544,243
Total General Government	8,456,186	6,265,013	255,969	14,977,168
Airport	116,224,101	24,640,230	-	140,864,331
Culture and Recreation	15,042,408	490,675	(29,000)	15,504,083
Public safety	11,925,070	509,599	(430,586)	12,004,083
Highways and streets:				
Maintenance	4,395,446	110,787	231,459	4,737,692
Street system	153,353,553	2,028,359	(580,690)	154,801,222
Total Highways and Streets	157,748,999	2,139,146	(349,231)	159,538,914
Total Governmental Funds Capital Assets	$ 309,396,764	$ 34,044,663	$ (552,848)	$ 342,888,579

City of Klamath Falls, Oregon

Statistical Section

Statistical Section

This part of the City of Klamath Falls' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information says about the government's overall financial health.

Contents

Financial Trends – Schedules H-1, H-2, H-3, and H-4 123

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity – Schedules H-5, H-6, H-7, and H-8 128

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity – Schedules H-9, H-10, H-11, H-12, and H-13 133

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information – Schedules H-14 and H-15 139

These schedules offer demographic and economic indicators to help the reader understand the environment within which government's financial activities take place.

Operating Information – Schedules H-16 H-17, H-18, and H-19 142

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.

Financial Trends

City of Klamath Falls, Oregon
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule H-1

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities										
Net investment in capital assets	$158,616,894	$130,228,617	$113,094,419	$101,861,892	$100,923,713	$101,122,675	$ 97,349,847	$111,784,474	$106,175,191	$ 105,999,139
Restricted	1,505,248	1,085,708	997,477	417,195	5,454,546	5,254,223	4,825,481	4,420,534	3,971,607	2,582,763
Unrestricted	30,050,610	39,433,685	37,489,821	33,731,352	26,154,647	25,387,537	26,209,812	22,997,162	27,580,669	29,390,584
Total governmental activities net position	$190,172,752	$170,748,010	$151,581,717	$136,010,439	$132,532,906	$131,764,435	$128,385,140	$139,202,170	$137,727,467	$ 137,972,486
Business-type activities										
Net investment in capital assets	$ 76,453,373	$ 75,650,380	$ 71,550,940	$ 67,258,342	$ 63,872,845	$ 60,863,067	$ 59,708,694	$ 60,389,249	$ 58,324,352	$ 56,282,189
Restricted	3,125,213	2,418,605	2,238,695	1,853,319	1,569,712	1,417,157	1,111,993	1,104,956	1,092,164	4,633,944
Unrestricted	32,478,535	15,814,120	14,708,477	15,409,734	15,605,205	15,475,616	13,075,501	12,707,870	8,196,965	3,246,712
Total business-type activities net position	$112,057,121	$ 93,883,105	$ 88,498,112	$ 84,521,395	$ 81,047,762	$ 77,755,840	$ 73,896,188	$ 74,202,075	$ 67,613,481	$ 64,162,845
Primary government										
Net investment in capital assets	$235,070,267	$205,878,997	$184,645,359	$169,120,234	$164,796,558	$161,985,742	$157,058,541	$172,173,723	$164,499,543	$ 162,281,328
Restricted	4,630,461	3,504,313	3,236,172	2,270,514	7,024,258	6,671,380	5,937,474	5,525,490	5,063,771	7,216,707
Unrestricted	62,529,145	55,247,805	52,198,298	49,141,086	41,759,852	40,863,153	39,285,313	35,705,032	35,777,634	32,637,296
Total primary government net position	$302,229,873	$264,631,115	$240,079,829	$220,531,834	$213,580,668	$209,520,275	$202,281,328	$213,404,245	$205,340,948	$ 202,135,331

City of Klamath Falls, Oregon
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Schedule H-2

Expenses	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
General government	$ 8,831,872	$ 7,068,702	$ 7,301,698	$ 5,932,498	$ 7,291,655	$ 7,860,667	$ 6,035,233	$ 5,636,155	$ 5,727,651	$ 5,802,794
Airport	3,464,470	3,488,942	3,364,240	3,320,143	3,368,954	3,317,849	3,636,051	2,833,505	3,128,916	2,865,179
Culture and recreation	2,853,439	2,570,000	2,193,693	1,993,957	1,979,691	1,757,881	1,683,114	1,511,771	1,315,260	1,346,156
Public safety	8,077,657	7,773,682	7,359,634	6,521,431	7,511,047	7,758,364	6,891,162	6,783,353	6,678,984	7,827,924
Highways and streets	5,595,897	5,094,698	4,266,996	4,173,200	4,256,755	4,303,395	4,213,848	3,694,992	3,795,646	4,266,110
Interest on long-term debt	393,455	431,710	232,857	263,636	264,574	260,602	277,253	252,843	386,404	426,013
Total governmental activities	29,216,790	26,427,734	24,719,118	22,204,865	24,672,676	25,258,758	22,736,661	20,712,619	21,032,861	22,534,176
Business-type activities:										
Wastewater	8,769,417	8,079,087	7,564,862	6,973,916	6,353,230	6,448,198	6,037,473	5,862,851	5,396,231	5,474,517
Water	9,066,437	8,064,692	7,622,385	7,180,296	7,798,312	7,334,319	7,013,758	6,483,466	5,959,718	6,156,074
Total business-type activities	17,835,854	16,143,779	15,187,247	14,154,212	14,151,542	13,782,517	13,051,231	12,346,317	11,355,949	11,630,591
Total expenses	$47,052,644	$ 42,571,513	$ 39,906,365	$ 36,359,077	$ 38,824,218	$ 39,041,275	$ 35,787,892	$ 33,058,936	$ 32,388,810	$ 34,164,767

Program Revenues	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
Charges for services										
General government	$ 5,204,354	$ 4,509,914	$ 4,267,660	$ 3,990,643	$ 4,110,212	$ 3,866,148	$ 3,812,814	$ 2,933,356	$ 2,776,556	$ 2,855,961
Airport	605,138	383,272	425,653	456,346	535,737	546,060	513,813	571,764	685,469	470,645
Culture and recreation	284,988	328,258	228,346	168,403	190,645	324,830	207,757	222,568	208,900	208,900
Public safety	20,233	11,170	23,606	64,417	42,073	19,698	31,534	61,438	33,462	33,462
Highways and streets	129,834	335,306	341,370	369,263	360,016	335,381	415,264	354,625	332,301	347,832
Operating grants and contributions	202,984	364,057	946,218	133,717	666,825	330,149	272,096	231,631	353,709	247,032
Capital grants and contributions	31,055,898	19,195,861	14,075,132	4,300,300	3,741,228	6,899,870	1,982,334	6,959,883	3,010,978	916,336
Total governmental activities	37,503,429	25,127,838	20,307,985	9,483,089	9,646,736	12,322,136	7,235,612	11,335,265	7,401,375	5,080,168
Business-type activities:										
Charges for services										
Wastewater	10,127,434	9,255,035	8,698,676	8,804,188	8,040,137	7,870,573	7,368,960	8,174,984	7,678,873	7,354,469
Water	12,633,573	10,865,375	10,314,317	9,594,585	9,782,393	8,790,522	8,682,450	8,530,367	7,936,322	7,665,939
Operating grants and contributions	-	263,049	127,951	-	25,953	5,565	-	-	-	-
Capital grants and contributions	216,373	98,615	533,080	750,000	-	92,780	-	7,200	48,030	275,677
Total business-type activities	22,977,380	20,482,074	19,674,024	19,148,773	17,848,483	16,759,440	16,051,410	16,712,551	15,663,225	15,296,085
Total program revenues	$60,480,809	$ 45,609,912	$ 39,982,009	$ 28,631,862	$ 27,495,219	$ 29,081,576	$ 23,287,022	$ 28,047,816	$ 23,064,600	$ 20,376,253

Program Revenues	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net (expense)/revenue										
Governmental activities	$ 8,286,639	$ (1,299,896)	$ (4,411,133)	$(12,721,776)	$(15,025,940)	$(12,936,622)	$(15,501,049)	$ (9,377,354)	$(13,631,486)	$(17,454,008)
Business-type activities	5,141,526	4,338,295	4,486,777	4,994,561	3,696,941	2,976,923	3,000,179	4,366,234	4,307,276	3,665,494
Total net expense (revenue)	$13,428,165	$ 3,038,399	$ 75,644	$ (7,727,215)	$(11,328,999)	$ (9,959,699)	$(12,500,870)	$ (5,011,120)	$ (9,324,210)	$(13,788,514)

General Revenues	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities:										
Property taxes	$11,225,812	$ 10,631,605	$ 9,883,728	$ 9,390,053	$ 8,917,808	$ 8,514,563	$ 7,874,191	$ 7,430,283	$ 7,009,508	$ 6,901,748
Franchise taxes	3,734,303	3,306,178	3,184,789	2,947,490	2,837,869	2,762,831	2,805,417	2,490,622	2,542,802	2,444,433
Motor fuel taxes	1,822,493	1,783,837	1,750,719	2,091,356	1,633,002	1,501,270	1,601,000	1,400,638	1,293,021	1,274,616
Alcoholic beverage taxes	351,493	424,230	438,007	412,525	428,561	389,885	363,917	346,268	331,238	309,573
Cigarette taxes	12,958	14,851	16,301	18,162	21,127	23,960	25,102	26,782	27,459	28,420
Transient room taxes	896,059	906,563	822,147	839,528	755,537	642,162	584,170	681,281	560,037	505,000
State revenue sharing	262,027	305,123	307,852	296,341	348,387	332,131	229,621	284,662	214,081	193,598
Federal forest receipts	-	-	1,505,492	-	-	175,000	400,000	-	114,654	110,195
Unrestricted investment earnings	4,032,458	2,617,307	926,706	(477,662)	288,940	1,111,201	983,126	344,146	386,276	344,046
Gain on sale of capital assets	-	-	-	-	-	-	-	-	(41,129)	12,351
Insurance recoveries	-	-	-	-	-	-	-	-	-	9,865
Transfer of capital asset	-	-	-	-	-	-	12,198	-	-	30,463
Transfers in / (out)	(11,199,500)	476,495	1,146,670	681,516	563,180	569,614	2,333,850	(2,041,525)	948,520	15,241,622
Total general revenues, transfers, and special items	11,138,103	20,466,189	19,982,411	16,199,309	15,794,411	16,022,617	17,212,592	10,963,157	13,386,467	27,405,930
Business-type activities:										
Unrestricted investment earnings	1,830,651	1,502,583	541,355	(839,412)	158,161	1,074,843	1,086,983	201,465	91,880	280,301
Gain on sale of capital assets	2,339	20,610	95,255	-	-	-	12,730	-	-	-
Transfer of capital asset	-	-	-	-	-	-	(12,198)	-	-	(30,463)
Transfers in / (out)	11,199,500	(476,495)	(1,146,670)	(681,516)	(563,180)	(569,614)	(2,333,850)	2,041,525	(948,520)	(15,241,622)
Total business-type activities	13,032,490	1,046,698	(510,060)	(1,520,928)	(405,019)	505,229	(1,246,335)	2,242,990	(856,640)	(14,991,784)
Total primary government	$24,170,593	$ 21,512,887	$ 19,472,351	$ 14,678,381	$ 15,389,392	$ 16,527,846	$ 15,966,257	$ 13,206,147	$ 12,529,827	$ 12,414,146

Change in Net Position	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental activities	$19,424,742	$ 19,166,293	$ 15,571,278	$ 3,477,533	$ 768,471	$ 3,085,995	$ 1,711,543	$ 1,585,803	$ (245,019)	$ 9,951,922
Business-type activities	18,174,016	5,384,993	3,976,717	3,473,633	3,291,922	3,482,152	1,753,844	6,609,224	3,450,636	(11,326,290)
Total Change in Net Position	$37,598,758	$ 24,551,286	$ 19,547,995	$ 6,951,166	$ 4,060,393	$ 6,568,147	$ 3,465,387	$ 8,195,027	$ 3,205,617	$ (1,374,368)

City of Klamath Falls, Oregon
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting

Schedule H-3

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016 [1]
General Fund										
Nonspendable	$ 34,886	$ 44,046	$ 74,491	$ 41,474	$ 50,637	$ 42,196	$ 54,125	$ 46,849	$ 45,496	$ 38,971
Restricted	527,549	390,669	437,600	246,695	274,703	368,080	302,906	278,326	144,847	133,776
Committed	674,309	500,150	521,837	610,598	-	-	-	-	-	-
Assigned	91,685	92,476	82,980	75,524	736,865	1,413,360	2,457,493	2,716,501	4,188,842	5,751,645
Unassigned	16,670,278	17,274,662	17,376,500	16,662,801	15,546,193	12,872,697	10,928,370	8,295,803	7,180,729	5,280,154
Total general fund	$17,998,707	$18,302,003	$18,493,408	$17,637,092	$16,608,398	$14,696,333	$13,742,894	$11,337,479	$11,559,914	$11,204,546
All other governmental funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,544
Restricted	704,515	464,729	265,506	170,500	5,178,673	4,886,143	4,522,575	4,142,208	3,826,760	2,448,987
Committed	-	5,407,131	5,524,558	5,395,756	-	-	-	-	-	-
Assigned	22,081,790	24,549,414	25,360,458	23,641,008	23,430,767	21,866,547	22,626,523	19,827,815	23,812,496	24,951,010
Unassigned	(1,946,085)	(2,557,302)	(3,013,500)	(1,285,978)	(1,445,507)	(1,306,137)	(571,480)	(641,563)	(672,379)	(902,008)
Total all other governmental funds	$20,840,220	$27,863,972	$28,137,022	$27,921,286	$27,163,933	$25,446,553	$26,577,618	$23,328,460	$26,966,877	$26,506,533

[1] In fiscal year 2016 the General Fund fund balance increased significantly because the fund balances of three former special revenue funds (Parks, Streets and Street Lighting) were transferred into the General Fund. These three funds are not departments in the General Fund. In fiscal year 2016 the Capital Projects Fund received a $10 million transfer from the Wastewater Fund and a $4.5 million transfer from the Water Fund.

City of Klamath Falls, Oregon
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Schedule H-4

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Taxes	$11,167,338	$10,636,727	$ 9,834,209	$ 9,405,565	$ 9,000,499	$ 8,500,410	$ 7,891,025	$ 7,429,107	$ 7,034,171	$ 6,892,417
Special assessments		-	-	-	5,539	16,926	10,898	15,456	17,215	48,688
Intergovernmental	36,388,980	20,903,233	17,923,370	7,925,530	7,120,960	8,790,444	6,334,023	8,681,135	5,792,146	3,477,796
Licenses, fees and permits	299,935	316,149	227,379	235,506	255,333	326,247	192,974	179,634	153,232	163,011
Franchise fees	3,734,303	3,307,271	3,183,697	2,947,490	2,850,134	2,772,079	2,809,670	2,473,145	2,534,513	2,444,433
Charges for services	2,087,259	2,037,647	1,766,319	1,631,165	1,677,227	1,703,043	1,718,720	1,156,451	1,186,754	1,081,035
Internal charges for services	3,487,177	2,782,896	3,071,241	2,776,228	2,880,240	2,698,883	2,695,418	2,602,322	2,509,271	2,422,161
Fines and forfeitures	284,815	245,931	261,310	309,977	376,094	304,951	360,436	417,160	341,693	344,653
Investment earnings	4,032,458	2,617,307	926,706	(477,662)	288,940	1,111,201	983,126	344,146	386,276	344,046
Miscellaneous	205,587	313,490	454,411	600,714	556,607	188,823	115,121	472,493	316,809	138,949
Total Revenues	$61,687,852	$43,160,651	$37,648,642	$25,354,513	$25,011,573	$26,413,007	$23,111,411	$23,771,049	$20,272,080	$17,357,189
Expenditures										
Current:										
General government	$ 8,170,353	$ 7,671,007	$ 7,731,585	$ 6,045,175	$ 6,618,040	$ 6,712,988	$ 5,519,752	$ 5,212,716	$ 5,083,443	$ 4,866,004
Airport	1,123,767	1,143,386	1,240,516	1,225,092	1,227,113	1,356,231	1,426,159	1,312,918	1,595,817	1,159,526
Culture and recreation	2,329,524	2,101,641	1,979,412	1,712,590	1,645,397	1,391,876	1,416,609	1,309,108	1,190,045	1,054,101
Public safety	8,047,801	7,679,089	8,018,304	6,359,128	6,141,490	6,214,809	5,767,764	5,694,881	5,486,413	5,442,424
Highways and streets	3,256,442	2,870,451	2,355,699	2,030,701	1,907,335	1,888,350	2,019,811	1,811,415	1,785,710	1,794,377
Debt service:										
Principal	396,301	372,608	2,677,582	459,896	440,220	562,328	400,200	455,866	284,923	429,187
Interest	388,782	426,948	229,626	261,067	262,005	257,660	272,319	258,004	390,994	418,248
Capital outlay:										
General government	6,374,060	358,440	111,047	52,886	139,318	19,496	17,487	81,097	50,727	691,549
Airport	24,640,230	15,611,462	6,177,624	2,705,284	2,197,107	6,764,036	1,071,141	6,234,882	2,714,340	670,989
Culture and recreation	490,676	2,260,158	1,279,967	119,389	500,499	417,271	724,636	785,602	179,520	190,611
Public safety	643,855	636,720	421,324	327,253	249,545	408,838	100,565	400,969	247,584	259,835
Highways and streets	2,081,402	3,865,993	5,553,635	3,004,082	649,377	1,263,743	1,178,077	2,184,881	1,396,463	658,245
Total Expenditures	57,943,193	44,997,903	37,776,321	24,302,543	21,977,446	27,257,626	19,914,520	25,742,339	20,405,979	17,635,096
Excess (Deficiency) of Revenues over Expenditures	3,744,659	(1,837,252)	(127,679)	1,051,970	3,034,127	(844,619)	3,196,891	(1,971,290)	(133,899)	(277,907)
Other financing sources (uses)										
Subscriptions issuance	84,468	139,855	-	-	-	-	-	-	-	-
Sale of general capital assets	35,505	702,117	45,481	21,470	28,880	86,154	78,473	81,414	1,000	12,351
Transfers in	1,832,017	1,708,927	1,680,100	1,047,725	1,474,925	1,372,375	3,080,625	1,395,856	1,847,312	22,172,729
Transfers out	(13,031,517)	(1,232,432)	(530,000)	(366,209)	(911,745)	(802,761)	(746,775)	(3,437,381)	(898,792)	(6,931,107)
General long-term debt issued	-	-	-	-	-	-	-	58,950	-	-
Insurance recoveries	7,820	54,330	4,150	31,091	3,258	11,225	45,359	11,599	91	9,865
Total Other Financing Sources (Uses)	(11,071,707)	1,372,797	1,199,731	734,077	595,318	666,993	2,457,682	(1,889,562)	949,611	15,263,838
Net change in fund balances	$ (7,327,048)	$ (464,455)	$ 1,072,052	$ 1,786,047	$ 3,629,445	$ (177,626)	$ 5,654,573	$ (3,860,852)	$ 815,712	$14,985,931
Debt service as a percentage of noncapital expenditures	3.31%	3.59%	12.00%	3.98%	3.85%	4.46%	4.00%	4.45%	4.27%	5.59%

Revenue Capacity

City of Klamath Falls, Oregon
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Schedule H-5

	Real Property		Personal Property					
Fiscal Year	**Assessed Value**	**Estimated Actual Value [1]**	**Assessed Value**	**Estimated Actual Value [1]**	**Total Assessed Value**	**Total Direct Tax Rate**	**Total Estimated Actual Value [1]**	**Ratio of Total Assessed Value to Total Estimated Actual Value**
2025	1,857,260	3,579,276	74,566	74,566	1,931,826	5.24	3,653,842	52.9%
2024	1,781,801	3,913,788	70,070	70,070	1,851,871	5.26	3,983,859	46.5%
2023	1,682,250	3,276,947	65,443	65,443	1,747,693	5.26	3,342,390	52.3%
2022	1,588,865	2,618,808	61,310	61,310	1,650,175	5.16	2,680,117	61.6%
2021	1,574,873	2,326,117	55,340	55,340	1,630,213	5.16	2,381,457	68.5%
2020	1,476,641	2,263,305	59,207	59,207	1,535,847	5.14	2,322,512	66.1%
2019	1,420,291	2,057,817	50,700	50,700	1,470,991	5.19	2,108,517	69.8%
2018	1,363,797	2,116,041	52,366	52,366	1,416,163	5.23	2,168,407	65.3%
2017	1,309,448	1,777,953	51,454	51,454	1,360,902	5.25	1,829,407	74.4%
2016	1,305,308	1,900,989	50,033	50,033	1,355,341	5.24	1,951,022	69.5%
2015	1,287,767	1,828,863	49,080	49,080	1,336,847	5.43	1,877,943	71.2%

Source: Klamath County Assessors Office.
Note: Property in the county is reassessed annually. Tax rates are per $1,000 of assessed value.
[1] Includes Urban Renewal Districts.

City of Klamath Falls, Oregon
Property Tax Rates *(per thousand)* [1]
Direct and Overlapping Governments
Last Ten Fiscal Years

Schedule H-6

	City of Klamath Falls [2]			Overlapping Rates					
						Klamath County			
Fiscal Year	**Operating Millage**	**Debt Service Millage**	**Total City Millage**	**School District Operating Millage**	**Other**	**Operating Millage**	**Debt Service Millage**	**Total County Millage**	**Total Direct and Overlapping**
2025	$ 5.10	$ 0.14	$ 5.24	$ 3.93	$ 3.74	$ 1.67	$ 1.54	$ 3.21	$ 16.12
2024	5.12	0.14	5.26	3.95	3.61	1.68	1.54	3.22	16.04
2023	5.12	0.14	5.26	3.95	3.61	1.68	1.54	3.22	16.04
2022	5.02	0.14	5.16	4.01	3.64	1.71	1.36	3.06	15.87
2021	5.02	0.14	5.16	4.01	3.65	1.71	1.51	3.21	16.03
2020	4.99	0.15	5.14	4.02	3.66	1.71	1.57	3.28	16.10
2019	5.04	0.15	5.19	4.02	3.65	1.71	1.59	3.30	16.16
2018	5.10	0.13	5.23	4.11	3.66	1.71	1.56	3.27	16.27
2017	5.11	0.14	5.25	4.10	3.66	1.71	1.57	3.28	16.29
2016	5.11	0.13	5.24	4.10	3.99	1.62	1.02	2.64	15.97
2015	5.28	0.15	5.43	4.08	4.13	1.68	0.61	2.29	15.93

[1] Millage rates are reported after compression

[2] During the current fiscal year, the levy rates were separated for debt service.

Source: Klamath County Assessor and Klamath County Budget Officer.

City of Klamath Falls, Oregon
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Schedule H-7

	2025			2016		
Taxpayer	**Taxable Assessed Value**	**Rank**	**% of Total Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Total Assessed Value**
Jeld Wen, Inc. - Wood products manufacturing	$ 63,502	1	3.43%	$ 57,491	1	4.45%
Hunter Communications Inc. - Internet Service Provider	37,226	2	2.01			-
Klamath Falls Holdings LLC	27,513	3	1.49			-
Charter Communications - Telecommunications	24,541	4	1.33	17,320	3	1.34
Avista Corporation - Natural Gas Utility	21,971	5	1.19	15,083	4	1.17
Wal Mart - Retail Department Store	21,166	6	1.14	21,289	2	1.65
Fred Meyer Stores, Inc. - Retail Department Store	18,162	7	0.98	15,064	5	1.17
Sky Lakes Medical Center, Inc.	17,854	8	0.96			-
Pacificorp - Electric utility	17,516	9	0.95	10,030	6	0.78
Klamath Falls MSL LLC	13,968	10	0.75			-
Argo Klamath One - Towncenter Shopping Center	13,642	11	0.74	7,639	10	0.59
Roserock Holding LLC	11,183	12	0.60			-
Lithia Real Estate Inc.	10,936	13	0.59			-
	$ 299,180		18.13%	$ 143,916		11.13%

Source: Klamath County Assessor's Office

City of Klamath Falls, Oregon
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Schedule H-8

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended June 30	**Total Tax Levy for Fiscal Year**	**Amount Collected**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount Collected**	**Percentage of Levy**
2025	$ 10,913	$ 10,394	95.24%	$ 226	$ 10,620	97.31%
2024	10,658	9,886	92.76%	264	10,150	95.23%
2023	9,894	9,013	91.10%	317	9,330	91.10%
2022	9,148	8,058	88.08%	391	8,449	90.79%
2021	9,016	8,065	89.45%	435	8,500	92.52%
2020	8,473	7,792	91.96%	369	8,161	96.17%
2019	7,947	7,382	92.89%	343	7,725	97.13%
2018	7,540	6,953	92.21%	369	7,322	96.75%
2017	7,216	6,355	88.07%	369	6,724	93.17%
2016	7,128	6,548	91.86%	343	6,891	97.03%

Source: Klamath County Assessor's Office

Debt Capacity

City of Klamath Falls, Oregon
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Schedule H-9

Governmental Activities

Fiscal Year	General Obligation Bonds [1]	Full Faith & Credit Bonds [1]	SPWF & Other Loans	Line of Credit Loans	SBITA'S [2]	Total
2025	$ 3,190	$ 1,056	$ -	$ -	$ 88	$ 4,334
2024	3,351	1,293	-	-	86	4,730
2023	3,499	1,519	-	-	-	5,018
2022	3,633	1,736	2,249	80	-	7,698
2021	3,757	1,942	2,249	211	-	8,159
2020	3,871	2,144	2,249	337	-	8,601
2019	3,971	2,335	2,249	610	-	9,165
2018	4,066	2,522	2,249	730	-	9,567
2017	4,022	2,698	2,249	848	-	9,817
2016	4,023	2,870	2,249	963	-	10,105

Business-Type Activities

Fiscal Year	Water SPWF Loans	Wastewater State Revolving Loan	Wastewater Revenue Bonds	Water Fund Water Project	SBITA'S [2]	Total
2025	$ 283	$ 49,260	$ -	$ 712	$ 274	$ 50,529
2024	331	41,803	787	733	-	43,654
2023	379	31,707	1,562	750	-	34,398
2022	422	20,695	2,316	750	-	24,183
2021	464	10,937	3,053	-	-	14,454
2020	506	4,550	3,777	-	-	8,833
2019	548	3,630	4,480	-	-	8,658
2018	585	-	5,172	-	-	5,757
2017	621	-	5,842	-	-	6,463
2016	657	-	6,499	-	-	7,156

Fiscal Year	Total Outstanding Debt	% of Personal Income [3]	Population [4]	Debt Per Capita
2025	$ 54,863	11.53%	22,966	$ 2,389
2024	48,384	10.17%	22,966	2,107
2023	39,416	8.28%	22,906	1,721
2022	31,881	6.70%	22,062	1,445
2021	22,613	4.75%	21,813	1,037
2020	17,434	4.10%	22,002	792
2019	17,823	4.19%	21,890	814
2018	15,324	3.60%	21,890	700
2017	16,280	3.82%	21,770	748
2016	17,261	4.05%	21,640	798

[1] Presented net of original issuance discounts and premiums.

[2] Year 2024 was corrected to properly reflect the subscriptions of the govenrnmental and business type activities.

[3] Personal income is disclosed on Schedule I-14, Demographic and Economic Statistics.

[4] Schedule I-14- Portland State Univerity

City of Klamath Falls, Oregon
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Schedule H-10

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Available in Debt Service Fund [2]	Total	Percentage of Estimated Actual Taxable Value of Property [3]	Per Capita [4]
2025	$ 3,190	$ 32	$ 3,158	0.16%	143
2024	3,351	40	3,311	0.18%	144
2023	3,499	42	3,457	0.20%	151
2022	3,633	42	3,591	0.22%	163
2021	3,757	40	3,717	0.23%	170
2020	3,871	42	3,829	0.25%	174
2019	3,971	30	3,941	0.27%	180
2018	4,066	(51)	4,117	0.29%	188
2017	4,022	8	4,014	0.29%	184
2016	4,023	30	3,993	0.29%	185

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[1] This is the general bonded debt of governmental activities, net of original issuance discounts and premiums.
[2] This is the amount restricted for debt service principal payments.
[3] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
[4] Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Klamath Falls, Oregon
Direct and Overlapping Governmental Activities Debt
As of June 30, 2025
(amounts expressed in thousands)

Schedule H-11

Government Unit:	Debt Outstanding	Estimated % Applicable		Amount Applicable to the City of Klamath Falls
Klamath Community College	$ 2,764	27.68	%	$ 765
Klamath County School Distirct	28,965	6.37		1,845
Klamath County Emergency Comm	495	25.70		127
Klamath County Fire District #1	1,130	44.79		506
Klamath City School District	21,011	66.88		14,052
Southern Oregon Education Service District	11,259	4.79		539
Subtotal, overlapping debt				17,835
City of Klamath Falls direct debt [1]				4,334
Total direct and overlapping debt				$ 22,169

Sources: Outstanding debt and applicable percentages provided by each governmental unit as reported by Oregon State Treasury Debt Management Division.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Klamath Falls. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1] City of Klamath Falls direct debt includes $3,190 general obligation, $1,056 full faith and credit bonds, $88 SBITA'S.

City of Klamath Falls, Oregon
Legal Debt Margin Information
June 30, 2025
(amounts expressed in thousands)

Schedule H-12

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a % of Estimated Actual Value	Estimated Actual Taxable Value
2025	$ 1,931,778	53.97%	$ 3,579,276
2024	1,851,871	46.48%	$ 3,983,859
2023	1,747,693	52.29%	3,342,390
2022	1,650,175	61.57%	2,680,117
2021	1,630,213	68.45%	2,381,457
Total Five Years Valuation			$ 15,967,099
Five Year Average Full Valuation of Taxable Real Property			$ 3,193,420
Constitutional Debt Limit (3% of total assessed value)			$ 57,953
Outstanding General Obligation Indebtedness as of June 30, 2023			
Governmental Activities - General Obligation Debt			$ 4,246
Net debt contracting margin			$ 53,707
Percentage of net debt contracting margin available			92.67%
Percentage of net debt contracting power exhausted			7.33%

Last Ten Fiscal Years

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2025	$ 57,953	$ 4,246	92.67%
2024	55,556	4,644	91.64%
2023	52,431	5,018	90.43%
2022	49,505	7,778	84.29%
2021	48,906	8,289	83.05%
2020	46,075	8,726	81.06%
2019	44,130	9,289	78.95%
2018	42,485	9,688	77.20%
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%

City of Klamath Falls, Oregon
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Schedule H-13

Wastewater Revenue Bonds

Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2025	$ 10,736	$ 6,361	$ 4,375	$ 1,003	$ 117	3.91
2024	9,398	5,767	3,631	983	144	3.22
2023	8,560	4,716	3,844	754	54	4.76
2022	8,776	5,022	3,754	737	70	4.65
2021	7,730	4,783	2,947	724	88	3.63
2020	7,632	4,846	2,786	703	103	3.46
2019	7,710	4,556	3,154	692	119	3.89
2018	7,849	4,495	3,354	670	135	4.17
2017	7,655	4,085	3,570	657	151	4.42
2016	7,372	4,249	3,123	673	136	3.86

Water Revenue Bonds [1]

Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2025	-	-	-	-	-	-
2024	-	-	-	-	-	-
2023	-	-	-	-	-	-
2022	-	-	-	-	-	-
2021	-	-	-	-	-	-
2020	-	-	-	-	-	-
2019	-	-	-	-	-	-
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-
2016	7,449	4,578	2,871	455	25	5.98

Airport Revenue Bonds [2]

Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2025	-	-	-	-	-	-
2024	-	-	-	-	-	-
2023	-	-	-	-	-	-
2022	-	-	-	-	-	-
2021	-	-	-	-	-	-
2020	-	-	-	-	-	-
2019	-	-	-	-	-	-
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-
2016	1,127	1,152	(25)	165	20	(0.13)

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings but not SDC improvement fees. Oparating expenses do not include interest, depreciation and inter-fund transfers.

[1] Water Revenue Bonds were paid off in FY 2016.

[2] Airport Revenue Bonds were paid off in FY 2016.

Demographic and Economic Information

City of Klamath Falls, Oregon
Klamath County, Oregon
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule H-14

Fiscal Year	City Population [1]	City Median Age [2]	City Per Capita Personal Income [3]	City Aggregate Income [3] *(amounts expressed in thousands)*	City Public School Enrollment [4]	County Unemployment Rate [5]
2025	22,108	35.7	31,828	Unavailable	2,723	6.6%
2024	22,966	35.1	46,695	Unavailable	2,733	4.0%
2023	22,906	35.8	26,361	Unavailable	2,591	3.8%
2022	22,062	37.0	25,383	Unavailable	2,706	4.1%
2021	21,813	39.8	24,534	Unavailable	2,799	6.7%
2020	22,002	35.4	23,260	475,777	2,959	5.6%
2019	21,890	34.9	21,898	Unavailable	2,988	4.0%
2018	21,890	34.9	21,898	Unavailable	3,034	4.0%
2017	21,770	34.9	21,898	Unavailable	2,986	4.3%
2016	21,640	34.9	21,898	Unavailable	3,225	5.1%

Data Sources:

[1] Portland State University, Population Research Center (2024 Certified Population Estimates, July 1)

[2] U.S. Census Bureau (2023: ACS 5-Year Estimate)

[3] U.S. Census Bureau (2023: ACS 5-Year Estimate)

[4] Oregon Department of Education

[5] Oregon State Employment Department, Quality Information, Economic Data

City of Klamath Falls
Klamath County, Oregon
Principal Employers
Current Year and Ten Years Prior

Schedule H-15

	2025				2016	
Employer	**Employees [1]**	**Rank**	**Percentage of Total *City* Employment [2]**	**Percentage of Total *County* Employment [2]**	**Employees [1]**	**Rank**
Sky Lakes Medical Center	1,700	1	17.15 %	5.88 %	968	1
Kingsley Field Oregon Air National Guard	1,225	2	12.36	4.24	872	5
Klamath County School District	991	3	10.00	3.43	872	3
Klamath Falls City Schools	531	5	5.36	1.84	375	8
Klamath County	468	6	4.72	1.62	474	6
Oregon Institute of Technology	435	7	4.39	1.50	399	9
Jeld-Wen Inc. Wood Products	425	4	4.29	1.47	998	2
Wal-Mart	366	8	3.69	1.27	370	7
Fred Meyer	300	9	3.03	1.04	290	10
City of Klamath Falls	170	10	1.71	0.59	-	
N.E.W Customer Service Companies	-		-	-	659	4
	6,611		66.68 %	7.49 %	6,277	
Total Employment [3]			9,914	28,905		

[1] Numbers of employees furnished by employer.
[2] Total employment source: US Census Bureau

Operating Information

City of Klamath Falls, Oregon
Full-time Equivalent Employees by Function June 30th
Last Ten Fiscal Years

Schedule H-16

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
City Manager	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.70	5.00
Legal	-	-	-	-	-	-	-	-	1.00	1.70
Municipal Court	2.10	1.10	2.10	2.10	2.10	2.10	2.15	2.40	2.40	2.40
Development Services	11.00	10.00	8.00	8.00	8.00	8.00	9.00	8.50	8.00	8.50
Public Works Administration	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Legislative	1.50	1.50	1.50	1.50	1.00	1.00	1.00	0.70	-	-
Maintenance	10.00	10.00	9.00	9.00	9.00	9.00	10.00	9.00	9.00	10.00
Support Services										
Finance	5.50	6.50	6.50	6.50	6.50	6.50	6.50	6.00	6.00	6.00
Human Resources	2.00	2.00	2.00	2.00	3.00	3.00	2.50	2.50	2.00	2.00
Information Systems	4.00	5.00	5.00	5.00	4.00	4.00	4.00	3.00	3.00	3.00
Culture and Recreation	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	6.00	6.00
Ella Redkey Pool	7.50	8.50	8.20	9.90	8.15	6.55	6.40	6.25	6.60	4.25
Airport	5.00	5.00	5.00	6.00	5.00	5.00	6.00	6.00	6.00	6.00
Public Safety										
Police	39.00	40.00	37.00	39.00	41.00	38.00	37.00	36.00	40.00	41.00
Code enforcement	3.00	3.00	3.00	3.00	-	-	-	2.00	2.00	2.00
Off-street Parking	1.00	1.00	1.00	-	1.00	-	1.00	1.00	1.00	1.00
Highways and streets										
Streets	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00
Vehicle Maintenance	1.00	2.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00
Water	23.50	23.50	23.50	22.00	24.00	24.00	24.00	23.00	19.50	19.28
Geothermal	-	-	-	-	-	-	-	-	-	0.25
Wastewater	14.50	13.50	14.50	14.00	13.00	14.00	13.00	14.00	17.00	14.97
Total	**153.60**	**156.60**	**152.30**	**154.00**	**151.75**	**147.15**	**146.55**	**144.35**	**147.20**	**147.35**

Source: City of Klamath Falls Human Resources and Payroll department.

City of Klamath Falls, Oregon
Operating Indicators by Function
Last Ten Fiscal Years

Schedule H-17

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police										
Police department personnel	43	42	41	43	42	43	39	36	40	41
Physical arrests	1,799	1,083	921	893	944	2,088	1,972	2,101	2,157	2,318
Parking violations	1,335	1,181	573	1,460	1,775	1,547	1,797	2,198	2,039	2,445
Traffic violations	1,043	1,162	874	883	1,312	1,397	1,486	1,955	1,529	2,082
Airport										
Takeoffs and landings	36,514	39,134	36,969	37,331	37,346	40,291	42,127	43,358	47,564	53,246
Gallons of Fuel Pumped	621,744	459,252	449,245	683,145	652,294	499,035	251,466	591,160	426,988	385,638
lbs of Freight Offloaded	787,050	1,043,778	1,091,719	1,505,088	1,231,861	1,025,160	863,685	1,072,145	1,001,983	989,419
Highways and streets										
Street resurfacing *(linear feet)*	44,987	45,511	41,039	19,960	42,550	57,289	49,282	93,729	73,361	26,826
Potholes *(tons of asphalt)*	14	15	27	22	43	99	83	55	75	138
Culture and recreation										
Park reservations	263	278	147	113	59	34	92	112	122	113
Municipal pool admissions	37,065	39,978	38,637	34,414	28,197	21,455	27,867	23,495	21,522	20,986
Water										
New connections	23	68	84	50	46	67	49	39	40	47
Total connections	16,427	16,054	16,453	16,352	16,280	16,277	16,177	15,852	16,128	16,009
Average daily production *(thousands of gallons)*	7,604	7,586	7,586	7,448	7,529	6,669	7,048	6,734	6,859	6,817
Wastewater										
New connections	8	34	15	13	19	24	15	36	17	10
Total connections	8,305	8,377	8,386	8,246	8,375	8,417	8,287	8,273	7,520	8,133
Average daily sewage treatment *(1000's of gallons)*	3,992	2,767	2,767	1,460	1,959	2,274	2,515	2,247	3,448	2,840
Average daily reclaimed water produced *(1000's of gallons)*	2,645	1,832	1,832	2,200	1,889	2,014	2,058	2,276	2,166	2,640

Source: Various city departments.

City of Klamath Falls, Oregon
Capital Asset Statistics by Function
Last Ten Fiscal Years

Schedule H-18

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	38	40	39	38	32	40	33	31	33	32
Airport										
Miles of runways & taxiways [2]	9	9	9	9	9	8	8	8	8	8
Highways and streets										
Streets *(lane miles)*	302	302	302	302	302	302	302	302	302	302
Streetlights [1]	3,017	3,017	3,013	3,004	2,984	2,979	2,979	2,966	2,966	2,636
Traffic signals	37	37	37	37	37	37	37	36	36	36
Culture and recreation										
Park acreage										
Developed	120	151	151	151	151	151	151	119	119	119
Natural areas	537	457	457	457	457	457	457	514	514	514
Undeveloped		-	-	-	-	-	-	50	50	50
Parks	28	27	27	27	27	27	27	25	25	24
Tennis courts	2	3	3	3	3	3	3	3	3	3
Playground equipment areas	11	10	9	9	9	9	9	8	8	8
Water										
Water mains *(miles)*	265	263	263	266	266	266	266	266	266	265
Fire hydrants	1292	1,276	1,272	1,258	1,254	1,239	1,212	1,176	1,175	1,166
Maximum daily capacity *(thousands of gallons)*	15,190	15,562	14,299	15,193	15,755	14,029	14,930	14,739	13,952	13,669
Wastewater										
Sanitary sewer *(miles)*	160	159	159	156	156	156	156	156	156	156
Storm sewers *(miles)*	110	110	110	110	110	110	40	40	40	40
Manholes	2,963	2,960	2,960	2,940	2,940	2,600	2,600	2,600	2,600	2,600
Maximum daily treatment capacity *(thousands of gallons)*	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Maximum daily reclaimed water capacity *(thousands of gallons)*	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500

Source: Various city departments.

[1] A new maintenance work order program went live 2016 and a more accurate count of the street lights was completed.

[2] There are 8.25 miles of runway and taxiway which is equivalent to 109 street lane miles.

City of Klamath Falls, Oregon
Top Ten Water & Wastewater Customers
Fiscal Year Ended June 30, 2025

Schedule H-19

Water Customers	Billed	Percent of Total Charges
City of Klamath Falls	$ 770,412	7.60 %
Klamath County School District	162,324	1.60
Oregon Institute of Technology	160,565	1.58
Klamath County	148,507	1.47
Sky Lakes	123,415	1.22
Kingsley Field	106,995	1.06
Jeld-Wen	102,306	1.01
Klamath Falls City Schools	91,285	0.90
Klamath Cogeneration	80,337	0.79
Klamath Housing Authority	47,429	0.47
Total Top Ten	**$ 1,793,575**	**17.69 %**
Total Billed Fiscal Year 24/25		**$ 10,136,433**
Total Water Service Connections		**16,427**

Wastewater Customers	Billed	Percent of Total Charges
Oregon Institute of Technology	$ 513,149	5.71 %
Oregon Water Utilities	494,756	5.51
Sky Lakes	428,176	4.77
Klamath County	266,701	2.97
Klamath Cogeneration	154,982	1.72
Falcon Heights	138,509	1.54
TH7	202,852	2.26
Klamath Falls City Schools	102,328	1.14
Jeld-Wen	85,901	0.96
Argo	71,545	0.80
Total Top Ten	**$ 2,458,899**	**11.38 %**
Total Billed Fiscal Year 22/23		**$ 8,984,499**
Total Wastewater Service Connections		**8,305**

City of Klamath Falls, Oregon

Compliance Section

STATE OF OREGON
COMPLIANCE

sorren CPAs P.C.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY *OREGON STATE REGULATIONS*

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2026.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes as specified in OAR 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as disclosed in *Note I.F* of the financial statements.

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OAR 162-010-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

This report is intended solely for the information and use of the Honorable Mayor and City Council, Management of the City and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Donald F. Ewalt, CPA
Sorren CPAs, P.C.
Medford, Oregon
January 30, 2026

UNIFORM GUIDANCE

sorren CPAs P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City), as of June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald F. Ewalt, CPA
Sorren CPAs, P.C.
Medford, Oregon
January 30, 2026

sorren CPAs P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Klamath Falls, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Klamath Falls, Oregon's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Klamath Falls, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as identified above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

Donald F. Ewalt, CPA
Sorren CPAs, P.C.
Medford, Oregon
January 30, 2026

CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

GRANTS Program Title	Pass through Organization		Federal CFDA Number	Pass through Number	Federal Expenditures	Passed Through to Sub Recipients
U.S. Department of Transportation						
Airport Improvement Program			20.106		$ 178,023	$ -
Total Department of Transportation					178,023	-
U.S. Department of Treasury						
Coronavirus State and Local Fiscal Recovery Funds			21.027		25,000	-
Total Department of Treasury					25,000	-
U.S. Department of Defense						
Military Construction Cooperative Agreement		*	12.400		29,945,403	
Total Department of Defense					29,945,403	
U.S. Department of Justice						
Bulletproof Vest Partnership Program			16.607		4,941	
Total Department of Justice					4,941	
Total Grants Expended or Passed Through to Sub Recipients					30,153,367	-

LOANS Program Title	Pass through Organization		Federal CFDA Number	Pass through Number	Federal Expenditures	Loan Balance at Beginning of Period
U.S. Environmental Protection Agency						
Capitalization Grants for Clean Water State Revolving Funds	Oregon DEQ	*	66.458	R52605	4,066,739	$ 37,443,007
TOTAL EXPENDITURE OF FEDERAL AWARDS					$ 34,220,106	

* Major Programs
Note: Expenditures on this schedule are prepared on the accrual basis of accounting.

CITY OF KLAMATH FALLS, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Klamath Falls, Oregon (the City) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE:

The City did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS:

There were no amounts paid to subrecipients by the City from federal funds for the year ended June 30, 2025.

CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
#12.400	Military Construction Cooperative Agreement
#66.458	Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: $1,026,603

Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SCHEDULE OF PRIOR PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

None