

**City of Klamath Falls  
Oregon**

**Comprehensive Annual  
Financial Report**

**For the Fiscal Year Ended  
June 30, 2017**

**Prepared by the  
Finance Department  
of the City of Klamath Falls**

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**City of Klamath Falls, Oregon**  
**Comprehensive Annual Financial Report**  
**June 30, 2017**

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**INTRODUCTORY  
SECTION**

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# CITY OF KLAMATH FALLS, OREGON

222 S 6TH STREET – P.O. BOX 237  
KLAMATH FALLS, OREGON 97601

January 31, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report for the City of Klamath Falls for the fiscal year ended June 30, 2017. 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 both 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.

Merina & Co., LLP, 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, 2017. 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 21,640. Although the population within the City limits is only 21,640, the entire urban growth boundary consists of approximately 42,000 people.

The City of Klamath Falls operates under the 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 hiring 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 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. Property values increased at a 3% per year level until the recession when they declined and are now beginning to recover. This revised value is called the "real value". Taxes are assessed on the real 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 compressed rate for fiscal year 2017 was approximately \$5.1087 per \$1,000 of assessed value. The City of Klamath Falls property tax revenue, including delinquent taxes but excluding the GO Bond levy, increased \$137,071 from fiscal year 2016, which represents a 2% increase.

The City provides a full range of services, including police protection, code enforcement, a municipal court, airport, the construction and maintenance of streets and other infrastructure; as well as a pool and other recreational facilities. Wastewater, water, geothermal, and street lighting 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: downtown, town center, and lakefront. 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 the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City's financial planning and control. The budget is adopted by fund, department/division, and category (e.g., personnel services or materials and services).

### *Local economy*

Although economic growth for the City of Klamath Falls is beginning to slowly recover, it has not recovered as quickly as other cities in the nation. 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.

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. The rate was 6.7 percent in 2007, jumped to 13.4 percent in 2010, during the Great Recession, then, has continued to drop. As of June 30, 2017, our unemployment rate was approximately 5% percent, a new decade low. We remain .6% percent higher than the 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 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 the 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.

The City's airport suffered the loss of commercial air service, with Pen Air filing bankruptcy. Efforts are ongoing and the City is hopeful to secure air service within the next fiscal year.

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 try and 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 10-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 in to five departments led by a Director in each department, thereby eliminating two director positions. Other reorganizational actions, including a “soft” hiring freeze have resulted in lower staffing numbers. Personnel services continues to increase in dollar spent due to the pressures of retirement 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. It is up to City staff to ensure that these goals and objectives are met. In order to meet the goal of customer service and service efficiency, the City continues to leverage the Enterprise Resource Planning system installed in 2014-2015. This year, citizens have been able to access on-line pool class registration. Looking forward, there are plans to improve utility billing services with “real-time” data accessible both to City staff and customers. Additionally, we continue to plan for a robust citizen access portal for a majority of transactions conducted by Citizens with the City.

During fiscal year 2014, the Crater Lake-Klamath Regional Airport lost commercial air service. In July 2015, Pen Air announced they would bring air service back to Klamath Falls with two flights per day to Portland. Air Service officially began in October of 2016. Citing pilot and equipment shortages, Pen Air has subsequently ceased operations and declared bankruptcy in August 2017. Last fiscal year, the Airport received a \$7.3 million-dollar discretionary FAA grant for Taxiway B (formerly Taxiway J) construction. The Taxiway B construction began in Spring 2017 and will be completed in fiscal year 2018.

The Lakefront Urban Renewal District has a development agreement with Timbermill Shores who laid the infrastructure for development of several commercial lots with plans to later construct some residential condominiums. The City paid off the outstanding debt associated with the project in August 2013 and Council approved a \$900,000 payment to the developer. The amount was borrowed from the Escrow Reserve Fund and continues to be paid back with property tax increments over the next nine years. The City owes the developer an additional \$2.48 million for work done in prior years.

During fiscal year 2016, the Town Center Urban Renewal District reached a development agreement with Argo Klamath Two, LLC. The District provided the developer with \$300,000 in funding borrowed from Washington Federal to be paid back with property tax increments. Bealls, Sportsman’s Warehouse, Sherm’s Thunderbird, and Michael’s, are all in operation in the District, in addition to several additional smaller businesses.. In April 2017, the District borrowed \$140,000 from the City’s Escrow Reserve Fund to pay the developer for completing most of the projects in the project milestone 2 section of the agreement. The developer was paid \$150,000 and \$50,000 is being retained until the last project is completed in the milestone.

A feasibility study is underway for a potential new Urban Renewal Area. This area would encompass the older industrial area near the downtown and adjacent commercial areas.

The Streets Division utilized microsurfacing as a newer treatment for our road infrastructure. Initial results seem positive. This new treatment allows more roads to be repaired, as it is less expensive than some of the other treatments used by the City.

The City’s Parks Division takes pride in maintaining our approximately 700 acres of parks, keeping them well-groomed and beautiful. Since Klamath Falls has long winters, Parks staff also keep busy in the winter months plowing snow from City parking lots and sidewalks. Additionally, the City received grant funding for Parks projects, including the Lake Ewauna Trail Project. The City is also responsible for the Ella Redkey Pool. This

outdoor swimming pool is geothermally heated and open to the public year-round. The pool offers a variety of aquatic programming for children and adults, open swim, and private pool rentals.

The City is currently in the beginning phases of overhauling the front end of the wastewater treatment plant to replace facilities and equipment that are in excess of 50 years old. The nature of this work is complex due to the fact that the existing plant must remain operational while construction moves forward. The City is utilizing an alternative delivery process known as “progressive design build”. The City has secured the services of a consultant who will serve as the City’s representative during the process and assist the City in writing the RFQ and RFP for the progressive design build process. The City selected Slayden Construction, Inc. as the progressive design build team. Initial scoping and conceptual design are well underway.

During this fiscal year, the City completed a project of upgrading our water meters along with our radio-read meter installations. These new meters increase the efficiency of meter reads and provide access to the meters during snowy weather. A listing of capital projects can be found in the MD&A.

***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 to the City of Klamath Falls for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-fifth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

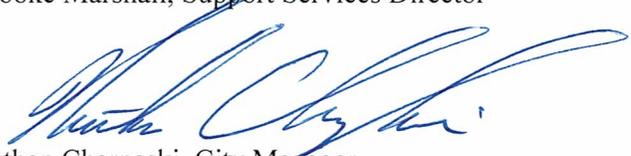
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 also is due to the Mayor and City Council for establishing policies in a fiscally responsible and progressive manner and to the City Manager for his leadership in developing strategies to achieve those goals.

Respectfully submitted,



Brooke Marshall, Support Services Director



Nathan Cherpeski, City Manager

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**City of Klamath Falls  
Oregon**

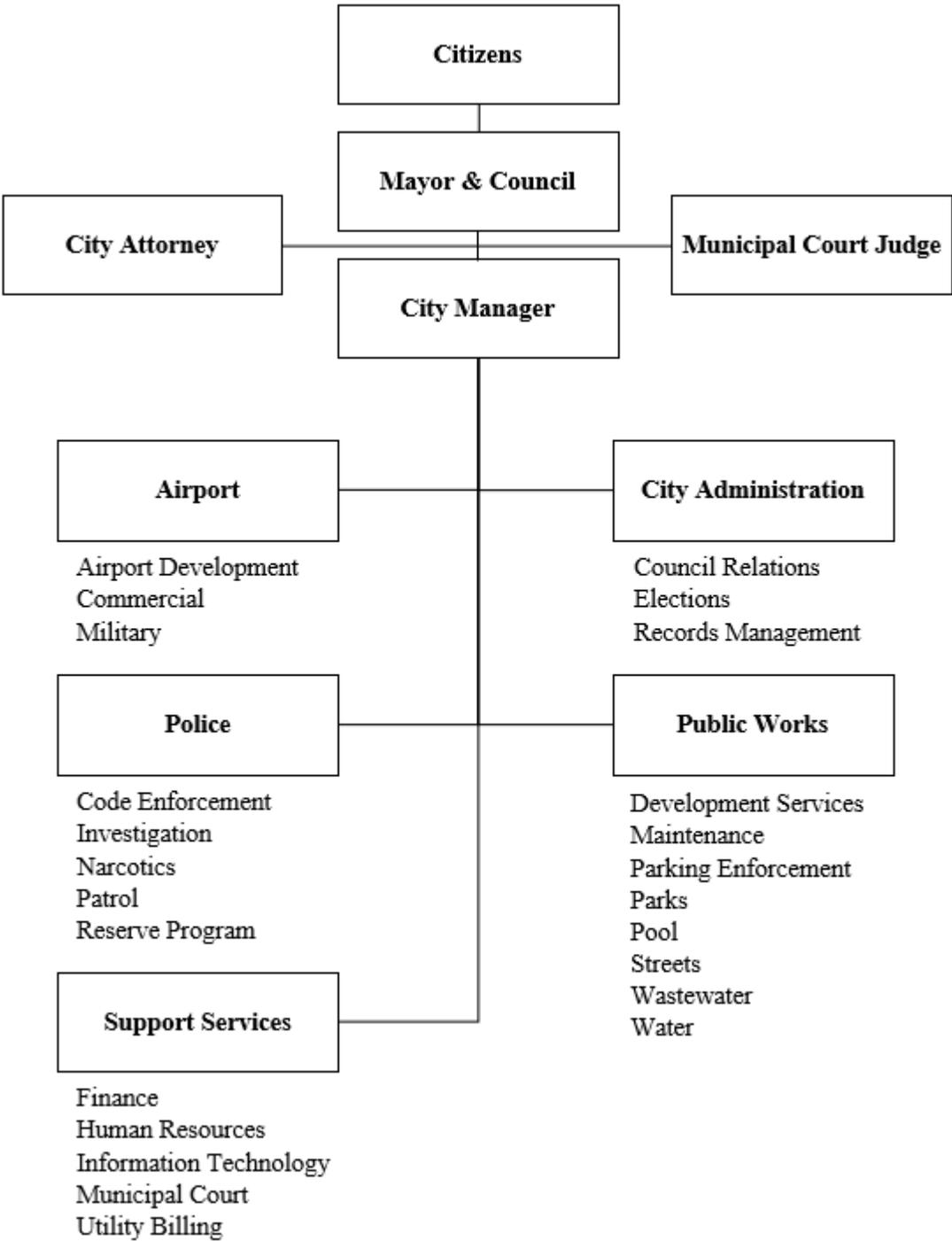
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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City of Klamath Falls  
Organizational Chart



City of Klamath Falls  
 Listing of Principal Officials and Staff  
 June 30<sup>th</sup>, 2017

		<u>Length of Service</u>
Mayor	Carol Westfall	0 yrs. 6 mos.
City Council Member	William Adams	14 yrs. 6 mos.
City Council Member	Kendall Bell	0 yrs. 6 mos.
City Council Member	Matthew Dodson	4 yrs. 10 mos.
City Council Member	Philip Studenberg	0 yrs. 6 mos.
City Council Member	Dan Tofell	6 yrs. 6 mos.

		<u>Time in Position</u>	<u>Length of Employment</u>
	<u>Appointed Officials</u>		
City Manager	Nathan Cherpeski	4 yrs. 5 mos.	4 yrs. 5 mos.
City Attorney	Joanna Lyons-Antley	7 yrs. 3 mos.	7 yrs. 3 mos.
Municipal Court Judge	Nathan Ratliff	1 yrs. 3 mos.	1 yrs. 3 mos.

	<u>Appointed Directors</u>		
Airport Director	John Barsalou	1 yrs. 11 mos.	1 yrs. 11 mos.
Police Chief	David Henslee	2 yrs. 3 mos.	2 yrs. 3 mos.
Public Works Director	Mark Willrett	11 yrs. 3 mos.	18 yrs. 10 mos.
Support Services Director	Brooke Marshall	0 yrs. 1 mos.	0 yrs. 1 mos.

**FINANCIAL  
SECTION**

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INDEPENDENT  
AUDITOR'S REPORT

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

### **Report on the Financial Statements**

We have audited the accompanying 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the 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, as of June 30, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures, and changes in fund balances – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the schedule of funding progress for post-employment health care plan, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedules of revenues, expenditures, and changes in fund balances – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Federal Aviation Administration and is also not a required part of the basic financial statements. The accompanying schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 is presented for purposes of additional analysis as required by the rate covenants of the 2015 series wastewater revenue refunding bonds and is also not a required part of the basic financial statements.

The other supplementary information, schedule of passenger facility charge revenues and expenditures, and schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015, as listed in the table of contents, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Reports on Other Legal and Regulatory Requirements**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018 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 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 internal control over financial reporting or on compliance. That report is issued separately and 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 Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 31, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Merina & Company, LLP  
West Linn, Oregon  
January 31, 2018

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MANAGEMENT'S DISCUSSION  
AND ANALYSIS

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## Management's Discussion and Analysis

As management of the City of Klamath Falls (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended June 30, 2017 and June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$205,340,948 (*net position*). Of this amount, \$35,618,866 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,205,617 due to increase in business type activities current assets and partially offset by increases in governmental type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$38,526,791, an increase of \$815,712 in comparison with the prior year. Approximately 17% of this amount, \$6,508,350, 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 \$7,180,725, or approximately 48% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$980,600 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 contains required and other supplementary information intended to furnish additional detail 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 of 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, water, and geothermal operations.

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, 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 of 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 twelve individual governmental funds (plus three funds for the Klamath Falls Urban Renewal 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, escrow reserve fund, and capital projects 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 statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement

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 called an enterprise 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 called an *Agency fund*. The *Agency 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 major fund budgetary comparisons and progress in funding its obligation to provide Other Post-Employment Benefits (OPEB) benefits to its employees. New this year are schedules A-6 and A-7 for pension liability and contributions. Required supplementary information statements can be found in the financial section following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on major fund budgetary comparisons and information on OPEB. 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

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 \$205,340,948, at the close of the most recent fiscal year.

#### City of Klamath Falls' Net Position

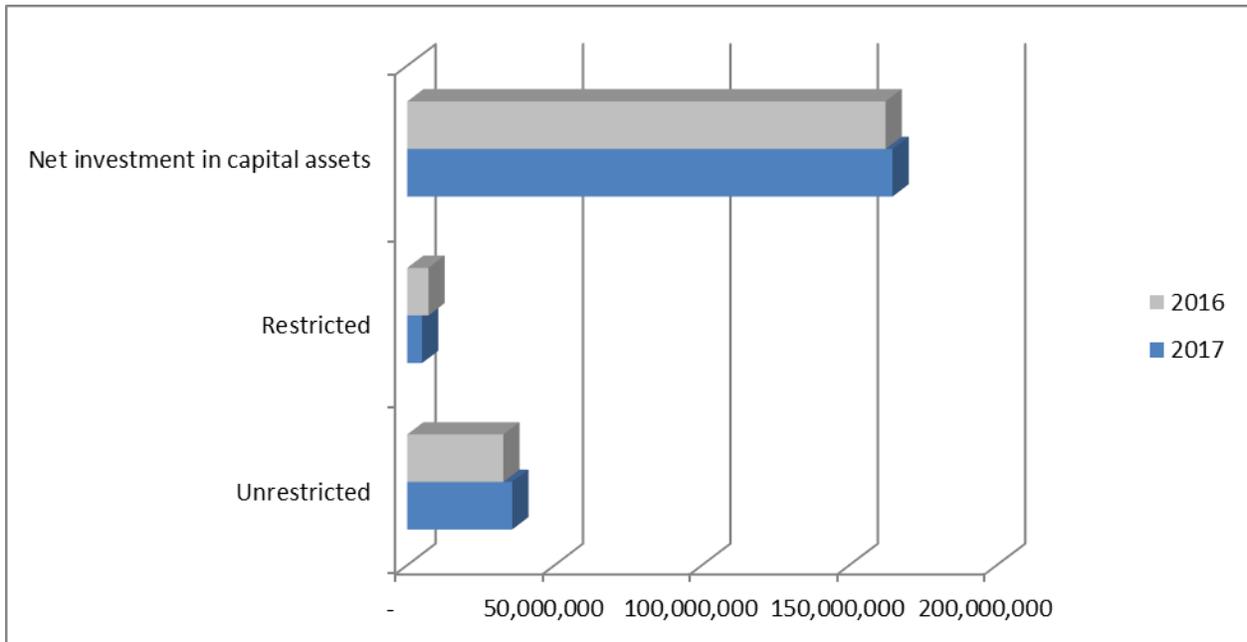
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 42,551,533	\$ 40,175,953	\$ 11,990,473	\$ 10,173,360	\$ 54,542,006	\$ 50,349,313
Capital assets	114,660,826	114,577,016	64,809,211	63,445,686	179,470,037	178,022,702
Total assets	157,212,359	154,752,969	76,799,684	73,619,046	234,012,043	228,372,015
Deferred outflow of resources	5,806,567	1,019,970	1,552,258	423,574	7,358,825	1,443,544
Long-term liabilities outstanding	21,508,497	14,818,381	8,734,873	7,748,819	30,243,370	22,567,200
Other liabilities	3,474,090	1,815,647	1,929,463	1,851,029	5,403,553	3,666,676
Total liabilities	24,982,587	16,634,028	10,664,336	9,599,848	35,646,923	26,233,876
Deferred inflows of resources	308,872	1,166,425	74,125	279,927	382,997	1,446,352
Net position:						
Net investment in capital assets	106,175,191	105,999,139	58,483,110	56,282,189	164,658,301	162,281,328
Restricted	3,971,617	2,582,763	1,092,164	4,633,944	5,063,781	7,216,707
Unrestricted	27,580,659	29,390,584	8,038,207	3,246,712	35,618,866	32,637,296
Total net position	\$137,727,467	\$137,972,486	\$ 67,613,481	\$ 64,162,845	\$ 205,340,948	\$ 202,135,331

By far, the largest portion of the City's net position (80.2%) 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 (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$35,618,866 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 is able to report positive balances in all reported 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, 2016 and 2017**

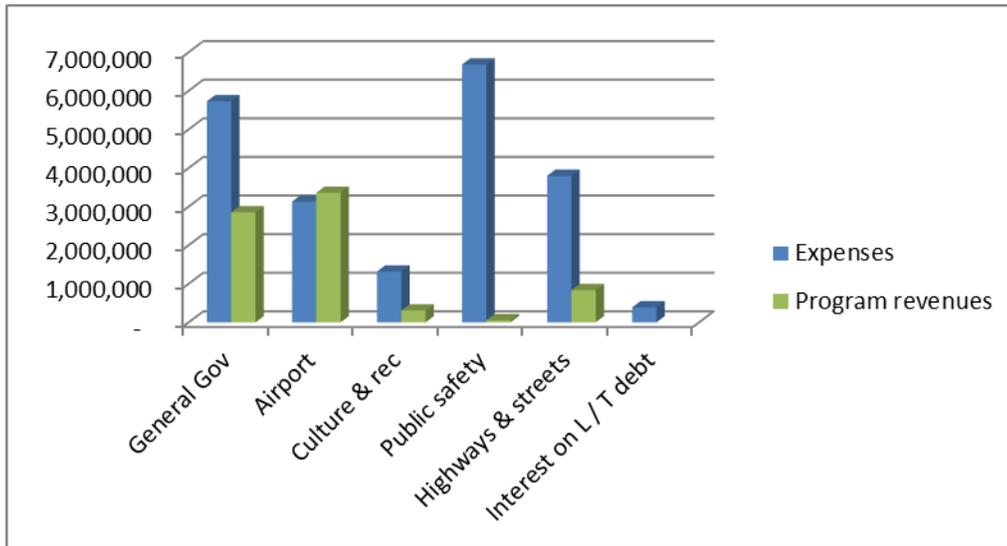


The City's overall net position increased \$3,205,617 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities**

During the current fiscal year, net position for governmental activities decreased by \$245,019. Though net position has decreased for governmental activities, governmental expenses have decreased \$1,501,315 from the prior year which was due to a decrease in pension expense. Program revenues increased \$2,321,207 due to an increase in grant revenue for the Airport program and General Revenues increased slightly by \$304,102. While costs continue to increase, the City has little control over its revenues, especially the main source of revenue, property taxes, which continue to be relatively flat. The City has cut costs where it can such as with restructuring of positions and departments, but increased employee costs continue to have an impact on the City. The City uses a ten-year forecasting model which helps to ensure a positive net position.

## 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 \$67,613,481. The total increase in net position for business-type activities (wastewater and water funds) was \$3,450,636 or 130% from the prior fiscal year. Current and Other Assets increased \$3,180,638. Each year there is a rate increase in water and wastewater in accordance with a designated consumer price index (CPI). In addition, rates were raised several years ago in the Wastewater Fund in anticipation of building a treatment plant and complying with environmental regulations. This allows a fairly predictable \$1.5 million increase to net position annually. Water rates were also designed to keep up with capital maintenance and allow for an increase of approximately \$2.2 - \$2.5 million annually. The City has started the design phase for the wastewater treatment plant and anticipates construction will begin in fiscal year 2018.

### City of Klamath Falls' Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 4,036,688	\$ 3,916,800	\$ 15,615,195	\$ 15,020,408	\$ 19,651,883	\$ 18,937,208
Operating grants & contributions	353,709	247,032	-	-	353,709	247,032
Capital grants & contributions	3,010,978	916,336	48,030	275,677	3,059,008	1,192,013
<b>General revenues:</b>						
Property taxes	7,009,508	6,901,748	-	-	7,009,508	6,901,748
Other taxes	5,083,292	4,865,835	-	-	5,083,292	4,865,835
Other	345,147	366,262	91,880	280,301	437,027	646,563
<b>Total revenues</b>	<b>19,839,322</b>	<b>17,214,013</b>	<b>15,755,105</b>	<b>15,576,386</b>	<b>35,594,427</b>	<b>32,790,399</b>
<b>Expenses:</b>						
General government	5,727,651	5,802,794	-	-	5,727,651	5,802,794
Airport	3,128,916	2,865,179	-	-	3,128,916	2,865,179
Culture & recreation	1,315,260	1,346,156	-	-	1,315,260	1,346,156
Public safety	6,678,984	7,827,924	-	-	6,678,984	7,827,924
Highways & streets	3,795,646	4,266,110	-	-	3,795,646	4,266,110
Interest on long-term debt	386,404	426,013	-	-	386,404	426,013
Wastewater	-	-	5,396,231	5,474,517	5,396,231	5,474,517
Water	-	-	5,959,718	6,156,074	5,959,718	6,156,074
<b>Total expenses</b>	<b>21,032,861</b>	<b>22,534,176</b>	<b>11,355,949</b>	<b>11,630,591</b>	<b>32,388,810</b>	<b>34,164,767</b>
Increase (decrease) in net position before transfers & other sources	(1,193,539)	(5,320,163)	4,399,156	3,945,795	3,205,617	(1,374,368)
Special & extraordinary items	-	-	-	-	-	-
Transfers	948,520	15,272,085	(948,520)	(15,272,085)	-	-
Increase (decrease) in net	(245,019)	9,951,922	3,450,636	(11,326,290)	3,205,617	(1,374,368)
Net position - beginning	138,002,948	128,051,026	64,162,845	75,489,135	202,165,793	203,540,161
Restatement	(30,462)	-	-	-	(30,462)	-
<b>Net position - ending</b>	<b>\$ 137,727,467</b>	<b>\$ 138,002,948</b>	<b>\$ 67,613,481</b>	<b>\$ 64,162,845</b>	<b>\$ 205,340,948</b>	<b>\$ 202,165,793</b>

### Financial Analysis of the Government's Funds

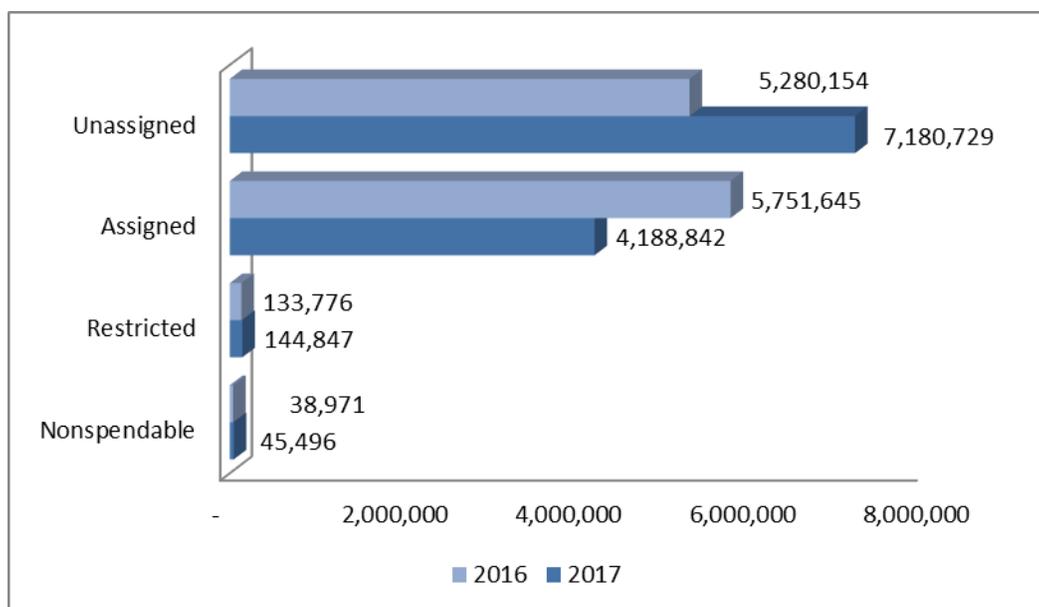
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## 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, 2017, the City's governmental funds reported combined fund balances of 38,526,791 an increase of \$815,712 in comparison with the prior year. Approximately 17% of this amount, \$6,508,350, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$45,496), 2) legally required to be maintained intact or restricted for particular purposes (\$3,971,617), or 3) assigned for particular purposes (\$28,001,328).

**General Fund - Components of Fund Balance  
June 30, 2016 and 2017**

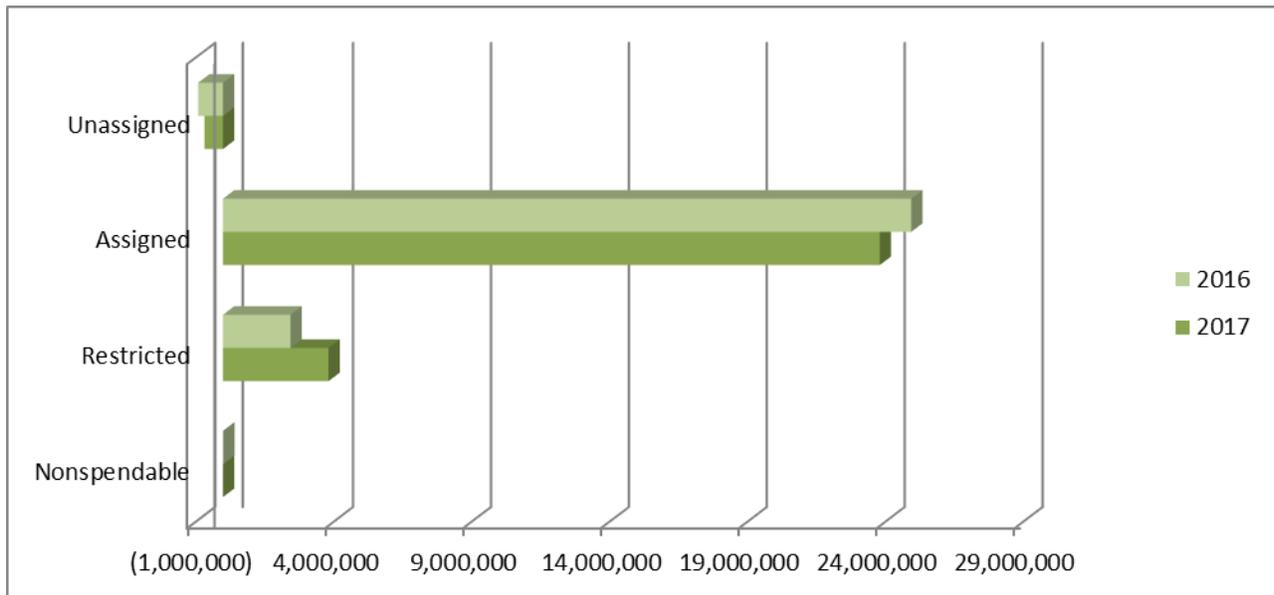


The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,180,729, while total fund balance increased to \$11,559,914. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and fund balance to total general fund expenditures. Unassigned fund balance represents approximately 47.7% of total general fund expenditures, while total fund balance represents approximately 76.7% 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 increased by \$355,368 during the current fiscal year. Revenues increased from the prior year \$542,455 due to small increases in most of the revenue categories. Property taxes, the general fund's primary revenue source, increased by \$108,920 which

is only a 1.8% increase due to decreased assessed values of commercial properties. Intergovernmental revenue increased \$220,803 which is attributed to an increase in Congestion Mitigation and Air Quality (CMAQ) grants for unpaved streets and minor increases to State and County shared tax revenues. Expenditures were \$1,024,736 higher in the current year compared to the prior year which is primarily due to an increase in streets capital. Overall revenues exceeded expenditures by \$85,638 before transfers and a property sale. Transfers out includes a \$369,281 transfer to the Escrow Reserve Fund to pay off an inter-loan acquired when consolidating the Technology Reserve Fund. Other transfer activity is detailed in the interfund transfers section of the notes to the financial statements. Proceeds from the sale of capital assets is from the sale of the City's old police building.

**Other Governmental Funds - Components of Fund Balance  
June 30, 2016 and 2017**



The Airport Fund, a major fund, had an increase in fund balance of \$216,354. Revenues increased \$2,350,122 from the prior fiscal year primarily due to FAA grant funds for the Taxiway B project. Charges for services increased \$103,854 due to renewed air service which began in October of 2016 but unfortunately ended in August of 2017, when the company providing service declared bankruptcy. Miscellaneous revenues increased \$110,970 due to a \$100,000 contribution from Sky Lakes Medical Center. Expenditures increased from the prior fiscal year \$2,330,786 which again was primarily due to the Taxiway B project. Operating expenditures also saw an increase due to marketing and revenue guarantees for the new air service. Overall expenditures exceeded revenues by \$215,971. The transfer in from the Water Fund created the positive increase in fund balance.

The Capital Projects Fund serves as a savings account for major capital projects to be built in future years. Its fund balance increased by \$153,027 due to interest earnings and lease revenue for the Finance/Utility Billing building.

The final major governmental fund, the Escrow Reserve Fund, receives an annual transfer in from the Cogeneration Fund from the sale of the Cogeneration plant (held in 3<sup>rd</sup> party escrow). The City received the final distribution in fiscal year 2017. It had an increase in fund balance of \$612,516 which was due to interest earnings and the final transfer.

## **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 \$4,043,208. Total net position increased \$2,327,915. Operating revenues increased \$348,541 from the prior fiscal year due to a January 1<sup>st</sup> rate increase of 3.5%. Operating expenses had a slight decrease of \$140,747 associated with a decrease in pension expense. The fund is preparing for extensive renovations to the wastewater treatment plant.

Unrestricted net position of the Water Fund at the end of the year was \$3,994,999. Total net position increased \$1,122,721. Operating revenues increased \$252,633 due to a rate increase of 2% on January 1<sup>st</sup>. Operating expenses were \$185,114 less in the current year which is attributed to a decrease in pension expense.

## **General Fund Budgetary Highlights**

### *Original budget compared to final budget*

Revenues: Intergovernmental revenues increased \$114,675 due a Main Street Underpass Handrail Project that wasn't completed during the prior fiscal year and had associated revenue due from Klamath County. Miscellaneous revenue increased \$35,000 due to a contribution from Sky Lakes Medical Center for the Oregon Avenue Protected Bike Lane Project.

Expenditures: Human Resources increased \$38,800 due to the retirement of the Support Services Director and recruitment expenses associated with filling the position. Technology Services increased \$5,600 due to an emergency replacement of a server room air conditioner. Public Works Development Services increased \$6,000 due to an emergency computer purchase and software maintenance allocation. Street maintenance increased \$154,150 due to a project roll over and new project which are both mentioned above. Other general fund programs increased \$43,500 for an urban renewal study and disposal of hazardous waste.

### *Final budget compared to actual results (variances of \$100,000 and 10% or more are discussed below):*

Revenues: Intergovernmental revenue has a variance of \$2,835,999 due to the timing of capital projects/purchases and grant funding. The largest of these were the ODOT Lake Ewauna Trail Project and two CMAQ street sweepers.

Expenditures: Parks and Recreation has a variance of \$1,597,110 due the Lake Ewauna Trail Project delay. Ella Redkey Pool has a variance of \$123,607 due to moving a pool resurfacing project into the next fiscal year. Street maintenance has a variance of \$1,277,952 due to a delay in CMAQ approval for the purchase of two street sweepers and the shifting of the Washburn Way sidewalk project into the next fiscal year. Street Lighting has a variance of \$189,783 due to an LED light replacement project costing significantly less than anticipated. Other General Fund programs have a variance of \$102,060 due to the urban renewal study not being completed in this fiscal year and the reimbursement process taking longer than anticipated for housing improvement grants.

## 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, 2017, amounts to \$179,470,037 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, 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 .8%.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 14,092,581	\$ 13,969,851	\$ 1,563,599	\$ 1,563,599	\$ 15,656,180	\$ 15,533,450
Intangible assets	554,645	574,696	185,728	167,492	740,373	742,188
Construction in progress	4,231,453	1,652,192	3,577,987	737,448	7,809,440	2,389,640
Buildings & system	12,048,494	12,572,861	3,371,801	3,507,402	15,420,295	16,080,263
Machinery & equipment	2,932,232	3,131,489	7,783,866	7,526,356	10,716,098	10,657,845
Infrastructure	80,801,421	82,675,927	48,326,230	49,943,389	129,127,651	132,619,316
Total	\$ 114,660,826	\$ 114,577,016	\$ 64,809,211	\$ 63,445,686	\$ 179,470,037	\$ 178,022,702

Major capital asset events during the fiscal year 2016-2017 included the following:

- Various street projects around the City in the amount of \$1,123,058
- Streets Main Street underpass sidewalk \$211,717
- Police vehicles and equipment \$184,411
- Airport airfield improvements including Taxiway B construction \$2,681,944
- Wastewater treatment plant construction in progress \$383,646
- Wastewater collections CCTV truck \$202,547
- Water meter replacements \$527,228
- Water main replacement on Melrose Street \$223,524
- Water Pelican City Booster Station \$1,250,616
- Water Altamont Drive utility relocation \$694,869

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

### Long-term debt

At the end of the current fiscal year, the City had outstanding debt totaling \$16,280,412. Of this amount, \$5,842,219 is bonded debt secured by revenue from the City's applicable funds, \$4,022,043 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$2,698,432 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. There is a \$848,152 loan for economic growth that is secured by the revenues derived from that growth and another \$621,002 is a loan 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	
	2017	2016	2017	2016	2017	2016
Leases/loans payable	\$ 3,096,716	\$ 3,211,639	\$ 621,002	\$ 657,084	\$ 3,717,718	\$ 3,868,723
General obligation bonds	4,022,043	4,023,096	-	-	4,022,043	4,023,096
Full faith and credit bond	2,698,432	2,869,979	-	-	2,698,432	2,869,979
Revenue bonds	-	-	5,842,219	6,499,214	5,842,219	6,499,214
<b>Total</b>	<b>\$ 9,817,191</b>	<b>\$ 10,104,714</b>	<b>\$ 6,463,221</b>	<b>\$ 7,156,298</b>	<b>\$ 16,280,412</b>	<b>\$ 17,261,012</b>

The City's total debt decreased \$980,600 or 5.7% during the current fiscal year. The City did not pay off or acquire additional debt in fiscal year 2017.

State statutes limit the amount of general obligation debt a government entity may issue to 3% of its total assessed valuation. The current debt limitation for the City is approximately \$40,900,000 which is significantly in excess of the City's outstanding general obligation debt of \$4,022,043.

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

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

The following economic factors currently affect the City of Klamath Falls and were considered in developing the 2017-2018 fiscal year budget.

- The unemployment rate for Klamath County at June 30, 2017 was 5% which is a decrease from a rate of 6.8% a year ago, as our economy is slowly picking up. Although there have been five straight years of decline in unemployment, the rate is still higher than the national average of 4.4% as of June 30, 2017.
- On January 1, 2017, sewer rates increased by 3.5% due to current and future expenditure increases with additional state and federal water quality mandates and a sewer infrastructure in need of repair. Water rates increased by the CPI 1.5%. Sewer and water rates increased 2.2% (CPI) January 1, 2018.
- The City continues to invest \$13,350,624 in unallocated funds in riskier yet higher yielding investments in FY 2017. Veteran's Memorial Fund also elected to invest \$100,000.
- During mid-year, the City saw the retirement of its Support Services Director and the recruitment and replacement of this position.
- The Teamsters Union agreed to a three-year contract with no significant changes. The contract included a COLA of 1.7% for year 1 and future COLA's of 0% to 3% based on CPI. The contract will expire on June 30, 2018.
- The AFSCME Union agreed to a three-year contract with no significant changes. The contract included a COLA of 2.6% for year 1 and future COLA's of 0% to 3% based on CPI. The contract will expire June 30, 2019.
- The County Assessor recently completed a reassessment of commercial land. This has negatively impacted the City's property taxes.

#### **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 Manager, City of Klamath Falls, 500 Klamath Avenue, Klamath Falls, OR 97601.

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BASIC FINANCIAL  
STATEMENTS

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GOVERNMENT WIDE  
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon  
Statement of Net Position  
June 30, 2017

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 25,632,577	\$ 6,687,253	\$ 32,319,830
Investments	-	256,720	256,720
Accounts receivable ( <i>net of uncollectables</i> )	2,955,373	2,140,308	5,095,681
Taxes receivable	756,672	-	756,672
Loans receivable	134,754	37,225	171,979
Interest receivable	29,045	47,145	76,190
Inventories	45,496	274,703	320,199
Prepaid items	282,912	63,271	346,183
Temporarily restricted assets			
Cash and cash equivalents	358,550	1,092,164	1,450,714
Investments	-	-	-
Loans receivable	-	-	-
Total Current Assets	<u>30,195,379</u>	<u>10,598,789</u>	<u>40,794,168</u>
<u>Noncurrent Assets:</u>			
Investments	8,636,113	1,391,684	10,027,797
Prepaid bond insurance	8,415	-	8,415
Temporarily restricted assets			
Investments	3,711,626	-	3,711,626
Capital assets not being depreciated			
Land	14,092,581	1,563,599	15,656,180
Intangible assets	116,771	185,728	302,499
Construction in progress	4,231,453	3,577,987	7,809,440
Capital assets ( <i>net of accumulated depreciation</i> )			
Buildings and system	12,048,494	3,371,801	15,420,295
Intangible assets	437,874	-	437,874
Machinery, equipment and vehicles	2,932,232	7,783,866	10,716,098
Infrastructure	80,801,421	48,326,230	129,127,651
Net pension asset	-	-	-
Total Noncurrent Assets	<u>127,016,980</u>	<u>66,200,895</u>	<u>193,217,875</u>
Total Assets	<u>157,212,359</u>	<u>76,799,684</u>	<u>234,012,043</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	-	158,758	158,758
Deferred outflow of resources - pension related	5,806,567	1,393,500	7,200,067
Total Deferred Outflows of Resources	<u>\$ 5,806,567</u>	<u>\$ 1,552,258</u>	<u>\$ 7,358,825</u>

Continued on next page

City of Klamath Falls, Oregon  
Statement of Net Position *Continued*  
June 30, 2017

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<u>Current Liabilities (payable from unrestricted assets):</u>			
Accounts payable	\$ 2,343,337	\$ 700,977	\$ 3,044,314
Retainage payable	110,691	21,638	132,329
Accrued interest payable	36,513	-	36,513
Compensated Absences	451,108	111,923	563,031
Customer deposits	114,305	255,141	369,446
Unearned revenues	85,292	108,695	193,987
Leases / loans payable	117,844	-	117,844
Bonds payable	215,000	-	215,000
<u>Current Liabilities (payable from restricted assets):</u>			
Accrued interest payable	-	24,682	24,682
Leases / loans payable	-	36,310	36,310
Bonds payable	-	670,097	670,097
Total Current Liabilities	<u>3,474,090</u>	<u>1,929,463</u>	<u>5,403,553</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences	451,107	111,924	563,031
Leases / Loans / Contracts payable	2,978,872	584,692	3,563,564
Bonds payable (net of unamortized discounts and premiums)	6,505,475	5,172,122	11,677,597
Post employment benefits	376,464	179,103	555,567
Net pension liability	11,196,579	2,687,032	13,883,611
Total Noncurrent Liabilities	<u>21,508,497</u>	<u>8,734,873</u>	<u>30,243,370</u>
Total Liabilities	<u>24,982,587</u>	<u>10,664,336</u>	<u>35,646,923</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension related	308,872	74,125	382,997
<b>NET POSITION</b>			
Net investment in capital assets	106,175,191	58,483,110	164,658,301
Restricted for:			
Outside Legal Authority	168,175	-	168,175
System development	59,928	217,134	277,062
Capital outlay	31,888	-	31,888
Debt service	-	875,030	875,030
Environmental	3,711,626	-	3,711,626
Unrestricted	27,580,659	8,038,207	35,618,866
Total Net Position	<u>\$ 137,727,467</u>	<u>\$ 67,613,481</u>	<u>\$ 205,340,948</u>

City of Klamath Falls, Oregon  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
<b>Governmental Activities:</b>				
General government	\$ 5,727,651	\$ 2,776,556	\$ 73,739	\$ -
Airport	3,128,916	685,469	223,687	2,447,055
Culture and recreation	1,315,260	208,900	35,715	61,925
Public safety	6,678,984	33,462	20,568	-
Highways and streets	3,795,646	332,301	-	501,998
Interest on long-term debt	386,404	-	-	-
<b>Total Government Activities</b>	<b>21,032,861</b>	<b>4,036,688</b>	<b>353,709</b>	<b>3,010,978</b>
<b>Business-Type Activities:</b>				
Wastewater	5,396,231	7,678,873	-	-
Water	5,959,718	7,936,322	-	48,030
<b>Total Business-Type Activities</b>	<b>11,355,949</b>	<b>15,615,195</b>	<b>-</b>	<b>48,030</b>
<b>Total</b>	<b>\$ 32,388,810</b>	<b>\$ 19,651,883</b>	<b>\$ 353,709</b>	<b>\$ 3,059,008</b>

General Revenues:

Property taxes  
Franchise taxes  
Motor fuel taxes  
Alcoholic beverage taxes  
Cigarette taxes  
Transient room taxes  
State revenue sharing  
Federal forest receipts  
Unrestricted investment earnings  
Gain (loss) on sale of capital assets  
Transfers  
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Restatement and prior period adjustments

Net Position - Beginning as restated/adjusted

Net Position - Ending

Continued on next page

City of Klamath Falls, Oregon  
Statement of Activities *Continued*  
For the Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,877,356)	\$ -	\$ (2,877,356)
227,295	-	227,295
(1,008,720)	-	(1,008,720)
(6,624,954)	-	(6,624,954)
(2,961,347)	-	(2,961,347)
(386,404)	-	(386,404)
(13,631,486)	-	(13,631,486)
-	2,282,642	2,282,642
-	2,024,634	2,024,634
-	4,307,276	4,307,276
\$ (13,631,486)	\$ 4,307,276	\$ (9,324,210)
7,009,508	-	7,009,508
2,542,802	-	2,542,802
1,293,021	-	1,293,021
331,238	-	331,238
27,459	-	27,459
560,037	-	560,037
214,081	-	214,081
114,654	-	114,654
386,276	91,880	478,156
(41,129)	-	(41,129)
948,520	(948,520)	-
13,386,467	(856,640)	12,529,827
(245,019)	3,450,636	3,205,617
138,002,948	64,162,845	202,165,793
(30,462)	-	(30,462)
137,972,486	64,162,845	202,135,331
\$ 137,727,467	\$ 67,613,481	\$ 205,340,948

The accompanying notes are an integral part of the basic financial statements.

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FUND FINANCIAL STATEMENTS

CITY OF KLAMATH FALLS, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	General Fund	Airport Fund	Escrow Reserve Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,032,144	\$ 1,182,063	\$ 7,198,508	\$ 8,064,385	\$ 155,477	\$ 25,632,577
Accounts receivable	779,786	2,156,201	-	-	19,386	2,955,373
Taxes receivable	666,274	41,023	-	-	49,375	756,672
Loans receivable	134,754	-	-	-	-	134,754
Interest receivable	27,012	1,025	-	-	1,008	29,045
Advances to other funds	-	-	906,082	-	-	906,082
Inventories	45,496	-	-	-	-	45,496
Temporarily restricted assets						
Cash and cash equivalents	144,847	31,888	-	-	181,815	358,550
Investments	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Long-term assets						
Investments	2,486,597	-	-	6,149,516	-	8,636,113
Temporarily restricted investments	-	-	-	3,711,626	-	3,711,626
<b>Total Assets</b>	<b>\$ 13,316,910</b>	<b>\$ 3,412,200</b>	<b>\$ 8,104,590</b>	<b>\$ 17,925,527</b>	<b>\$ 407,061</b>	<b>\$ 43,166,288</b>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	\$ 707,886	\$ 1,604,648	\$ -	\$ -	\$ 19,253	\$ 2,331,787
Retainage payable	-	110,691	-	-	-	110,691
Advances from other funds	-	127,813	-	-	778,269	906,082
Deposits payable	104,950	9,355	-	-	-	114,305
Unearned revenue	59,733	-	-	-	25,559	85,292
<b>Total Liabilities</b>	<b>872,569</b>	<b>1,852,507</b>	<b>-</b>	<b>-</b>	<b>823,081</b>	<b>3,548,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	539,095	32,030	-	-	39,786	610,911
Unavailable revenue - transient room tax	38,058	114,174	-	-	-	152,232
Unavailable revenue - franchise fees	8,289	-	-	-	-	8,289
Unavailable revenue - loans receivable	134,754	-	-	-	-	134,754
Unavailable revenue - accounts receivable	255	11,606	-	-	-	11,861
Unavailable revenue - municipal court fines	152,930	-	-	-	9,317	162,247
Unavailable revenue - code enforcement fines	11,046	-	-	-	-	11,046
<b>Total Deferred Inflows of Resources</b>	<b>884,427</b>	<b>157,810</b>	<b>-</b>	<b>-</b>	<b>49,103</b>	<b>1,091,340</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,756,996</b>	<b>2,010,317</b>	<b>-</b>	<b>-</b>	<b>872,184</b>	<b>4,639,497</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	45,496	-	-	-	-	45,496
Restricted	144,847	31,888	-	3,711,626	83,256	3,971,617
Assigned	4,188,842	1,369,995	8,104,590	14,213,901	124,000	28,001,328
Unassigned	7,180,729	-	-	-	(672,379)	6,508,350
<b>Total Fund Balances</b>	<b>11,559,914</b>	<b>1,401,883</b>	<b>8,104,590</b>	<b>17,925,527</b>	<b>(465,123)</b>	<b>38,526,791</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 13,316,910</b>	<b>\$ 3,412,200</b>	<b>\$ 8,104,590</b>	<b>\$ 17,925,527</b>	<b>\$ 407,061</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,660,826
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	1,091,340
Pension related asset and deferred outflows and inflows of resources.	(5,698,884)

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	9,817,191
Prepaid bond insurance	(8,415)
Accrued interest	36,513
Accounts Payable	11,550
Other post employment benefits	376,464
Compensated absences	902,215
Prepaid insurance and other expenses	(282,912)
	<u>(10,852,606)</u>
	<u>\$ 137,727,467</u>

CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	General Fund	Airport Fund	Escrow Reserve Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 6,223,785	\$ 368,569	\$ -	\$ -	\$ 441,817	\$ 7,034,171
Special assessments	17,215	-	-	-	-	17,215
Intergovernmental	2,642,251	3,033,331	-	-	116,564	5,792,146
Licenses, fees and permits	114,696	-	-	-	38,536	153,232
Franchise fees	2,534,513	-	-	-	-	2,534,513
Charges for services	453,959	573,385	-	54,000	105,410	1,186,754
Internal charges for services	2,509,271	-	-	-	-	2,509,271
Fines and forfeits	297,894	-	-	-	43,799	341,693
Investment income	150,878	18,380	107,799	99,027	10,192	386,276
Miscellaneous revenues	204,561	112,084	-	-	164	316,809
<b>Total Revenues</b>	<b>15,149,023</b>	<b>4,105,749</b>	<b>107,799</b>	<b>153,027</b>	<b>756,482</b>	<b>20,272,080</b>
<b>Expenditures</b>						
Current:						
General government	4,586,081	-	-	-	497,362	5,083,443
Airport	-	1,595,817	-	-	-	1,595,817
Culture and recreation	1,175,046	-	-	-	14,999	1,190,045
Public safety	5,486,413	-	-	-	-	5,486,413
Highways and streets	1,685,304	-	-	-	100,406	1,785,710
Debt service:						
Principal	170,000	-	-	-	114,923	284,923
Interest	124,445	11,563	-	-	254,986	390,994
Capital outlay:						
General government	23,770	-	-	-	26,957	50,727
Airport	-	2,714,340	-	-	-	2,714,340
Culture and recreation	170,987	-	-	-	8,533	179,520
Public safety	247,584	-	-	-	-	247,584
Highways and streets	1,393,755	-	-	-	2,708	1,396,463
<b>Total Expenditures</b>	<b>15,063,385</b>	<b>4,321,720</b>	<b>-</b>	<b>-</b>	<b>1,020,874</b>	<b>20,405,979</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	85,638	(215,971)	107,799	153,027	(264,392)	(133,899)
<b>Other Financing Sources (Uses)</b>						
Proceeds from the sale of capital assets	1,000	-	-	-	-	1,000
Transfers in	659,920	432,325	504,717	-	250,350	1,847,312
Transfers out	(391,281)	-	-	-	(507,511)	(898,792)
Insurance recoveries	91	-	-	-	-	91
<b>Total Other Financing Sources (Uses)</b>	<b>269,730</b>	<b>432,325</b>	<b>504,717</b>	<b>-</b>	<b>(257,161)</b>	<b>949,611</b>
<b>Net Change in Fund Balances</b>	<b>355,368</b>	<b>216,354</b>	<b>612,516</b>	<b>153,027</b>	<b>(521,553)</b>	<b>815,712</b>
<b>Fund Balance - Beginning</b>	<b>11,204,546</b>	<b>1,185,529</b>	<b>7,492,074</b>	<b>17,772,500</b>	<b>56,430</b>	<b>37,711,079</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,559,914</b>	<b>\$ 1,401,883</b>	<b>\$ 8,104,590</b>	<b>\$ 17,925,527</b>	<b>\$ (465,123)</b>	<b>\$ 38,526,791</b>

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, 2017

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

Net change in fund balances - total governmental funds \$ 815,712

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	\$ 4,588,634	
Less current year depreciation	<u>(4,465,004)</u>	123,630

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.

Contributions from outside parties	2,309	
Cost of capital assets sold	<u>(42,129)</u>	(39,820)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(24,663)	
Special assessments against benefiting properties	(22,063)	
Transient Room Tax	12,569	
Grant receivable - non-current portion	(66,710)	
Franchise Fees - non-current portion	8,289	
Accounts receivable - non-current portion	9,067	
Fines and forfeitures - non current portion	<u>(29,269)</u>	(111,454)

The issuance of long-term debt (e.g. bonds, leases) provides 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 issued, 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	(284,923)	
Amortization of bond premium	(2,600)	
Amortization of bond insurance	<u>706</u>	286,817

The net effect of various pension related transactions (1,355,039)

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	74,351	
Accrued interest on long-term obligations	1,990	
Compensated absences	(29,669)	
Other postemployment benefits	<u>(11,537)</u>	35,135

Change in net position of governmental activities \$ (245,019)

PROPRIETARY FUNDS

CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Wastewater	Water	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 3,056,978	\$ 3,630,275	\$ 6,687,253
Investments	-	256,720	256,720
Accounts receivable (net of uncollectables)	848,241	1,292,067	2,140,308
Loans receivable	4,734	32,491	37,225
Interest receivable	20,268	26,877	47,145
Inventories	28,438	246,265	274,703
Prepaid items	30,478	32,793	63,271
Temporarily restricted assets			
Cash and cash equivalents	953,239	138,925	1,092,164
<b>Total Current Assets</b>	<b>4,942,376</b>	<b>5,656,413</b>	<b>10,598,789</b>
Long-term Assets:			
Investments	996,451	395,233	1,391,684
Capital assets (net of accumulated depreciation)			
Land	1,322,899	240,700	1,563,599
Intangible assets	48,239	137,489	185,728
Construction in progress	1,227,041	2,350,946	3,577,987
Buildings and system	2,496,786	875,015	3,371,801
Machinery and equipment	4,141,212	3,642,654	7,783,866
Infrastructure	20,509,868	27,816,362	48,326,230
<b>Total Noncurrent Assets</b>	<b>30,742,496</b>	<b>35,458,399</b>	<b>66,200,895</b>
<b>Total Assets</b>	<b>35,684,872</b>	<b>41,114,812</b>	<b>76,799,684</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	158,758	-	158,758
Deferred outflow of resources - pension related	597,186	796,314	1,393,500
<b>Total Deferred Outflows of resources</b>	<b>755,944</b>	<b>796,314</b>	<b>1,552,258</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 36,440,816</b>	<b>\$ 41,911,126</b>	<b>\$ 78,351,942</b>

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CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF NET POSITION *CONTINUED*  
PROPRIETARY FUNDS  
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Wastewater	Water	Totals
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 163,311	\$ 537,666	\$ 700,977
Retainage payable	-	21,638	21,638
Compensated absences	50,752	61,171	111,923
Customer deposits	-	255,141	255,141
Unearned revenue	-	108,695	108,695
Current Liabilities (payable from restricted assets):			
Accrued interest payable	11,294	13,388	24,682
Loans/leases payable	-	36,310	36,310
Revenue bonds payable	670,097	-	670,097
Total Current Liabilities	895,454	1,034,009	1,929,463
Long-term Liabilities:			
Compensated absences	50,753	61,171	111,924
Loans/Leases payable	-	584,692	584,692
Revenue bonds payable (net of unamortized discounts and premiums)	5,172,122	-	5,172,122
Post employment benefits	80,160	98,943	179,103
Net pension liability	1,151,530	1,535,502	2,687,032
Total Noncurrent Liabilities	6,454,565	2,280,308	8,734,873
Total Liabilities	7,350,019	3,314,317	10,664,336
Deferred inflows of resources - pension related	31,766	42,359	74,125
<b>NET POSITION</b>			
Net investment in capital assets	24,062,584	34,420,526	58,483,110
Restricted for:			
System development	147,602	69,532	217,134
Debt Service	805,637	69,393	875,030
Unrestricted	4,043,208	3,994,999	8,038,207
Total Net Position	29,059,031	38,554,450	67,613,481
Total Liability, Deferred Inflows of Resources and Net Position	\$ 36,440,816	\$ 41,911,126	\$ 78,351,942

CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Wastewater	Water	Totals
Operating revenues:			
Charges for sales and services:			
Wastewater charges (net of allowances)	\$ 7,609,388	\$ -	\$ 7,609,388
Geothermal charges (net of allowances)	-	274,903	274,903
Water charges (net of allowances)	-	7,514,956	7,514,956
Total operating revenues	<u>7,609,388</u>	<u>7,789,859</u>	<u>15,399,247</u>
Operating expenses:			
Costs of sales and services	3,636,361	3,893,711	7,530,072
Administration	449,125	563,500	1,012,625
Depreciation and amortization	<u>1,141,327</u>	<u>1,475,056</u>	<u>2,616,383</u>
Total operating expenses	<u>5,226,813</u>	<u>5,932,267</u>	<u>11,159,080</u>
Operating income	<u>2,382,575</u>	<u>1,857,592</u>	<u>4,240,167</u>
Nonoperating revenues (expenses):			
Capitalized personnel services	-	20,998	20,998
Investment earnings	45,273	46,607	91,880
Interest expense	(169,418)	(27,451)	(196,869)
Insurance recoveries	-	12,501	12,501
System development charges	<u>69,485</u>	<u>112,964</u>	<u>182,449</u>
Total nonoperating revenue (expenses)	<u>(54,660)</u>	<u>165,619</u>	<u>110,959</u>
Income before contributions and transfers	2,327,915	2,023,211	4,351,126
Capital contributions	-	48,030	48,030
Gain on sale of assets	-	-	-
Transfers out	<u>-</u>	<u>(948,520)</u>	<u>(948,520)</u>
Change in net position	<u>2,327,915</u>	<u>1,122,721</u>	<u>3,450,636</u>
Total net position - beginning	<u>26,731,116</u>	<u>37,431,729</u>	<u>64,162,845</u>
Total net position - ending	<u>\$ 29,059,031</u>	<u>\$ 38,554,450</u>	<u>\$ 67,613,481</u>

CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Wastewater	Water	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 7,831,888	\$ 7,746,871	\$ 15,578,759
Receipts from interfund services provided	44,504	138,729	183,233
Payments to suppliers	(2,279,394)	(1,579,105)	(3,858,499)
Payments to employees	(963,672)	(1,356,454)	(2,320,126)
Payments for interfund services used	(958,172)	(960,832)	(1,919,004)
Net Cash Provided by Operating Activities	<u>3,675,154</u>	<u>3,989,209</u>	<u>7,664,363</u>
Cash Flows from Noncapital Financing Activities			
Transfer to/from other funds	-	(948,520)	(948,520)
Net Cash (Used) by Noncapital Financing Activities	<u>-</u>	<u>(948,520)</u>	<u>(948,520)</u>
Cash Flows from Capital and Related Financing Activities			
System development fees collected	69,485	112,964	182,449
Purchases and construction of capital assets	(1,166,176)	(2,744,704)	(3,910,880)
Proceeds from the sale of capital assets	-	-	-
Insurance Recoveries	-	12,501	12,501
Principal paid on capital debt	(656,995)	(36,082)	(693,077)
Interest paid on capital debt	(170,689)	(28,127)	(198,816)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,924,375)</u>	<u>(2,683,448)</u>	<u>(4,607,823)</u>
Cash Flows from Investing Activities			
Purchases of investments	62,200	-	62,200
Proceeds from sales and maturities of investments	-	315,374	315,374
Interest and dividends received	30,889	21,470	52,359
Net Cash Provided (Used) by Investing Activities	<u>93,089</u>	<u>336,844</u>	<u>429,933</u>
Net Change in Cash and Cash Equivalents	1,843,868	694,085	2,537,953
Cash and Cash Equivalents - Beginning of Year	<u>2,166,349</u>	<u>3,075,115</u>	<u>5,241,464</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,010,217</u>	<u>\$ 3,769,200</u>	<u>\$ 7,779,417</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 2,382,575	\$ 1,857,592	\$ 4,240,167
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization expense	1,141,327	1,475,056	2,616,383
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	269,364	94,320	363,684
Inventories	(1,199)	19,484	18,285
Prepaid items	(1,985)	2,803	818
Net pension asset	-	-	-
Deferred charges on refunding	20,037	-	20,037
Deferred outflows related to pensions	(492,286)	(656,435)	(1,148,721)
Increases (decrease) in liabilities			
Accounts payable	(280,186)	326,476	46,290
Retainage payable	(6,950)	21,389	14,439
Compensated absences	10,976	5,183	16,159
Customer deposits	(375)	7,108	6,733
Unearned revenue	-	(8,490)	(8,490)
Other post employment benefits	2,210	2,457	4,667
Net pension liability	719,843	959,871	1,679,714
Deferred inflows related to pensions	(88,197)	(117,605)	(205,802)
Total Adjustments	<u>1,292,579</u>	<u>2,131,617</u>	<u>3,424,196</u>
Net cash provided by operating activities	<u>\$ 3,675,154</u>	<u>\$ 3,989,209</u>	<u>\$ 7,664,363</u>
Noncash Investing, Capital, and Financing Activities			
Capital assets, contributed by others	<u>\$ -</u>	<u>\$ 48,030</u>	<u>\$ 48,030</u>

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FIDUCIARY FUND

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CITY OF KLAMATH FALLS, OREGON  
STATEMENT OF FIDUCIARY NET POSITION  
VETERAN'S MEMORIAL AGENCY FUND  
June 30, 2017

	<u>Veterans Memorial Fund</u>
<b>ASSETS</b>	
Assets	
Cash and cash equivalents	\$ 54,124
Interest receivable	109
Investments	<u>100,835</u>
Total Assets	<u><u>\$ 155,068</u></u>
<b>LIABILITIES</b>	
Liabilities	
Accounts payable	\$ -
Due to Veterans Associations	<u>155,068</u>
Total Liabilities	<u><u>\$ 155,068</u></u>

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NOTES TO THE BASIC  
FINANCIAL STATEMENTS

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CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – 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 units. 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. Administration of the government is vested in the City Manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

**Blended component unit.** The Klamath Falls Urban Renewal Agency (Agency) is composed of the Lakefront Urban Renewal Fund, the Downtown Urban Renewal Fund and the Town Center 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 addressed to: Finance Manager, City of Klamath Falls, 500 Klamath Avenue, Klamath Falls, OR 97601, or can be viewed online at: <https://www.klamathfalls.city/i-want-to/find/city-hall/support-services/finance>.

**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.

**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 units. 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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, landing fees and passenger facility charges. Expenditures are assigned or restricted for airport operations and capital.

The *capital projects fund (formerly building reserve fund)* is a capital projects fund that accounts for the funds received for major projects and acquisitions. Revenues consist of lease payments for the finance/utility billing building and investment income. Capital projects may be completed and expensed within the capital projects fund or funds may be transferred out to the originating fund once the projects begin.

The *escrow reserve fund* is a capital projects 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.

Additionally, government reports the following fiduciary fund:

The *veteran's memorial agency fund* accounts for monies held on behalf of the Veteran's Memorial Committee that uses donations to maintain the memorial at Veteran's 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 acquisition under capital 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 agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**F. 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. *Investments***

The City'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. *Receivables***

All trade receivables are shown net of an allowance for uncollectibles. Allowance for uncollectibles on trade accounts receivables is based on the government's expected net write-offs for the next year, based upon past history. No allowance for uncollectibles has been provided for property taxes as the government considers all taxes fully collectible.

**4. *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.

**5. *Restricted assets***

Cash and cash equivalents, investments, interest and loan receivables that are constrained for specific purposes by external providers, creditors, and enabling legislation are classified as restricted assets.

**6. *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 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 for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

CITY OF KLAMATH FALLS, OREGON  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

In the case of the initial capitalization of computer software, the government chose to include 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 government set up the intangible assets at the actual historical cost. The cumulative effect of the capitalization of these assets is reported as a restatement of beginning net position for the period beginning July 1, 2009. The government deemed it impractical and non-cost effective to restate all prior periods.

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. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The government had no capitalized interest during the year.

Land, construction in progress, and intangible assets are not depreciated. Property, plant, and equipment of the government are depreciated using the “straight line” method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	40
Building improvements	25
Public domain infrastructure	25-50
Vehicles	3-5
Machinery and Equipment	5-25

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.

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

**7. *Deferred outflows/inflows of resources***

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

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**8. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**9. Compensated absences**

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. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave

The government's policy permits employees to accumulate earned but unused sick leave benefits. When AFSCME and Teamsters employees, hired before July 1, 2011, leave the government's employment, sick leave is paid at a graduated scale based on years employed, not to exceed 25% of 960 hours. AFSCME and Teamsters employees hired after July 1, 2011, will no longer qualify for a sick leave payout upon leaving the government. Exempt employees may have two sick leave banks. All sick leave accumulated prior to July 1, 2011 is tracked as "frozen sick leave". Amounts remaining on the books upon termination are paid at a graduated scale based on years employed but not to exceed 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. Instead, the government will convert up to 32 hours of accrued current sick leave to cash and contribute the balance to a Voluntary Employee's Beneficiary Account (VEBA) on July 1<sup>st</sup> of each year for non-represented employees hired before July 1, 2015. The liability for sick leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Comparable Time Leave

The government's policy permits AFSCME represented employees to accumulate up to 80 hours, and Teamsters represented employees to accumulate up to 120 hours of earned but unpaid comparable 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 in excess of 40 hours. All time over the allowed accumulation must be paid in full when earned. The liability for comp time is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***10. Other Postemployment Benefits Obligation***

The City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined.

***11. Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Upon implementation of GASB 65, bond issuance costs (except for those related to prepaid insurance) were fully expensed and required restatement in the financial statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs associated with insurance, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***12. 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.

***13. 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.

***14. Fund balance policies***

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 City’s highest formal action is an 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 amended and adopted by Council resolution 14-05 on February 3, 2014.

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.

**G. 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3. 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.

**H. Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date for the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**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 FR 7695), that 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.

**B. Deficit fund equity**

At June 30, 2017, the Lakefront Urban Renewal Fund has a deficit fund balance of \$633,836, and the Town Center Urban Renewal Fund has a deficit fund balance of \$38,543. The reason for the deficits are interfund loans. The interfund loans are reported as a fund liability in the Lakefront Urban Renewal and Town Center Urban Renewal 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 and interest payments on the loans are made.

**C. Budgetary information**

On or before June 30 of each year, the City enacts a resolution adopting the 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 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 10 percent by Council without returning to the Budget Committee for a second approval.

CITY OF KLAMATH FALLS, OREGON  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (continued)

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 City had appropriation transfers and supplemental budgets during the year-ended June 30, 2017. Appropriations lapse as of year-end.

**1. Expenditures in excess of appropriations**

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. The below listed departments had expenditures in excess of the adopted appropriations. The over expenditures were all funded through available fund balances.

Proprietary Funds:	
Water Fund	
Transfer to Parks	\$ 13,295
Geothermal	2,977

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND**

**A. Cash, cash equivalents and investments**

At June 30, 2017, the government’s cash, cash equivalents and investments were comprised of the following:

Cash on hand	\$	1,500
Deposits with financial institutions		1,250,642
Investments:		
Oregon State Treasurer’s Local Government Investment Pool		32,518,402
Oregon State Treasurer’s Local Government Intermediate Fund		4,004,028
Negotiable certificates of deposit		645,519
U.S. agency and municipal obligations		3,462,110
Commercial paper and corporate bonds		5,884,486
Total cash and investments	\$	47,766,687

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

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 25,991,127	\$ 7,779,417	\$ 33,770,544
Investments	12,347,739	1,648,404	13,996,143
	\$ 38,338,866	\$ 9,427,821	\$ 47,766,687

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

*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, 2017, the government’s bank balances were \$855,214 (\$4,437 of which belongs to the Veteran’s Memorial Fund).

As of June 30, 2017, the government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Oregon State Treasurer’s Local Government Investment Pool	\$ 32,518,402	.47
Oregon State Treasurer’s Local Government Intermediate Fund	4,004,028	2.88
Negotiable Certificates of Deposits	645,519	1.33
U.S. Agency Bonds	2,003,262	2.72
U.S. Treasury Notes	730,151	5.74
Municipal Commercial Paper	728,697	4.83
Corporate Commercial Paper and Bonds	5,884,486	3.29
Total Fair Value	<u>\$ 42,998,872</u>	
Portfolio Weighted Average Maturity		1.30

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, 2017, is representative of the types of investments made throughout the year. The government’s investments in guaranteed investment contracts, negotiable certificates of deposits, and the state treasurer’s investment pool are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

At June 30, 2017, the government’s investments were rated by Standard & Poors as follows:

	Commercial Paper and Corporate Bonds	Municipal Corporations	US Agency Corporations	Certificates of Deposit	US Treasury Notes (1)	Local Government Investment Pool
AAA	258,675					
AA+	1,219,090		2,003,262			
AA	212,500					
AA-	1,649,090					
A+	899,196					
A	441,059					
A-	833,813					
BBB+	221,391					
BB-	149,672					
Unrated		728,697		645,519	730,151	36,522,430
	<u>\$ 5,884,486</u>	<u>\$ 728,697</u>	<u>\$ 2,003,262</u>	<u>\$ 645,519</u>	<u>\$ 730,151</u>	<u>\$ 36,522,430</u>

(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 as 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.

*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

<u>General Fund</u>	<u>Municipal Court</u>	<u>Code Enforcement</u>	<u>Other</u>	<u>Total General Fund</u>
Gross Accounts Receivable	\$ 3,394,285	\$ 336,671	\$ 567,100	\$ 4,298,056
Uncollectibles	(3,193,142)	(324,470)	(658)	(3,518,270)
Net Accounts Receivable	<u>\$ 201,143</u>	<u>\$ 12,201</u>	<u>\$ 566,443</u>	<u>\$ 779,786</u>

CITY OF KLAMATH FALLS, OREGON  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Gross Accounts Receivable	\$ 4,298,056	\$ 2,156,201	\$ 55,679	\$ 6,509,936
Uncollectibles	<u>(3,518,270)</u>	<u>                    </u>	<u>(36,293)</u>	<u>(3,554,563)</u>
Net Accounts Receivable	<u>\$ 779,786</u>	<u>\$ 2,156,201</u>	<u>\$ 19,386</u>	<u>\$ 2,955,373</u>

Business-type Activities

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Gross Accounts Receivable	\$ 874,064	\$ 1,323,852	\$ 2,197,916
Uncollectibles	<u>(25,823)</u>	<u>(31,785)</u>	<u>(57,608)</u>
Net Accounts Receivable	<u>\$ 848,241</u>	<u>\$ 1,292,067</u>	<u>\$ 2,140,308</u>

**C. Lease receivables**

The government leases land and buildings under non-cancellable operating leases to other parties. The cost of the leased assets was \$34,765,743 and the carrying value was \$24,691,935. Payments received in the current year were \$649,196.

Future minimum rental payments to be received on these facilities are as follows for the years ended June 30:

2018	\$ 434,904
2019	359,228
2020	339,488
2021	331,111
2022	331,235
2023-2027	1,207,802
2028-2032	859,880
2033-2037	86,022
2038-2042	42,119
2043-2047	31,213
Total	<u>\$ 4,023,002</u>

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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND (continued)**

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2017, was as follows:

**Governmental Activities:**

	Balance July 1, 2016	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 13,969,851	\$ -	\$ 1,353	\$ 121,377	\$ 14,092,581
Construction in progress	1,652,192	3,552,597	(3,662)	(969,674)	4,231,453
Intangible assets	116,771	-	-	-	116,771
<b>Total capital assets, not being depreciated</b>	<b>15,738,814</b>	<b>3,552,597</b>	<b>(2,309)</b>	<b>(848,297)</b>	<b>18,440,805</b>
Capital assets, being depreciated:					
Buildings	17,684,210	50,459	(181,462)	17,713	17,570,920
Intangible assets	982,814	7,000	-	7,600	997,414
Machinery, equipment, and vehicles	11,451,030	351,885	(209,518)	20,691	11,614,088
Infrastructure	194,035,706	629,003	(24,059)	802,293	195,442,943
<b>Total capital assets being depreciated</b>	<b>224,153,760</b>	<b>1,038,347</b>	<b>(415,039)</b>	<b>848,297</b>	<b>225,625,365</b>
Less accumulated depreciation for:					
Buildings	(5,111,349)	(594,848)	183,771	-	(5,522,426)
Intangible assets	(524,889)	(34,651)	-	-	(559,540)
Machinery, equipment, and vehicles	(8,319,542)	(571,832)	209,518	-	(8,681,856)
Infrastructure	(111,359,779)	(3,305,802)	24,059	-	(114,641,522)
<b>Total accumulated depreciation</b>	<b>(125,315,559)</b>	<b>(4,507,133)</b>	<b>417,348</b>	<b>-</b>	<b>(129,405,344)</b>
<b>Total capital assets, being depreciated, net</b>	<b>98,838,201</b>	<b>(3,468,786)</b>	<b>2,309</b>	<b>848,297</b>	<b>96,220,021</b>
<b>Government activities capital assets, net</b>	<b>\$ 114,577,015</b>	<b>\$ 83,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114,660,826</b>

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 disposals 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	\$ 208,599
Public safety	484,102
Highways and streets	1,998,998
Culture and recreation	177,781
Airport	1,637,653
<b>Total depreciation expense – governmental activities</b>	<b>\$ 4,507,133</b>

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND (continued)**

**Business-type Activities:**

	Balance July 1, 2016	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 1,563,599	\$ -	\$ -	\$ -	\$ 1,563,599
Construction in progress	737,448	3,112,362	-	(271,823)	3,577,987
Intangible assets	167,492	29	-	18,207	185,728
<b>Total capital assets, not being depreciated</b>	<b>2,468,539</b>	<b>3,112,391</b>	<b>-</b>	<b>(253,616)</b>	<b>5,327,315</b>
Capital assets, being depreciated:					
Buildings	7,476,408	-	-	-	7,476,408
Machinery and equipment	18,692,664	814,502	(20,106)	207,939	19,694,999
Infrastructure	80,591,369	53,014	-	45,677	80,690,061
<b>Total capital assets being depreciated</b>	<b>106,760,441</b>	<b>867,516</b>	<b>(20,106)</b>	<b>253,616</b>	<b>107,861,468</b>
Less accumulated depreciation for:					
Buildings	(3,969,006)	(135,601)	-	-	(4,104,607)
Machinery and equipment	(11,166,308)	(764,933)	20,106	-	(11,911,135)
Infrastructure	(30,647,980)	(1,715,849)	-	-	(32,363,829)
<b>Total accumulated depreciation</b>	<b>(45,783,295)</b>	<b>(2,616,383)</b>	<b>20,106</b>	<b>-</b>	<b>(48,379,571)</b>
<b>Total capital assets, being depreciated, net</b>	<b>60,977,147</b>	<b>(1,748,866)</b>	<b>-</b>	<b>253,616</b>	<b>59,481,896</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 63,445,686</b>	<b>\$ 1,363,525</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,809,211</b>

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

Business-type activities:	
Water	\$ 1,475,056
Wastewater	1,141,327
Total depreciation expense – business-type activities	\$ <u>2,616,383</u>

**E. Pension Plan**

**General Information about the Pension Plan**

**Plan description**

Employees of the City 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 Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**Benefits provided**

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

**Pension Benefits**

The PERS 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.

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

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**2. OPSRP 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 changes (COLA). The COLA is capped at 2.0%.

**3. OPSRP Individual Account Program (OPSRP IAP)**

**Pension Benefits**

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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

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.

**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, 2013 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017, were \$762,604, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017, were 11.45 percent for Tier One/Tier Two General Service Member, 11.45 percent for Tier One/Tier Two Police, 4.37 percent for OPSRP Pension Program General Service Members, 8.48 percent for OPSRP Pension Program Police Members, and 6 percent for OPSRP Individual Account Program.

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the City reported a liability of \$13,883,611 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.0925 percent, which was an increase of .0018 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's recognized pension expense (income) was \$1,680,230. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 459,331	\$ -
Changes of assumptions	2,961,041	-
Net difference between projected and actual earnings on investments	2,742,819	
Changes in proportion	274,273	-
Differences between employer contributions and proportionate share of contributions	-	382,997
Total (prior to post-MD contributions)	<u>6,437,464</u>	<u>382,997</u>
Contributions subsequent to the MD	<u>762,604</u>	<u>-</u>
 Total	 <u>\$ 7,200,068</u>	 <u>\$ 382,997</u>

\$762,604 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization Period	
FY2018	\$ 1,057,965
FY2019	1,057,965
FY2020	2,075,062
FY2021	1,613,922
FY2022	249,553
Total	<u>\$ 6,054,467</u>

**Actuarial assumptions**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of: (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of: (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

**Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2014, 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND (continued)**

Asset Class/Strategy	Assumed Asset Allocation			Asset Class	Target Allocation	Compounded Annual Return (Geometric)
	Low Range	High Range	Target			
Cash	0.0%	3.0%	0.0%	Core Fixed Income	8.00%	4.00%
Debt Securities	15.0%	25.0%	20.0%	Short-Term Bonds	8.00%	3.61%
Public Equity	32.5%	42.5%	37.5%	Bank/Leveraged Loans	3.00%	5.42%
Private Equity	16.0%	24.0%	20.0%	High Yield Bonds	1.00%	6.20%
Real Estate	9.5%	15.5%	12.5%	Large/Mid Cap US Equities	15.75%	6.70%
Alternative Equity	0.0%	10.0%	10.0%	Small Cap US Equities	1.30%	6.99%
Opportunity Portfolio	0.0%	3.0%	0.0%	Micro Cap US Equities	1.30%	7.01%
Total			<u>100.0%</u>	Developed Foreign Equities	13.13%	6.73%
				Emerging Foreign Equities	4.12%	7.25%
				Non-US Small Cap Equities	1.88%	7.22%
				Private Equities	17.50%	7.97%
				Real Estate (Property)	10.00%	5.84%
				Real Estate (REITS)	2.50%	6.69%
				Hedge Fund of Funds - Diversified	2.50%	4.64%
				Hedge Fund - Event-Driven	0.63%	6.72%
				Timber	1.88%	5.85%
				Farmland	1.88%	6.37%
				Infrastructure	3.75%	7.13%
				Commodities	1.88%	4.58%
				Total	<u>100.00%</u>	
				Assumed Inflation - Mean		2.50%

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 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 City's proportionate share of the net pension liability to changes in the discount rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 22,417,403	\$ 13,883,611	\$ 6,750,855

**Pension plan fiduciary net position**

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

CITY OF KLAMATH FALLS, OREGON  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**F. Other postemployment benefit (OPEB) obligations**

*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 45 is applicable to the government due only to the implicit rate subsidy and is only applicable to its non-represented and AFSCME-represented employees. This “plan” is not a stand-alone plan and therefore does not issue its own financial statements.

*Funding Policy.* The government allows retirees to remain on the government’s insurance group policy until age 65. Retirees pay the insurance company directly. For fiscal year 2017, the government retirees paid 100% of their premium costs. The government has elected to not prefund the actuarially determined future cost amount of \$734,383.

The required monthly contributions of the plan members were as follows for the year ended June 30, 2017:

	<u>Contribution</u>
Employee	\$ 662.92
Employee + Child	1,214.64
Employee + Children	1,654.05
Employee + Spouse	1,385.35
Full Family	1,903.73

*Annual OPEB and Net OPEB Obligation.* The government’s annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 10 years. The following table shows the components of the government’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government’s OPEB obligation to the plan.

Employer’s Normal Cost	\$ 34,121
Amortization of UAAL	88,303
Annual Required Contribution (ARC)	<u>122,424</u>
Interest	18,878
Adjustment to ARC	(64,854)
Implicit Benefit Payments	<u>(60,244)</u>
Contribution Deficiency (ARC less current year payments)	16,204
OPEB Obligation at Beginning of Year (7/1/2016)	<u>539,362</u>
OPEB obligation at end of year (6/30/2017)	<u><u>\$ 555,566</u></u>

The government’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/15	114,262	61%	524,589
6/30/16	56,689	74%	539,362
6/30/17	76,448	79%	555,566

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

*Funded Status and Funding Progress.* The funded status of the plan as of July 1, 2016 (the date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 734,383	
Actuarial value of plan assets	0	
	\$ 734,383	
	\$ 734,383	
Funded ratio (actuarial value of plan assets/AAL)	0.00%	
Covered payroll (active plan members)	\$ 7,041,092	
UAAL as a percentage of covered payroll	10.43%	

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include, assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5 percent inflation rate, a 3.5 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 7.0 percent initially, and in future years, a varying rate between 7.5% and 5.0% due to the timing of the excise tax scheduled to affect health care benefits beginning in 2018. The assumptions also included dental cost premium increases of 4.5 percent per year. Retirement and withdrawal rates are those adopted by the Oregon Public Employees Retirement System (PERS) for its 2015 actuarial valuation of retirement benefits. The UAAL is amortized over an open period of 10 years using the level percentage of projected pay.

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, 2017, there were 35 of the government’s employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2015 and ending June 30, 2018, 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 the retiree insurance, they will pay \$1,335 per month, but the government does not have any obligation to pay for the insurance.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

***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 is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR, 97281-3700.

*Funding Policy.* Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. 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.

Participating cities are contractually required to contribute to RHIA at a rate assessed bi-annually by the OPERB.

The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. A portion of the actuarially determined rate under the OPERS plan and the OPSRP plan goes to fund the retiree health insurance account, RHIA. The contribution rate is 0.53% of annual covered payroll for Tier 1/Tier 2, and 0.45% for OPSRP.

The government's contributions to RHIA for the years ending June 30, 2015, 2016, and 2017 were \$48,407, \$45,974, and \$46,288 which equaled the required contribution for the year.

***Defined Contribution Plans***

*Plan Description.* The government sponsors two defined contribution plans; a Section 457 Plan and a Section 401(k) Plan. Variable Annuity Life Insurance Company and Ameritas (formerly The Union Central Life Insurance) are fund providers for the City of Klamath Falls Deferred Compensation Plan which is adopted and amended by the City Council. ICMA-RC is an administrator and fund provider for plans that use their individual company plans. These entities have authority to change their plans per the City of Klamath Falls Deferred Compensation Plan as adopted by the City Council. ICMA-RC is also the administrator and the fund provider for the City's Section 401(k) Plan which uses ICMA-RC's standard 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 \$280,648 and \$37,729 to the section 457 and the section 401(k) plans in 2017, respectively.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**G. Construction and other significant commitments**

The government has active construction and professional service contracts as of June 30, 2017. General Fund construction is the Ella Redkey Pool resurfacing. Airport construction is Taxiway B and a new hangar. Wastewater construction is phase one of treatment plant and wastewater professional services is the wastewater treatment plant design build project. Water construction is the Pelican City water main and booster station. The significant commitment in the nonmajor governmental funds is the economic development EPA Brownfields grant implementation. At year-end, the government’s contract commitments were as follows:

Project	Cost to date	Commitment
General Fund professional service contracts	\$ 76,877	\$ 202,669
General Fund construction contracts	-	122,950
Airport professional service contracts	239,859	480,516
Airport construction contracts	2,006,398	6,335,918
Wastewater professional services contract	268,014	795,661
Wastewater construction contracts	173,543	56,279
Water professional services contract	78,888	19,892
Water construction contracts	389,492	382,696
Nonmajor Governmental Funds professional service contracts	92,486	168,578
<b>Total</b>	<b>\$ 3,325,557</b>	<b>\$ 8,565,158</b>

**H. 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, 2017	Year Ended June 30, 2016
Unpaid claims, beginning	\$ -	\$ -
Incurred claims (including IBNRs)	-	6,981
Claims paid	-	(6,981)
<b>Unpaid claims, ending</b>	<b>\$ -</b>	<b>\$ -</b>

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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

	Year Ended June 30, 2017	Year Ended June 30, 2016
Unpaid claims, beginning	\$ -	\$ -
Incurring claims (including IBNRs)	5,919	7,878
Claims paid	(5,919)	(7,878)
Unpaid claims, ending	\$ -	\$ -

**I. Lease obligations**

*1. Operating lease*

The government has operating lease agreements for building space, land lease, three copier/printer leases, letter opener lease, and one postage machine lease. Lease payments of \$40,107 were made during the year ended June 30, 2017.

Future minimum lease payments for facilities/equipment are as follows for the years ended June 30:

	2018	\$	30,043
	2019		21,344
	2020		21,243
	2022		21,283
	2022		3,249
	Total	\$	97,162

**J. Long-Term Liabilities**

**Compensated Absences**

Compensated absences are comprised of vacation leave and comp time earned by the government’s employees for services already rendered and paid when taken or upon termination, and a portion of the employee’s balance of unused sick leave that is payable upon termination. 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.

**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 City 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. The City’s tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations. Outstanding debt amounts are as of June 30, 2017.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**General Obligation Bond, Series 2008 – Police Department of the General Fund**

In May 2008, the city voters approved the sale of \$4,000,000 in general obligation bonds to fund a portion of the remodeling, construction, purchase of equipment, and furnishing of personal property for a City Police station. 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. The bonds were sold in August 2008, and are payable through fiscal year 2038. Interest rates range from 5.0% to 5.25%. Taxes are imposed annually for the amount of the bond payments due in that fiscal year. Interest only payments are due through fiscal year 2017, with principal payments beginning in fiscal year 2018. Interest paid in the current year and taxes received were \$205,525 and \$181,401 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 \$294,445 and \$6,592,356 respectively.

**Timbermill Shores – Lakefront Urban Renewal**

The City has pledged future tax increment revenues to repay \$2,248,564 for reimbursement of infrastructure constructed by Timbermill Shores on the lakefront of Lake Ewauna. There is no interest associated with this liability as it is strictly a reimbursement to the developer. The district will begin making payments once the \$900,000 interfund loan with the escrow reserve fund is paid in full.

**Washington Federal – Town Center Urban Renewal**

The government has pledged future tax increment revenues to repay a \$1,117,262 loan with Washington Federal as of May 20, 2015. This loan refinanced the outstanding long-term and short-term loans with Washington Federal which were for improvements to the Town Center Urban Renewal District. The loan is termed out over nine annual payments of \$138,912. The loan includes a variable interest of prime minus .800% (currently 2.75%) with a floor of 2.275% based on the lender's Prime Rate (the "Index") which will not change more than daily. Interest rate changes will not occur more often than each sixty months and the last rate change occurred in December 2015. The government uses increment property taxes to pay the loan. For the current year, principal and interest paid and total incremental property tax revenues were \$138,912 and \$193,403, 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 \$64,210 and \$3,186,868, respectively.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**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 \$807,777 and \$3,571,385, respectively.

**Oregon Department of Environmental Quality – Wastewater Fund**

In May of 2011, the City entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$1,000,000 for wastewater treatment facility headworks improvements. The City has pledged wastewater net operating revenues to repay the loan. An interest only payment of \$41,000 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees (approximately \$80,000 per year) will be made for 20 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 3.32% per annum. There is a loan reserve requirement of \$35,185. The City has yet to draw down the funds or begin work on the project.

**Oregon Department of Environmental Quality – Wastewater Fund**

In October of 2011, the City entered into a revenue secured loan with the Oregon Department of Environmental Quality (DEQ) for \$14,484,130 for wastewater treatment facility headworks improvements. The loan was amended in January of 2016. The City has pledged wastewater net operating revenues to repay the loan. An interest only payment within six months after the estimated project completion date will be due, and thereafter, semi-annual payments of principal and interest will be made for 20 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. There is a loan reserve requirement of \$453,446. The interest rate is 2.12% per annum. Principal, interest and fees are estimated to cost the City about \$1,000,000 per year until 2037. The City has yet to draw down the funds or begin work on the project.

**Oregon Department of Environmental Quality – Wastewater Fund**

In June of 2012, the City entered into a revenue secured loan with the Oregon Department of Environmental Quality (DEQ) for \$7,150,672 for design and construction of improvements to the wastewater treatment facility. The City has pledged wastewater net operating revenues to repay the loan. An interest only payment within six months after the estimated project completion date will be due, and thereafter semi-annual payments of principal and interest will be made for 20 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. There is a loan reserve requirement of \$228,630. The interest rate is 2.45% per annum. Principal, interest and fees are estimated to cost the City about \$250,000 per year until 2034. The City has yet to draw down the funds.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

Long-term liability activity for the year ended June 30, 2017:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>	Amounts Due <u>Within One Year</u>
<b>Governmental Activities</b>					
Bonds, notes, leases & contracts payable					
Washington Federal (Town Center Urban Renewal):	963,075	-	114,923	848,152	117,844
Timbermill Shores	2,248,564	-	-	2,248,564	-
General Obligation Bonds, Series 2008	4,000,000	-	-	4,000,000	40,000
Add issuance premiums and discounts, net	23,096	-	1,053	22,043	-
Full Faith and Credit Bonds, Series 2008:	2,850,000	-	170,000	2,680,000	175,000
Add issuance premiums and discounts, net	19,979	-	1,547	18,432	-
<b>Total bonds, notes, leases &amp; contracts payable</b>	<b><u>10,104,714</u></b>	<b><u>-</u></b>	<b><u>287,523</u></b>	<b><u>9,817,191</u></b>	<b><u>332,844</u></b>
<b>Other Liabilities</b>					
Compensated Absences:					
General Fund	822,675	1,246,659	1,210,399	858,935	429,468
Airport Fund	46,154	52,344	59,572	38,926	19,463
Parking Fund	3,717	5,382	4,745	4,354	2,177
<b>Total governmental activities compensated absences</b>	<b><u>872,546</u></b>	<b><u>1,304,385</u></b>	<b><u>1,274,716</u></b>	<b><u>902,215</u></b>	<b><u>451,108</u></b>
Other Post Employment Benefits:					
General Fund	329,239	10,484	-	339,723	-
Airport Fund	33,028	960	-	33,988	-
Parking Fund	2,660	93	-	2,753	-
<b>Total governmental activities OPEB</b>	<b><u>364,927</u></b>	<b><u>11,537</u></b>	<b><u>-</u></b>	<b><u>376,464</u></b>	<b><u>-</u></b>
<b>Governmental activities long-term liabilities</b>	<b><u>\$ 11,342,187</u></b>	<b><u>\$ 1,315,922</u></b>	<b><u>\$ 1,562,239</u></b>	<b><u>\$ 11,095,870</u></b>	<b><u>\$ 783,952</u></b>

Compensated absences and other post-employment benefit obligations will be liquidated based on their fund liability as detailed above.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

Long-term liability activity for the year ended June 30, 2017:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>	Amounts Due <u>Within One Year</u>
<b>Business-Type Activities</b>					
Bonds and notes payable					
Wastewater Revenue Refunding Bonds, Series 2015	6,499,214	-	656,995	5,842,219	670,097
Special Public Works Fund (Water line extension):	<u>657,084</u>	<u>-</u>	<u>36,082</u>	<u>621,002</u>	<u>36,310</u>
Total bonds, notes, and leases payable	<u>7,156,298</u>	<u>-</u>	<u>693,077</u>	<u>6,463,221</u>	<u>706,407</u>
<b>Other Liabilities</b>					
Compensated Absences:					
Wastewater Fund	90,529	168,895	157,919	101,505	50,752
Water Fund	<u>117,159</u>	<u>157,547</u>	<u>152,364</u>	<u>122,342</u>	<u>61,171</u>
Total business-type activities compensated absences	207,688	326,442	310,283	223,847	111,923
Other Post Employment Benefits:					
Wastewater Fund	77,950	2,210	-	80,160	-
Water Fund	<u>96,486</u>	<u>2,457</u>	<u>-</u>	<u>98,943</u>	<u>-</u>
Total business-type activities OPEB	174,436	4,667	-	179,103	-
Business-type activities long-term liabilities	<u>\$ 7,538,422</u>	<u>\$ 331,109</u>	<u>\$ 1,003,360</u>	<u>\$ 6,866,171</u>	<u>\$ 818,330</u>

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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**CITY OF KLAMATH FALLS, OREGON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND (continued)**

Revenue Bonds

The government issues revenue bonds where the government pledges income derived from the acquired or the constructed assets to pay debt service. All amounts outstanding at the end of the current fiscal year are related to bonds issued in prior years.

Revenue bond debt service requirements to maturity are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Wastewater Refunding Bonds, Series 2015				
Principal	670,097	692,149	703,269	723,555
Interest	135,539	119,993	103,935	87,620
Total Revenue Bonds	<u>\$ 805,637</u>	<u>\$ 812,142</u>	<u>\$ 807,204</u>	<u>\$ 811,174</u>

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 2008				
Principal	\$ 40,000	\$ 50,000	\$ 55,000	\$ 70,000
Interest	205,525	203,425	200,800	197,913
Total General Obligation Bonds	<u>\$ 245,525</u>	<u>\$ 253,425</u>	<u>\$ 255,800</u>	<u>\$ 267,913</u>

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	\$ 175,000	\$ 185,000	\$ 190,000	\$ 200,000
Interest	117,645	110,645	103,245	95,145
Total Full Faith and Credit Bonds	<u>\$ 292,645</u>	<u>\$ 295,645</u>	<u>\$ 293,245</u>	<u>\$ 295,145</u>

Other Long-term Liabilities

The government has entered into several long-term agreements as noted below:

SPWF - Water line service extension				
Principal	36,310	36,563	41,825	42,098
Interest	26,775	25,323	23,860	22,187
Timbermill Shores				
Principal				
Washington Fed - Town Center Urban Renewal				
Principal	117,844	120,771	123,771	126,812
Interest	21,068	18,141	15,141	12,100
Total other long-term liabilities	<u>\$ 201,997</u>	<u>\$ 200,798</u>	<u>\$ 204,597</u>	<u>\$ 203,197</u>
Total Long-term Liabilities	<u>\$ 1,545,804</u>	<u>\$ 1,562,010</u>	<u>\$ 1,560,846</u>	<u>\$ 1,577,429</u>

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND (continued)**

<u>2022</u>	<u>2023-2027</u>	<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2042</u>	<u>2043-2047</u>	<u>Total</u>
736,696	2,316,453					5,842,219
<u>70,833</u>	<u>108,235</u>					<u>626,156</u>
<u>\$ 807,529</u>	<u>\$ 2,424,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,468,374</u>
\$ 80,000	\$ 600,000	\$ 1,040,000	\$ 1,645,000	\$ 420,000	\$ -	\$ 4,000,000
194,238	895,063	694,250	366,188	21,000	-	2,978,400
<u>\$ 274,238</u>	<u>\$ 1,495,063</u>	<u>\$ 1,734,250</u>	<u>\$ 2,011,188</u>	<u>\$ 441,000</u>	<u>\$ -</u>	<u>\$ 6,978,400</u>
\$ 205,000	\$ 1,175,000	\$ 550,000	\$ -	\$ -	\$ -	\$ 2,680,000
86,145	284,740	37,350	-	-	-	834,915
<u>\$ 291,145</u>	<u>\$ 1,459,740</u>	<u>\$ 587,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,514,915</u>
42,382	246,918	174,906				621,002
20,503	73,566	16,007				208,221
	485,600	575,000	575,000	575,000	37,964	2,248,564
129,995	228,958					848,152
8,917	8,065					83,432
<u>\$ 201,797</u>	<u>\$ 1,043,108</u>	<u>\$ 765,913</u>	<u>\$ 575,000</u>	<u>\$ 575,000</u>	<u>\$ 37,964</u>	<u>\$ 4,009,371</u>
<u>\$ 1,574,709</u>	<u>\$ 6,422,599</u>	<u>\$ 3,087,513</u>	<u>\$ 2,586,188</u>	<u>\$ 1,016,000</u>	<u>\$ 37,964</u>	<u>\$ 20,971,060</u>

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

**K. Fund balance**

Fund Balance as of June 30, 2017 is detailed as follows:

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Inventory	45,496					45,496
Restricted for:						
Capital projects		31,888			83,256	115,144
Forfeiture Money	76,265					76,265
DOJ Equitable Sharing	8,654					8,654
Parks Master Plan	35,462					35,462
Traffic signals	24,466					24,466
Environmental			3,711,626			3,711,626
Assigned for:						
Capital projects			14,213,901	8,104,590		22,318,491
Community programs	105,368					105,368
Public Access Television	55,182					55,182
Debt Service					8,411	8,411
Operations	4,028,292	1,369,995			115,589	5,513,876
Unassigned:						
Unassigned	7,180,729				(672,379)	6,508,350
Total Fund Balances	<u>11,559,914</u>	<u>1,401,883</u>	<u>17,925,527</u>	<u>8,104,590</u>	<u>(465,123)</u>	<u>38,526,791</u>

**Interfund receivables and payables**

The composition of interfund balances as of June 30, 2017, is as follows:

**Advances from / to other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Escrow Reserve Fund	Airport Fund	\$127,813
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$638,269
Escrow Reserve Fund	Town Center Urban Renewal Fund	\$140,000

An interfund loan in an amount not to exceed \$1,500,000, from the Escrow Reserve Fund to the Airport Fund was authorized by the government’s council in March 2010. The loan amortization was amended and approved by council in August 2011, and again in May 2015. The loan was to provide cash flow for the quarterly payments on the wetlands mitigation settlement agreement while awaiting reimbursement from the Federal Aviation Administration. The total amount loaned from the escrow reserve fund was \$900,000, at 4.625% interest. Principal of \$122,187 and interest of \$11,563 were paid in fiscal year 2017.

An interfund loan in the amount of \$900,000 from the escrow reserve fund to the Lakefront Urban Renewal Fund was authorized by the government’s council in October 2013. The loan was used to reimburse the developer, Timbermill Shores, for work done on the lakefront of Lake Ewauna. The loan accrues interest at 3.75% and matures in 2023. The loan will be repaid using tax increment financing. Principal of \$41,000 and interest of \$25,473 were paid in fiscal year 2017.

CITY OF KLAMATH FALLS, OREGON  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUND** (continued)

An interfund loan in the amount of \$140,000 from the Escrow Reserve Fund to the Town Center Urban Renewal Fund was authorized by the government’s council in April 2017. The loan was used to reimburse costs for Project Milestone 2 of the developer agreement. The loan accrues interest at 4% and matures in 2027. No principal or interest payments were made in fiscal year 2017.

An interfund loan in the amount of \$425,000 from the Escrow Reserve Fund to the Technology Reserve Fund was authorized by the government’s council in June 2014. The loan was used to fund the ERP system and conversion expenses. The loan accrued interest at 4.75% and was paid off with a principal only payment of \$369,281 in fiscal year 2017.

**L. Interfund transfers**

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

Interfund transfers:

Transfer out	Transfer in	Amount
General Fund	Nonmajor Governmental Funds	\$ 22,000
Water Fund	Airport Fund	432,325
Water Fund	General Fund	516,195
Escrow Reserve Fund	Nonmajor Governmental Funds	140,000
Nonmajor Governmental Funds	General Fund	143,725
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,794
Nonmajor Governmental Funds	Escrow Reserve Fund	504,717
Total		<u>\$ 1,761,756</u>

In the year ended June 30, 2017, the government made the following transfers:

The General Fund transferred \$12,000 to the Downtown Maintenance District, and \$10,000 to BINET for operational expenditures.

The Water Fund transferred \$432,325 to the Airport Fund and \$516,195 to the General Fund to support operations and capital improvements for the airport, parks, and streets.

The Escrow Reserve Fund transferred \$140,000 to the Towncenter Urban Renewal Fund as a loan for a contractor payment.

The Technology Reserve Fund transferred \$143,725 to the General Fund to close out the fund and consolidate it into the General Fund.

The Downtown Maintenance District fund transferred \$2,794 to the Downtown Urban Renewal Fund to close out the fund and consolidate it into the Downtown Maintenance District Fund.

The Cogeneration Fund transferred \$504,717 to the Escrow Reserve Fund for capital and to close the fund.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 4 – 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.

On February 10, 2010, the Oregon Department of Environmental Quality (DEQ) released the draft document on the Klamath River TMDL's (Total Maximum Daily Load) for public comment. The City hired Perkins, Coie, LLP, to prepare comments to the draft. The City's comments on the draft were submitted on May 26, 2010. On December 21, 2010, the Klamath River TMDL's were issued as a final Order by Oregon DEQ and submitted to the Environmental Protection Agency (EPA) for review and final approval. In February of 2011, City staff received approval from Council to submit a Petition for Reconsideration, which was submitted to DEQ in February 2011. DEQ asked EPA to hold final approval until DEQ finished evaluating the reconsideration documents. In June of 2011, DEQ indicated that they would adopt the final TMDL's in December 2011. The City requested that DEQ hold off on adopting the TMDL's until after the City and DEQ met in January 2012. The City met with DEQ, at which time, discussion was focused around seasonal allocations which essentially would relax criteria in the winter months and tighten criteria in summer months when water quality is at its lowest. DEQ was receptive to this concept and the City pursued additional modeling work to show that this was feasible. While this modeling work was taking place, the City received notice from the EPA that they were going to adopt the TMDL's as submitted by Oregon DEQ, and on May 30, 2012, EPA approved the upper Klamath TMDL. Since EPA's adoption of the TMDL, a legal challenge was filed by Northwest Environmental Advocates which disagreed with how the temperature standard was administered throughout the state. In addition, they also challenged the Klamath River TMDL for similar issues. In April of 2017 DEQ reissued the Upper Klamath and Lost River TMDL for public comment with the primary changes being the seasonal allocations discussed earlier and the removal of the temperature TMDL. The City submitted comments on June 21, 2017 and then waited for DEQ to compile comments. DEQ submitted the revised TMDL to the EPA in December of 2017. Assuming no further challenge, approval of this document will set in motion the establishment of a new discharge permit.

**NOTE 5- SUBSEQUENT EVENTS**

In September 2017, the City refunded \$3,960,000 of its 2008 General Obligation Bonds. Refunding bonds in the amount of \$4,188,535 were issued and purchased by Branch Banking and Trust Company. Proceeds of the bonds were used to pay principal and accrued interest on the refunded bonds of \$4,129,585 and issuance costs of \$58,950. These bonds will be payable solely from the previous voter-approved property tax levy. The bonds have a twenty-year life, maturing in 2037, and an interest rate of 2.85%. The net present value of the savings is \$865,235.

In August 2017, air service for the airport through Pen Air was discontinued. Airport staff are diligently exploring all options for replacement air service, although the current industry conditions make this a challenging process. TSA equipment will be left in place until April 2018.

**NOTE 6- PRIOR PERIOD ADJUSTMENT**

In fiscal year 2016, the water fund transferred a vehicle to maintenance services in the General Fund. The asset was transferred and recorded correctly, but the accumulated depreciation associated with the asset was not recorded in governmental activities. Due to this error, \$30,463 was recorded as a prior period adjustment which decreased net position.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 7- ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Issued June 2015, this statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The City does not have any pension plans that fall within the scope of this Statement, therefore the provisions of this statement do not apply to the City.

The government adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal years ending after December 31, 2016. Issued August 2015, this statement requires governments that enter into tax abatement agreements to disclose information about those agreements.

The government adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*, required for fiscal years ending June 30, 2017. Issued January 2016, this statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

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REQUIRED SUPPLEMENTARY  
INFORMATION

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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.

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CITY OF KLAMATH FALLS, OREGON  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule A-1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,209,600	\$ 6,209,600	\$ 6,223,785	\$ 14,185
Special assessments	-	-	17,215	17,215
Intergovernmental	5,363,575	5,478,250	2,642,251	(2,835,999)
Licenses, fees and permits	137,475	137,475	114,696	(22,779)
Franchise fees	2,537,575	2,537,575	2,534,513	(3,062)
Charges for services	438,600	438,600	453,959	15,359
Internal charges for services	2,587,175	2,587,175	2,509,271	(77,904)
Fines and forfeits	335,650	335,650	297,894	(37,756)
Investment income	134,300	134,300	150,878	16,578
Miscellaneous revenue	81,550	116,550	204,561	88,011
Total revenues	<u>17,825,500</u>	<u>17,975,175</u>	<u>15,149,023</u>	<u>(2,826,152)</u>
<b>EXPENDITURES</b>				
Municipal court	215,900	215,900	191,273	24,627
City manager	531,875	531,875	505,439	26,436
Legal	234,975	234,975	205,538	29,437
Finance	766,375	766,375	679,008	87,367
Human resources	286,675	325,475	296,333	29,142
Technology Services	505,025	510,625	434,150	76,475
Public works administration	300,775	306,775	293,721	13,054
Public works development services	933,050	933,050	870,526	62,524
Police	5,616,100	5,616,100	5,527,087	89,013
Code enforcement	226,150	226,150	206,910	19,240
Legislative	106,175	106,175	90,686	15,489
Maintenance	929,125	929,125	873,137	55,988
Parks and recreation	2,604,375	2,604,375	1,007,265	1,597,110
Parks Ella Redkey pool	462,375	462,375	338,768	123,607
Street maintenance	3,809,225	3,963,375	2,685,423	1,277,952
Street vehicle maintenance	279,900	279,900	199,469	80,431
Street Lighting	383,950	383,950	194,167	189,783
Other general fund programs - materials & services	228,600	272,100	170,040	102,060
Debt service	674,400	674,400	663,726	10,674
Total expenditures	<u>19,095,025</u>	<u>19,343,075</u>	<u>15,432,666</u>	<u>3,910,409</u>
Excess (deficiency) of revenues over expenditures	(1,269,525)	(1,367,900)	(283,643)	1,084,257
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(22,000)	(22,000)	(22,000)	-
Transfers in	660,725	660,725	659,920	(805)
Proceeds from the sale of capital assets	-	-	1,000	1,000
Insurance recoveries	-	-	91	91
Total other financing source (uses)	<u>638,725</u>	<u>638,725</u>	<u>639,011</u>	<u>286</u>
Net change in fund balances	(630,800)	(729,175)	355,368	1,084,543
Fund balances - beginning	9,051,375	9,051,375	11,204,546	2,153,171
Fund balances - ending	<u>\$ 8,420,575</u>	<u>\$ 8,322,200</u>	<u>\$ 11,559,914</u>	<u>\$ 3,237,714</u>

CITY OF KLAMATH FALLS, OREGON  
 AIRPORT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule A-2

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 364,200	\$ 364,200	\$ 368,569	\$ 4,369
Intergovernmental	7,905,225	7,996,225	3,033,331	(4,962,894)
Charges for services	554,550	554,550	573,385	18,835
Investment income	11,250	11,250	18,380	7,130
Miscellaneous revenue	100,300	100,300	112,084	11,784
Total revenues	<u>8,935,525</u>	<u>9,026,525</u>	<u>4,105,749</u>	<u>(4,920,776)</u>
<b>EXPENDITURES</b>				
Airport operations	1,662,800	1,790,800	1,648,413	142,387
FAA grants	7,988,500	7,988,500	2,661,744	5,326,756
Debt service	133,775	133,775	133,750	25
Total expenditures	<u>9,785,075</u>	<u>9,913,075</u>	<u>4,443,907</u>	<u>5,469,168</u>
Excess (deficiency) of revenues over expenditures	(849,550)	(886,550)	(338,158)	548,392
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	432,325	432,325	432,325	-
Total other financing source (uses)	<u>432,325</u>	<u>432,325</u>	<u>432,325</u>	<u>-</u>
Net change in fund balances	(417,225)	(454,225)	94,167	548,392
Fund balances - beginning	1,556,750	1,556,750	1,435,529	(121,221)
Fund balances - ending	<u>\$ 1,139,525</u>	<u>\$ 1,102,525</u>	<u>1,529,696</u>	<u>\$ 427,171</u>
Reconciliation: Interfund loan			<u>(127,813)</u>	
Fund balances - ending (GAAP)			<u>\$ 1,401,883</u>	

City of Klamath Falls, Oregon  
Schedule of Funding Progress  
Last Three Fiscal Years

Schedule A-3

POST EMPLOYMENT HEALTH CARE PLAN - IMPLICIT MEDICAL BENEFIT

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
August 1, 2012	\$ -	\$ 822,372	\$ 822,372	0%	\$ 6,341,297	12.97%
August 1, 2014	-	569,207	569,207	0%	6,079,986	9.36%
July 1, 2016	-	734,383	734,383	0%	6,926,344	10.60%

City of Klamath Falls, Oregon  
Schedule of Proportionate Share of Net Pension Liability  
Last Four Fiscal Years

Schedule A-4

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2016	0.09248144%	\$ 13,883,611	\$ 9,507,830	146.02%	80.53%
2015	0.09065128%	5,204,708	9,314,418	55.88%	91.90%
2014	0.07740436%	(1,754,536)	9,389,238	-18.69%	103.60%
2013	0.09065128%	673,613	9,063,997	7.43%	91.97%

Schedule of Contributions  
Last Three Fiscal Years

Schedule A-5

Year Ended June 30,	Statutorily required contribution (a)	Contributions in relation to the statutorily required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2017	\$ 762,604	\$ 762,604	\$ -	\$ 9,905,073	7.70%
2016	756,647	756,647	-	9,507,830	7.96%
2015	733,439	733,439	-	9,314,418	7.87%
2014	764,158	764,158	-	9,389,238	8.14%

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

These schedules are 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.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

**Stewardship, Compliance, and Accountability**

On or before June 30 of each year, the City enacts a resolution adopting the 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 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 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, 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 City had appropriation transfers and supplemental budgets during the year-ended June 30, 2017. Appropriations lapse as of year-end.

**Pension Plan**

**Changes in Benefit Terms**

Senate Bill 822 was enacted during the 2013 Oregon regular legislative session to lower the cap on the cost-of-living adjustment (COLA) from 2 percent to 1.5 percent for 2013, and eliminated the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon. Senate Bill 861 was enacted during the 2013 Oregon special legislative session, further lowering the post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000. The combined impact of these Senate Bills are reflected in the June 30, 2014 total pension liability, resulting in a net pension asset reported by the City for fiscal year 2015.

The Oregon Supreme Court (Court) ruled in *Moro v. State of Oregon* on April 30, 2015 that certain provisions of Senate Bill 822 and Senate Bill 861 were unconstitutional. The Court ruled that benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. The impact of the Court’s decision is reflected in the June 30, 2015 total pension liability, which contributes to the net pension liability reported by the City for fiscal year 2016.

CITY OF KLAMATH FALLS, OREGON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

**Changes of Assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability, which contributes to the net pension liability reported by the City for fiscal year 2017. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering the assumed inflation to 2.50 percent. In addition, the health 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.

OTHER SUPPLEMENTARY  
INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS

CITY OF KLAMATH FALLS, OREGON  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

Schedule B-1

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 151,445	\$ -	\$ 4,032	\$ 155,477
Accounts receivable	18,273	1,113	-	19,386
Taxes receivable	29,085	-	20,290	49,375
Interest receivable	587	-	421	1,008
Temporarily restricted assets				
Cash and cash equivalents	99,672	82,143	-	181,815
Total Assets	\$ 299,062	\$ 83,256	\$ 24,743	\$ 407,061
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 19,253	\$ -	\$ -	\$ 19,253
Unearned revenue	25,559	-	-	25,559
Advances from other funds	778,269	-	-	778,269
Total Liabilities	823,081	-	-	823,081
Deferred inflows of resources:				
Unavailable revenue - property taxes	23,454	-	16,332	39,786
Unavailable revenue - municipal court fines	9,317	-	-	9,317
Total Deferred Inflows of Resources	32,771	-	16,332	49,103
Total Liabilities and Deferred Inflows of Resources	855,852	-	16,332	872,184
Fund Balances:				
Restricted	-	83,256	-	83,256
Assigned	115,589	-	8,411	124,000
Unassigned	(672,379)	-	-	(672,379)
Total Fund Balances	(556,790)	83,256	8,411	(465,123)
Total Liabilities and Fund Balances	\$ 299,062	\$ 83,256	\$ 24,743	\$ 407,061

CITY OF KLAMATH FALLS, OREGON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2017

Schedule B-2

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 260,417	\$ -	\$ 181,400	\$ 441,817
Intergovernmental	103,634	12,930	-	116,564
Licenses, fees and permits	38,536	-	-	38,536
Charges for services	105,410	-	-	105,410
Fines and forfeits	43,799	-	-	43,799
Investment income	7,134	841	2,217	10,192
Miscellaneous revenues	164	-	-	164
<b>Total Revenues</b>	<u>559,094</u>	<u>13,771</u>	<u>183,617</u>	<u>756,482</u>
<b>Expenditures</b>				
Current:				
General government	495,562	1,800	-	497,362
Public Safety	14,999	-	-	14,999
Highways and streets	100,406	-	-	100,406
Debt service:				
Principal	114,923	-	-	114,923
Interest	49,461	-	205,525	254,986
Capital outlay:				
General government	26,957	-	-	26,957
Culture and recreation	8,533	-	-	8,533
Highways and streets	-	2,708	-	2,708
<b>Total Expenditures</b>	<u>810,841</u>	<u>4,508</u>	<u>205,525</u>	<u>1,020,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(251,747)</u>	<u>9,263</u>	<u>(21,908)</u>	<u>(264,392)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	24,794	225,556	-	250,350
Transfers out	(507,511)	-	-	(507,511)
<b>Total Other Financing Sources and (Uses)</b>	<u>(482,717)</u>	<u>225,556</u>	<u>-</u>	<u>(257,161)</u>
<b>Net Change in Fund Balances</b>	<u>(734,464)</u>	<u>234,819</u>	<u>(21,908)</u>	<u>(521,553)</u>
Fund Balance - Beginning	<u>177,674</u>	<u>(151,563)</u>	<u>30,319</u>	<u>56,430</u>
<b>Fund Balances - Ending</b>	<u><u>\$ (556,790)</u></u>	<u><u>\$ 83,256</u></u>	<u><u>\$ 8,411</u></u>	<u><u>\$ (465,123)</u></u>

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CITY OF KLAMATH FALLS, OREGON  
NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds**

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

The Downtown, Lakefront, and Town Center 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 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 Cogeneration Fund accounts for the proceeds from the sale of a 500 megawatt gas fired, combined-cycle power plant which are then transferred to the Escrow Reserve Fund. Revenues consist solely of investment earnings.

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, 2017

Schedule C-1

	Downtown Urban Renewal Fund	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Parking Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 53,837
Receivables				
Accounts	-	-	-	13,190
Taxes	-	8,801	20,284	-
Interest	-	216	371	-
Temporarily restricted assets				
Cash and cash equivalents	-	2,491	97,181	-
	-	2,491	97,181	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 11,508</b>	<b>\$ 117,836</b>	<b>\$ 67,027</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 573
Unearned revenue	-	-	-	15,885
Advances from other funds	-	638,269	140,000	-
	-	638,269	140,000	-
<b>Total Liabilities</b>	-	638,269	140,000	16,458
Deferred inflows of resources:				
Unavailable revenue - property taxes	-	7,075	16,379	-
Unavailable revenue - municipal court fines	-	-	-	9,317
	-	-	-	9,317
<b>Total Deferred Inflows of Resources</b>	-	7,075	16,379	9,317
<b>Total Liabilities and Deferred Inflows of Resources</b>	-	645,344	156,379	25,775
Fund Balances:				
Assigned	-	-	-	41,252
Unassigned	-	(633,836)	(38,543)	-
	-	(633,836)	(38,543)	-
<b>Total Fund Balances</b>	-	(633,836)	(38,543)	41,252
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ -</b>	<b>\$ 11,508</b>	<b>\$ 117,836</b>	<b>\$ 67,027</b>

Schedule C-1 *continued*

<u>Downtown Maintenance District Fund</u>	<u>Economic Development/ Property Fund</u>	<u>Cogeneration Fund</u>	<u>BINET Fund</u>	<u>Total</u>
\$ 28,492	\$ 69,115	\$ -	\$ 1	\$ 151,445
-	5,083	-	-	18,273
-	-	-	-	29,085
-	-	-	-	587
-	-	-	-	99,672
<u>\$ 28,492</u>	<u>\$ 74,198</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 299,062</u>
\$ 10,755	\$ 7,925	\$ -	\$ -	\$ 19,253
9,674	-	-	-	25,559
-	-	-	-	778,269
<u>20,429</u>	<u>7,925</u>	<u>-</u>	<u>-</u>	<u>823,081</u>
-	-	-	-	23,454
-	-	-	-	9,317
-	-	-	-	32,771
<u>20,429</u>	<u>7,925</u>	<u>-</u>	<u>-</u>	<u>855,852</u>
8,063	66,273	-	1	115,589
-	-	-	-	(672,379)
<u>8,063</u>	<u>66,273</u>	<u>-</u>	<u>1</u>	<u>(556,790)</u>
<u>\$ 28,492</u>	<u>\$ 74,198</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 299,062</u>

CITY OF KLAMATH FALLS, OREGON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2017

Schedule C-2

	Downtown Urban Renewal Fund	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Parking Fund
<b>Revenues</b>				
Taxes	\$ -	\$ 67,014	\$ 193,403	\$ -
Intergovernmental	-	-	-	-
Licenses, fees and permits	-	-	-	38,536
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	43,799
Investment income	138	1,197	2,438	723
Miscellaneous revenues	-	-	-	164
<b>Total Revenues</b>	<u>138</u>	<u>68,211</u>	<u>195,841</u>	<u>83,222</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	26,621	123	158,575	-
Public safety	-	-	-	-
Highways and streets	-	-	-	100,406
<b>Debt service:</b>				
Principal	-	-	114,923	-
Interest	-	25,472	23,989	-
<b>Capital outlay:</b>				
General government	26,957	-	-	-
Culture and recreation	8,533	-	-	-
<b>Total Expenditures</b>	<u>62,111</u>	<u>25,595</u>	<u>297,487</u>	<u>100,406</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(61,973)</u>	<u>42,616</u>	<u>(101,646)</u>	<u>(17,184)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,794	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources and (Uses)</b>	<u>2,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(59,179)	42,616	(101,646)	(17,184)
<b>Fund Balance - Beginning</b>	<u>59,179</u>	<u>(676,452)</u>	<u>63,103</u>	<u>58,436</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ (633,836)</u>	<u>\$ (38,543)</u>	<u>\$ 41,252</u>

Schedule C-2 *continued*

Downtown Maintenance District Fund	Economic Development/ Property Fund	Cogeneration Fund	BINET Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 260,417
-	98,634	-	5,000	103,634
-	-	-	-	38,536
92,926	12,484	-	-	105,410
-	-	-	-	43,799
151	1,105	1,382	-	7,134
-	-	-	-	164
<u>93,077</u>	<u>112,223</u>	<u>1,382</u>	<u>5,000</u>	<u>559,094</u>
96,499	212,244	1,500	-	495,562
-	-	-	14,999	14,999
-	-	-	-	100,406
-	-	-	-	114,923
-	-	-	-	49,461
-	-	-	-	26,957
-	-	-	-	8,533
<u>96,499</u>	<u>212,244</u>	<u>1,500</u>	<u>14,999</u>	<u>810,841</u>
<u>(3,422)</u>	<u>(100,021)</u>	<u>(118)</u>	<u>(9,999)</u>	<u>(251,747)</u>
12,000	-	-	10,000	24,794
<u>(2,794)</u>	<u>-</u>	<u>(504,717)</u>	<u>-</u>	<u>(507,511)</u>
<u>9,206</u>	<u>-</u>	<u>(504,717)</u>	<u>10,000</u>	<u>(482,717)</u>
5,784	(100,021)	(504,835)	1	(734,464)
<u>2,279</u>	<u>166,294</u>	<u>504,835</u>	<u>-</u>	<u>177,674</u>
<u>\$ 8,063</u>	<u>\$ 66,273</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (556,790)</u>

CITY OF KLAMATH FALLS, OREGON  
DOWNTOWN URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule C-3

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ 500	\$ 500	\$ 138	\$ (362)
Total revenues	<u>500</u>	<u>500</u>	<u>138</u>	<u>(362)</u>
<b>EXPENDITURES</b>				
Downtown urban renewal	127,450	127,450	62,111	65,339
Total expenditures	<u>127,450</u>	<u>127,450</u>	<u>62,111</u>	<u>65,339</u>
Excess (deficiency) of revenues over expenditures	(126,950)	(126,950)	(61,973)	64,977
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,000	3,000	2,794	(206)
Total other financing source (uses)	<u>3,000</u>	<u>3,000</u>	<u>2,794</u>	<u>(206)</u>
Net change in fund balances	(123,950)	(123,950)	(59,179)	64,771
Fund balances - beginning	-	-	59,179	59,179
Fund balances - ending	<u>\$ (123,950)</u>	<u>\$ (123,950)</u>	<u>\$ -</u>	<u>\$ 123,950</u>

CITY OF KLAMATH FALLS, OREGON  
 LAKEFRONT URBAN RENEWAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule C-4

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 77,725	\$ 77,725	\$ 67,014	\$ (10,711)
Investment income	1,050	1,050	1,197	147
Total revenues	<u>78,775</u>	<u>78,775</u>	<u>68,211</u>	<u>(10,564)</u>
<b>EXPENDITURES</b>				
Lakefront urban renewal	125	125	123	2
Debt service	<u>78,650</u>	<u>78,650</u>	<u>66,473</u>	<u>12,177</u>
Total expenditures	<u>78,775</u>	<u>78,775</u>	<u>66,596</u>	<u>12,179</u>
Net change in fund balances	-	-	1,615	1,615
Fund balances - beginning	-	-	<u>2,818</u>	<u>2,818</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>4,433</u>	<u>\$ 4,433</u>
Reconciliation: Interfund loan			<u>(638,269)</u>	
Fund balances - ending (GAAP)			<u>\$ (633,836)</u>	

CITY OF KLAMATH FALLS, OREGON  
TOWN CENTER URBAN RENEWAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule C-5

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 177,875	\$ 177,875	\$ 193,403	\$ 15,528
Investment income	1,525	1,525	2,438	913
Total revenues	<u>179,400</u>	<u>179,400</u>	<u>195,841</u>	<u>16,441</u>
<b>EXPENDITURES</b>				
Town center urban renewal	68,575	158,575	158,575	-
Debt service	<u>158,800</u>	<u>158,800</u>	<u>138,912</u>	<u>19,888</u>
Total expenditures	<u>227,375</u>	<u>317,375</u>	<u>297,487</u>	<u>19,888</u>
Excess (deficiency) of revenues over expenditures	(47,975)	(137,975)	(101,646)	36,329
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt - interfund loan	-	140,000	140,000	-
Total other financing source (uses)	<u>-</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Net change in fund balances	(47,975)	2,025	38,354	36,329
Fund balances - beginning	47,975	47,975	63,103	15,128
Fund balances - ending	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 101,457</u>	<u>\$ 51,457</u>
Reconciliation: Interfund loan			<u>(140,000)</u>	
Fund balances - ending (GAAP)			<u>\$ (38,543)</u>	

CITY OF KLAMATH FALLS, OREGON  
PARKING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule C-6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses, fees and permits	\$ 58,400	\$ 58,400	\$ 38,536	\$ (19,864)
Fines and forfeits	50,450	50,450	43,799	(6,651)
Investment income	500	500	723	223
Miscellaneous revenue	-	-	164	164
Total revenues	<u>109,350</u>	<u>109,350</u>	<u>83,222</u>	<u>(26,128)</u>
<b>EXPENDITURES</b>				
Parking	113,775	113,775	100,406	13,369
Contingency	12,000	12,000	-	12,000
Total expenditures	<u>125,775</u>	<u>125,775</u>	<u>100,406</u>	<u>25,369</u>
Net change in fund balances	(16,425)	(16,425)	(17,184)	(759)
Fund balances - beginning	66,350	66,350	58,436	(7,914)
Fund balances - ending	<u>\$ 49,925</u>	<u>\$ 49,925</u>	<u>\$ 41,252</u>	<u>\$ (8,673)</u>

CITY OF KLAMATH FALLS, OREGON  
DOWNTOWN MAINTENANCE DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule C-7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 94,175	\$ 94,175	\$ 92,926	\$ (1,249)
Investment income	25	25	151	126
Total revenues	<u>94,200</u>	<u>94,200</u>	<u>93,077</u>	<u>(1,123)</u>
<b>EXPENDITURES</b>				
Downtown maintenance district	104,625	104,625	96,499	8,126
Total expenditures	<u>104,625</u>	<u>104,625</u>	<u>96,499</u>	<u>8,126</u>
Excess (deficiency) of revenues over expenditures	(10,425)	(10,425)	(3,422)	7,003
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(3,000)	(3,000)	(2,794)	206
Transfers in	12,000	12,000	12,000	-
Total other financing source (uses)	<u>9,000</u>	<u>9,000</u>	<u>9,206</u>	<u>206</u>
Net change in fund balances	(1,425)	(1,425)	5,784	7,209
Fund balances - beginning	2,000	2,000	2,279	279
Fund balances - ending	<u>\$ 575</u>	<u>\$ 575</u>	<u>\$ 8,063</u>	<u>\$ 7,488</u>

CITY OF KLAMATH FALLS, OREGON  
 ECONOMIC DEVELOPMENT/PROPERTY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule C-8

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 12,450	\$ 12,450	\$ 12,484	\$ 34
Intergovernmental	215,000	215,000	98,634	(116,366)
Investment income	1,350	1,350	1,105	(245)
Total revenues	<u>228,800</u>	<u>228,800</u>	<u>112,223</u>	<u>(116,577)</u>
<b>EXPENDITURES</b>				
Economic development/property	357,525	357,525	212,244	145,281
Contingency	49,675	49,675	-	49,675
Total expenditures	<u>407,200</u>	<u>407,200</u>	<u>212,244</u>	<u>194,956</u>
Net change in fund balances	(178,400)	(178,400)	(100,021)	78,379
Fund balances - beginning	178,400	178,400	166,294	(12,106)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,273</u>	<u>\$ 66,273</u>

CITY OF KLAMATH FALLS, OREGON  
 COGENERATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule C-9

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ 14,000	\$ 14,000	\$ 1,382	\$ (12,618)
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>1,382</u>	<u>(12,618)</u>
<b>EXPENDITURES</b>				
Cogeneration				
Materials & services	1,500	1,500	1,500	-
Total expenditures	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	12,500	12,500	(118)	(12,618)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(528,825)	(528,825)	(504,717)	24,108
Total other financing source (uses)	<u>(528,825)</u>	<u>(528,825)</u>	<u>(504,717)</u>	<u>24,108</u>
Net change in fund balances	(516,325)	(516,325)	(504,835)	11,490
Fund balances - beginning	516,325	516,325	504,835	(11,490)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KLAMATH FALLS, OREGON  
BINET FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule C-10

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 5,000	\$ (5,000)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	<u>(5,000)</u>
<b>EXPENDITURES</b>				
BINET	20,000	20,000	14,999	5,001
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>14,999</u>	<u>5,001</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(10,000)	(9,999)	1
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	-
Total other financing source (uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	-	-	1	1
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

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CITY OF KLAMATH FALLS, OREGON  
NONMAJOR GOVERNMENTAL FUNDS

**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 Footpaths/Bicycle Trails Fund accounts for funds received and expended for construction and renovation of pedestrian footpaths and bicycle trails. The primary source of revenue is 1% of all gas tax receipts disbursed to the City.

The Technology Reserve Fund accounts for the reservation of funds and interfund loans set aside to upgrade or replace the computer information systems used by the City.

The Capital Projects Fund (formerly Building Fund) is a major fund that accounts for funds received for major projects and acquisitions. Revenue consists of lease payments for the finance/utility billing building and 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.

**Debt Service Fund**

Debt service funds are used to account for taxes collected for the principal and interest payments of the 2008 general obligation bond used to build the Police Department.

**Fiduciary Fund**

Fiduciary funds are used to report assets held in a trustee capacity for others and therefore cannot be used to support the City's own programs.

The Veteran's Memorial Fund is used to account for funds belonging to donors and held in trust by the City for the sole and exclusive purpose of repairing, maintaining and expanding the Memorial facility at the Veterans Park. Expenditures of funds for the memorial are at the written direction of a "Memorial Committee".

CITY OF KLAMATH FALLS, OREGON  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 June 30, 2017

Schedule D-1

	Footpaths/Bicycle Trails Fund	Technology Reserve Fund	Total
<b>ASSETS</b>			
Accounts receivable	\$ 1,113	\$ -	\$ 1,113
Temporarily restricted assets			
Cash and cash equivalents	82,143	-	82,143
Total Assets	\$ 83,256	\$ -	\$ 83,256
<b>LIABILITIES AND FUND BALANCES</b>			
Fund Balances			
Restricted	83,256	-	83,256
Total Fund Balances	83,256	-	83,256
Total Liabilities and Fund Balances	\$ 83,256	\$ -	\$ 83,256

CITY OF KLAMATH FALLS, OREGON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 For the Year Ended June 30, 2016

Schedule D-2

	Footpaths/Bicycle Trails Fund	Technology Reserve Fund	Total
<b>Revenues</b>			
Intergovernmental	\$ 12,930	\$ -	\$ 12,930
Investment Income	841	-	841
<b>Total Revenues</b>	<b>13,771</b>	<b>-</b>	<b>13,771</b>
<b>Expenditures</b>			
Materials and services	1,800	-	1,800
Capital Outlay	2,708	-	2,708
Debt Service	-	-	-
<b>Total Expenditures</b>	<b>4,508</b>	<b>-</b>	<b>4,508</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,263	-	9,263
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	225,556	225,556
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>225,556</b>	<b>225,556</b>
<b>Net Change in Fund Balances</b>	<b>9,263</b>	<b>225,556</b>	<b>234,819</b>
Fund Balances - Beginning	73,993	(225,556)	(151,563)
Fund Balances - Ending	<u>\$ 83,256</u>	<u>\$ -</u>	<u>\$ 83,256</u>

CITY OF KLAMATH FALLS, OREGON  
 FOOTPATHS/BICYCLE TRAILS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule D-3

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 12,825	\$ 12,825	\$ 12,930	\$ 105
Investment income	400	400	841	441
Total revenues	<u>13,225</u>	<u>13,225</u>	<u>13,771</u>	<u>546</u>
<b>EXPENDITURES</b>				
Footpaths/bicycle trails	<u>28,450</u>	<u>28,450</u>	<u>4,508</u>	<u>23,942</u>
Total expenditures	<u>28,450</u>	<u>28,450</u>	<u>4,508</u>	<u>23,942</u>
Net change in fund balances	(15,225)	(15,225)	9,263	24,488
Fund balances - beginning	53,100	53,100	73,993	20,893
Fund balances - ending	<u>\$ 37,875</u>	<u>\$ 37,875</u>	<u>\$ 83,256</u>	<u>\$ 45,381</u>

CITY OF KLAMATH FALLS, OREGON  
 TECHNOLOGY RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule D-4

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	(157,825)	(157,825)	(143,725)	14,100
Total other financing source (uses)	(157,825)	(157,825)	(143,725)	14,100
Net change in fund balances	(157,825)	(157,825)	(143,725)	14,100
Fund balances - beginning	157,825	157,825	143,725	(14,100)
Fund balances - ending	\$ -	\$ -	-	\$ -

CITY OF KLAMATH FALLS, OREGON  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule D-5

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 54,000	\$ 54,000	\$ 54,000	\$ -
Investment income	88,175	88,175	99,027	10,852
Total revenues	<u>142,175</u>	<u>142,175</u>	<u>153,027</u>	<u>10,852</u>
Net change in fund balances	142,175	142,175	153,027	10,852
Fund balances - beginning	<u>17,757,325</u>	<u>17,757,325</u>	<u>17,772,500</u>	<u>15,175</u>
Fund balances - ending	<u>\$ 17,899,500</u>	<u>\$ 17,899,500</u>	<u>\$ 17,925,527</u>	<u>\$ 26,027</u>

CITY OF KLAMATH FALLS, OREGON  
 ESCROW RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Schedule D-6

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ 82,650	\$ 82,650	\$ 107,799	\$ 25,149
Total revenues	<u>82,650</u>	<u>82,650</u>	<u>107,799</u>	<u>25,149</u>
Excess (deficiency) of revenues over expenditures	82,650	82,650	107,799	25,149
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	528,825	528,825	504,717	(24,108)
Interfund loan	-	(140,000)	(140,000)	-
Interfund loan repayment	490,125	490,125	532,469	42,344
Total other financing source (uses)	<u>1,018,950</u>	<u>878,950</u>	<u>897,186</u>	<u>18,236</u>
Net change in fund balances	1,101,600	961,600	1,004,985	43,385
Fund balances - beginning	6,218,775	6,218,775	6,193,523	(25,252)
Fund balances - ending	<u>\$ 7,320,375</u>	<u>\$ 7,180,375</u>	7,198,508	<u>\$ 18,133</u>
Reconciliation: Interfund loan			<u>906,082</u>	
Fund balances - ending (GAAP)			<u>\$ 8,104,590</u>	

CITY OF KLAMATH FALLS, OREGON  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule E-1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 178,275	\$ 178,275	\$ 181,400	\$ 3,125
Investment income	1,275	1,275	2,217	942
Total revenues	<u>179,550</u>	<u>179,550</u>	<u>183,617</u>	<u>4,067</u>
<b>EXPENDITURES</b>				
Debt service				
Debt service	<u>205,525</u>	<u>205,525</u>	<u>205,525</u>	-
Total expenditures	<u>205,525</u>	<u>205,525</u>	<u>205,525</u>	-
Net change in fund balances	(25,975)	(25,975)	(21,908)	4,067
Fund balances - beginning	30,675	30,675	30,319	(356)
Fund balances - ending	<u>\$ 4,700</u>	<u>\$ 4,700</u>	<u>\$ 8,411</u>	<u>\$ 3,711</u>

CITY OF KLAMATH FALLS, OREGON  
VETERAN'S MEMORIAL AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2017

Schedule F-1

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and cash equivalents	\$ 51,495	\$ 4,263	\$ 1,634	\$ 54,124
Interest Receivable	109	-	-	109
Investments	103,085	1,403	3,653	100,835
	\$ 154,689	\$ 5,666	\$ 5,287	\$ 155,068
<b>LIABILITIES</b>				
Accounts payable	\$ 398	\$ 2,309	\$ 2,707	\$ -
Due to Veterans Associations	154,291	3,226	2,449	155,068
	\$ 154,689	\$ 5,535	\$ 5,156	\$ 155,068

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CITY OF KLAMATH FALLS, OREGON  
PROPRIETARY FUNDS

**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 consists 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, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule G-1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 7,372,075	\$ 7,372,075	\$ 7,600,710	\$ 228,635
Investment income	58,800	58,800	45,273	(13,527)
Internal service charges	-	-	-	-
System development charges	43,500	43,500	64,966	21,466
Miscellaneous revenue	5,000	5,000	8,678	3,678
Total revenues	<u>7,479,375</u>	<u>7,479,375</u>	<u>7,719,627</u>	<u>240,252</u>
<b>EXPENDITURES</b>				
Collections	2,307,775	2,666,125	2,309,671	356,454
Treatment	3,932,550	3,574,200	2,405,179	1,169,021
Utility billing	392,275	392,275	386,252	6,023
Debt service	807,800	807,800	807,647	153
Total expenditures	<u>7,440,400</u>	<u>7,440,400</u>	<u>5,908,749</u>	<u>1,531,651</u>
Excess (deficiency) of revenues over expenditures	38,975	38,975	1,810,878	1,771,903
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing source (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	38,975	38,975	1,810,878	1,771,903
Fund balances - beginning	3,651,175	3,651,175	3,929,640	278,465
Fund balances - ending	<u>\$ 3,690,150</u>	<u>\$ 3,690,150</u>	<u>5,740,518</u>	<u>\$ 2,050,368</u>
<b>Reconciliation</b>				
Prepaid items			30,478	
Notes & Accounts Receivable			4,519	
Capital assets, net of accumulated depreciation			29,746,046	
OPEB implicit subsidy			(80,160)	
Compensated absences			(101,505)	
Bond refunding deferred charge			158,758	
Accrued interest payable			(11,294)	
Bonds payable			(5,842,219)	
Deferred outflows of resources - pensions			597,186	
Deferred inflows of resources - pensions			(31,766)	
Net pension liability			(1,151,530)	
Net position - ending (GAAP)			<u>\$ 29,059,031</u>	

CITY OF KLAMATH FALLS, OREGON  
WATER FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Schedule G-2

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 7,694,025	\$ 7,694,025	\$ 7,781,182	\$ 87,157
Investment income	145,575	145,575	46,607	(98,968)
Internal service charges	2,775	2,775	-	(2,775)
System development charges	103,700	103,700	80,301	(23,399)
Miscellaneous revenue	15,000	15,000	6,456	(8,544)
Total revenues	<u>7,961,075</u>	<u>7,961,075</u>	<u>7,914,546</u>	<u>(46,529)</u>
<b>EXPENDITURES</b>				
Operations	6,989,875	6,989,875	6,063,674	926,201
Utility billing	806,650	806,650	793,815	12,835
Geothermal	145,175	145,175	148,152	(2,977)
Debt service	64,250	64,250	64,210	40
Total expenditures	<u>8,005,950</u>	<u>8,005,950</u>	<u>7,069,851</u>	<u>936,099</u>
Excess (deficiency) of revenues over expenditures	(44,875)	(44,875)	844,695	889,570
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(935,225)	(935,225)	(948,520)	(13,295)
Insurance recoveries	-	-	12,501	12,501
Total other financing source (uses)	<u>(935,225)</u>	<u>(935,225)</u>	<u>(936,019)</u>	<u>(794)</u>
Net change in fund balances	(980,100)	(980,100)	(91,324)	888,776
Fund balances - beginning	4,348,850	4,348,850	5,152,152	803,302
Fund balances - ending	<u>\$ 3,368,750</u>	<u>\$ 3,368,750</u>	5,060,828	<u>\$ 1,692,078</u>
<b>Reconciliation</b>				
Prepaid items			32,793	
Notes & Accounts Receivable			34,884	
Capital assets, net of accumulated depreciation			35,063,166	
OPEB implicit subsidy			(98,943)	
Compensated absences			(122,342)	
Accrued interest payable			(13,387)	
Loans payable			(621,002)	
Deferred outflows of resources - pensions			796,314	
Deferred inflows of resources - pensions			(42,359)	
Net pension liability			(1,535,502)	
Net position - ending (GAAP)			<u>\$ 38,554,450</u>	

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OTHER SUPPLEMENTARY SCHEDULES

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City of Klamath Falls, Oregon  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule By Function and Activity  
 June 30, 2017

Schedule H-1

Function and Activity	Land	Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government:						
Manager	\$ 1,410,929	\$ 3,638,182	\$ 317,372	\$ 1,159,703	\$ -	\$ 6,526,186
Information Systems	-	-	1,470,430	-	-	1,470,430
Engineering	-	-	309,952	-	-	309,952
Maintenance	-	79,087	118,882	-	-	197,969
Economic Development	544,243	-	-	-	-	544,243
Urban renewal	-	-	-	-	-	-
<b>Total General Government</b>	<u>1,955,172</u>	<u>3,717,269</u>	<u>2,216,636</u>	<u>1,159,703</u>	<u>-</u>	<u>9,048,780</u>
<b>Airport</b>	<u>9,193,403</u>	<u>4,048,097</u>	<u>2,854,412</u>	<u>57,362,634</u>	<u>2,735,521</u>	<u>76,194,067</u>
<b>Culture and Recreation</b>	<u>442,448</u>	<u>1,369,910</u>	<u>1,675,760</u>	<u>3,702,058</u>	<u>410,655</u>	<u>7,600,831</u>
Public safety:						
Police	399,111	8,152,307	2,050,550	-	-	10,601,968
Code enforcement	-	-	76,625	-	-	76,625
<b>Total Public Safety</b>	<u>399,111</u>	<u>8,152,307</u>	<u>2,127,175</u>	<u>-</u>	<u>-</u>	<u>10,678,593</u>
Highways and Streets:						
Maintenance	1,500	283,338	3,119,013	-	-	3,403,851
Street System	2,100,947	-	735,277	133,218,547	1,085,278	137,140,049
<b>Total Highways and Streets</b>	<u>2,102,447</u>	<u>283,338</u>	<u>3,854,290</u>	<u>133,218,547</u>	<u>1,085,278</u>	<u>140,543,900</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 14,092,581</u>	<u>\$ 17,570,921</u>	<u>\$ 12,728,273</u>	<u>\$ 195,442,942</u>	<u>\$ 4,231,454</u>	<u>\$ 244,066,171</u>

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, 2017

Schedule H-2

Function and Activity	Governmental Funds Capital Assets July 1, 2016	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2017
General Government:				
Manager	\$ 4,165,474	\$ 121,377	\$ 2,239,335	\$ 6,526,186
Information Systems	1,453,660	16,770	-	1,470,430
Engineering	302,952	7,000	-	309,952
Maintenance	177,863		20,106	197,969
Economic Development	544,243	-	-	544,243
Urban renewal	2,899,925	35,490	(2,935,415)	-
Total General Government	9,544,117	180,637	(675,974)	9,048,780
Airport	73,479,727	2,714,340	-	76,194,067
Culture and Recreation	6,869,880	173,296	557,655	7,600,831
Public safety:				
Police	10,805,928	214,146	(418,106)	10,601,968
Code enforcement	62,535	33,438	(19,348)	76,625
Total Public Safety	10,868,463	247,584	(437,454)	10,678,593
Highways and streets:				
Maintenance	3,396,396	7,455	-	3,403,851
Street system	135,733,991	1,389,010	17,048	137,140,049
Total Highways and Streets	139,130,387	1,396,465	17,048	140,543,900
Total Governmental Funds Capital Assets	\$ 239,892,574	\$ 4,712,322	\$ (538,725)	\$ 244,066,171

**STATISTICAL  
SECTION**

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## Statistical Section

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

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<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity – Schedules I-5, I-6, I-7, and I-8 .....	33
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity – Schedules I-9, I-10, I-11, I-12 and I-13 .....	39
<i>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.</i>	
Demographic and Economic Information – Schedules I-14, and I-15 .....	47
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which government's financial activities take place.</i>	
Operating Information – Schedules I-16, I-17, I-18, and I-19 .....	51
<i>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.</i>	

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

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FINANCIAL  
TRENDS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Schedule I-1 2008</u>
Governmental activities										
Net investment in capital assets	\$106,175,191	\$105,999,139	\$107,962,108	\$113,684,484	\$115,096,825	\$119,231,089	\$120,623,415	\$117,426,374	\$ 92,499,417	\$ 93,122,533
Restricted	3,971,607	2,582,763	1,832,112	2,324,012	2,851,180	3,800,188	5,705,016	12,853,050	10,439,805	998,106
Unrestricted	27,580,669	29,390,584	18,256,806	16,908,446	17,186,214	14,361,606	11,814,580	7,948,267	9,927,193	9,391,036
Total governmental activities net position	<u>\$137,727,467</u>	<u>\$137,972,486</u>	<u>\$128,051,026</u>	<u>\$132,916,942</u>	<u>\$135,134,219</u>	<u>\$137,392,883</u>	<u>\$138,143,011</u>	<u>\$138,227,691</u>	<u>\$112,866,415</u>	<u>\$103,511,675</u>
Business-type activities										
Net investment in capital assets	\$ 58,324,352	\$ 56,282,189	\$ 55,458,635	\$ 51,934,040	\$ 51,447,145	\$ 49,262,631	\$ 49,086,527	\$ 47,325,073	\$ 36,340,357	\$ 34,075,653
Restricted	1,092,164	4,633,944	5,041,272	5,402,198	9,062,712	7,691,035	5,823,352	4,055,414	20,547,492	18,221,131
Unrestricted	8,196,965	3,246,712	14,989,228	14,149,001	7,435,547	7,086,144	6,789,017	7,971,682	7,817,326	12,808,080
Total business-type activities net position	<u>\$ 67,613,481</u>	<u>\$ 64,162,845</u>	<u>\$ 75,489,135</u>	<u>\$ 71,485,239</u>	<u>\$ 67,945,404</u>	<u>\$ 64,039,810</u>	<u>\$ 61,698,896</u>	<u>\$ 59,352,169</u>	<u>\$ 64,705,175</u>	<u>\$ 65,104,864</u>
Primary government										
Net investment in capital assets	\$164,499,543	\$162,281,328	\$163,420,743	\$165,618,524	\$166,543,970	\$168,493,720	\$169,709,942	\$164,751,447	\$128,839,774	\$127,198,186
Restricted	5,063,771	7,216,707	6,873,384	7,726,210	11,913,892	11,491,223	11,528,368	16,908,464	30,987,297	19,219,237
Unrestricted	35,777,634	32,637,296	33,246,034	31,057,447	24,621,761	21,447,750	18,603,597	15,919,949	17,744,519	22,199,116
Total primary government net position	<u>\$205,340,948</u>	<u>\$202,135,331</u>	<u>\$203,540,161</u>	<u>\$204,402,181</u>	<u>\$203,079,623</u>	<u>\$201,432,693</u>	<u>\$199,841,907</u>	<u>\$197,579,860</u>	<u>\$177,571,590</u>	<u>\$168,616,539</u>

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

<b>Expenses</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Schedule I-2a 2008</b>
Governmental activities:										
General government	\$ 5,727,651	\$ 5,802,794	\$ 4,750,011	\$ 1,117,501	\$ 998,328	\$ 916,736	\$ 1,858,704	\$ 965,249	\$ 1,166,541	\$ 1,968,063
Airport	3,128,916	2,865,179	2,483,308	2,979,505	2,738,308	3,056,676	2,711,318	2,416,914	2,955,132	2,090,904
Culture and recreation	1,315,260	1,346,156	1,198,095	1,429,718	1,393,933	1,315,332	1,170,962	1,126,984	1,104,576	855,338
Public safety	6,678,984	7,827,924	4,551,499	6,392,398	6,643,034	6,592,397	6,728,610	6,245,613	6,211,412	5,980,528
Highways and streets	3,795,646	4,266,110	6,920,863	5,376,296	5,443,451	6,069,358	5,548,199	6,980,014	6,998,760	6,580,800
Interest on long-term debt	386,404	426,013	450,287	409,176	435,161	468,537	514,306	549,840	470,765	407,383
Total governmental activities	<u>21,032,861</u>	<u>22,534,176</u>	<u>20,354,063</u>	<u>17,704,594</u>	<u>17,652,215</u>	<u>18,419,036</u>	<u>18,532,099</u>	<u>18,284,614</u>	<u>18,907,186</u>	<u>17,883,016</u>
Business-type activity -										
Wastewater	5,396,231	5,474,517	4,893,634	5,045,680	4,992,855	4,914,640	5,021,711	5,784,920	5,788,994	5,639,417
Water	5,959,718	6,156,074	5,536,655	5,682,323	5,566,016	5,588,110	5,479,594	5,557,164	5,652,839	5,116,142
Electric	-	-	-	-	-	-	-	-	-	93,333,875
Total business-type activities	<u>11,355,949</u>	<u>11,630,591</u>	<u>10,430,289</u>	<u>10,728,003</u>	<u>10,558,871</u>	<u>10,502,750</u>	<u>10,501,305</u>	<u>11,342,084</u>	<u>11,441,833</u>	<u>104,089,434</u>
Total Expenses	<u>\$ 32,388,810</u>	<u>\$ 34,164,767</u>	<u>\$ 30,784,352</u>	<u>\$ 28,432,597</u>	<u>\$ 28,211,086</u>	<u>\$ 28,921,786</u>	<u>\$ 29,033,404</u>	<u>\$ 29,626,698</u>	<u>\$ 30,349,019</u>	<u>\$ 121,972,450</u>
<b>Program Revenues</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Governmental activities:										
Charges for services										
General government	\$ 2,776,556	\$ 2,855,961	\$ 2,837,399	\$ 286,623	\$ 484,091	\$ 375,711	\$ 297,346	\$ 307,620	\$ 444,397	\$ 612,722
Airport	685,469	470,645	524,083	714,909	709,978	690,670	752,472	714,295	792,410	741,703
Culture and recreation	208,900	208,900	184,357	152,142	139,322	32,895	26,465	62,635	36,938	73,467
Public safety	33,462	33,462	404,376	446,467	421,800	511,539	486,579	477,764	627,543	718,489
Highways and streets	332,301	347,832	151,678	355,562	302,871	310,576	298,671	293,013	290,611	138,292
Operating grants and contributions	353,709	247,032	108,891	117,860	278,724	408,138	1,228,734	500,695	770,859	434,462
Capital grants and contributions	3,010,978	916,336	831,469	2,236,523	986,649	1,824,829	3,123,541	21,676,883	11,419,781	6,507,816
Total governmental activities	<u>7,401,375</u>	<u>5,080,168</u>	<u>5,042,253</u>	<u>4,310,086</u>	<u>3,323,435</u>	<u>4,154,358</u>	<u>6,213,808</u>	<u>24,032,905</u>	<u>14,382,539</u>	<u>9,226,951</u>
Business-type activity -										
Charges for services										
Wastewater	7,678,873	7,354,469	7,018,141	6,714,855	6,791,552	6,223,467	6,181,257	6,190,377	4,874,626	4,994,068
Water	7,936,322	7,665,939	7,703,108	7,244,563	7,434,803	6,732,455	6,767,730	7,128,762	6,955,464	6,931,420
Electric	-	-	-	-	-	-	-	-	-	79,743,915
Operating grants and contributions	-	-	-	-	-	1,989	45,623	104,527	-	-
Capital grants and contributions	48,030	275,677	339,176	864,767	428,094	43,543	172,287	307,195	527,998	1,133,629
Total business-type activity	<u>15,663,225</u>	<u>15,296,085</u>	<u>15,060,425</u>	<u>14,824,185</u>	<u>14,654,449</u>	<u>13,001,454</u>	<u>13,166,897</u>	<u>13,730,861</u>	<u>12,358,088</u>	<u>92,803,032</u>
Total program revenues	<u>\$ 23,064,600</u>	<u>\$ 20,376,253</u>	<u>\$ 20,102,678</u>	<u>\$ 19,134,271</u>	<u>\$ 17,977,884</u>	<u>\$ 17,155,812</u>	<u>\$ 19,380,705</u>	<u>\$ 37,763,766</u>	<u>\$ 26,740,627</u>	<u>\$ 102,029,983</u>

*Continued on next page*

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

<i>Continued</i>	<b>Schedule I-2b</b>									
<b>Program Revenues</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net (expense)/revenue										
Governmental activities	\$ (13,631,486)	\$ (17,454,008)	\$ (15,311,810)	\$ (13,394,508)	\$ (14,328,780)	\$ (14,264,678)	\$ (12,318,291)	\$ 5,748,291	\$ (4,524,647)	\$ (8,656,065)
Business-type activity	4,307,276	3,665,494	4,630,136	4,096,182	4,095,578	2,498,704	2,665,592	2,388,777	916,255	(11,286,402)
Total net expense (revenue)	<u>\$ (9,324,210)</u>	<u>\$ (13,788,514)</u>	<u>\$ (10,681,674)</u>	<u>\$ (9,298,326)</u>	<u>\$ (10,233,202)</u>	<u>\$ (11,765,974)</u>	<u>\$ (9,652,699)</u>	<u>\$ 8,137,068</u>	<u>\$ (3,608,392)</u>	<u>\$ (19,942,467)</u>
<b>General Revenues</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Governmental activities:										
Property taxes	\$ 7,009,508	\$ 6,901,748	\$ 6,999,271	\$ 6,801,445	\$ 7,205,147	\$ 7,443,904	\$ 7,519,701	\$ 7,455,530	\$ 6,951,966	\$ 6,659,364
Franchise taxes	2,542,802	2,444,433	2,400,513	2,338,179	2,285,109	2,112,940	2,032,875	1,897,175	1,884,227	1,925,103
911 excise tax	-	-	-	-	51,006	102,784	105,920	-	-	-
Motor fuel taxes	1,293,021	1,274,616	1,229,155	1,227,480	1,165,774	1,145,033	1,044,517	887,985	815,573	906,914
Alcoholic beverage taxes	331,238	309,573	309,693	300,889	284,182	268,841	250,378	241,280	255,551	238,360
Cigarette taxes	27,459	28,420	28,698	28,905	30,238	30,699	32,418	31,174	33,304	34,359
Transient room taxes	560,037	505,000	507,012	448,867	400,655	470,879	494,922	375,233	381,837	349,415
State revenue sharing	214,081	193,598	199,962	202,054	183,829	177,232	163,365	159,682	165,415	158,907
Federal forest receipts	114,654	110,195	1,103,867	-	-	-	-	-	-	-
Unrestricted investment earnings	386,276	344,046	247,792	199,778	178,996	227,402	222,930	482,757	504,718	968,114
Gain on sale of capital assets	(41,129)	12,351	2,199	111,709	-	750	30,435	-	350,266	288,583
Special and extraordinary items	-	-	-	-	-	1,133,000	-	(397,783)	-	899,194
Insurance recoveries	-	9,865	15,123	-	-	-	-	-	-	-
Transfer of capital asset	-	30,463	(1,293,837)	-	-	-	-	-	-	-
Transfers in / (out)	948,520	15,241,622	1,569,912	385,189	285,180	238,653	379,138	8,236,517	2,536,530	212,550
Total general revenues, transfers,	<u>13,386,467</u>	<u>27,405,930</u>	<u>13,319,360</u>	<u>12,044,495</u>	<u>12,070,116</u>	<u>13,352,117</u>	<u>12,276,599</u>	<u>19,369,550</u>	<u>13,879,387</u>	<u>12,640,863</u>
Business-type activity -										
Unrestricted investment earnings	91,880	280,301	142,631	104,507	95,196	80,863	60,273	494,734	1,220,586	6,710,258
Special and extraordinary items	-	-	-	-	-	-	-	-	-	39,047,754
Transfer of capital asset	-	(30,463)	1,293,837	-	-	-	-	-	-	-
Transfers in / (out)	(948,520)	(15,241,622)	(1,569,912)	(385,189)	(285,180)	(238,653)	(379,138)	(8,236,517)	(2,536,530)	(212,550)
Total business-type activities	<u>(856,640)</u>	<u>(14,991,784)</u>	<u>(133,444)</u>	<u>(280,682)</u>	<u>(189,984)</u>	<u>(157,790)</u>	<u>(318,865)</u>	<u>(7,741,783)</u>	<u>(1,315,944)</u>	<u>45,545,462</u>
Total primary government	<u>\$ 12,529,827</u>	<u>\$ 12,414,146</u>	<u>\$ 13,185,916</u>	<u>\$ 11,763,813</u>	<u>\$ 11,880,132</u>	<u>\$ 13,194,327</u>	<u>\$ 11,957,734</u>	<u>\$ 11,627,767</u>	<u>\$ 12,563,443</u>	<u>\$ 58,186,325</u>
<b>Change in Net Position</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Governmental activities	\$ (245,019)	\$ 9,951,922	\$ (1,992,450)	\$ (1,350,013)	\$ (2,258,664)	\$ (912,561)	\$ (41,692)	\$ 25,117,841	\$ 9,354,740	\$ 3,984,798
Business-type activity	3,450,636	(11,326,290)	4,496,692	3,815,500	3,905,594	2,340,914	2,346,727	(5,353,006)	(399,689)	34,259,060
Total Change in Net Position	<u>\$ 3,205,617</u>	<u>\$ (1,374,368)</u>	<u>\$ 2,504,242</u>	<u>\$ 2,465,487</u>	<u>\$ 1,646,930</u>	<u>\$ 1,428,353</u>	<u>\$ 2,305,035</u>	<u>\$ 19,764,835</u>	<u>\$ 8,955,051</u>	<u>\$ 38,243,858</u>

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

	<u>2017</u>	<u>2016 <sup>3</sup></u>	<u>2015 <sup>2</sup></u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 <sup>1</sup></u>	<u>2010</u>	<u>2009</u>	<u>Schedule I-3 2008</u>
General Fund										
Nonspendable	\$ 45,496	\$ 38,971	\$ 130,701	\$ 243,735	\$ 96,586	\$ 94,654	\$ 123,265			
Restricted	144,847	133,776	80,454	65,278	56,596	-	-			
Assigned	4,188,842	5,751,645	103,791	39,638	49,638	521,743	954,280			
Unassigned	7,180,729	5,280,154	3,246,947	4,453,307	4,150,530	3,887,663	3,005,764			
Reserved								\$ 213,091	\$ 314,051	\$ 433,900
Unreserved								3,266,208	3,091,150	3,166,075
Total general fund	<u>\$ 11,559,914</u>	<u>\$ 11,204,546</u>	<u>\$ 3,561,893</u>	<u>\$ 4,801,958</u>	<u>\$ 4,353,350</u>	<u>\$ 4,504,060</u>	<u>\$ 4,083,309</u>	<u>\$ 3,479,299</u>	<u>\$ 3,405,201</u>	<u>\$ 3,599,975</u>
All other governmental funds										
Nonspendable	\$ -	\$ 8,544	\$ 125,307	\$ 149,572	\$ 91,110	\$ 75,919	\$ 104,942			
Restricted	3,826,760	2,448,987	1,696,307	2,166,019	2,201,094	3,432,013	5,325,961			
Assigned	23,812,496	24,951,010	18,242,788	14,354,112	13,904,795	10,915,284	8,605,567			
Unassigned	(672,379)	(902,008)	(901,147)	(796,705)	-	-	(206,459)			
Reserved for:										
Prepays and inventory								\$ 177,656	\$ 107,973	\$ 110,200
Advances to other funds								500,000	500,000	-
System development charges								64,759	59,695	131,182
Community programs								-	57,300	171,020
Capital outlay								1,152,821	9,489,776	10,433
Debt service								145,025	288,207	4,886,295
Outside Third Party Claims								5,873,283	-	-
Perpetual care-Nonexpendable								-	436,100	430,446
Unreserved, reported in:										
Special revenue funds								3,540,839	3,963,066	5,040,643
Capital project funds								4,701,679	1,340,445	1,962,118
Debt service fund								448,480	363,854	350,471
Perpetual care-Expendable								-	2,014	-
Total all other governmental funds	<u>\$ 26,966,877</u>	<u>\$ 26,506,533</u>	<u>\$ 19,163,255</u>	<u>\$ 15,872,998</u>	<u>\$ 16,196,999</u>	<u>\$ 14,423,216</u>	<u>\$ 13,830,011</u>	<u>\$ 16,604,542</u>	<u>\$ 16,608,430</u>	<u>\$ 13,092,808</u>

<sup>1</sup> Governmental Accounting Standards Board (GASB) Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions - issued 02/09) changed fund balance categories from reserved and unreserved to the categories presented starting in fiscal year 2011.

<sup>2</sup> In fiscal year 2015 the General Fund fund transferred \$2 million to the Capital Projects Fund (formerly Building Reserve Fund)

<sup>3</sup> 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 Government Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Schedule I-4a 2008</u>
<b>Revenues</b>										
Property taxes	\$ 7,034,171	\$ 6,892,417	\$ 7,032,490	\$ 6,956,668	\$ 7,211,003	\$ 7,507,727	\$ 7,387,533	\$ 7,340,106	\$ 6,819,648	\$ 6,526,160
Special assessments	17,215	48,688	-	800	97,227	2,479	6,387	10,350	7,942	30,541
Intergovernmental	5,792,146	3,477,796	3,743,238	3,797,578	3,158,117	4,984,594	6,886,229	22,573,756	13,577,485	6,912,621
Licenses, fees and permits	153,232	163,011	178,499	183,764	194,230	224,155	216,805	231,027	257,485	400,221
Franchise fees	2,534,513	2,444,433	2,400,513	2,338,178	2,293,767	2,120,371	2,040,041	1,905,227	1,896,824	1,940,380
Charges for services	1,186,754	1,081,035	1,083,053	4,863,660	4,933,476	5,134,894	5,260,072	5,114,039	5,349,311	4,951,836
Internal charges for services	2,509,271	2,422,161	2,936,762	-	-	-	-	-	-	-
Fines and forfeitures	341,693	344,653	460,151	452,676	432,056	471,487	441,085	464,037	573,498	642,191
Investment earnings	386,276	344,046	247,792	285,013	195,184	251,546	246,054	531,217	511,791	978,724
Miscellaneous	316,809	138,949	146,519	330,967	337,110	860,705	139,516	263,425	288,023	893,455
System development charges	-	-	2,722	-	-	-	4,549	-	-	-
<b>Total Revenues</b>	<u>\$ 20,272,080</u>	<u>\$ 17,357,189</u>	<u>\$ 18,231,739</u>	<u>\$ 19,209,304</u>	<u>\$ 18,852,170</u>	<u>\$ 21,557,958</u>	<u>\$ 22,628,271</u>	<u>\$ 38,433,184</u>	<u>\$ 29,282,007</u>	<u>\$ 23,276,129</u>
<b>Expenditures</b>										
Current:										
General government	\$ 5,083,443	\$ 4,866,004	\$ 4,906,651	\$ 4,726,157	\$ 4,479,363	\$ 4,566,723	\$ 5,597,129	\$ 4,674,825	\$ 5,061,948	\$ 5,462,570
Airport	1,595,817	1,159,526	1,055,989	1,189,143	1,102,636	1,483,526	1,272,520	1,387,107	1,929,477	1,156,695
Culture and recreation	1,190,045	1,054,101	1,167,304	1,258,030	1,224,762	1,158,806	1,024,348	964,693	965,616	720,010
Public safety	5,486,413	5,442,424	5,243,094	5,686,252	6,202,304	6,270,405	6,523,042	6,072,095	6,069,531	5,871,247
Highways and streets	1,785,710	1,794,377	1,985,704	2,258,666	2,348,697	3,003,832	2,341,674	2,314,837	2,523,206	2,558,448
Debt service:										
Principal	284,923	429,187	1,545,504	878,156	1,078,192	1,246,208	1,679,938	1,097,091	1,063,693	1,018,380
Interest	390,994	418,248	472,719	429,641	454,509	482,696	542,702	603,483	451,763	435,932
Refunding bond issuance costs										
Capital outlay:										
General government	50,727	691,549	666,569	1,268,137	98,237	1,243,738	427,806	609,577	1,461,962	475,013
Airport	2,714,340	670,989	294,464	1,071,748	487,536	204,245	1,772,448	19,655,722	12,165,551	2,219,716
Culture and recreation	179,520	190,611	152,894	105,539	224,123	343,890	401,250	192,133	528,296	404,824
Public safety	247,584	259,835	203,127	175,045	153,902	90,723	1,342,951	5,650,413	1,513,308	769,853
Highways and streets	1,396,463	658,245	1,511,680	1,103,562	283,734	1,537,863	2,325,970	3,932,092	566,050	3,155,222
<b>Total Expenditures</b>	<u>\$ 20,405,979</u>	<u>\$ 17,635,096</u>	<u>\$ 19,205,699</u>	<u>\$ 20,150,076</u>	<u>\$ 18,137,995</u>	<u>\$ 21,632,655</u>	<u>\$ 25,251,778</u>	<u>\$ 47,154,068</u>	<u>\$ 34,300,401</u>	<u>\$ 24,247,910</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(133,899)	(277,907)	(973,960)	(940,772)	714,175	(74,697)	(2,623,507)	(8,720,884)	(5,018,394)	(971,781)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Schedule I-4b 2008</u>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 1,847,312	\$ 22,172,729	\$ 3,777,366	\$ 1,504,581	\$ 2,814,408	\$ 2,836,477	\$ 2,195,503	\$ 3,450,095	\$ 3,962,622	\$ 6,139,010
Transfers out	(898,792)	(6,931,107)	(2,207,454)	(1,041,629)	(2,529,228)	(2,597,824)	(1,805,028)	(3,089,424)	(695,379)	(5,926,460)
General long-term debt issued	-	-	1,417,262	414,721	600,000	350,000	105,500	1,022,228	9,135,000	810,000
Premium on general long-term debt issued	-	-	-	-	-	-	-	-	63,427	-
Special assessment bonds issued										
Discount on special assessment bonds										
Insurance recoveries	91	9,865	15,123	-	-	-	-	-	-	-
Sale of general capital assets	1,000	12,351	70,771	187,706	23,718	-	-	-	403,548	4,810,025
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 949,611</u>	<u>\$ 15,263,838</u>	<u>\$ 3,073,068</u>	<u>\$ 1,065,379</u>	<u>\$ 908,898</u>	<u>\$ 588,653</u>	<u>\$ 495,975</u>	<u>\$ 1,382,899</u>	<u>\$ 12,869,218</u>	<u>\$ 5,832,575</u>
 Net change in fund balances before extraordinary item	 815,712	 14,985,931	 2,099,108	 124,607	 1,623,073	 513,956	 (2,127,532)	 (7,337,985)	 7,850,824	 4,860,794
Extraordinary item	-	-	-	-	-	\$ 500,000	-	(408,837)	-	-
<b>Net change in fund balances</b>	<u>\$ 815,712</u>	<u>\$ 14,985,931</u>	<u>\$ 2,099,108</u>	<u>\$ 124,607</u>	<u>\$ 1,623,073</u>	<u>\$ 1,013,956</u>	<u>\$ (2,127,532)</u>	<u>\$ (7,746,822)</u>	<u>\$ 7,850,824</u>	<u>\$ 4,860,794</u>
 Debt service as a percentage of noncapital expenditures	 4.27%	 5.59%	 12.32%	 7.96%	 9.07%	 9.49%	 11.71%	 9.94%	 8.39%	 8.44%

REVENUE  
CAPACITY

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

Schedule I-5

Fiscal Year	Real Property		Personal Property		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value <sup>1</sup>	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value <sup>1</sup>	Assessed Value	Estimated Actual Value <sup>1</sup>				
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
2014	1,240,897	1,769,715	52,113	52,113	1,293,010	5.67	1,821,828	71.0
2013	1,240,906	1,806,891	52,113	52,113	1,293,019	5.74	1,859,004	69.6
2012	1,239,596	1,941,724	52,576	52,576	1,292,172	5.93	1,994,300	64.8
2011	1,220,364	2,199,827	57,007	57,007	1,277,371	6.01	2,256,834	56.6
2010	1,183,111	2,289,058	58,260	58,260	1,241,371	6.12	2,347,318	52.9
2009	1,148,385	2,363,872	51,686	51,686	1,200,071	6.02	2,415,558	49.7
2008	1,077,366	2,318,787	49,593	49,593	1,126,959	5.93	2,368,380	47.6

Source: Klamath County Assessors Office.

<sup>1</sup> Includes Downtown Urban Renewal District.

**City of Klamath Falls, Oregon**  
**Property Tax Rates (per thousand) <sup>1</sup>**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

**Schedule I-6**

Fiscal Year	City of Klamath Falls			Klamath County			School District Operating Millage	Other	Total
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage			
2017	\$ 5.11	\$ 0.14	\$ 5.25	\$ 1.71	\$ 1.57	\$ 3.28	\$ 4.10	\$ 3.66	\$ 16.29
2016	5.11	0.13	5.24	1.62	1.02	2.64	4.10	3.99	15.97
2015	5.28	0.15	5.43	1.68	0.61	2.29	4.08	4.13	15.93
2014	5.51	0.16	5.67	1.73	-	1.73	4.73	3.59	15.72
2013	5.57	0.17	5.74	1.56	-	1.56	4.12	3.37	14.79
2012	5.75	0.18	5.93	1.66	-	1.66	4.10	2.98	14.67
2011	5.83	0.18	6.01	1.66	0.35	2.01	4.06	3.01	15.09
2010	5.94	0.18	6.12	1.27	0.48	1.75	3.99	3.94	15.80
2009	5.87	0.15	6.02	1.52	0.42	1.94	4.14	2.71	14.81
2008	5.93	-	5.93	1.48	0.38	1.86	4.08	2.86	14.73

<sup>1</sup> Millage rates are reported after compression

Source: Klamath County Assessor and Klamath County Budget Officer.

**City of Klamath Falls, Oregon**  
**Principal Property Taxpayers**  
**June 30, 2017**

*(amounts expressed in thousands)*

Schedule I-7

Taxpayer	2017			2008		
	Assessed Value	Rank	% of Total Assessed Valuation	Assessed Value	Rank	% of Total Assessed Valuation
Jeld Wen, Inc. - Wood products manufacturing	\$ 51,416	1	3.87%	\$ 78,864	1	7.00%
Wal Mart - Retail Department store	17,552	2	1.32	12,996	5	1.15
Avista Corporation - Natural Gas Utility	17,515	3	1.32	8,651	8	0.77
Fred Meyer Stores, Inc. - Retail Department Store	13,901	4	1.05	11,405	6	1.01
Charter Communications - Telecommunications	13,836	5	1.04			
Pacificorp - Electric utility	9,860	6	0.74	9,186	7	0.82
CenturyLink - Telecommunications	9,386	7	0.71	14,769	3	1.31
Klamath Publishing, LLC	7,732	8	0.58			
Klamath - Jefferson LLC - Shopping Center	7,722	9	0.58			
Argo K Falls LLC - Towncenter Commercial Site	7,642	10	0.58			
Running Y Resort, Inc.				20,235	2	1.80
Aqua Glass Western, Inc. - Bathtub & Shower Manufacturing				13,120	4	1.16
Klamath Falls One, LLC- Shopping Center				8,597	9	0.76
Electro Scientific Industries, Inc.				8,591	10	0.76
	<u>\$ 156,562</u>		<u>11.88%</u>	<u>\$ 186,414</u>		<u>16.54%</u>

Source: Klamath County Assessor and Klamath County Budget Officer.

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

Schedule I-8

Fiscal Year	Discounts, Adjustments, and Collections within the fiscal Year of the Levy				Subsequent Years		Total Collections to Date	
	Total Tax Levy	Discounts and Adjustments	Collections	Percentage of Levy	Adjustments	Collections	Amount	Percentage of Levy
2017	\$ 7,216	(493)	\$ 6,355	94.53%	\$ -	\$ -	\$ 6,355	94.53%
2016	7,128	(200)	6,548	94.52	(2)	205	6,753	94.52
2015	7,160	(197)	6,590	94.64	(24)	238	6,828	98.40
2014	7,157	(272)	6,522	94.73	10	319	6,841	99.22
2013	7,405	(192)	6,788	94.11	(22)	390	7,178	99.82
2012	7,658	(177)	6,955	92.97	(20)	458	7,413	99.36
2011	7,671	(197)	6,930	92.72	(29)	501	7,431	99.81
2010	7,599	(207)	6,869	92.92	(14)	505	7,374	99.95
2009	7,226	(348)	6,444	93.69	(19)	414	6,858	99.99
2008	6,683	(181)	6,138	94.40	(15)	348	6,486	99.98

DEBT  
CAPACITY

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**City of Klamath Falls, Oregon**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

*(amounts expressed in thousands, except per capita amount)*

**Schedule I-9**

Governmental Activities						
Fiscal Year	General Obligation Bonds	Full Faith & Credit Bonds	SPWF & Other Loans	Revenue Bonds	Line of Credit Loans	Total
2017	\$ 4,022	\$ 2,698	\$ 2,249	\$ -	\$ 848	\$9,817
2016	4,023	2,870	2,249	-	963	10,105
2015	4,024	3,037	2,249	140	1,087	10,537
2014	4,025	3,188	2,262	270	922	10,667
2013	4,026	3,340	20	395	1,104	8,885
2012	4,027	3,486	34	515	1,304	9,366
2011	4,028	3,633	47	625	1,925	10,258
2010	4,029	3,774	507	730	2,795	11,835
2009	4,030	3,911	211	830	2,930	11,912
2008	-	-	291	1,235	2,254	3,780

Business-Type Activities						
Fiscal Year	Water SPWF Loans	Water Revenue Bonds	Sewer Revenue Bonds	Sewer SPWF Loans	Sewer Capital Leases	Total
2017	\$ 621	\$ -	\$ 5,842	\$ -	\$ -	\$6,463
2016	657	-	6,499	-	-	7,156
2015	693	455	7,181	-	-	8,329
2014	1,463	1,600	7,548	-	-	10,611
2013	1,498	1,613	8,109	-	-	11,220
2012	1,574	2,281	8,650	50	-	12,555
2011	1,649	2,918	9,171	98	-	13,836
2010	1,722	3,526	9,667	142	-	15,057
2009	956	4,114	9,902	185	-	15,157
2008	989	4,681	10,123	224	31	16,048

Fiscal Year	Total Primary Government	% of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
2017	16,280	3.82%	748
2016	17,261	4.05%	798
2015	18,866	4.43%	874
2014	21,278	5.00%	990
2013	20,105	4.72%	935
2012	21,921	5.35%	1,021
2011	24,094	6.17%	1,141
2010	26,892	6.44%	1,285
2009	27,069	6.46%	1,271
2008	19,828	4.48%	931

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

**City of Klamath Falls, Oregon**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

*(amounts expressed in thousands, except per capita amount)*

**Schedule I-10**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
2017	\$ 4,022	\$ 8	4,014	0.29%	\$ 184
2016	4,023	30	3,993	0.29%	185
2015	4,024	57	3,967	0.30%	184
2014	4,025	53	3,972	0.31%	185
2013	4,026	52	3,974	0.31%	185
2012	4,027	40	3,987	0.31%	186
2011	4,028	22	4,006	0.31%	190
2010	4,029	372	3,657	0.29%	175
2009	4,030	368	3,662	0.31%	172
2008	-	-	-	0.00%	-

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Property for property value data.

<sup>2</sup> 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, 2017**  
*(amounts expressed in thousands)*

**Schedule I-11**

Governmental Unit	Debt Outstanding	Estimated % Applicable	Estimated Share of Overlapping Debt
Klamath Community College	\$ 8,338	24.98%	\$ 2,083
Klamath County Fire District 1	1,155	42.61%	492
Klamath County School District	43,971	6.60%	2,902
Klamath City School District	36,213	59.62%	21,590
Klamath Falls Urban Renewal Area <sup>1</sup>	3,735	100.00%	3,735
Subtotal, overlapping debt			30,802
City of Klamath Falls direct debt <sup>2</sup>			6,720
Total direct and overlapping debt			<u>\$ 37,522</u>

*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.*

<sup>1</sup> Urban Renewal Area debt includes \$3,097 owed for outside lines of credit, \$638 for an inter-fund loan.

<sup>2</sup> City of Klamath Falls direct debt includes \$4,022 general obligation, \$2,698 full faith and credit.

**City of Klamath Falls, Oregon**  
**Legal Debt Margin Information**  
**June 30, 2017**  
*(amounts expressed in thousands)*

**Schedule I-12**

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a % of Estimated Actual Value	Estimated Actual Taxable Value
2017	\$ 1,360,902	74.39%	\$ 1,829,407
2016	1,355,341	69.47%	1,951,022
2015	1,336,847	71.19%	1,877,943
2014	1,293,010	70.97%	1,821,828
2013	1,293,019	69.55%	1,859,004
Total Five Years Valuation			\$ 9,339,204
Five Year Average Full Valuation of Taxable Real Property			\$ 1,867,841
Constitutional Debt Limit (3% of total assessed value)			\$ 40,827
Outstanding General Obligation Indebtedness as of June 30, 2017			
Governmental Activities - General Obligation Debt			\$ 9,817
Governmental Activities - Short-term Debt - Current Portion of Lines of Credit			118
Net Indebtedness subject to debt limit			9,935
Net debt contracting margin			\$ 30,892
Percentage of net debt contracting margin available			75.67%
Percentage of net debt contracting power exhausted			24.33%

**Last Ten Fiscal Years**

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%
2015	40,105	10,661	73.42%
2014	38,790	10,667	72.50%
2013	38,791	8,865	77.15%
2012	38,765	9,332	75.93%
2011	38,321	10,211	73.35%
2010	37,241	11,328	69.58%
2009	36,002	11,701	67.50%
2008	33,809	3,489	89.68%

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

**Schedule I-13a**

<b>Sewer Revenue Bonds</b>							
Fiscal Year	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2017	\$ 7,655	\$ 4,085	\$ 3,570	\$ 657	\$ 151	4.42	
2016	7,372	4,249	3,123	673	136	3.86	
2015	7,022	3,506	3,516	590	300	3.95	
2014	6,686	3,661	3,025	570	323	3.39	
2013	6,691	3,586	3,105	550	338	3.50	
2012	6,223	3,445	2,778	530	359	3.12	
2011	6,177	3,510	2,667	505	387	2.99	
2010	6,013	3,551	2,462	385	387	3.19	
2009	4,883	3,531	1,352	390	427	1.65	
2008	4,833	3,427	1,406	375	445	1.71	

<b>Water Revenue Bonds <sup>1</sup></b>							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2017							
2016	7,449	4,578	2,871	455	25	5.98	
2015	7,422	4,020	3,402	1,120	54	2.90	
2014	7,025	4,110	2,915	685	87	3.78	
2013	7,225	3,979	3,246	655	115	4.22	
2012	6,463	3,992	2,471	625	147	3.20	
2011	6,439	3,830	2,609	595	164	3.44	
2010	6,983	3,722	3,261	575	188	4.27	
2009	6,848	3,987	2,861	555	212	3.73	
2008	6,968	3,577	3,391	995	290	2.64	

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. Operating expenses do not include interest, depreciation and inter-fund transfers.

<sup>1</sup> Water Revenue Bonds were paid-off in FY 2015-2016.

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

**Schedule I-13b**

<b>Airport Revenue Bonds <sup>1</sup></b>							
Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2017							
2016	\$ 1,127	\$ 1,152	\$ (25)	\$ 165	\$ 20		(0.13)
2015	1,273	1,056	217	155	29		1.18
2014	1,379	1,075	304	150	37		1.63
2013	1,482	1,080	402	145	45		2.12
2012	1,379	1,132	247	135	51		1.33
2011	1,658	1,236	422	249	63		1.35
2010	1,527	1,198	329	100	90		1.73
2009	2,039	1,898	141	95	53		0.95
2008	1,616	1,157	460	90	56		3.15

<b>Electric Revenue Bonds <sup>2</sup></b>							
Fiscal Year	Electric Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2017							
2016							
2015							
2014							
2013							
2012							
2011							
2010							
2009							
2008	85,599	28,524	57,075	20,300	21,973		1.35

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. Operating expenses do not include interest, depreciation and inter-fund transfers.

<sup>1</sup> Airport Revenue Bonds were paid-off in FY 2015-2016.

<sup>2</sup> Klamath Cogeneration project was sold November 30, 2007 to Iberdrola Renewables.

DEMOGRAPHIC AND  
ECONOMIC INFORMATION

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

**Schedule I-14**

<b>Fiscal Year</b>	<b>City Population <sup>1</sup></b>	<b>City Median Age <sup>2</sup></b>	<b>City Per Capita Personal Income <sup>3</sup></b>	<b>City Aggregate Income <sup>3</sup></b> <i>(amounts expressed in thousands)</i>	<b>City Education Level in Years of Formal Schooling <sup>3</sup></b>	<b>City Public School Enrollment <sup>4</sup></b>	<b>County Unemployment Rate <sup>5</sup></b>
2017	21,770	Unavailable	Unavailable	Unavailable	Unavailable	2,986	5.1%
2016	21,640	33.6	Unavailable	Unavailable	Unavailable	3,225	6.8%
2015	21,580	33.6	20,685	Unavailable	12.7	3,257	7.6%
2014	21,500	33.6	20,495	Unavailable	12.7	3,198	9.7%
2013	21,495	33.6	19,947	425,718	12.8	3,302	10.8%
2012	21,465	33.6	19,557	409,642	12.8	3,271	12.1%
2011	21,120	33.6	18,743	390,699	12.8	3,341	12.6%
2010	20,925	33.6	19,992	417,521	12.7	3,397	13.4%
2009	21,305	33.4	20,710	419,208	12.7	3,942	14.5%
2008	21,305	33.4	21,987	442,223	12.7	4,065	8.4%

Data Sources:

<sup>1</sup> Portland State University, Population Research Center (Estimates released November 15th)

<sup>2</sup> U.S. Census Bureau

<sup>3</sup> U.S. Census Bureau, American Fact Finder; City data only available since 2008

<sup>4</sup> Oregon Department of Education

<sup>5</sup> Oregon State Employment Department, Quality Information, Economic Data

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

Schedule I-15

<u>Employer</u>	<u>2017</u>			<u>2008 <sup>2</sup></u>		
	<u>Employees <sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Employment <sup>3</sup></u>	<u>Employees <sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total County Employment <sup>3</sup></u>
Jeld-Wen Inc. Wood Products	918	4	8.70%	1,500	1	6.17%
Sky Lakes Medical Center	1,407	1	13.33%	925	2	3.81%
Klamath County School District	1,061	2	10.05%	850	3	3.50%
Kingsley Field Oregon Air National Guard	934	3	8.85%	725	4	2.98%
iQor (Assurion)	480	5	4.55%	540	7	2.22%
Klamath County	480	5	4.55%	656	5	2.70%
Oregon Institute of Technology	343	9	3.25%			
Klamath Falls City Schools	375	8	3.55%	575	6	2.37%
Wal-Mart	380	7	3.60%	408	8	1.68%
Fred Meyer	275	10	2.60%			
Columbia Forest Products <sup>2</sup>	297			330	9	1.36%
Collins Company <sup>2</sup>	247			262	10	1.08%
	<u>7,197</u>		<u>63.02%</u>	<u>6,771</u>		<u>27.85%</u>
<b>Total Employment <sup>3</sup></b>			10,557			24,309

<sup>1</sup> Numbers of employees furnished by employer.

<sup>2</sup> 2008 data represents County statistics. These employers are not within City limits.

<sup>3</sup> Total employment source: US Census Bureau

OPERATING  
INFORMATION

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

Function	Schedule I-16									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
City Manager	4.70	5.00	5.00	3.75	3.75	4.50	4.50	4.50	4.50	4.50
Legal	1.00	1.70	1.70	1.75	1.75	2.00	2.00	2.00	2.00	2.00
Municipal Court	2.40	2.40	3.30	3.25	3.25	3.00	3.25	3.25	3.50	3.50
Developmental Services	8.00	8.50								
Public Works Engineering	-	-	5.50	6.50	6.50	7.50	7.50	7.50	9.50	9.50
Public Works Administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	-	-	2.00	4.50	4.67	4.92	6.17	6.17	6.17	6.17
Maintenance	9.00	10.00	10.00	10.50	10.00	10.00	10.00	10.00	11.00	11.00
Support Services										
Finance	6.00	6.00	6.50	6.00	7.00	7.00	8.00	8.00	7.00	7.00
Human Resources/Risk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Culture and Recreation	6.00	6.00	6.30	6.75	8.25	8.25	8.00	6.00	5.65	5.65
Ella Redkey Pool <sup>1</sup>	6.60	4.25	3.20	5.00						
Cemetery <sup>2</sup>								2.00	3.35	3.35
Airport	6.00	6.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Public Safety										
Police	40.00	41.00	39.00	40.00	41.00	42.00	45.00	45.00	43.00	45.00
Code enforcement	2.00	2.00	2.00	2.00	2.33	2.33	3.33	3.33	3.33	3.33
Off-street Parking	1.00	1.00	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	11.00	11.00	11.00	11.00
Vehicle Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Water	19.50	19.28	19.25	21.10	21.10	22.10	22.85	22.85	24.85	23.85
Geothermal	-	0.25	0.25	0.75	0.75	0.75	0.50	0.50		
Wastewater	17.00	14.97	15.00	16.65	16.65	16.65	17.90	17.90	18.15	18.15
<b>Total</b>	<b>147.20</b>	<b>147.35</b>	<b>144.00</b>	<b>154.50</b>	<b>153.00</b>	<b>157.00</b>	<b>166.00</b>	<b>166.00</b>	<b>168.00</b>	<b>169.00</b>

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

<sup>1</sup> The Ella Redkey Pool operations were taken over by City Parks full-time in Fiscal Year 2013-2014.

<sup>2</sup> The Klamath Memorial Park cemetery was sold November 30, 2009 and the two employees assigned to culture and recreation.

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

Function	Schedule I-17									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Police</b>										
Police department personnel	40	41	39	40	41	42	45	45	43	45
Physical arrests	2,157	2,318	2,319	2,489	2,423	2,362	1,687	2,184	2,323	2,197
Parking violations	2,039	2,445	2,323	2,275	2,632	2,222	2,506	2,572	2,888	1,999
Traffic violations	1,529	2,082	2,403	2,882	2,691	2,999	2,146	2,432	2,999	3,422
<b>Airport</b>										
Takeoffs and landings	47,564	53,246	51,732	44,194	38,095	41,617	36,270	25,796	31,363	34,036
Passengers enplaned <sup>1</sup>	7,827	-	-	11,972	14,254	17,376	20,486	21,893	23,588	29,626
Total passengers	15,606	-	-	23,648	27,950	35,409	41,284	43,693	47,059	59,131
<b>Highways and streets</b>										
Street resurfacing ( <i>feet</i> )	73,361	26,826	17,262	12,157	4,135	8,200	8,151	40,400	7,920	2,800
Potholes ( <i>tons of asphalt</i> )	75	138	36	34	27	42	38	27	85	20
<b>Culture and recreation</b>										
Park reservations	122	113	116	153	94	87	64	57	143	209
Municipal pool admissions <sup>2</sup>	21,522	20,986	20,001	19,282	12,881					
<b>Water</b>										
New connections	40	47	43	36	36	24	26	32	20	112
Total connections	16,128	16,009	16,346	15,732	16,020	16,240	16,216	16,190	16,158	16,138
Average daily production ( <i>thousands of gallons</i> )	6,859	6,817	7,180	6,899	6,790	6,700	6,400	7,800	8,500	7,600
<b>Wastewater</b>										
New connections	17	10	7	17	25	18	9	15	14	57
Total connections	7,520	8,133	7,443	7,680	7,668	7,411	7,393	7,384	7,369	7,355
Average daily sewage treatment ( <i>thousands of gallons</i> )	3,448	2,840	2,760	2,650	2,963	3,080	2,820	2,970	3,267	3,575
Average daily reclaimed water produced ( <i>thousands of gallons</i> )	2,166	2,640	2,370	2,350	2,280	2,340	3,120	2,825	2,542	2,677

Source: Various city departments.

<sup>1</sup> Commercial air service was discontinued in June of 2014 and reestablished in October 2016.

<sup>2</sup> Municipal pool operations were taken over in full by City Parks on 4/1/13.

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

<b>Function</b>	<b>Schedule I-18a</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	33	32	36	40	37	33	32	37	32	33
Airport										
Miles of runways & taxiways	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8
Highways and streets										
Streets ( <i>lane miles</i> )	302	302	302	302	302	302	302	301	245	245
Streetlights <sup>1</sup>	2,966	2,636	3,116	3,114	3,104	3,080	3,052	3,047	3,003	2,983
Traffic signals	36	36	36	34	31	31	31	31	30	30
Culture and recreation										
Park acreage										
Developed	119	119	119	119	119	119	119	119	119	119
Natural areas	514	514	514	514	514	514	514	514	514	514
Undeveloped	50	50	50	50	50	50	50	50	20	20
Parks	25	24	23	23	23	23	23	23	23	23
Tennis courts	3	3	3	3	3	3	3	3	3	6
Playground equipment areas	8	8	8	8	8	8	8	8	8	8
Cemetery										
Developed acres <sup>2</sup>	18	18	18	18	18	18	18	18	32	32
Undeveloped acres <sup>2</sup>	0	0	0	0	0	0	0	0	20	20
Water										
Water mains ( <i>miles</i> )	266	265	263	240	240	240	239	239	237	236
Fire hydrants	1,175	1,166	1,157	1,186	1,176	1,093	1,089	1,084	1,080	1,065
Maximum daily capacity ( <i>thousands of gallons</i> )	13,952	13,669	13,918	15,107	13,204	13,700	13,800	16,135	18,184	17,940

*continued on next page*

Source: Various city departments.

<sup>1</sup> A new maintenance work order program went live 2016 and a more accurate count of the street lights was completed.

<sup>2</sup> In November 2009 Klamath Memorial Park Cemetery was sold

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

<i>continued</i>	<b>Schedule I-18b</b>									
<b>Function</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Wastewater										
Sanitary sewer ( <i>miles</i> )	156	156	156	156	155	156	156	155	140	130
Storm sewers ( <i>miles</i> )	40	40	40	40	40	40	40	40	40	33
Manholes	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,380	2,316
Maximum daily treatment capacity ( <i>thousands of gallons</i> )	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 ( <i>thousands of gallons</i> )	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	3,000

Source: Various city departments.

**City of Klamath Falls, Oregon**  
**Top Ten Water & Wastewater Customers**  
**Fiscal Year Ended June 30, 2017**

**Schedule I-19**

<b>Water Customers</b>	<b>Billed</b>	<b>Percent of Total Charges</b>
City of Klamath Falls	\$ 360,642	4.95 %
Klamath County	112,102	1.54
Kingsley Field	92,566	1.27
Klamath Co-Gen	89,467	1.23
Jeld-Wen	83,799	1.15
Sky Lakes Medical Center	79,638	1.09
Klamath County School District	71,712	0.98
Aaspen Limited Partnership	40,216	0.55
Emerald Estates	39,927	0.55
Klamath Falls City Schools	36,647	0.50
<b>Total Top Ten</b>	<b>\$ 1,006,716</b>	<b>13.81 %</b>
<hr/>		
<b>Total Billed Fiscal Year 16/17</b>	<b>\$ 7,288,265</b>	
<hr/>		
<b>Total Water Service Connections</b>		<b>16,128</b>
<hr/>		

<b>Wastewater Customers</b>	<b>Billed</b>	<b>Percent of Total Charges</b>
OIT (Oregon Institute of Technology)	\$ 419,141	5.95 %
Running Y Ranch Resort Inc.	285,499	4.05
Sky Lakes Medical Center	267,923	3.80
Klamath County	199,937	2.84
Klamath Co-Gen	710,677	10.08
Falcon Heights Condo	119,476	1.70
Kingsley Field	105,387	1.50
Shilo	75,493	1.07
Southern Pacific	67,501	0.96
Southview	53,475	0.76
<b>Total Top Ten</b>	<b>\$ 2,304,509</b>	<b>18.90 %</b>
<hr/>		
<b>Total Billed Fiscal Year 16/17</b>	<b>\$ 7,048,028</b>	
<hr/>		
<b>Total Wastewater Service Connections</b>		<b>7,520</b>
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## **COMPLIANCE SECTION**

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PASSENGER FACILITY  
CHARGES AUDIT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER  
FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY PASSENGER FACILITY CHARGE AUDIT  
GUIDE FOR PUBLIC AGENCIES**

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

**Report on Compliance for the Passenger Facility Charge Program**

We have audited the City of Klamath Falls, Oregon's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, applicable to the City's Passenger Facility Charge program for the year ended June 30, 2017.

***Management's Responsibility***

Management is responsible for compliance with the requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's Passenger Facility Charges Program based on our audit of the types of compliance requirements referred to above. 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 *Passenger Facility Charge Guide for Public Agencies*, issued by the Federal Aviation Administration. Those standards and the Passenger Facility Charge Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Passenger Facility Charge program. However, our audit does not provide a legal determination of the City of Klamath Falls, Oregon's compliance.

***Opinion on the Passenger Facility Charge Program***

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 the Passenger Facility Charge program for the year ended June 30, 2017. However, the result of our auditing procedures disclosed an instance of noncompliance with those requirements, and is required to be reported in accordance with the Passenger Facility Charge Guide and is described in the accompanying schedule of findings and responses as item 2017-1.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Passenger Facility Charge Audit Guide for Public Agencies, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 the Passenger Facility Charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of the Passenger Facility Charge 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 the Passenger Facility Charge 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **City of Klamath Falls, Oregon's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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 Passenger Facility Charge program. Accordingly, this report is not suitable for any other purpose.



For Merina & Company, LLP  
West Linn, Oregon  
January 31, 2018

**CITY OF KLAMATH FALLS, OREGON  
PASSENGER FACILITY CHARGE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2017**

---

**Section I – Summary of Auditor’s Results**

**Passenger Facility Charge**

Internal Control over the Passenger Facility Charge Program:

Material weakness(es) identified?  Yes  No

Significant deficiency (s) identified that are Not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for Passenger Facility Charge programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charge Program?  Yes  No

**Section II – Passenger Facility Charge Findings and Responses**

**Finding 2017-1:**

**Criteria:** The City is required to provide quarterly reports to carriers collecting Passenger Facility Charge (PFC) revenues for the City, with a copy to the appropriate Federal Aviation Administration Airports office.

**Cause/Condition:** The December 31, 2016 quarterly report was not prepared accurately.

**Effect:** PFC amounts totaling \$1,343 were properly recorded in the City’s accounting records but were not properly included in the December 31, 2016 quarterly report. This caused the December 31, 2016 quarterly report amounts for PFC receipts and disbursements to be under-reported by \$1,343.

**Recommendation:** We recommend all reports be reviewed for accuracy prior to submission.

**Questioned Costs:** None

**Response:** We will put an internal control in place that requires the Finance Department to review the report prior to the report being submitted by Airport.

**Section III – Schedule of Prior Passenger Facility Charge Findings and Responses for the Years Ended June 30, 2016**

None

CITY OF KLAMATH FALLS, OREGON  
 SCHEDULE OF PASSENGER FACILITY CHARGES  
 COLLECTED, HELD AND USED  
 For the Year Ended June 30, 2017

<b>12-03-C-00-LMT 03-001 Terminal Enhancements</b>				
Quarter ending:	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
Unexpended PFC's and Interest, Beginning of Period	-	-	-	-
Add:				
PFC Receipts	434	8,987	11,795	10,138
Interest Earned				
Total	434	8,987	11,795	10,138
Expenses/Expenditures	434	8,987	11,795	10,138
Unexpended PFC and Interest	-	-	-	-

Note: This schedule is prepared on the cash basis of accounting

STATE OF OREGON

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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH OREGON STATE REGULATION**

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

We have audited the basic financial statements of the City of Klamath Falls, Oregon (the City), as of and for the year ended June 30, 2017 and have issued our report thereon dated January 31, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity 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. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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. 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 grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

Expenditures in the following fund exceeded appropriations for the year ended June 30, 2017:

Water Fund:

Transfer to Parks	\$13,295
Geothermal	2,977

The following funds had a deficit budgetary basis fund balance at June 30, 2017:

Lakefront Urban Renewal Fund	\$633,836
Town Center Urban Renewal Fund	38,543

### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the 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 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 may exist that have not been identified.

### **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 *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP  
West Linn, Oregon  
January 31, 2018

## BOND COMPLIANCE

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
SCHEDULE OF COMPLIANCE WITH THE RATE AND REVENUE COVENANTS OF  
THE WASTEWATER REVENUE REFUNDING BONDS, SERIES 2015**

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

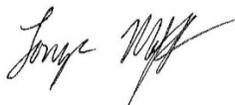
**Report on Compliance**

We have examined the City of Klamath Falls, Oregon's (the City) compliance with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2017.



For Merina & Company, LLP  
West Linn, Oregon  
January 31, 2018

CITY OF KLAMATH FALLS, OREGON  
SCHEDULE OF COMPLIANCE WITH THE RATE COVENANTS OF THE  
WASTEWATER REVENUE REFUNDING BONDS, SERIES 2015  
For the Year Ended June 30, 2017

Gross Revenues			
Operating revenues		\$	7,609,388
Other revenues			
Interest earned on investments		\$ 45,273	
Miscellaneous revenue		69,485	
Less: SDC Improvement fee		<u>(69,485)</u>	<u>45,273</u>
Total Gross Revenues			7,654,661
Total operating expense			
		5,226,813	
Less: depreciation and amortization expense		<u>(1,141,327)</u>	<u>4,085,486</u>
Net Revenues			3,569,175

Sewer Fund debt service for the fiscal year ended June 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015 Wastewater Revenue Refunding	<u>\$ 656,995</u>	<u>\$ 150,782</u>	<u>\$ 807,777</u>	
Total	<u><u>\$ 656,995</u></u>	<u><u>\$ 150,782</u></u>	<u><u>\$ 807,777</u></u>	<u>807,777</u>
1.25 Compliance				4.42
Net Revenue after senior debt				<u><u>\$ 2,761,398</u></u>