



# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

city of  
*Klamath Falls*  
o r e g o n

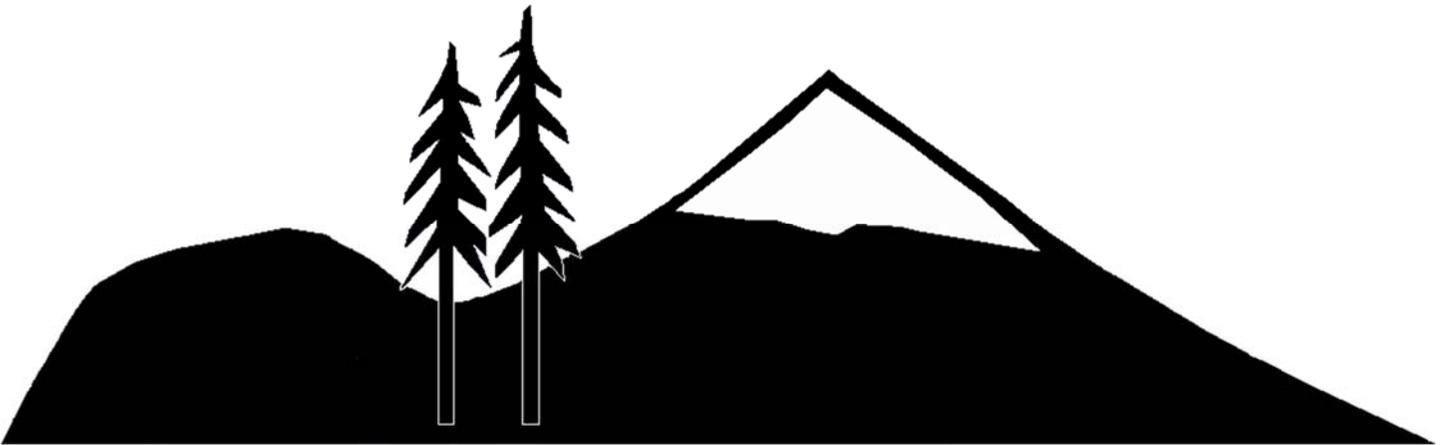
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City of Klamath Falls, Oregon

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**Comprehensive Annual  
Financial Report**

For the Fiscal Year Ended  
June 30, 2019



Prepared by the Finance Department of the City of Klamath Falls

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Comprehensive Annual Financial Report

June 30, 2019

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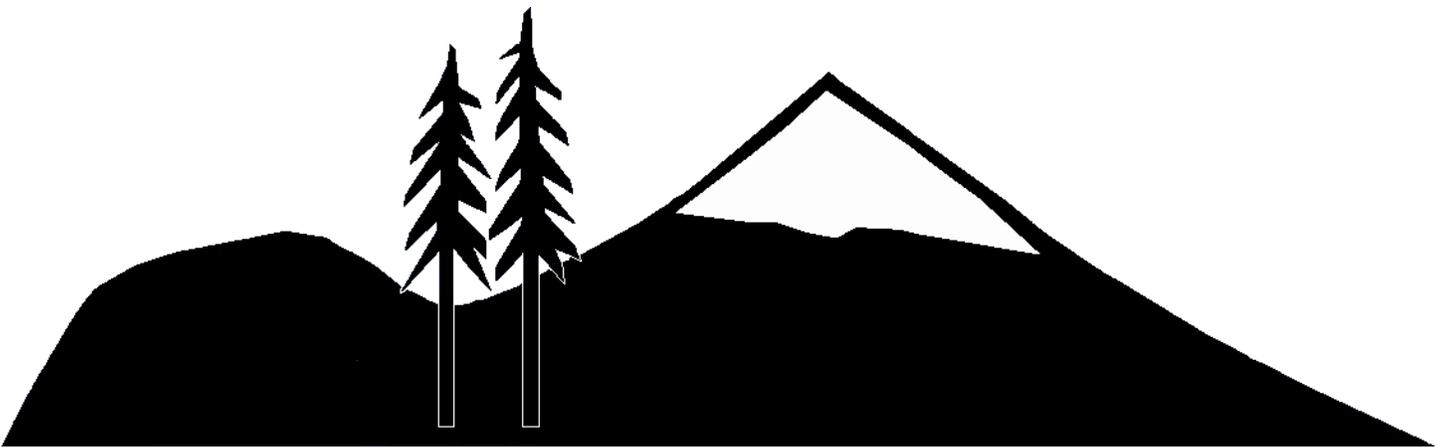
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## **Introductory Section**



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# CITY OF KLAMATH FALLS

226 S. 5<sup>th</sup> Street - P.O. BOX 237  
KLAMATH FALLS, OREGON 97601  
Sister City - Rotorua, New Zealand  
FAX (541) 883-5399 - TDD (541) 883-5324

December 19, 2019

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, 2019. State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements.

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

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, 2019. 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 21,890. Although the population within City limits is only 21,890, the entire urban growth boundary consists of approximately 42,000 people.

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

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

The City of Klamath Falls has a permanent tax rate of \$5.4423 per \$1,000 of assessed valuation. 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 rate received in the current fiscal year was approximately \$5.124 per \$1,000 of assessed value. The City of Klamath Falls collected about \$443,908 more in property taxes than the prior year, including delinquent taxes, which represents a 5% increase during the 2019 fiscal year.

The City provides a full range of services, including police protection, code enforcement, municipal court, airport, the construction and maintenance of streets and other infrastructure; as well as a pool and parks facilities. Wastewater, water, geothermal, and 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: Lakefront, Town Center, and Spring Street. The agency functions, in essence, as a department of the City and therefore, is included in the financial statements of the City, in addition to being reported separately.

The Council is required to adopt a budget for two fiscal years no later than June 30 of every odd year preceding the fiscal year beginning July 1. This biennial budget serves as the foundation for the City's financial planning and control. The budget is 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 decline. As of June 30, 2019, our unemployment rate was approximately 6.5% percent, which is 2.8% 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 installed and many of the downtown buildings are heated by geothermal energy.

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

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 commercial 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 attract new commercial and industrial businesses to Klamath Falls. We look forward to a Klamath Falls that continues to grow a stronger and more diverse economy.

### ***Long-term financial planning and major initiatives***

The City of Klamath Falls, guided by the City Manager, looks at a ten-year sustainability model for the City. The initial model in 2014, determined that the City could not operate at status quo without resulting fund deficits ten years out. Consequently, the City was reorganized into five departments led by a Director in each department. This eliminated two director positions. Other reorganizational actions and a soft hiring freeze have resulted in a lower headcount. Personnel services continue to increase in dollars spent due to the pressure of Public Employment Retirement System (PERS) funding and health care costs.

Council's Goals and Objectives include citizen safety, customer service, economic viability, integrity of infrastructure to ensure the City can meet long-term stability, and efficiency in delivery of services. It is up to staff to ensure the goals and objectives are met. In order to meet the goal of customer service and service efficiency, the City continues to leverage opportunities with technology. Looking forward, the City is in the implementation phase for new software that will impact and modernize the way we do business, including improvements to municipal court services, by providing citizens with the opportunity to make online payments, access account information, and provide enhanced communication. The City also continues to evaluate the use of citizen access portals in other divisions as a way to improve the manner in which a majority of transactions are 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. It was a long process, but air service officially began in October 2016, but, then, citing pilot and equipment shortages, Pen Air ceased operations and declared bankruptcy in August 2017. Since that time, City officials have worked diligently to attract another provider for air service. During last fiscal year, the Airport completed construction of a \$7.3 million-dollar taxiway with a majority of funding coming from discretionary Federal Aviation Administration (FAA) grants.

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 several 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 will be paid back with property tax increments over the next ten years. The City owes the developer an additional \$2.48 million for work done in prior years. The announcement of the Timbermill Shores area being selected for a new privately-owned state leased DHS building, subject to property tax, could provide additional resources to complete the work in this area. The DHS project is currently subject to several appeals. A 92-room Marriott Fairfield Inn and Suites began construction in late May 2019. The hotel is planned to open late spring of 2020.

During 2016, the Town Center Urban Renewal District reached a development agreement with Argo Klamath Two, LLC. The District gave the developer \$300,000, that was borrowed from Washington Federal and will be paid back with property tax increments. Bealls, Sportsman's Warehouse, Sherm's Thunderbird, and Michael's have been in operation in the District, in addition to several smaller businesses that have also been added.

The City formed the Spring Street Urban Renewal area in October 2017. The area has long suffered from a lack of investment in both the public and private side. The City is currently negotiating a Disposition and Development Agreement with a potential developer for the Main and Esplanade site. The vision is for a mixed-use urban for residential and commercial development.

The Streets Division utilized microsurfacing as a newer treatment for our road infrastructure. Results seem positive. The new treatment allows more roads to be repaired, as it is less expensive than other treatments used by the City. In this fiscal year, the City was able to treat approximately nine miles of road.

The City's Parks Division takes pride in maintaining our approximately 600 acres of parks, keeping them well-groomed and beautiful. Since Klamath Falls has long winters, the Division also keeps busy in the winter plowing snow from City parking lots and sidewalks. Additionally, the City receives grant funding for Parks projects, including the Lake Ewauna Trail Project. Major development has occurred at the Mills-Kiwanis Park, with the installation of a new playground. Development of trails within the Park is continuing. A new park, Klamath Commons, a partnership with Sky Lakes Medical Center and other partners has been completed near downtown. Klamath Commons provides additional natural open space for citizens to enjoy throughout the year. 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 beginning a major overhaul to 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 in that there are several options for constructing the improvements and the existing plant must remain operational while construction moves forward. The City is utilizing an alternative delivery process known as progressive design build. The design is approaching the guaranteed maximum price phase of the project. It is anticipated that construction could begin in the Spring of 2020.

During the last fiscal year, the City completed the Pelican City Booster Station Phase II project. The overall project includes constructing a new water booster station in the area of Jeld-Wen. This is a three-phase project that will allow the City to provide adequate water supply for existing conditions as well as future water demands within the College/Industrial Park and hospital areas. Phase II consisted of design completion and implementation. 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, 2018. This was the twenty-sixth 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 is also due to the Mayor and City Council for establishing policies in a fiscally responsible and progressive manner and to the City Manager for his leadership in developing strategies to achieve those goals.

Respectfully submitted,



Nathan Cherpeski, City Manager



Jessica Lindsay, Finance Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Klamath Falls  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

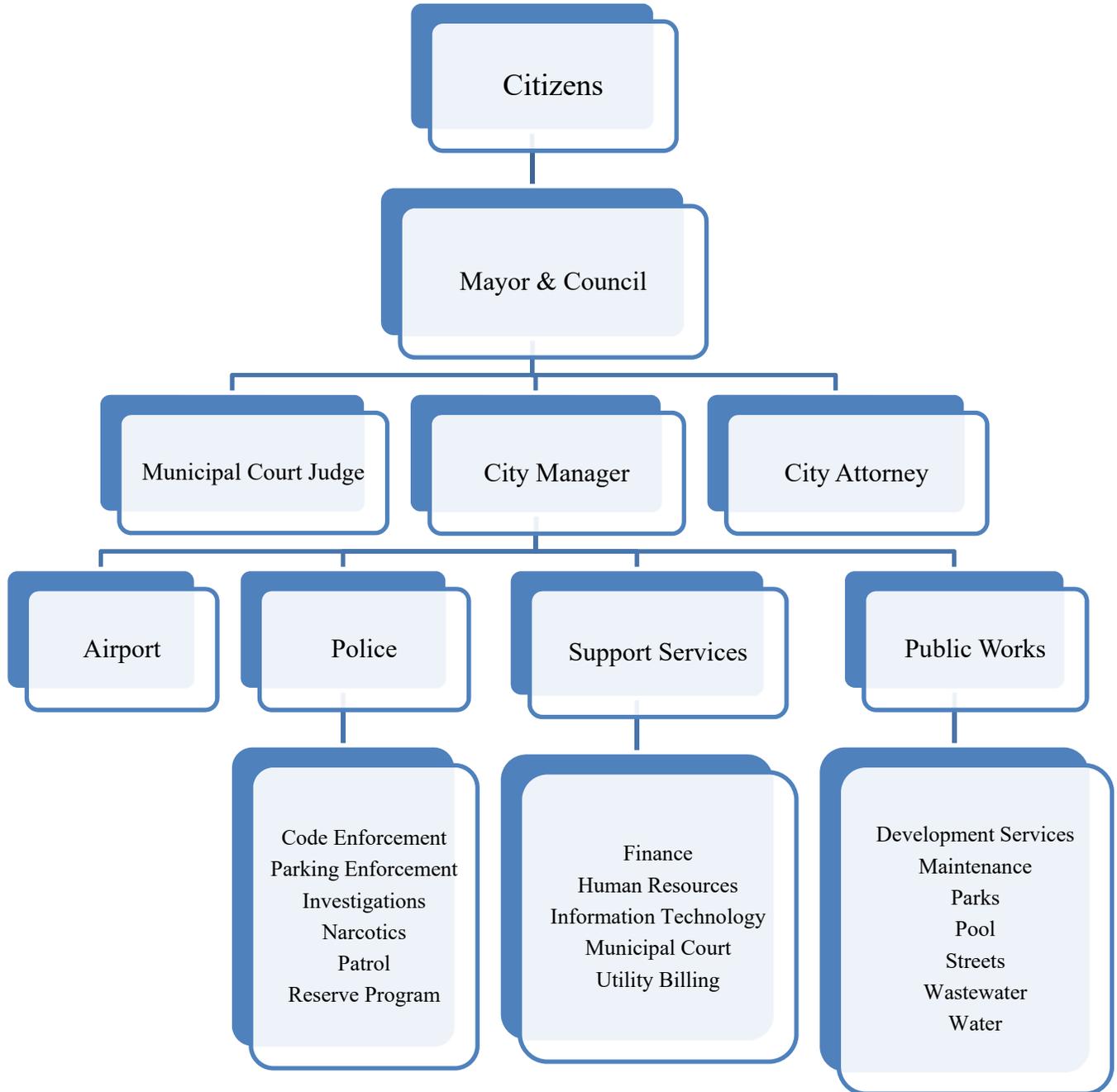
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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## Organization Chart





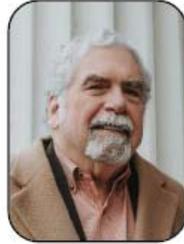
**List of Principal Officials and Staff**  
As of June 30, 2019

**Elected Officials**

Length of Service



Carol Westfall  
**Mayor**  
2 yrs. 6 mos.



Phil Studenberg  
**Ward I**  
2 yrs. 6 mos.



Kendall Bell  
**Ward II**  
3 yrs. 6 mos.



Matt Dodson  
**Ward III**  
6 yrs. 10 mos.



Dan Tofell  
**Ward IV**  
8 yrs. 6 mos.



Todd Andres  
**Ward V**  
6 mos.

**Appointed Officials / Directors**

Time in Current Position



Nathan Cherpeski  
**City Manager**  
6 yrs. 5 mos.



Michael Swanson  
**City Attorney**  
9 mos.



John Barsalou  
**Airport Director**  
3 yrs. 11 mos.



David Henslee  
**Chief of Police**  
4 yrs. 3 mos.



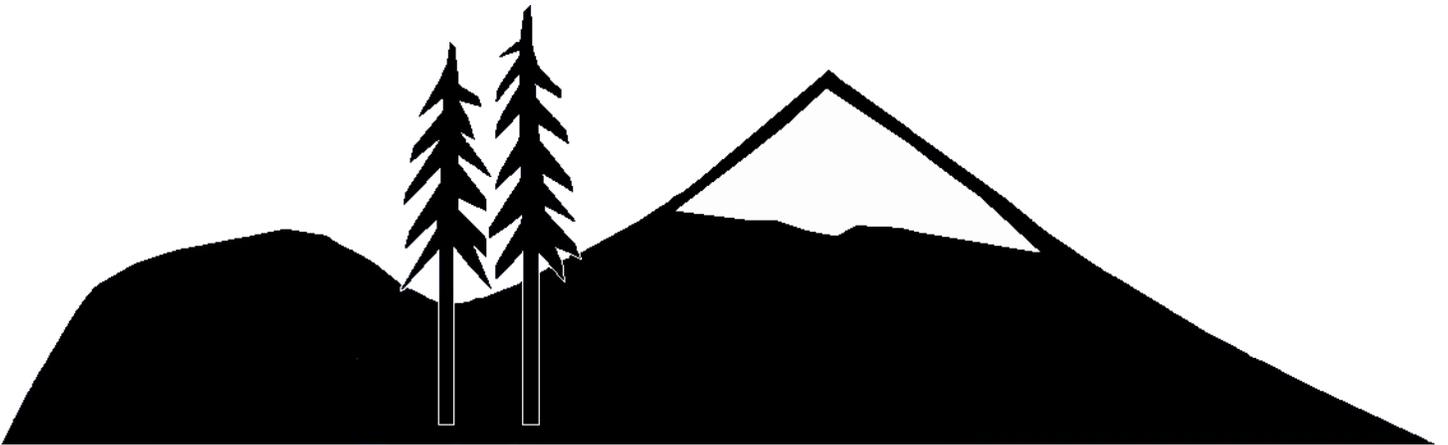
Mark Willrett  
**Public Works  
Director**  
13 yrs. 3 mos.



Brooke Marshall  
**Support Services  
Director**  
2 yrs. 1 mo.



## **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 City of Klamath Falls, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Klamath Falls' basic financial statements as listed in the table of contents.

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

City of Klamath Falls' 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 City of Klamath Falls, as of June 30, 2019, 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 balance – 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, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share – retirement health insurance account, schedule of contributions – retirement health insurance account, schedule of OPEB contributions – implicit rate subsidy plan, schedule of the proportionate share of the net pension liability, and schedule of pension 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 schedule of revenues, expenditures and changes in fund balance – 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.

### *Supplemental and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Klamath Falls' 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 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, 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 was 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 December 19, 2019 on our consideration of City of Klamath Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Klamath Falls' 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 City of Klamath Falls' 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 December 19, 2019, on our consideration of City of Klamath Falls' 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+Co  
Tualatin, Oregon  
December 19, 2019

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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, 2019 and June 30, 2018. 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 \$202,281,328 (*net position*). Of this amount, \$39,285,313 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 decreased by \$11,122,917 primarily due to a restatement to adjust off salvage value for infrastructure assets of (\$14,588,304). The change in net position prior to the restatement is \$3,465,387.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$40,320,512, an increase of \$5,654,573 in comparison with the prior year. Approximately 26% of this amount, \$10,356,890, 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 \$10,928,370, or approximately 66% of total General Fund expenditures.
- The City's total outstanding long-term debt increased by \$3,978,177 during the current fiscal year.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional 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 nine 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 a biennial appropriated budget for all of 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. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water and geothermal operations.

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

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

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

The City maintains one type of fiduciary fund. The *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 budgetary comparisons for the general fund and airport fund and Other Post-Employment Benefits (OPEB) and pension schedules. Required supplementary information statements can be found in the financial section following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information fund budgetary comparisons and information on OPEB and pensions. Combining and individual fund statements and schedules can be found in the financial section's other supplementary information.

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

## Government-wide Overall Financial Analysis

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 \$202,281,328, at the close of the most recent fiscal year.

### City of Klamath Falls' Net Position

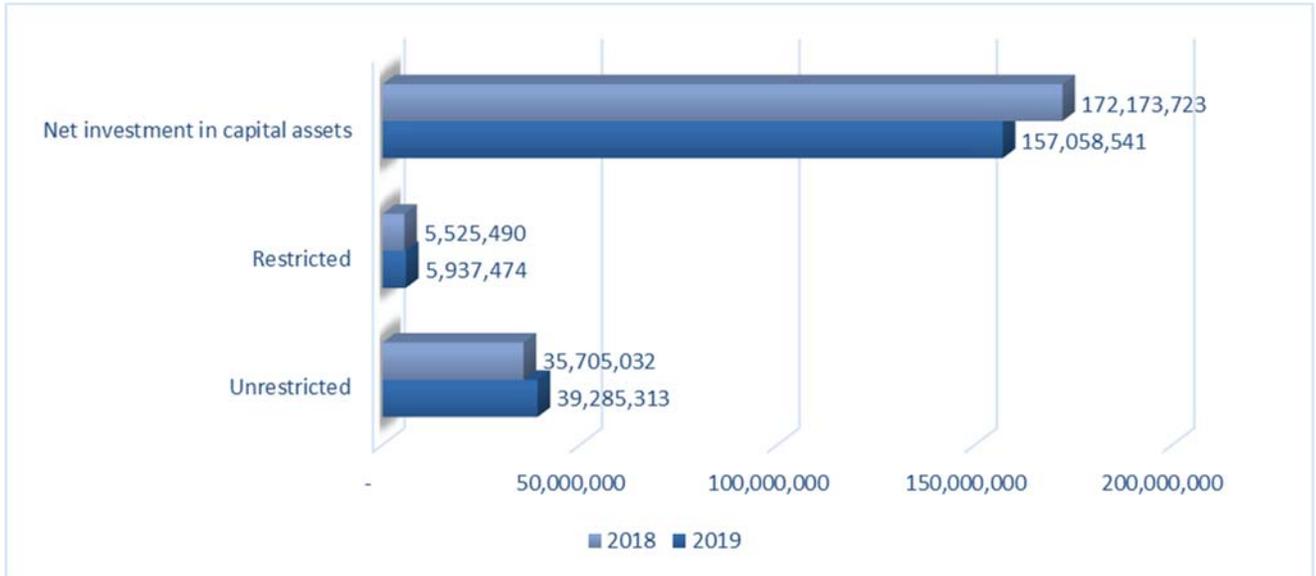
|                                   | Governmental activities |                       | Business-type activities |                      | Total                 |                       |
|-----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                   | 2019                    | 2018                  | 2019                     | 2018                 | 2019                  | 2018                  |
| Current and other assets          | \$ 42,850,527           | \$ 38,627,442         | \$ 18,180,475            | \$ 17,146,033        | \$ 61,031,002         | \$ 55,773,475         |
| Capital assets                    | 105,193,834             | 119,980,797           | 68,322,881               | 66,007,342           | 173,516,715           | 185,988,139           |
| Total assets                      | 148,044,361             | 158,608,239           | 86,503,356               | 83,153,375           | 234,547,717           | 241,761,614           |
| Deferred outflow of resources     | 4,096,838               | 3,590,421             | 1,093,504                | 983,474              | 5,190,342             | 4,573,895             |
| Long-term liabilities outstanding | 20,622,014              | 19,784,528            | 10,832,521               | 7,691,830            | 31,454,535            | 27,476,358            |
| Other liabilities                 | 2,092,089               | 2,695,453             | 2,611,809                | 2,113,856            | 4,703,898             | 4,809,309             |
| Total liabilities                 | 22,714,103              | 22,479,981            | 13,444,330               | 9,805,686            | 36,158,433            | 32,285,667            |
| Deferred inflows of resources     | 1,041,956               | 516,509               | 256,342                  | 129,088              | 1,298,298             | 645,597               |
| Net position:                     |                         |                       |                          |                      |                       |                       |
| Net investment in capital assets  | 97,349,847              | 111,784,474           | 59,708,694               | 60,389,249           | 157,058,541           | 172,173,723           |
| Restricted                        | 4,825,481               | 4,420,534             | 1,111,993                | 1,104,956            | 5,937,474             | 5,525,490             |
| Unrestricted                      | 26,209,812              | 22,997,162            | 13,075,501               | 12,707,870           | 39,285,313            | 35,705,032            |
| Total net position                | <u>\$ 128,385,140</u>   | <u>\$ 139,202,170</u> | <u>\$ 73,896,188</u>     | <u>\$ 74,202,075</u> | <u>\$ 202,281,328</u> | <u>\$ 213,404,245</u> |

By far, the largest portion of the City's net position (77.6%) 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 (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$39,285,313 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

**City of Klamath Falls' Net Position  
June 30, 2018 and 2019**



The City's overall net position decreased \$11,122,917 from the prior fiscal year. The reasons for this overall decrease 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 \$10,817,030. The primary reason for the decrease was a prior period adjustment of (\$12,528,573) to remove salvage value placed on infrastructure assets. As net position has decreased for governmental activities, governmental expenses have increased \$2,024,042 from the prior year mainly due to an increase in pension expense. Program revenues decreased \$4,099,653 due to decrease in grant revenue for the Airport and general revenues increased by \$1,417,704 due to an increase in investment income and other taxes. The City's main source of revenue for governmental activities, property taxes, increased \$443,908 which is a six percent (6%) increase over the prior fiscal year. \$150,159 of this increase came from surplus property sales. 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 a decrease in the overall net position. The net position decreased to an ending balance of \$73,896,188. The total decrease in net position for business-type activities (wastewater and water funds) was \$305,887 or 0.4% from the prior fiscal year. The primary reason for the decrease was a prior period adjustment of (\$2,059,731) to remove salvage value placed on infrastructure assets. Current and other assets increased \$1,034,442. 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 finished the design phase for the wastewater treatment plant and construction began in Fiscal Year 2019.

## City of Klamath Falls' Changes in Net Position

|  | Governmental activities |                       | Business-type activities |                      | Total                 |                       |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|  | 2019                    | 2018                  | 2019                     | 2018                 | 2019                  | 2018                  |
| Revenues:  |                         |                       |                          |                      |                       |                       |
| Program revenues:  |                         |                       |                          |                      |                       |                       |
| Charges for services   | \$ 4,981,182            | \$ 4,143,751          | \$ 16,051,410            | \$ 16,705,351        | \$ 21,032,592         | \$ 19,651,883         |
| Operating grants & contributions                                     | 272,096                 | 231,631               | -                        | -                    | 272,096               | 353,709               |
| Capital grants & contributions                                       | 1,982,334               | 6,959,883             | -                        | 7,200                | 1,982,334             | 3,059,008             |
| General revenues:  |                         |                       |                          |                      |                       |                       |
| Property taxes   | 7,874,191               | 7,430,283             | -                        | -                    | 7,874,191             | 7,009,508             |
| Other taxes  | 6,009,227               | 5,230,253             | -                        | -                    | 6,009,227             | 5,083,292             |
| Other  | 983,126                 | 344,146               | 1,099,713                | 201,465              | 2,082,839             | 437,027               |
| <b>Total revenues</b>  | <b>22,102,156</b>       | <b>24,339,947</b>     | <b>17,151,123</b>        | <b>16,914,016</b>    | <b>39,253,279</b>     | <b>35,594,427</b>     |
| Expenses:  |                         |                       |                          |                      |                       |                       |
| General government   | 6,035,233               | 5,636,155             | -                        | -                    | 6,035,233             | 5,727,651             |
| Airport  | 3,636,051               | 2,833,505             | -                        | -                    | 3,636,051             | 3,128,916             |
| Culture & recreation   | 1,683,114               | 1,511,771             | -                        | -                    | 1,683,114             | 1,315,260             |
| Public safety  | 6,891,162               | 6,783,353             | -                        | -                    | 6,891,162             | 6,678,984             |
| Highways & streets   | 4,213,848               | 3,694,992             | -                        | -                    | 4,213,848             | 3,795,646             |
| Interest on long-term debt   | 277,253                 | 252,843               | -                        | -                    | 277,253               | 386,404               |
| Wastewater   | -                       | -                     | 6,037,473                | 5,862,851            | 6,037,473             | 5,396,231             |
| Water  | -                       | -                     | 7,013,758                | 6,483,466            | 7,013,758             | 5,959,718             |
| <b>Total expenses</b>  | <b>22,736,661</b>       | <b>20,712,619</b>     | <b>13,051,231</b>        | <b>12,346,317</b>    | <b>35,787,892</b>     | <b>32,388,810</b>     |
| Increase (decrease) in net position before transfers & other sources | (634,505)               | 3,627,328             | 4,099,892                | 4,567,699            | 3,465,387             | 3,205,617             |
| Special & extraordinary items  | -                       | -                     | -                        | -                    | -                     | -                     |
| Transfers  | 2,346,048               | (2,041,525)           | (2,346,048)              | 2,041,525            | -                     | -                     |
| Increase (decrease) in net position                                  | 1,711,543               | 1,585,803             | 1,753,844                | 6,609,224            | 3,465,387             | 3,205,617             |
| Net position - beginning   | 139,202,170             | 137,727,467           | 74,202,075               | 67,613,481           | 213,404,245           | 205,340,948           |
| Restatement  | (12,528,573)            | (111,100)             | (2,059,731)              | (20,630)             | (14,588,304)          | (30,462)              |
| <b>Net position - ending</b>   | <b>\$ 128,385,140</b>   | <b>\$ 139,202,170</b> | <b>\$ 73,896,188</b>     | <b>\$ 74,202,075</b> | <b>\$ 202,281,328</b> | <b>\$ 213,404,245</b> |

### Financial Analysis of the Government's Funds

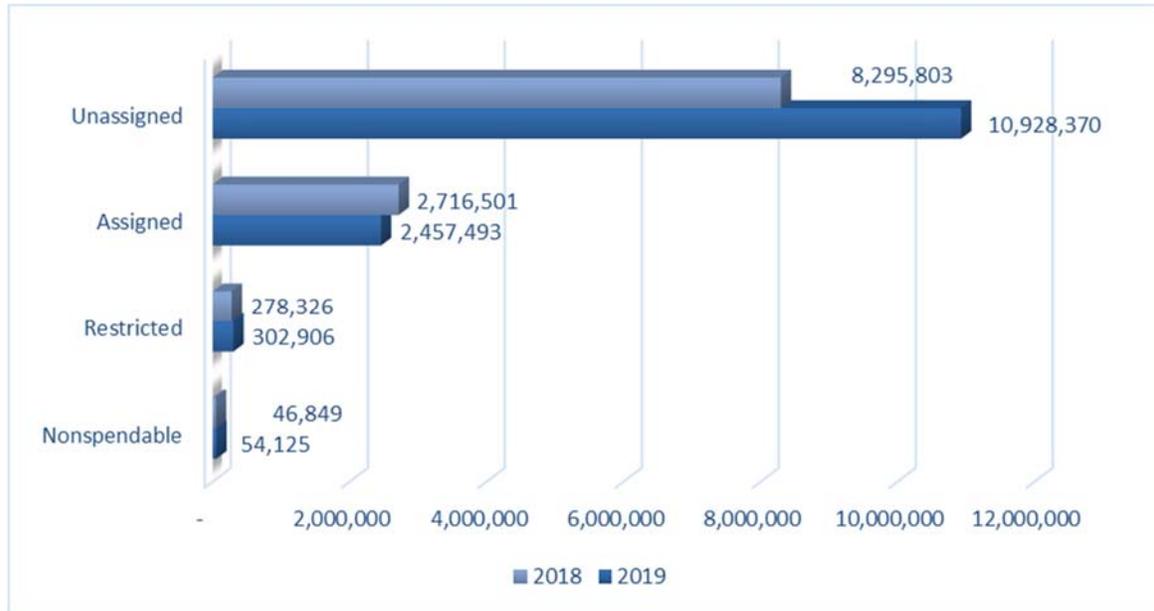
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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, 2019, the City's governmental funds reported combined fund balances of \$40,320,512 an increase of \$5,654,573 in comparison with the prior year. Approximately 26% of this amount, \$10,356,890, 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 (\$54,125), 2) legally required to be maintained intact or restricted for particular purposes (\$4,825,481), or 3) assigned for particular purposes (\$25,084,016).

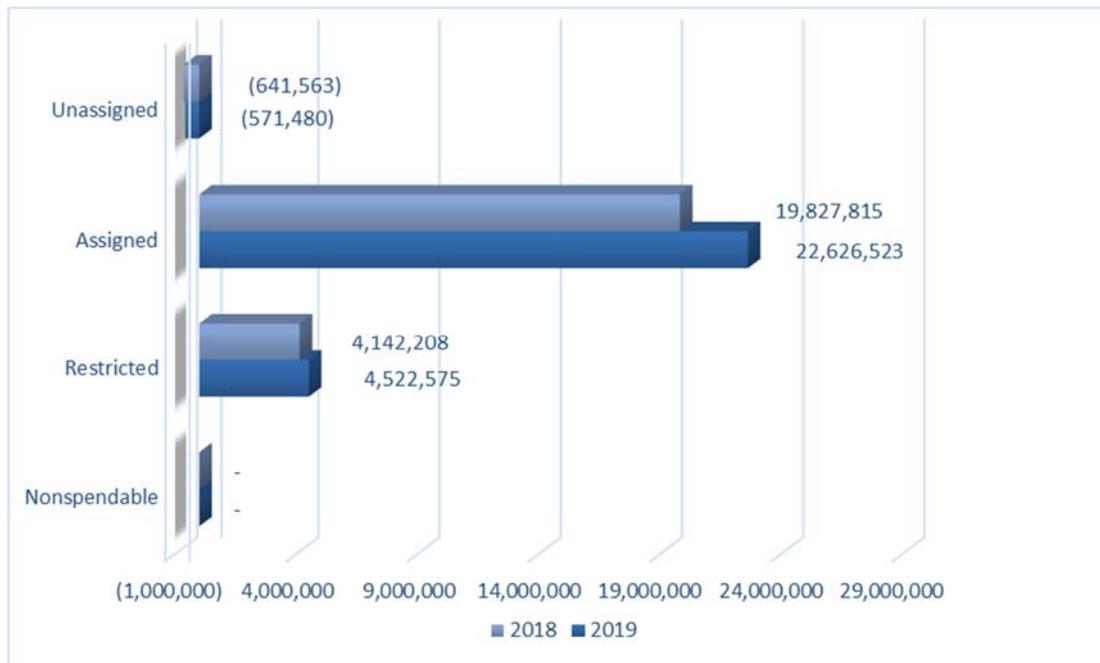
### General Fund - Components of Fund Balance June 30, 2018 and 2019



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 \$10,928,370, while total fund balance increased to \$13,742,894. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 66.6% of total general fund expenditures, while total fund balance represents approximately 83.8% 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 \$2,405,415 during the current fiscal year. Revenues increased from the prior year \$1,582,476 due to small increases in most of the revenue categories. Property taxes, the general fund’s primary revenue source, increased by \$350,797 which is a five percent (5%) increase. Intergovernmental revenue increased \$667,004 of which \$400,000 was an increase in Federal Forest Receipts for the Washburn Way Sidewalk Project. Expenditures were \$680,460 lower in the current year compared to the prior year. Overall revenues exceeded expenditures by \$1,661,921 before transfers and asset sales. Transfer activity is detailed in the interfund transfers section of the notes to the financial statements.

**Other Governmental Funds - Components of Fund Balance  
June 30, 2018 and 2019**



The airport fund, a major fund, had an increase in fund balance of \$1,258,683. Revenues decreased \$2,953,805 from the prior fiscal year primarily due to FAA grant funds for the Taxiway B project completed in the prior fiscal year. Charges for services decreased \$34,207 due to a decrease in flight activity. Expenditures decreased from the prior fiscal year \$5,056,411 which again was primarily due to the Taxiway B project in the prior year. Overall revenues exceeded expenditures by \$796,270.

The capital projects fund serves as a savings account for major capital projects to be built in future years. Its fund balance increased slightly by \$73,278 due to rent and investment income.

The final major governmental fund, the escrow reserve fund, had an increase in fund balance of \$1,629,888 which was primarily due to a transfer in from wastewater for the effluent revenue that was part of the Cogeneration sale.

**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 \$8,492,316. Total net position decreased \$293,456. Operating revenues decreased \$549,819 from the prior fiscal year due to the effluent charges being recognized in the escrow reserve fund. Operating expenses had an increase of \$161,981.

Unrestricted net position of the water fund at the end of the year was \$4,583,185. Total net position decreased \$12,431. Operating revenues increased \$178,783 due to a rate increase of 2.3% on January 1, 2019. Operating expenses had an increase of \$533,982 associated with a new implemented franchise fee.

## General Fund Budgetary Highlights

### *Original budget compared to final budget*

Revenues: Intergovernmental revenues increased \$60,000 due to Department of Homeland Security funding. Other Financing Sources increased \$36,600 due to insurance recoveries.

Expenditures: Police increased for a totaled vehicle replacement and to utilize a state homeland security grant. Legislative increased for the purchase of chrome books for data access during council sessions.

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

Revenues: Intergovernmental revenue has a variance of (\$1,950,392) due to the timing of capital projects/purchases and grant funding. The majority of these were for various street projects. Investment income has a variance of \$499,149 due to higher interest rates. Miscellaneous revenue has a variance of (\$319,117) due to timing of contributions budgeted for capital projects. Other financing sources has a variation of \$153,619 due to sale of capital assets and insurance recoveries.

Expenditures: Technology Services has a variance of \$161,224 due to timing of software installation projects. Development Services has a variance of \$176,179 due to open positions throughout the year. Street Maintenance has a variance of \$2,412,085 due to timing of capital projects.

## 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, 2019, amounts to \$173,516,715 (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 decrease in capital assets after disposals and depreciation for the current fiscal year was approximately 6.7%.

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

|                          | Governmental activities |                       | Business-type activities |                      | Total                 |                       |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                          | 2019                    | 2018                  | 2019                     | 2018                 | 2019                  | 2018                  |
| Land                     | \$ 14,152,898           | \$ 14,152,898         | \$ 1,563,599             | \$ 1,563,599         | \$ 15,716,497         | \$ 15,716,497         |
| Intangible assets        | 520,410                 | 546,346               | 191,460                  | 237,086              | 711,870               | 783,432               |
| Construction in progress | 4,147,251               | 10,462,654            | 9,338,395                | 5,331,862            | 13,485,646            | 15,794,516            |
| Buildings & system       | 10,979,791              | 11,553,916            | 3,134,712                | 3,262,324            | 14,114,503            | 14,816,240            |
| Machinery & equipment    | 3,169,977               | 3,558,000             | 6,934,407                | 7,246,997            | 10,104,384            | 10,804,997            |
| Infrastructure           | 72,223,507              | 79,706,983            | 47,160,308               | 48,365,474           | 119,383,815           | 128,072,457           |
| Total                    | <u>\$ 105,193,834</u>   | <u>\$ 119,980,797</u> | <u>\$ 68,322,881</u>     | <u>\$ 66,007,342</u> | <u>\$ 173,516,715</u> | <u>\$ 185,988,139</u> |

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

- Various street projects and microsurfacing \$1,132,226
- Lake Ewauna Trail \$541,350
- Airport airfield improvements \$1,032,020
- Wastewater Treatment Plant \$3,485,845

- Wastewater Texum Lift Station \$536,740
- Water Altamont Drive Utility Relocation \$625,564
- Water Stuart Lennox main replacement \$591,395
- Water Pelican City Booster Station \$1,627,986

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

**Long-term Debt.** At the end of the current fiscal year, the City had outstanding debt totaling \$17,822,969. Of this amount, \$4,479,973 is bonded debt secured by revenue from the City’s applicable funds, \$3,971,113 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$2,335,339 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. There is a \$2,858,073 loan for economic growth that is secured by the revenues derived from that growth and another \$4,178,472 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                |                      |
|----------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                            | 2019                    | 2018                | 2019                     | 2018                | 2019                 | 2018                 |
| Leases/loans payable       | \$ 2,858,073            | \$ 2,978,699        | \$ 4,178,472             | \$ 584,692          | \$ 7,036,545         | \$ 3,563,391         |
| General obligation bonds   | 3,971,113               | 4,065,687           | -                        | -                   | 3,971,113            | 4,065,687            |
| Full faith and credit bond | 2,335,339               | 2,521,886           | -                        | -                   | 2,335,339            | 2,521,886            |
| Revenue bonds              | -                       | -                   | 4,479,973                | 5,172,122           | 4,479,973            | 5,172,122            |
| <b>Total</b>               | <b>\$ 9,164,525</b>     | <b>\$ 9,566,272</b> | <b>\$ 8,658,445</b>      | <b>\$ 5,756,814</b> | <b>\$ 17,822,970</b> | <b>\$ 15,323,086</b> |

The City’s total debt increased \$2,499,884 or 16.3% during the current fiscal year. The City drew funds from the DEQ State Revolving Loan agreement for financing the Wastewater treatment plant upgrades. See the notes to the financial statements for more information.

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 \$42,562,000 which is significantly in excess of the City’s outstanding general obligation debt of \$3,971,113.

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

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

The following economic factors currently affect the City and were considered in developing the biennial 2019-2021 budget.

- The unemployment rate for Klamath County at June 30, 2019 was 6.5 percent, a slight increase from one year ago. The rate is still higher than the national average of 3.7 percent as of June 30, 2019.
- On January 1, 2019, sewer and water rates increased by the CPI 2.3 percent.
- The City continued to invest \$37,472,263 in diversified bonds and the state pool intermediate fund in FY 2019.
- A class and compensation study was completed and set in place starting July 1, 2019, modifying step increases and reallocating position growth.
- The AFSCME Union agreed to a four-year contract beginning July 1, 2019.

## **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.

## BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon  
Statement of Net Position  
June 30, 2019

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>           |
|---|------------------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>   |                                    |                                     |                        |
| Current Assets:   |                                    |                                     |                        |
| Cash and cash equivalents                                 | \$ 9,298,255                       | \$ 6,334,173                        | \$ 15,632,428          |
| Accounts receivable ( <i>net of uncollectibles</i> )      | 1,690,259                          | 2,196,420                           | 3,886,679              |
| Taxes receivable  | 836,732                            | -                                   | 836,732                |
| Special assessments receivable                            | 111,518                            | 13,814                              | 125,332                |
| Interest receivable                                       | 76,831                             | 64,561                              | 141,392                |
| Inventories   | 54,125                             | 287,832                             | 341,957                |
| Prepaid items   | 361,931                            | 83,390                              | 445,321                |
| Restricted assets   |                                    |                                     |                        |
| Cash and cash equivalents                                 | 532,752                            | 1,111,993                           | 1,644,745              |
| <br>Total Current Assets                                  | <br><u>12,962,403</u>              | <br><u>10,092,183</u>               | <br><u>23,054,586</u>  |
| Noncurrent Assets:  |                                    |                                     |                        |
| Investments   | 25,395,066                         | 8,068,295                           | 33,463,361             |
| Prepaid bond insurance                                    | 7,002                              | -                                   | 7,002                  |
| Net OPEB asset  | 81,280                             | 19,997                              | 101,277                |
| Restricted assets   |                                    |                                     |                        |
| Investments   | 4,404,776                          | -                                   | 4,404,776              |
| Capital assets not being depreciated                      |                                    |                                     |                        |
| Land  | 14,152,898                         | 1,563,599                           | 15,716,497             |
| Intangible assets   | 116,771                            | 185,728                             | 302,499                |
| Construction in progress                                  | 4,147,251                          | 9,338,395                           | 13,485,646             |
| Capital assets ( <i>net of accumulated depreciation</i> ) |                                    |                                     |                        |
| Buildings and system                                      | 10,979,791                         | 3,134,712                           | 14,114,503             |
| Intangible assets   | 403,639                            | 5,732                               | 409,371                |
| Machinery, equipment and vehicles                         | 3,169,977                          | 6,934,407                           | 10,104,384             |
| Infrastructure  | 72,223,507                         | 47,160,308                          | 119,383,815            |
| <br>Total Noncurrent Assets                               | <br><u>135,081,958</u>             | <br><u>76,411,173</u>               | <br><u>211,493,131</u> |
| <br>Total Assets  | <br><u>148,044,361</u>             | <br><u>86,503,356</u>               | <br><u>234,547,717</u> |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                                    |                                     |                        |
| Deferred charges on refunding                             | 134,455                            | 118,684                             | 253,139                |
| Deferred outflow of resources - OPEB related              | 92,944                             | 22,866                              | 115,810                |
| Deferred outflow of resources - pension related           | 3,869,439                          | 951,954                             | 4,821,393              |
| <br>Total Deferred Outflows of Resources                  | <br><u>4,096,838</u>               | <br><u>1,093,504</u>                | <br><u>5,190,342</u>   |

Continued on next page

City of Klamath Falls, Oregon  
Statement of Net Position *Continued*  
June 30, 2019

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| <b>LIABILITIES</b>  |                                    |                                     |                       |
| Current Liabilities ( <i>payable from unrestricted assets</i> ):      |                                    |                                     |                       |
| Accounts payable  | 972,408                            | 1,275,231                           | 2,247,639             |
| Retainage payable   | 17,521                             | 74,426                              | 91,947                |
| Accrued interest payable  | 26,290                             | -                                   | 26,290                |
| Compensated Absences  | 485,887                            | 118,244                             | 604,131               |
| Customer deposits   | 103,870                            | 228,922                             | 332,792               |
| Unearned revenues   | 72,697                             | 118,646                             | 191,343               |
| Leases / loans payable  | 123,772                            | -                                   | 123,772               |
| Bonds payable   | 289,644                            | -                                   | 289,644               |
| Current Liabilities ( <i>payable from restricted assets</i> ):        |                                    |                                     |                       |
| Accrued interest payable  | -                                  | 51,246                              | 51,246                |
| Leases / loans payable  | -                                  | 41,825                              | 41,825                |
| Bonds payable   | -                                  | 703,269                             | 703,269               |
| Total Current Liabilities   | <u>2,092,089</u>                   | <u>2,611,809</u>                    | <u>4,703,898</u>      |
| Noncurrent Liabilities:   |                                    |                                     |                       |
| Compensated absences  | 485,886                            | 118,243                             | 604,129               |
| Leases / Loans / Contracts payable                                    | 2,734,301                          | 4,136,647                           | 6,870,948             |
| Bonds payable<br>( <i>net of unamortized discounts and premiums</i> ) | 6,016,808                          | 3,776,704                           | 9,793,512             |
| Total OPEB liability  | 496,297                            | 122,098                             | 618,395               |
| Net pension liability   | 10,888,722                         | 2,678,829                           | 13,567,551            |
| Total Noncurrent Liabilities  | <u>20,622,014</u>                  | <u>10,832,521</u>                   | <u>31,454,535</u>     |
| Total Liabilities   | <u>22,714,103</u>                  | <u>13,444,330</u>                   | <u>36,158,433</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                                    |                                     |                       |
| Deferred inflows of resources - OPEB related                          | 118,935                            | 29,261                              | 148,196               |
| Deferred inflows of resources - pension related                       | 923,021                            | 227,081                             | 1,150,102             |
| Total Deferred Inflows of Resources                                   | <u>1,041,956</u>                   | <u>256,342</u>                      | <u>1,298,298</u>      |
| <b>NET POSITION</b>   |                                    |                                     |                       |
| Net investment in capital assets                                      | 97,349,847                         | 59,708,694                          | 157,058,541           |
| Restricted for:   |                                    |                                     |                       |
| Outside Legal Authority   | 239,475                            | -                                   | 239,475               |
| System development  | 134,334                            | 232,535                             | 366,869               |
| Capital outlay  | 46,896                             | -                                   | 46,896                |
| Debt service  | -                                  | 879,458                             | 879,458               |
| Environmental   | 4,404,776                          | -                                   | 4,404,776             |
| Unrestricted  | <u>26,209,812</u>                  | <u>13,075,501</u>                   | <u>39,285,313</u>     |
| Total Net Position  | <u>\$ 128,385,140</u>              | <u>\$ 73,896,188</u>                | <u>\$ 202,281,328</u> |

City of Klamath Falls, Oregon  
Statement of Activities  
For the Year Ended June 30, 2019

| Functions/Programs                          | Expenses             | Program Revenues     |                                  |                                | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|---|----------------------|----------------------|----------------------------------|--------------------------------|---|--------------------------|-----------------------|
|   |                      | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities                           | Business-Type Activities | Total                 |
| <b>Governmental Activities:</b>             |                      |                      |                                  |                                |   |                          |                       |
| General government                          | \$ 6,035,233         | \$ 3,812,814         | \$ 92,134                        | \$ -                           | \$ (2,130,285)                                    | \$ -                     | \$ (2,130,285)        |
| Airport                                     | 3,636,051            | 513,813              | 146,108                          | 974,081                        | (2,002,049)                                       | -                        | (2,002,049)           |
| Culture and recreation                      | 1,683,114            | 207,757              | 17,262                           | 555,152                        | (902,943)   | -                        | (902,943)             |
| Public safety                               | 6,891,162            | 31,534               | 16,592                           | -                              | (6,843,036)                                       | -                        | (6,843,036)           |
| Highways and streets                        | 4,213,848            | 415,264              | -                                | 453,101                        | (3,345,483)                                       | -                        | (3,345,483)           |
| Interest on long-term debt                  | 277,253              | -                    | -                                | -                              | (277,253)   | -                        | (277,253)             |
| <b>Total Government Activities</b>          | <b>22,736,661</b>    | <b>4,981,182</b>     | <b>272,096</b>                   | <b>1,982,334</b>               | <b>(15,501,049)</b>                               | <b>-</b>                 | <b>(15,501,049)</b>   |
| <b>Business-Type Activities:</b>            |                      |                      |                                  |                                |   |                          |                       |
| Wastewater                                  | 6,037,473            | 7,368,960            | -                                | -                              | -   | 1,331,487                | 1,331,487             |
| Water                                       | 7,013,758            | 8,682,450            | -                                | -                              | -   | 1,668,692                | 1,668,692             |
| <b>Total Business-Type Activities</b>       | <b>13,051,231</b>    | <b>16,051,410</b>    | <b>-</b>                         | <b>-</b>                       | <b>-</b>  | <b>3,000,179</b>         | <b>3,000,179</b>      |
| <b>Total</b>                                | <b>\$ 35,787,892</b> | <b>\$ 21,032,592</b> | <b>\$ 272,096</b>                | <b>\$ 1,982,334</b>            | <b>(15,501,049)</b>                               | <b>3,000,179</b>         | <b>(12,500,870)</b>   |
| <b>General Revenues:</b>                    |                      |                      |                                  |                                |   |                          |                       |
| Property taxes                              |                      |                      |                                  |                                | 7,874,191   | -                        | 7,874,191             |
| Franchise taxes                             |                      |                      |                                  |                                | 2,805,417   | -                        | 2,805,417             |
| Motor fuel taxes                            |                      |                      |                                  |                                | 1,601,000   | -                        | 1,601,000             |
| Alcoholic beverage taxes                    |                      |                      |                                  |                                | 363,917   | -                        | 363,917               |
| Cigarette taxes                             |                      |                      |                                  |                                | 25,102  | -                        | 25,102                |
| Transient room taxes                        |                      |                      |                                  |                                | 584,170   | -                        | 584,170               |
| State revenue sharing                       |                      |                      |                                  |                                | 229,621   | -                        | 229,621               |
| Federal forest receipts                     |                      |                      |                                  |                                | 400,000   | -                        | 400,000               |
| Unrestricted investment earnings            |                      |                      |                                  |                                | 983,126   | 1,086,983                | 2,070,109             |
| Gain on sale of capital assets              |                      |                      |                                  |                                | -   | 12,730                   | 12,730                |
| Transfers                                   |                      |                      |                                  |                                | 2,346,048   | (2,346,048)              | -                     |
| <b>Total General Revenues and Transfers</b> |                      |                      |                                  |                                | <b>17,212,592</b>                                 | <b>(1,246,335)</b>       | <b>15,966,257</b>     |
| Change in Net Position                      |                      |                      |                                  |                                | 1,711,543   | 1,753,844                | 3,465,387             |
| Net Position - Beginning                    |                      |                      |                                  |                                | 139,202,170                                       | 74,202,075               | 213,404,245           |
| Restatement (see note 5)                    |                      |                      |                                  |                                | (12,528,573)                                      | (2,059,731)              | (14,588,304)          |
| Net Position - Beginning as restated        |                      |                      |                                  |                                | 126,673,597                                       | 72,142,344               | 198,815,941           |
| Net Position - Ending                       |                      |                      |                                  |                                | <b>\$ 128,385,140</b>                             | <b>\$ 73,896,188</b>     | <b>\$ 202,281,328</b> |

FUND FINANCIAL  
STATEMENTS

City of Klamath Falls, Oregon  
Balance Sheet  
Governmental Funds  
June 30, 2019

|  | General<br>Fund      | Airport<br>Fund     | Capital<br>Projects Fund | Escrow Reserve<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------|------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                     |                          |                        |                                |                                |
| Cash and cash equivalents  | \$ 4,101,610         | \$ 1,101,402        | \$ 1,312,362             | \$ 2,323,203           | \$ 459,678                     | \$ 9,298,255                   |
| Accounts receivable  | 866,882              | 801,457             | -                        | -                      | 21,920                         | 1,690,259                      |
| Taxes receivable   | 753,652              | 33,452              | -                        | -                      | 49,628                         | 836,732                        |
| Special assessments receivable   | 111,518              | -                   | -                        | -                      | -                              | 111,518                        |
| Interest receivable  | 51,895               | 538                 | -                        | 23,732                 | 666                            | 76,831                         |
| Advances to other funds  | -                    | -                   | -                        | 686,622                | -                              | 686,622                        |
| Inventories  | 54,125               | -                   | -                        | -                      | -                              | 54,125                         |
| Restricted assets  |                      |                     |                          |                        |                                |                                |
| Cash and cash equivalents  | 302,906              | 46,896              | -                        | -                      | 182,950                        | 532,752                        |
| Long-term assets   |                      |                     |                          |                        |                                |                                |
| Investments  | 9,289,972            | -                   | 9,323,190                | 6,781,904              | -                              | 25,395,066                     |
| Restricted investments   | -                    | -                   | 4,404,776                | -                      | -                              | 4,404,776                      |
| <b>Total Assets</b>  | <b>\$ 15,532,560</b> | <b>\$ 1,983,745</b> | <b>\$ 15,040,328</b>     | <b>\$ 9,815,461</b>    | <b>\$ 714,842</b>              | <b>\$ 43,086,936</b>           |
| <b>LIABILITIES</b>   |                      |                     |                          |                        |                                |                                |
| Liabilities:   |                      |                     |                          |                        |                                |                                |
| Accounts payable   | \$ 789,714           | \$ 108,530          | \$ -                     | \$ -                   | \$ 62,323                      | \$ 960,567                     |
| Retainage payable  | 17,521               | -                   | -                        | -                      | -                              | 17,521                         |
| Advances from other funds  | -                    | -                   | -                        | -                      | 686,622                        | 686,622                        |
| Deposits payable   | 95,450               | 8,420               | -                        | -                      | -                              | 103,870                        |
| Unearned revenue   | 44,747               | -                   | -                        | -                      | 27,950                         | 72,697                         |
| <b>Total Liabilities</b>   | <b>947,432</b>       | <b>116,950</b>      | <b>-</b>                 | <b>-</b>               | <b>776,895</b>                 | <b>1,841,277</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                     |                          |                        |                                |                                |
| Unavailable revenue - property taxes   | 535,121              | 23,376              | -                        | -                      | 36,754                         | 595,251                        |
| Unavailable revenue - grant  | -                    | -                   | -                        | -                      | -                              | -                              |
| Unavailable revenue - franchise fees   | 21,513               | -                   | -                        | -                      | -                              | 21,513                         |
| Unavailable revenue - special assessment debt receivable                       | 109,258              | -                   | -                        | -                      | -                              | 109,258                        |
| Unavailable revenue - accounts receivable                                      | 92                   | 18,564              | -                        | -                      | -                              | 18,656                         |
| Unavailable revenue - municipal court fines                                    | 173,478              | -                   | -                        | -                      | 4,219                          | 177,697                        |
| Unavailable revenue - code enforcement fines                                   | 2,772                | -                   | -                        | -                      | -                              | 2,772                          |
| <b>Total Deferred Inflows of Resources</b>                                     | <b>842,234</b>       | <b>41,940</b>       | <b>-</b>                 | <b>-</b>               | <b>40,973</b>                  | <b>925,147</b>                 |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                     | <b>1,789,666</b>     | <b>158,890</b>      | <b>-</b>                 | <b>-</b>               | <b>817,868</b>                 | <b>2,766,424</b>               |
| <b>FUND BALANCES (DEFICITS)</b>  |                      |                     |                          |                        |                                |                                |
| Nonspendable   | 54,125               | -                   | -                        | -                      | -                              | 54,125                         |
| Restricted   | 302,906              | 46,896              | 4,404,776                | -                      | 70,903                         | 4,825,481                      |
| Assigned   | 2,457,493            | 1,777,959           | 10,635,552               | 9,815,461              | 397,551                        | 25,084,016                     |
| Unassigned   | 10,928,370           | -                   | -                        | -                      | (571,480)                      | 10,356,890                     |
| <b>Total Fund Balances</b>   | <b>13,742,894</b>    | <b>1,824,855</b>    | <b>15,040,328</b>        | <b>9,815,461</b>       | <b>(103,026)</b>               | <b>40,320,512</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</b> | <b>\$ 15,532,560</b> | <b>\$ 1,983,745</b> | <b>\$ 15,040,328</b>     | <b>\$ 9,815,461</b>    | <b>\$ 714,842</b>              |                                |

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

|   |             |
|---|-------------|
| Prepaid assets are not reported in the funds.   | 361,931     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                                   | 105,193,834 |
| 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. | 925,147     |
| Pension related liability and deferred outflows and inflows of resources.   | (7,942,304) |
| Other post employment benefits related liability and deferred outflows and inflows of resources.  | (441,008)   |

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               | 9,164,525             |
| Deferred charge on refunding | (134,455)             |
| Prepaid bond insurance       | (7,002)               |
| Accrued interest             | 26,290                |
| Accounts Payable             | 11,841                |
| Compensated absences         | 971,773               |
|                              | <u>(10,032,972)</u>   |
|                              | <u>\$ 128,385,140</u> |

City of Klamath Falls, Oregon  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

|  | General<br>Fund      | Airport<br>Fund     | Capital<br>Projects Fund | Escrow Reserve<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------|------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                      |                     |                          |                        |                                |                                |
| Taxes  | \$ 7,044,557         | \$ 314,910          | \$ -                     | \$ -                   | \$ 531,558                     | \$ 7,891,025                   |
| Special assessments  | 10,898               | -                   | -                        | -                      | -                              | 10,898                         |
| Intergovernmental  | 3,773,233            | 2,442,186           | -                        | -                      | 118,604                        | 6,334,023                      |
| Licenses, fees and permits                                   | 151,200              | -                   | -                        | -                      | 41,774                         | 192,974                        |
| Franchise fees   | 2,809,670            | -                   | -                        | -                      | -                              | 2,809,670                      |
| Charges for services   | 467,728              | 513,775             | 54,000                   | 579,171                | 104,046                        | 1,718,720                      |
| Internal charges for services                                | 2,695,418            | -                   | -                        | -                      | -                              | 2,695,418                      |
| Fines and forfeits   | 311,365              | -                   | -                        | -                      | 49,071                         | 360,436                        |
| Investment income  | 686,448              | 22,661              | 19,278                   | 236,047                | 18,692                         | 983,126                        |
| Miscellaneous revenues                                       | 115,083              | 38                  | -                        | -                      | -                              | 115,121                        |
| <b>Total Revenues</b>  | <b>18,065,600</b>    | <b>3,293,570</b>    | <b>73,278</b>            | <b>815,218</b>         | <b>863,745</b>                 | <b>23,111,411</b>              |
| <b>EXPENDITURES</b>  |                      |                     |                          |                        |                                |                                |
| Current:   |                      |                     |                          |                        |                                |                                |
| General government   | 5,044,178            | -                   | -                        | 330                    | 475,244                        | 5,519,752                      |
| Airport  | -                    | 1,426,159           | -                        | -                      | -                              | 1,426,159                      |
| Culture and recreation                                       | 1,416,609            | -                   | -                        | -                      | -                              | 1,416,609                      |
| Public safety  | 5,752,237            | -                   | -                        | -                      | 15,527                         | 5,767,764                      |
| Highways and streets   | 1,891,732            | -                   | -                        | -                      | 128,079                        | 2,019,811                      |
| Debt service:  |                      |                     |                          |                        |                                |                                |
| Principal  | 185,000              | -                   | -                        | -                      | 215,200                        | 400,200                        |
| Interest   | 110,645              | -                   | -                        | -                      | 161,674                        | 272,319                        |
| Capital outlay:  |                      |                     |                          |                        |                                |                                |
| General government   | -                    | -                   | -                        | -                      | 17,487                         | 17,487                         |
| Airport  | -                    | 1,071,141           | -                        | -                      | -                              | 1,071,141                      |
| Culture and recreation                                       | 724,636              | -                   | -                        | -                      | -                              | 724,636                        |
| Public safety  | 100,565              | -                   | -                        | -                      | -                              | 100,565                        |
| Highways and streets   | 1,178,077            | -                   | -                        | -                      | -                              | 1,178,077                      |
| <b>Total Expenditures</b>                                    | <b>16,403,679</b>    | <b>2,497,300</b>    | <b>-</b>                 | <b>330</b>             | <b>1,013,211</b>               | <b>19,914,520</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 1,661,921            | 796,270             | 73,278                   | 814,888                | (149,466)                      | 3,196,891                      |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>                    |                      |                     |                          |                        |                                |                                |
| Proceeds from sale of capital assets                         | 74,860               | 3,613               | -                        | -                      | -                              | 78,473                         |
| Transfers in   | 835,050              | 458,800             | -                        | 1,350,000              | 436,775                        | 3,080,625                      |
| Transfers out  | (211,775)            | -                   | -                        | (535,000)              | -                              | (746,775)                      |
| Insurance recoveries   | 45,359               | -                   | -                        | -                      | -                              | 45,359                         |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>743,494</b>       | <b>462,413</b>      | <b>-</b>                 | <b>815,000</b>         | <b>436,775</b>                 | <b>2,457,682</b>               |
| <b>Net Change in Fund Balance</b>                            | <b>2,405,415</b>     | <b>1,258,683</b>    | <b>73,278</b>            | <b>1,629,888</b>       | <b>287,309</b>                 | <b>5,654,573</b>               |
| Fund Balance - Beginning                                     | 11,337,479           | 566,172             | 14,967,050               | 8,185,573              | (390,335)                      | 34,665,939                     |
| Fund Balance - Ending  | <b>\$ 13,742,894</b> | <b>\$ 1,824,855</b> | <b>\$ 15,040,328</b>     | <b>\$ 9,815,461</b>    | <b>\$ (103,026)</b>            | <b>\$ 40,320,512</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, 2019

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

|   |                    |                  |
|---|--------------------|------------------|
| Net change in fund balances - total governmental funds  | \$                 | 5,654,573        |
| <p>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.</p>   |                    |                  |
| Expenditures for capital assets   | \$ 3,091,906       |                  |
| Less current year depreciation  | <u>(4,919,925)</u> | (1,828,019)      |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>   |                    |                  |
| Contributions from outside parties  | 1,029              |                  |
| Transfers to/from business-type activities  | 12,198             |                  |
| Cost of capital assets sold   | <u>(443,598)</u>   | (430,371)        |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>   |                    |                  |
| Property taxes  | (16,834)           |                  |
| Special assessments against benefiting properties   | (10,605)           |                  |
| Grant receivable - non-current portion  | (883,870)          |                  |
| Franchise Fees - non-current portion  | (4,253)            |                  |
| Accounts receivable - non-current portion   | (5,706)            |                  |
| Fines and forfeitures - non current portion   | <u>(3,126)</u>     | (924,394)        |
| <p>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.</p> |                    |                  |
| Principal payments  | 400,200            |                  |
| Amortization of deferred charge on refunding  | 7,464              |                  |
| Amortization of bond premium  | (13,382)           |                  |
| Amortization of bond insurance  | <u>(706)</u>       | 393,576          |
| The net effect of various pension related transactions  |                    | (1,134,135)      |
| <p>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.</p>  |                    |                  |
| Prepaid expenses  | 79,429             |                  |
| Accrued interest on long-term obligations   | 984                |                  |
| Compensated absences  | (103,000)          |                  |
| Other postemployment benefits   | <u>2,900</u>       | (19,687)         |
| Change in net position of governmental activities   | \$                 | <u>1,711,543</u> |

PROPRIETARY  
FUNDS

City of Klamath Falls, Oregon  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

|   | Business-Type Activities |                      |                      |
|---|--------------------------|----------------------|----------------------|
|   | Wastewater               | Water                | Totals               |
| <b>ASSETS</b>   |                          |                      |                      |
| Current Assets:   |                          |                      |                      |
| Cash and cash equivalents                               | \$ 3,497,431             | \$ 2,836,742         | \$ 6,334,173         |
| Accounts receivable <i>(net of uncollectibles)</i>      | 919,587                  | 1,276,833            | 2,196,420            |
| Loans receivable  | 1,629                    | 12,185               | 13,814               |
| Interest receivable                                     | 28,838                   | 35,723               | 64,561               |
| Inventories   | 29,419                   | 258,413              | 287,832              |
| Prepaid items   | 31,163                   | 52,227               | 83,390               |
| Restricted assets                                       |                          |                      |                      |
| Cash and cash equivalents                               | 954,806                  | 157,187              | 1,111,993            |
| Total Current Assets                                    | <u>5,462,873</u>         | <u>4,629,310</u>     | <u>10,092,183</u>    |
| Long-term Assets:                                       |                          |                      |                      |
| Investments   | 5,364,826                | 2,703,469            | 8,068,295            |
| Capital assets <i>(net of accumulated depreciation)</i> |                          |                      |                      |
| Land  | 1,322,899                | 240,700              | 1,563,599            |
| Intangible assets                                       | 53,971                   | 137,489              | 191,460              |
| Construction in progress                                | 6,114,198                | 3,224,197            | 9,338,395            |
| Buildings and system                                    | 2,318,495                | 816,217              | 3,134,712            |
| Machinery and equipment                                 | 3,639,978                | 3,294,429            | 6,934,407            |
| Infrastructure  | <u>19,254,561</u>        | <u>27,905,747</u>    | <u>47,160,308</u>    |
| Net OPEB asset  | 7,417                    | 12,580               | 19,997               |
| Total Noncurrent Assets                                 | <u>38,076,345</u>        | <u>38,334,828</u>    | <u>76,411,173</u>    |
| Total Assets  | <u>43,539,218</u>        | <u>42,964,138</u>    | <u>86,503,356</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                          |                      |                      |
| Deferred charges on refunding                           | 118,684                  | -                    | 118,684              |
| Deferred outflow of resources - OPEB related            | 8,481                    | 14,385               | 22,866               |
| Deferred outflow of resources - pension related         | <u>353,082</u>           | <u>598,872</u>       | <u>951,954</u>       |
| Total Deferred Outflows of resources                    | <u>480,247</u>           | <u>613,257</u>       | <u>1,093,504</u>     |
| Total Assets & Deferred Outflows of Resources           | <u>\$ 44,019,465</u>     | <u>\$ 43,577,395</u> | <u>\$ 87,596,860</u> |

*Continued on next page*

City of Klamath Falls, Oregon  
Statement of Net Position *Continued*  
Proprietary Funds  
June 30, 2019

|  | Business-Type Activities |                      |                      |
|--|--------------------------|----------------------|----------------------|
|  | Wastewater               | Water                | Totals               |
| <b>LIABILITIES</b>   |                          |                      |                      |
| Current Liabilities:   |                          |                      |                      |
| Accounts payable   | \$ 505,482               | \$ 769,749           | \$ 1,275,231         |
| Retainage payable  | -                        | 74,426               | 74,426               |
| Compensated absences   | 36,399                   | 81,845               | 118,244              |
| Customer deposits  | -                        | 228,922              | 228,922              |
| Unearned revenue   | -                        | 118,646              | 118,646              |
| Current Liabilities (payable from restricted assets):                      |                          |                      |                      |
| Accrued interest payable   | 37,328                   | 13,918               | 51,246               |
| Loans/leases payable   | -                        | 41,825               | 41,825               |
| Revenue bonds payable  | 703,269                  | -                    | 703,269              |
| <b>Total Current Liabilities</b>   | <b>1,282,478</b>         | <b>1,329,331</b>     | <b>2,611,809</b>     |
| Long-term Liabilities:   |                          |                      |                      |
| Compensated absences   | 36,399                   | 81,844               | 118,243              |
| Loans/Leases payable   | 3,630,343                | 506,304              | 4,136,647            |
| Revenue bonds payable (net<br>of unamortized discounts and premiums)       | 3,776,704                | -                    | 3,776,704            |
| Post employment benefits   | 45,287                   | 76,811               | 122,098              |
| Net pension liability  | 993,584                  | 1,685,245            | 2,678,829            |
| <b>Total Noncurrent Liabilities</b>  | <b>8,482,317</b>         | <b>2,350,204</b>     | <b>10,832,521</b>    |
| <b>Total Liabilities</b>   | <b>9,764,795</b>         | <b>3,679,535</b>     | <b>13,444,330</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                          |                      |                      |
| Deferred inflows of resources - OPEB related                               | 10,853                   | 18,408               | 29,261               |
| Deferred inflows of resources - pension related                            | 84,225                   | 142,856              | 227,081              |
| <b>Total Deferred Inflows of resources</b>                                 | <b>95,078</b>            | <b>161,264</b>       | <b>256,342</b>       |
| <b>NET POSITION</b>  |                          |                      |                      |
| Net investment in capital assets   | 24,712,470               | 34,996,224           | 59,708,694           |
| Restricted for:  |                          |                      |                      |
| System development   | 147,602                  | 84,933               | 232,535              |
| Debt Service   | 807,204                  | 72,254               | 879,458              |
| Unrestricted   | 8,492,316                | 4,583,185            | 13,075,501           |
| <b>Total Net Position</b>  | <b>34,159,592</b>        | <b>39,736,596</b>    | <b>73,896,188</b>    |
| <b>Total Liability, Deferred Inflows of Resources<br/>and Net Position</b> | <b>\$ 44,019,465</b>     | <b>\$ 43,577,395</b> | <b>\$ 87,596,860</b> |

City of Klamath Falls, Oregon  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019

|  | Business-Type Activities |                      | Totals               |
|--|--------------------------|----------------------|----------------------|
|  | Wastewater               | Water                |                      |
| <b>OPERATING REVENUES</b>                  |                          |                      |                      |
| Charges for sales and services             |                          |                      |                      |
| Wastewater charges (net of allowances)     | \$ 7,202,442             | \$ -                 | \$ 7,202,442         |
| Geothermal charges (net of allowances)     | -                        | 228,467              | 228,467              |
| Water charges (net of allowances)          | -                        | 8,317,427            | 8,317,427            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total operating revenues                   | 7,202,442                | 8,545,894            | 15,748,336           |
|  | <hr/>                    | <hr/>                | <hr/>                |
| <b>OPERATING EXPENSES</b>                  |                          |                      |                      |
| Costs of sales and services                | 3,849,402                | 4,696,698            | 8,546,100            |
| Administration                             | 706,350                  | 634,450              | 1,340,800            |
| Depreciation and amortization              | 1,315,053                | 1,658,141            | 2,973,194            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total operating expenses                   | 5,870,805                | 6,989,289            | 12,860,094           |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Operating income (loss)                    | 1,331,637                | 1,556,605            | 2,888,242            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| <b>NONOPERATING REVENUES (EXPENSES)</b>    |                          |                      |                      |
| Investment earnings                        | 507,325                  | 579,658              | 1,086,983            |
| Interest expense                           | (166,668)                | (24,469)             | (191,137)            |
| Gain on sale of capital assets             | -                        | 12,730               | 12,730               |
| System development charges                 | 166,518                  | 136,556              | 303,074              |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total nonoperating revenue (expenses)      | 507,175                  | 704,475              | 1,211,650            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Income before contributions and transfers  | 1,838,812                | 2,261,080            | 4,099,892            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| <b>TRANSFERS OUT</b>                       | (1,352,921)              | (993,127)            | (2,346,048)          |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Change in net position                     | 485,891                  | 1,267,953            | 1,753,844            |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total net position - beginning             | 34,453,048               | 39,749,027           | 74,202,075           |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Restatement (see note 5)                   | (779,347)                | (1,280,384)          | (2,059,731)          |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total net position - beginning as restated | 33,673,701               | 38,468,643           | 72,142,344           |
|  | <hr/>                    | <hr/>                | <hr/>                |
| Total net position - ending                | <u>\$ 34,159,592</u>     | <u>\$ 39,736,596</u> | <u>\$ 73,896,188</u> |

City of Klamath Falls, Oregon  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

|  | Business-Type Activities |                     |                     |
|--|--------------------------|---------------------|---------------------|
|  | Wastewater               | Water               | Totals              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                     |                     |
| Receipts from customers and users  | \$ 7,206,766             | \$ 8,353,570        | \$ 15,560,336       |
| Receipts from interfund services provided  | 41,859                   | 155,465             | 197,324             |
| Payments to suppliers  | (1,672,437)              | (2,351,812)         | (4,024,249)         |
| Payments to employees  | (1,169,941)              | (1,252,833)         | (2,422,774)         |
| Payments for interfund services used   | (1,730,153)              | (1,016,007)         | (2,746,160)         |
| Net cash provided by operating activities  | <u>2,676,094</u>         | <u>3,888,383</u>    | <u>6,564,477</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>  |                          |                     |                     |
| Transfers in (out)   | (1,352,921)              | (993,127)           | (2,346,048)         |
| Net Cash (Used) by Noncapital Financing Activities   | <u>(1,352,921)</u>       | <u>(993,127)</u>    | <u>(2,346,048)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                          |                     |                     |
| System development fees collected  | 166,518                  | 136,556             | 303,074             |
| Purchases and construction of capital assets   | (4,399,125)              | (2,949,339)         | (7,348,464)         |
| Insurance Recoveries   | -                        | 12,730              | 12,730              |
| Loan Proceeds  | 3,630,343                | -                   | 3,630,343           |
| Principal paid on capital debt   | (692,149)                | (36,563)            | (728,712)           |
| Interest paid on capital debt  | (139,339)                | (25,323)            | (164,662)           |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                 | <u>(1,433,752)</u>       | <u>(2,861,939)</u>  | <u>(4,295,691)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                     |                     |
| Purchases of investments   | (216,904)                | (381,903)           | (598,807)           |
| Interest and dividends received  | 502,470                  | 554,559             | 1,057,029           |
| Net Cash Provided (Used) by Investing Activities   | <u>285,566</u>           | <u>172,656</u>      | <u>458,222</u>      |
| Net Change in Cash and Cash Equivalents  | 174,987                  | 205,973             | 380,960             |
| Cash and Cash Equivalents - Beginning of Year  | <u>4,277,250</u>         | <u>2,787,956</u>    | <u>7,065,206</u>    |
| Cash and Cash Equivalents - End of Year  | <u>\$ 4,452,237</u>      | <u>\$ 2,993,929</u> | <u>\$ 7,446,166</u> |
| Cash and Cash Equivalents - Unrestricted   | \$ 3,497,431             | \$ 2,836,742        | \$ 6,334,173        |
| Cash and Cash Equivalents - Restricted   | <u>954,806</u>           | <u>157,187</u>      | <u>1,111,993</u>    |
| Total Cash and Cash Equivalents  | <u>\$ 4,452,237</u>      | <u>\$ 2,993,929</u> | <u>\$ 7,446,166</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                          |                     |                     |
| Operating income (loss)  | \$ 1,331,637             | \$ 1,556,605        | \$ 2,888,242        |
| Adjustments to reconcile operating income to net cash provided by operating activities:              |                          |                     |                     |
| Depreciation and amortization expense  | 1,315,053                | 1,658,141           | 2,973,194           |
| (Increase) decrease in assets and deferred outflows of resources                                     |                          |                     |                     |
| Accounts receivable  | 46,183                   | (14,076)            | 32,107              |
| Inventories  | (4,025)                  | (6,724)             | (10,749)            |
| Prepaid items  | (11,676)                 | (14,406)            | (26,082)            |
| Net OPEB asset   | (7,417)                  | (12,580)            | (19,997)            |
| Deferred charges on refunding  | 20,037                   | -                   | 20,037              |
| Deferred outflows related to other post employment benefits  | 4,272                    | 458                 | 4,730               |
| Deferred outflows related to pensions  | 3,887                    | (138,684)           | (134,797)           |
| Increases (decrease) in liabilities  |                          |                     |                     |
| Accounts payable   | 32,608                   | 360,108             | 392,716             |
| Retainage payable  | -                        | 74,426              | 74,426              |
| Compensated absences   | (7,309)                  | 28,783              | 21,474              |
| Customer deposits  | -                        | (17,298)            | (17,298)            |
| Unearned revenue   | -                        | (5,485)             | (5,485)             |
| Other post employment benefits   | (50,864)                 | (29,501)            | (80,365)            |
| Net pension liability  | (34,639)                 | 359,709             | 325,070             |
| Deferred inflows related to other post employment benefits   | 4,854                    | 11,452              | 16,306              |
| Deferred inflows related to pensions   | 33,493                   | 77,455              | 110,948             |
| Total Adjustments  | <u>1,344,457</u>         | <u>2,331,778</u>    | <u>3,676,235</u>    |
| Net cash provided by operating activities  | <u>\$ 2,676,094</u>      | <u>\$ 3,888,383</u> | <u>\$ 6,564,477</u> |

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## FIDUCIARY FUNDS

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City of Klamath Falls, Oregon  
Statement of Fiduciary Net Position  
Veterans Memorial Agency Fund  
June 30, 2019

|                              | <u>Veterans<br/>Memorial Fund</u> |
|------------------------------|-----------------------------------|
| <b>ASSETS</b>                |                                   |
| Cash and cash equivalents    | <u>\$ 159,508</u>                 |
| Total Assets                 | <u><u>\$ 159,508</u></u>          |
| <b>LIABILITIES</b>           |                                   |
| Due to Veterans Associations | <u>\$ 159,508</u>                 |
| Total Liabilities            | <u><u>\$ 159,508</u></u>          |

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**NOTES TO THE  
FINANCIAL STATEMENTS**

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of government-wide financial statements

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

### B. Reporting entity

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

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

Requests for the Agency's financial statements can be obtained from the City of Klamath Falls administration office located at 500 Klamath Avenue, Klamath Falls, Oregon 97601, URL: <https://www.klamathfalls.city/i-want-to/find/city-hall/support-services/finance> or by telephone: (541) 883-5316.

### 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 unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

## NOTE I – 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* 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.

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

Additionally, government reports the following fiduciary fund:

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

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

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

## NOTE I – 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. Budgetary information

#### 1. Budgetary basis of accounting

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

The Budget Committee, which consists of the City Council and an equal number of citizens of the City, conducts public hearings for the purpose of obtaining citizens’ comments, and then approves

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than ten (10) percent by Council without returning to the Budget Committee for a second approval.

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The government had appropriation transfers and supplemental budgets during the year ending June 30, 2019. Appropriations lapse as of year-end.

### ***2. Excess of expenditures over appropriations***

Local budget law exempts reporting of over appropriations for a variety of situations related to the issuance, repayment and refunding of bonds as defined by ORS 294.338(3)-(5). For the fiscal year ended June 30, 2019, there were no funds that exceeded budget at the legal level of appropriation.

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

### ***1. Cash and cash equivalents***

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

### ***2. Investments***

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

### ***3. Inventories and prepaid items***

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

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

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4. *Capital assets*

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

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

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

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

Land, construction in progress, and intangible assets are not depreciated. Property, plant, and equipment of the government are depreciated using the "straight line" method. Salvage value was removed from all infrastructure assets creating a prior period adjustment (see note V).

The estimated useful lives of capital assets are:

- Infrastructure & land improvements – 20 to 40 years
- Buildings & building improvements – 10 to 40 years
- Machinery & equipment – 5 to 25 years
- Vehicles – 3 to 5 years

### 5. *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.

### 6. *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

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 7. *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.

### 8. *Fund balance policies*

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the government classifies governmental fund balances as follows:

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

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The government's highest formal action is 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 17-12 on August 7, 2017.

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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### H. Revenues and expenditures/expenses

#### 1. *Program revenues*

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

#### 2. *Property taxes*

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

The government participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the government and others by other local governments and state agencies. There were no material taxes abated for the year ended June 30, 2019.

#### 3. *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, 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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Compensatory 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 compensatory time off. Straight overtime hours worked are accumulated at the straight rate for hours worked, while overtime hours worked are accumulated at the rate of time and one-half. This accumulation is eligible for payment upon separation from government service. The government may compensate Teamsters represented employees at fiscal year-end for all accrued compensatory time in excess of 40 hours. All time over the allowed accumulation must be paid in full when earned. The liability for compensatory 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.

#### **4. *Proprietary fund operating and nonoperating revenues and expenses***

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

## NOTE II – 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), which requires that all airport revenues generated by a public airport will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport, and are directly and substantially related to the actual air transportation of passengers or property.

### **B. Violations of legal or contractual provisions**

Note I.F.2, on the *Excess of expenditures over appropriations*, explains the provisions provided by Oregon budget law had any violations occurred.

### **C. Deficit fund equity**

At June 30, 2019, the Lakefront Urban Renewal Fund has a deficit fund balance of \$546,203, the Town Center Urban Renewal Fund has a deficit fund balance of \$7,880, and the Spring Street Urban Renewal Fund has a deficit fund balance of \$17,397. The reason for the deficits are interfund loans. The interfund loans are reported as a fund liability on the 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.

## NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash, cash equivalents and investments

At June 30, 2019, the government’s cash, cash equivalents and investments were comprised of the following:

|   |    |                   |
|---|----|-------------------|
| Cash on hand  | \$ | 1,300             |
| Deposits with financial institutions                        |    | 408,538           |
| Investments:  |    |                   |
| Oregon State Treasurer’s Local Government Investment Pool   |    | 16,867,335        |
| Oregon State Treasurer’s Local Government Intermediate Fund |    | 9,267,936         |
| Negotiable certificates of deposit                          |    | 395,873           |
| U.S. agency and municipal obligations                       |    | 16,987,445        |
| Commercial paper and corporate bonds                        |    | 11,216,883        |
| Total cash and investments                                  | \$ | <u>55,145,310</u> |

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

|                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
|---------------------------|------------------------------------|-------------------------------------|---------------------|
| Cash and cash equivalents | \$ 9,831,007                       | \$7,446,166                         | \$17,277,173        |
| Investments               | 29,799,842                         | 8,068,295                           | 37,868,137          |
|                           | <u>\$39,630,849</u>                | <u>\$15,514,461</u>                 | <u>\$55,145,310</u> |

*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, 2019, the government’s bank balances were \$589,246 (\$3,586 of which belongs to the Veterans Memorial Fund).

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

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

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

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant valuation drivers are unobservable. (added based on review notes)

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

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

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

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

As of June 30, 2019, the government’s investments in U.S. Treasury Securities are classified as Level 1. All other securities, excluding the Local Government Investment Pool, which is not in the leveling hierarchy, are classified as Level 2.

As of June 30, 2019, the government had the following investments:

| Investment Type                      | Fair Value   | % of<br>Investment<br>Portfolio | Weighted<br>Average<br>Maturity<br>(Years) |
|--------------------------------------|--------------|---------------------------------|--|
| Local Government Investment Pool     | \$26,135,271 | 47.7%                           | 0.61                                       |
| Negotiable Certificates of Deposit   | 395,873      | 0.7%                            | 0.43                                       |
| U.S. Agency Securities               | 11,300,779   | 20.6%                           | 2.06                                       |
| U.S. Treasury Securities             | 2,431,745    | 4.4%                            | 3.74                                       |
| Municipal Commercial Paper           | 3,254,921    | 5.9%                            | 3.17                                       |
| Corporate Commercial Paper and Bonds | 11,216,883   | 20.5%                           | 1.57                                       |
| Total                                | \$54,735,472 | 100.0%                          |  |

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, 2019, 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.

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

At June 30, 2019, the government’s investments were rated by Standard & Poors as follows:

|         | Commercial<br>Paper and<br>Corporate<br>Bonds | Municipal<br>Corporations | US Agency<br>Corporations | Certificates<br>of Deposit | US Treasury<br>Notes (1) | Local<br>Government<br>Investment<br>Pool |
|---------|---|---------------------------|---------------------------|----------------------------|--------------------------|---|
| AAA     | \$ 2,998,208                                  | \$ 651,740                | \$ -                      | \$ -                       | \$ -                     | \$ -                                      |
| AA+     | 2,087,343                                     | 1,008,360                 | 11,300,779                | -                          | -                        | -   |
| AA      | 998,797                                       | -                         | -                         | -                          | -                        | -   |
| AA-     | 1,004,444                                     | -                         | -                         | -                          | -                        | -   |
| A+      | 2,705,686                                     | -                         | -                         | -                          | -                        | -   |
| A       | 1,422,405                                     | -                         | -                         | -                          | -                        | -   |
| Unrated | -   | 1,594,821                 | -                         | 395,873                    | 2,431,745                | 26,135,271                                |
|         | <u>\$ 11,216,883</u>                          | <u>\$ 3,254,921</u>       | <u>\$ 11,300,779</u>      | <u>\$ 395,873</u>          | <u>\$ 2,431,745</u>      | <u>\$ 26,135,271</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<br/>General Fund</u> |
|------------------------------|------------------------|-------------------------|-------------------|-------------------------------|
| Gross Accounts<br>Receivable | \$ 3,637,458           | \$ 222,949              | \$ 641,571        | \$ 4,501,978                  |
| Uncollectibles               | (3,422,624)            | (211,956)               | (516)             | (3,635,096)                   |
| Net Accounts<br>Receivable   | <u>\$ 214,834</u>      | <u>\$ 10,993</u>        | <u>\$ 641,055</u> | <u>\$ 866,882</u>             |

|                              | <u>General Fund</u> | <u>Airport Fund</u> | <u>Other<br/>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Activities</u> |
|------------------------------|---------------------|---------------------|--|--|
| Gross Accounts<br>Receivable | \$ 4,501,978        | \$ 801,457          | \$ 69,867  | \$ 5,373,302                                 |
| Uncollectibles               | (3,635,096)         |                     | (47,947)   | (3,683,043)                                  |
| Net Accounts<br>Receivable   | <u>\$ 866,882</u>   | <u>\$ 801,457</u>   | <u>\$ 21,920</u>                                     | <u>\$ 1,690,259</u>                          |

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

Business-type Activities

|                           | Wastewater<br>Fund | Water Fund          | Total Business-type<br>Activities |
|---------------------------|--------------------|---------------------|-----------------------------------|
| Gross Accounts Receivable | \$ 939,368         | \$ 1,305,308        | \$ 2,244,676                      |
| Uncollectibles            | (19,781)           | (28,475)            | (48,256)                          |
| Net Accounts Receivable   | <u>\$ 919,587</u>  | <u>\$ 1,276,833</u> | <u>\$ 2,196,420</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 \$39,021,954 and the carrying value was \$26,326,648. Payments received in the current year were \$475,912.

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

|           |                     |
|-----------|---------------------|
| 2020      | \$ 448,336          |
| 2021      | 393,912             |
| 2022      | 381,805             |
| 2023      | 382,477             |
| 2024      | 313,901             |
| 2025-2029 | 1,346,955           |
| 2030-2034 | 847,204             |
| 2035-2039 | 263,724             |
| 2040-2044 | 139,458             |
| 2045-2049 | 48,617              |
| Total     | <u>\$ 4,566,389</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.

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

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2019, was as follows:

**Governmental Activities:**

|   | Balance<br>July 1, 2018 | Prior Period<br>Adjustment | Restated<br>July 1, 2018 | Increases             | Decreases &<br>Transfers | Placed in<br>Service | Balance<br>June 30, 2019 |
|---|-------------------------|----------------------------|--------------------------|-----------------------|--------------------------|----------------------|--------------------------|
| <b>Capital assets, not being depreciated:</b>       |                         |                            |                          |                       |                          |                      |                          |
| Land  | \$ 14,152,898           | \$ 1                       | \$ 14,152,898            | \$ -                  | \$ -                     | \$ -                 | \$ 14,152,898            |
| Construction in progress                            | 10,462,654              | 1                          | 10,462,655               | 2,608,878             | (390,548)                | (8,533,733)          | 4,147,251                |
| Intangible assets                                   | 116,771                 | (0)                        | 116,771                  | -                     | -                        | -                    | 116,771                  |
| <b>Total capital assets, not being depreciated</b>  | <b>24,732,323</b>       | <b>1</b>                   | <b>24,732,324</b>        | <b>2,608,878</b>      | <b>(390,548)</b>         | <b>(8,533,733)</b>   | <b>18,416,921</b>        |
| <b>Capital assets, being depreciated:</b>           |                         |                            |                          |                       |                          |                      |                          |
| Buildings   | 17,649,425              | 1                          | 17,649,426               | -                     | -                        | 1,030                | 17,650,455               |
| Intangible assets                                   | 1,025,914               | 0                          | 1,025,914                | -                     | -                        | -                    | 1,025,914                |
| Machinery, equipment, and vehicles                  | 12,637,267              | (0)                        | 12,637,267               | 246,404               | (374,558)                | 7,236                | 12,516,349               |
| Infrastructure                                      | 197,484,631             | (1)                        | 197,484,630              | 237,653               | -                        | 8,525,467            | 206,247,750              |
| <b>Total capital assets being depreciated</b>       | <b>228,797,237</b>      | <b>(1)</b>                 | <b>228,797,236</b>       | <b>484,057</b>        | <b>(374,558)</b>         | <b>8,533,733</b>     | <b>237,440,468</b>       |
| <b>Less accumulated depreciation for:</b>           |                         |                            |                          |                       |                          |                      |                          |
| Buildings   | (6,095,509)             | (0)                        | (6,095,509)              | (575,156)             | -                        | -                    | (6,670,664)              |
| Intangible assets                                   | (596,339)               | (1)                        | (596,340)                | (25,935)              | -                        | -                    | (622,275)                |
| Machinery, equipment, and vehicles                  | (9,079,267)             | 0                          | (9,079,267)              | (600,812)             | 333,706                  | -                    | (9,346,372)              |
| Infrastructure                                      | (117,777,648)           | (12,528,572)               | (130,306,220)            | (3,718,023)           | -                        | -                    | (134,024,243)            |
| <b>Total accumulated depreciation</b>               | <b>(133,548,764)</b>    | <b>(12,528,573)</b>        | <b>(146,077,336)</b>     | <b>(4,919,925)</b>    | <b>333,706</b>           | <b>-</b>             | <b>(150,663,555)</b>     |
| <b>Total capital assets, being depreciated, net</b> | <b>95,248,473</b>       | <b>(12,528,574)</b>        | <b>82,719,900</b>        | <b>(4,435,868)</b>    | <b>(40,852)</b>          | <b>8,533,733</b>     | <b>86,776,914</b>        |
| <b>Government activities capital assets, net</b>    | <b>\$ 119,980,796</b>   | <b>\$ (12,528,573)</b>     | <b>\$ 107,452,225</b>    | <b>\$ (1,826,990)</b> | <b>\$ (431,400)</b>      | <b>\$ -</b>          | <b>\$ 105,193,834</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:

|   |                     |
|---|---------------------|
| <b>Governmental activities:</b>                             |                     |
| General government  | \$ 231,039          |
| Public safety   | 498,058             |
| Highways and streets  | 2,055,950           |
| Culture and recreation                                      | 209,870             |
| Airport   | 1,925,008           |
| <b>Total depreciation expense - governmental activities</b> | <b>\$ 4,919,925</b> |

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

**Business-type Activities:**

|  | Balance<br>July 1, 2018 | Prior Period<br>Adjustment | Restated<br>Balance  | Increases           | Decreases &<br>Transfers | Placed in<br>Service | Balance<br>June 30, 2019 |
|--|-------------------------|----------------------------|----------------------|---------------------|--------------------------|----------------------|--------------------------|
| Capital assets, not being depreciated:       |                         |                            |                      |                     |                          |                      |                          |
| Land   | \$ 1,563,599            | \$ -                       | \$ 1,563,599         | \$ -                | \$ -                     | \$ -                 | \$ 1,563,599             |
| Construction in progress                     | 5,331,861               | -                          | 5,331,861            | 7,250,992           | -                        | (3,244,458)          | 9,338,395                |
| Intangible assets                            | 185,728                 | -                          | 185,728              | -                   | -                        | -                    | 185,728                  |
| Total capital assets, not being depreciated  | <u>7,081,189</u>        | <u>-</u>                   | <u>7,081,189</u>     | <u>7,250,992</u>    | <u>-</u>                 | <u>(3,244,458)</u>   | <u>11,087,722</u>        |
| Capital assets, being depreciated:           |                         |                            |                      |                     |                          |                      |                          |
| Buildings                                    | 7,499,076               | -                          | 7,499,076            | -                   | -                        | -                    | 7,499,076                |
| Intangible assets                            | 7,500                   | -                          | 7,500                | -                   | -                        | -                    | 7,500                    |
| Machinery and equipment                      | 20,058,015              | -                          | 20,058,015           | 109,671             | (228,867)                | 328,559              | 20,267,378               |
| Infrastructure                               | 82,478,606              | -                          | 82,478,606           | -                   | -                        | 2,915,900            | 85,394,506               |
| Total capital assets being depreciated       | <u>110,043,197</u>      | <u>-</u>                   | <u>110,043,197</u>   | <u>109,671</u>      | <u>(228,867)</u>         | <u>3,244,458</u>     | <u>113,168,459</u>       |
| Less accumulated depreciation for:           |                         |                            |                      |                     |                          |                      |                          |
| Buildings                                    | (4,236,751)             | -                          | (4,236,751)          | (127,614)           | -                        | -                    | (4,364,364)              |
| Intangible assets                            | (804)                   | -                          | (804)                | (964)               | -                        | -                    | (1,768)                  |
| Machinery and equipment                      | (12,766,357)            | -                          | (12,766,357)         | (783,283)           | 216,669                  | -                    | (13,332,971)             |
| Infrastructure                               | (34,113,132)            | (2,059,731)                | (36,172,864)         | (2,061,334)         | -                        | -                    | (38,234,197)             |
| Total accumulated depreciation               | <u>(51,117,043)</u>     | <u>(2,059,731)</u>         | <u>(53,176,775)</u>  | <u>(2,973,195)</u>  | <u>216,669</u>           | <u>-</u>             | <u>(55,933,300)</u>      |
| Total capital assets, being depreciated, net | <u>58,926,154</u>       | <u>(2,059,731)</u>         | <u>56,866,423</u>    | <u>(2,863,524)</u>  | <u>(12,198)</u>          | <u>3,244,458</u>     | <u>57,235,159</u>        |
| Business-type activities capital assets, net | <u>\$ 66,007,343</u>    | <u>\$ (2,059,731)</u>      | <u>\$ 63,947,611</u> | <u>\$ 4,387,468</u> | <u>\$ (12,198)</u>       | <u>\$ -</u>          | <u>\$ 68,322,881</u>     |

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

Business-type activities:

|   |                     |
|---|---------------------|
| Water   | \$ 1,658,141        |
| Wastewater  | 1,315,053           |
| Total depreciation expense - business-type activities | <u>\$ 2,973,195</u> |

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

### E. Pension obligations

#### Oregon Public Employees Retirement System (OPERS)

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

#### 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%.

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

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

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

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

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

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

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

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

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

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

*Pension benefits.* The Individual Account Program (IAP) is a defined contribution pension plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

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

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

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

*Employer Contributions.* PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019, were \$1,066,031, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019, were 16.09 percent for Tier One/Tier Two members, 7.09 percent for OPSRP Pension Program General Service Members, and 11.86 percent for OPSRP Pension Program Police Members.

*Employee Contributions.* Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. Employee contributions were \$83,848 for the year ended June 30, 2019.

*Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At June 30, 2019, the government reported a liability of \$13,567,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to June 30, 2018. The government's proportion of the net pension liability was based on a projection of the government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the government's proportion was 0.0896 percent, which was an increase of .00017 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the government's recognized pension expense (income) was \$1,435,355. At June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience                                  | \$ 461,528                                | \$ -                                     |
| Changes of assumptions  | 3,154,430                                 | -  |
| Net difference between projected and actual earnings on investments                 | -   | 602,476                                  |
| Changes in proportion   | 139,404                                   | 160,737                                  |
| Differences between employer contributions and proportionate share of contributions | -   | 386,889                                  |
| Total (prior to post-MD contributions)  | <u>3,755,362</u>                          | <u>1,150,102</u>                         |
| Contributions subsequent to the MD  | <u>1,066,031</u>                          | <u>-</u>                                 |
| Total   | <u><u>\$ 4,821,393</u></u>                | <u><u>\$ 1,150,102</u></u>               |

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

\$1,066,031 reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> |                     |
|----------------------------|---------------------|
| 2020                       | \$ 1,485,595        |
| 2021                       | 1,039,610           |
| 2022                       | (223,284)           |
| 2023                       | 190,049             |
| 2024                       | <u>113,290</u>      |
| Total                      | <u>\$ 2,605,260</u> |

*Actuarial assumptions.* The employer contribution rates effective July 1, 2018, through June 30, 2019, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

|                                   |  |
|-----------------------------------|--|
| Valuation Date                    | December 31, 2016  |
| Measurement Date                  | June 30, 2018  |
| Experience Study Report           | 2016, published July 26, 2017  |
| Actuarial Cost Method             | Entry Age Normal   |
| Actuarial Assumptions:            |  |
| Inflation Rate                    | 2.50 percent   |
| Long-Term Expected Rate of Return | 7.20 percent   |
| Discount Rate                     | 7.20 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                         | <p><b>Health retirees and beneficiaries:</b> RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active Members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p> |

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

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

*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 2015, the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| Asset Class/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%             | 3.49%                                |
| Debt Securities       | 15.0%                    | 25.0%      | 20.0%  | Short-Term Bonds                  | 8.00%             | 3.38%                                |
| Public Equity         | 32.5%                    | 42.5%      | 37.5%  | Bank/Leveraged Loans              | 3.00%             | 5.09%                                |
| Private Equity        | 13.5%                    | 21.5%      | 17.5%  | High Yield Bonds                  | 1.00%             | 6.45%                                |
| Real Estate           | 9.5%                     | 15.5%      | 12.5%  | Large/Mid Cap US Equities         | 15.75%            | 6.30%                                |
| Alternative Equity    | 0.0%                     | 12.5%      | 12.5%  | Small Cap US Equities             | 1.30%             | 6.69%                                |
| Opportunity Portfolio | 0.0%                     | 3.0%       | 0.0%   | Micro Cap US Equities             | 1.30%             | 6.80%                                |
| Total                 |                          |            | 100.0% | Developed Foreign Equities        | 13.13%            | 6.71%                                |
|                       |                          |            |        | Emerging Foreign Equities         | 4.12%             | 7.45%                                |
|                       |                          |            |        | Non-US Small Cap Equities         | 1.88%             | 7.01%                                |
|                       |                          |            |        | Private Equities                  | 17.50%            | 7.82%                                |
|                       |                          |            |        | Real Estate (Property)            | 10.00%            | 5.51%                                |
|                       |                          |            |        | Real Estate (REITS)               | 2.50%             | 6.37%                                |
|                       |                          |            |        | Hedge Fund of Funds - Diversified | 2.50%             | 4.09%                                |
|                       |                          |            |        | Hedge Fund - Event-Driven         | 0.63%             | 5.86%                                |
|                       |                          |            |        | Timber                            | 1.88%             | 5.62%                                |
|                       |                          |            |        | Farmland                          | 1.88%             | 6.15%                                |
|                       |                          |            |        | Infrastructure                    | 3.75%             | 6.60%                                |
|                       |                          |            |        | Commodities                       | 1.88%             | 3.84%                                |
|                       |                          |            |        | Total                             | 100.00%           |                                      |
|                       |                          |            |        | Assumed Inflation - Mean          |                   | 2.50%                                |

*Depletion date projection.* GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is our independent actuary’s opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the government's proportionate share of the net pension liability to changes in the discount rate.* The following presents the government's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

|   | <u>1% Decrease (6.20%)</u> | <u>Discount Rate (7.20%)</u> | <u>1% Increase (8.20%)</u> |
|---|----------------------------|------------------------------|----------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 22,673,941              | \$ 13,567,551                | \$ 6,050,972               |

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

*Changes in plan provisions during the measurement period.* There were no changes during the June 30, 2018 measurement period that require disclosure.

*Changes in plan provisions subsequent to measurement date.* There were no changes during the June 30, 2018 measurement period that require disclosure.

**F. Other Postemployment Benefit (OPEB) Obligations**

***City County Insurance Services (CIS)***

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

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

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

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

*Employees covered by benefit terms.* At June 30, 2019 the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries receiving benefits | 10         |
| Active employees                                       | 104        |
|  | <u>114</u> |

*OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources.* As of June 30, 2019, the government reported an OPEB liability of \$618,395. Total OPEB liability is determined using the entry age normal actuarial cost allocation method. In addition, GASB 75 requires that the allocation of costs for accounting purposes be made as a level percentage of employees’ projected pay, including future anticipated pay increases. This measurement is based on the July 1, 2018 valuation date and a June 30, 2018 measurement date.

|  |                         |
|--|-------------------------|
|  | <b>Total OPEB</b>       |
|  | <b><u>Liability</u></b> |
| Balance as of June 30, 2018                    | \$ 728,993              |
| Changes for the year:                          |                         |
| Service cost                                   | 34,480                  |
| Interest on Total OPEB Liability               | 26,161                  |
| Effect of economic/demographic gains or losses | (48,962)                |
| Effect of assumptions changes or inputs        | (56,255)                |
| Benefit payments                               | (66,022)                |
| Balance as of June 30, 2019                    | <u>\$ 618,395</u>       |

For the year ended June 30, 2019, the government’s recognized OPEB expense (income) was \$42,859. At June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b><u>Deferred Outflows</u></b><br><b><u>of Resources</u></b> | <b><u>Deferred Inflows</u></b><br><b><u>of Resources</u></b> |
|--|---|--|
| Differences between expected and actual experience | \$ -  | \$ (42,764)  |
| Changes of assumptions                             | -   | (76,805)   |
| Changes in proportionate share                     | -   | -  |
| Total (prior to post-MD contributions)             | -   | (119,569)  |
| Contributions subsequent to the MD                 | <u>72,198</u>   | <u>-</u>   |
| Total  | <u>\$ 72,198</u>  | <u>\$ (119,569)</u>  |

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

\$72,198 reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> |                     |
|----------------------------|---------------------|
| 2020                       | \$ (17,782)         |
| 2021                       | (17,782)            |
| 2022                       | (17,782)            |
| 2023                       | (17,782)            |
| 2024                       | (17,782)            |
| Thereafter                 | <u>(30,659)</u>     |
| Total                      | <u>\$ (119,569)</u> |

*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, 2018 actuarial valuation, the entry age normal cost method was used. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2016.

|   |  |  |
|---|--|--|
| Valuation Date                              | July 1, 2018   | July 1, 2018   |
| Measurement Date                            | June 30, 2018  | June 30, 2019  |
| Actuarial Assumptions:                      |  |  |
| Discount Rate                               | 3.87%  | 3.50%  |
| Inflation Rate                              | 2.50%  | 2.50%  |
| Salary Increases                            | 3.50%  | 3.50%  |
| Withdrawal, retirement, and mortality rates | December 31, 2017 Oregon PERS valuation  | December 31, 2017 Oregon PERS valuation  |
| Election and Lapse Rates                    | 40% of eligible employees, 60% of male members and 35% of female members will elect spouse coverage. 5% annual lapse rate. | 40% of eligible employees, 60% of male members and 35% of female members will elect spouse coverage. 5% annual lapse rate. |
| Actuarial cost method                       | Entry Age Normal   | Entry Age Normal   |

*Discount rate.* Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions reflect the Bond Buyer 20-Year General Obligation Bond Index. The discount rate in effect for the June 30, 2019 reporting date is 3.87 percent. The previous year discount rate was 3.58 percent.

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

*Sensitivity of the government's proportionate share of the total OPEB liability.* The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.87%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

|                      | <b>Current</b>     |                      |                    |
|----------------------|--------------------|----------------------|--------------------|
|                      | <b>1% Decrease</b> | <b>Discount Rate</b> | <b>1% Increase</b> |
| Total OPEB liability | \$660,449          | \$618,395            | \$579,098          |

|                      | <b>Current Trend</b> |             |                    |
|----------------------|----------------------|-------------|--------------------|
|                      | <b>1% Decrease</b>   | <b>Rate</b> | <b>1% Increase</b> |
| Total OPEB liability | \$566,496            | \$618,395   | \$678,551          |

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, 2019, there were 35 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2018 and ending June 30, 2019, 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 \$1,490 per month, but the government does not have any obligation to pay for the insurance.

***Retirement Health Insurance Account (RHIA)***

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

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

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

*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, 2016 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2017. Employer RHIA contributions for the year ended June 30, 2019, were \$43,418. The rates in effect for the fiscal year ended June 30, 2019, were .50 percent for Tier One/Tier Two members, .43 percent for OPSRP Pension Program Members.

*RHIA OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources.* At June 30, 2019 the government reported an asset of \$101,277 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The government’s proportion of the net OPEB asset was based on a projection of the government’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2018, the government’s proportion was .0907 percent, which was a decrease of .0012 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the government’s recognized OPEB expense (income) was (\$9,852). As of June 30, 2019, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience                                  | \$ -                                      | \$ 5,740                                 |
| Changes of assumptions  | -   | 321                                      |
| Net difference between projected and actual earnings on investments                 | -   | 21,835                                   |
| Changes in proportionate share  | 194                                       | 731                                      |
| Differences between employer contributions and proportionate share of contributions | -   | -  |
| Total (prior to post-MD contributions)  | <u>194</u>                                | <u>28,627</u>                            |
| Contributions subsequent to the MD  | <u>43,418</u>                             | <u>-</u>                                 |
| Total   | <u>\$ 43,612</u>                          | <u>\$ 28,627</u>                         |

\$43,418 reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> |                    |
|----------------------------|--------------------|
| 2020                       | \$ (9,536)         |
| 2021                       | (9,407)            |
| 2022                       | (7,320)            |
| 2023                       | (2,170)            |
| 2024                       | -                  |
| Total                      | <u>\$ (28,433)</u> |

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

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

*Sensitivity of the government's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the government's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the government's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| <u>Discount Rate:</u> | <u>1% Decrease<br/>(6.20%)</u> | <u>Current Discount<br/>Rate (7.20%)</u> | <u>1% Increase<br/>(8.20%)</u> |
|-----------------------|--------------------------------|--|--------------------------------|
| Total OPEB Liability  | \$ (58,968)                    | \$ (101,277)                             | \$ (137,289)                   |

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

*Changes in Plan Provisions Subsequent to Measurement Date.* There were no changes during the June 30, 2018 measurement period that require disclosure.

***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 government'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 \$268,462 and \$25,193 to the section 457 and the section 401(k) plans respectively, in 2019.

**G. Construction and other significant commitments**

The government has active construction and professional service contracts as of June 30, 2019. General Fund commitments include Eldorado Avenue improvements, Washburn Way sidewalks, and streets micro surfacing. Airport professional service contracts are for Taxiway G rehabilitation, master plan update, and a Joint Land Use Study. Wastewater construction is Phase One of the treatment plant and professional services are for the treatment plant design build and stormwater master plan. Water construction is the Pelican City Booster Station and professional services are for water line replacements, master plan update, and geothermal pipeline replacement. 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:

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

| Project  | Cost to date | Commitment   |
|--|--------------|--------------|
| General Fund professional service contracts                | \$ 186,459   | \$ 106,921   |
| General Fund construction contracts                        | 315,373      | 52,397       |
| Airport professional service contracts                     | 628,813      | 883,743      |
| Wastewater professional services contract                  | 652,014      | 520,002      |
| Wastewater construction contracts                          | 4,083,530    | 150,897      |
| Water professional services contract                       | 344,726      | 163,016      |
| Water construction contracts                               | 1,389,707    | 473,801      |
| Nonmajor Governmental Funds professional service contracts | 263,345      | 67,261       |
| Total  | \$ 7,863,966 | \$ 2,418,038 |

**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<br>June 30, 2019 | Year Ended<br>June 30, 2018 |
|-----------------------------------|-----------------------------|-----------------------------|
| Unpaid claims, beginning          | \$ -                        | \$ -                        |
| Incurred claims (including IBNRs) | 10,259                      | 22,438                      |
| Claims paid                       | 10,259                      | 22,438                      |
| Unpaid claims, ending             | \$ -                        | \$ -                        |

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

|                                   | Year Ended<br>June 30, 2019 | Year Ended<br>June 30, 2018 |
|-----------------------------------|-----------------------------|-----------------------------|
| Unpaid claims, beginning          | \$ -                        | \$ -                        |
| Incurred claims (including IBNRs) | 4,783                       | 3,516                       |
| Claims paid                       | (4,783)                     | (3,516)                     |
| Unpaid claims, ending             | \$ -                        | \$ -                        |

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

**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 \$40,050 were made during the year ended June 30, 2019.

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

|       |    |        |
|-------|----|--------|
| 2020  | \$ | 31,958 |
| 2021  |    | 21,283 |
| 2022  |    | 3,249  |
| 2023  |    | 1,445  |
| 2024  |    | 1,488  |
|       |    | <hr/>  |
| Total | \$ | 59,423 |

**J. Long-Term Liabilities**

**Compensated Absences**

Compensated absences are comprised of vacation leave and compensatory 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 government issues a variety of debt types for the purposes of carrying out its capital financing activities. The various types of debt are discussed below, and each debt type reports the range of maturities for each of its outstanding debt issues. The government's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations. Outstanding debt amounts are as of June 30, 2019.

**General Obligation Refunding Bond, Series 2017 – Police Department of the General Fund**

The government has pledged general non-restricted revenues and other funds that are lawfully available to repay \$4,188,535 in General Obligation Refunding Bonds issued in September of 2017. Proceeds from the bonds provided funds to pay off the government’s 2008 General Obligation Bonds in September 2017. The bonds are to be paid from ad valorem taxes levied on all taxable property within the City boundaries. The taxes imposed are not subject to the limits of Sections 11 and 11b, Article XI of the Oregon Constitution. Principal and interest paid in the current year and taxes received were \$210,446 and \$283,764, respectively.

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

#### **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 \$295,645 and \$7,218,245 respectively.

#### **Timbermill Shores – Lakefront Urban Renewal**

The government 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 \$174,755, 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 \$61,885 and \$3,794,404, respectively.

#### **Wastewater Revenue Refunding Bonds, Series 2015**

The government's Wastewater Fund has pledged future customer revenues, net of specific operating expenses, to repay \$7,171,770 in wastewater revenue refunding bonds issued in August 2015. Proceeds from the bonds provided funds to pay off the government's 2005 wastewater revenue bonds in September 2015. The 2015 refunding bonds are payable solely from wastewater customer net revenues which are payable through Fiscal Year 2025. The interest rate is 2.32%. Annual principal and interest payments on the loan are expected to require 26% of revenue. Principal and interest paid in the current year and total customer net revenues were \$811,451 and 3,154,015, respectively.

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

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

In May of 2011, and amended July 2018, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$22,634,802 for wastewater treatment facility headworks improvements. The government 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 \$1,550,000 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 2.12% per annum. There is a loan reserve requirement of \$694,848. The government has drawn down \$3,630,343 of these funds.

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

Long-term liability activity for the year ended June 30, 2019:

|   | Balance<br>June 30, 2018 | Additions           | Reductions          | Balance<br>June 30, 2019 | Amounts Due<br>Within One Year |
|---|--------------------------|---------------------|---------------------|--------------------------|--------------------------------|
| <b>Governmental activities:</b>                     |                          |                     |                     |                          |                                |
| Bonds payable:                                      |                          |                     |                     |                          |                                |
| General Obligation Bonds, Series 2017               | \$ 4,065,687             | \$ -                | \$ 94,574           | \$ 3,971,113             | \$ 99,644                      |
| Full Faith and Credit Bonds, Series 2008            | 2,505,000                | -                   | 185,000             | 2,320,000                | 190,000                        |
| Plus: Bond issuance premium                         | 16,886                   | -                   | 1,547               | 15,339                   | -                              |
| Long-term bonded debt obligations                   | <u>6,587,573</u>         | <u>-</u>            | <u>281,121</u>      | <u>6,306,452</u>         | <u>289,644</u>                 |
| Direct borrowings:                                  |                          |                     |                     |                          |                                |
| Washington Federal                                  | 730,135                  | -                   | 120,626             | 609,509                  | 123,772                        |
| Timbermill Shores                                   | 2,248,564                | -                   | -                   | 2,248,564                | -                              |
| Direct borrowings                                   | <u>2,978,699</u>         | <u>-</u>            | <u>120,626</u>      | <u>2,858,073</u>         | <u>123,772</u>                 |
| Compensated Absences                                | 868,773                  | 103,000             | -                   | 971,773                  | 485,887                        |
| Total OPEB Liability                                | 552,812                  | -                   | 56,515              | 496,297                  | -                              |
| Net Pension Liability                               | 9,695,924                | 1,192,798           | -                   | 10,888,722               | -                              |
| Total other liabilities                             | <u>11,117,509</u>        | <u>1,295,798</u>    | <u>56,515</u>       | <u>12,356,792</u>        | <u>485,887</u>                 |
| Total governmental activities                       | <u>\$ 20,683,781</u>     | <u>\$ 1,295,798</u> | <u>\$ 458,262</u>   | <u>\$ 21,521,317</u>     | <u>\$ 899,303</u>              |
| <b>Business-type activities:</b>                    |                          |                     |                     |                          |                                |
| Revenue Bonds:                                      |                          |                     |                     |                          |                                |
| Wastewater Revenue Refunding Bonds,<br>Series 2015  | \$ 5,172,122             | \$ -                | \$ 692,149          | \$ 4,479,973             | \$ 703,269                     |
| Direct borrowings:                                  |                          |                     |                     |                          |                                |
| Clean Water State Revolving Loan                    | -                        | 3,630,343           | -                   | 3,630,343                | -                              |
| Special Public Works Fund (Water line<br>extension) | 584,692                  | -                   | 36,563              | 548,129                  | 41,825                         |
| Direct borrowings                                   | <u>584,692</u>           | <u>3,630,343</u>    | <u>36,563</u>       | <u>4,178,472</u>         | <u>41,825</u>                  |
| Compensated Absences                                | 215,013                  | 21,474              | -                   | 236,487                  | 118,244                        |
| Other Post Employment Benefits                      | 176,181                  | -                   | 54,083              | 122,098                  | -                              |
| Net Pension Liability                               | 2,353,759                | 325,070             | -                   | 2,678,829                | -                              |
| Total other liabilities                             | <u>2,744,953</u>         | <u>346,544</u>      | <u>54,083</u>       | <u>3,037,414</u>         | <u>118,244</u>                 |
| Total business-type activities                      | <u>\$ 8,501,767</u>      | <u>\$ 3,976,887</u> | <u>\$ 782,795</u>   | <u>\$ 11,695,859</u>     | <u>\$ 863,338</u>              |
| <b>Total long-term debt obligations</b>             |                          |                     |                     |                          |                                |
| Bonds   | \$ 11,742,809            | \$ -                | \$ 971,723          | \$ 10,771,086            | \$ 992,913                     |
| Bond issuance premiums                              | 16,886                   | -                   | 1,547               | 15,339                   | -                              |
| Direct borrowings                                   | 3,563,391                | 3,630,343           | 157,189             | 7,036,545                | 165,597                        |
| Compensated Absences                                | 1,083,786                | 124,474             | -                   | 1,208,260                | 604,131                        |
| Other Post Employment Benefits                      | 728,993                  | -                   | 110,598             | 618,395                  | -                              |
| Net Pension Liability                               | <u>12,049,683</u>        | <u>1,517,868</u>    | <u>-</u>            | <u>13,567,551</u>        | <u>-</u>                       |
| Total long-term obligations                         | <u>\$ 29,185,548</u>     | <u>\$ 5,272,685</u> | <u>\$ 1,241,057</u> | <u>\$ 33,217,176</u>     | <u>\$ 1,762,641</u>            |

Note: Other liabilities listed above are generally liquidated within each operating fund.

### NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (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>2020</u>       | <u>2021</u>       | <u>2022</u>       | <u>2023</u>       |
|---|-------------------|-------------------|-------------------|-------------------|
| Wastewater Refunding Bonds, Series 2015 |                   |                   |                   |                   |
| Principal                               | \$ 703,269        | \$ 723,555        | \$ 736,696        | \$ 754,138        |
| Interest                                | <u>103,935</u>    | <u>87,620</u>     | <u>70,833</u>     | <u>53,742</u>     |
| Total Revenue Bonds                     | <u>\$ 807,204</u> | <u>\$ 811,174</u> | <u>\$ 807,529</u> | <u>\$ 807,879</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 2017 |                   |                   |                   |                   |
| Principal                             | \$ 99,644         | \$ 114,597        | \$ 124,188        | \$ 133,527        |
| Interest                              | <u>113,177</u>    | <u>110,337</u>    | <u>107,071</u>    | <u>103,532</u>    |
| Total General Obligation Bonds        | <u>\$ 212,821</u> | <u>\$ 224,933</u> | <u>\$ 231,258</u> | <u>\$ 237,058</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                                      | \$ 190,000        | \$ 200,000        | \$ 205,000        | \$ 215,000        |
| Interest                                       | <u>103,245</u>    | <u>95,145</u>     | <u>86,145</u>     | <u>76,920</u>     |
| Total Full Faith and Credit Bonds              | <u>\$ 293,245</u> | <u>\$ 295,145</u> | <u>\$ 291,145</u> | <u>\$ 291,920</u> |

#### Other Long-term Liabilities

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

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| SPWF - Water line service extension        |                     |                     |                     |                     |
| Principal                                  | \$ 41,825           | \$ 42,098           | \$ 42,382           | \$ 42,687           |
| Interest                                   | 23,860              | 22,187              | 20,503              | 18,755              |
| Timbermill Shores                          |                     |                     |                     |                     |
| Principal                                  | -                   | -                   | -                   | -                   |
| Washington Fed - Town Center Urban Renewal |                     |                     |                     |                     |
| Principal                                  | 123,772             | 126,813             | 129,996             | 133,225             |
| Interest                                   | 15,140              | 12,099              | 8,916               | 5,687               |
| Clean Water State Revolving Loan           |                     |                     |                     |                     |
| Principal                                  | -                   | 948,370             | 968,582             | 989,225             |
| Interest                                   | <u>41,000</u>       | <u>474,858</u>      | <u>454,646</u>      | <u>434,003</u>      |
| Total other long-term liabilities          | <u>\$ 245,597</u>   | <u>\$ 1,626,425</u> | <u>\$ 1,625,025</u> | <u>\$ 1,623,582</u> |
| Total Long-term Liabilities                | <u>\$ 1,558,867</u> | <u>\$ 2,957,678</u> | <u>\$ 2,954,958</u> | <u>\$ 2,960,440</u> |

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

| <u>2024</u>         | <u>2025-2029</u>    | <u>2030-2034</u>    | <u>2035-2039</u>    | <u>2040-2044</u>    | <u>Total</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 775,784          | \$ 786,532          | \$ -                | \$ -                | \$ -                | \$ 4,479,973         |
| 36,246              | 18,248              | -                   | -                   | -                   | 370,623              |
| <u>\$ 812,029</u>   | <u>\$ 804,779</u>   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 4,850,596</u>  |
| <br>                |                     |                     |                     |                     |                      |
| \$ 147,607          | \$ 945,216          | \$ 1,353,668        | \$ 1,052,666        | \$ -                | \$ 3,971,113         |
| 99,726              | 427,751             | 270,974             | 61,147              | -                   | 1,293,714            |
| <u>\$ 247,333</u>   | <u>\$ 1,372,967</u> | <u>\$ 1,624,642</u> | <u>\$ 1,113,813</u> | <u>\$ -</u>         | <u>\$ 5,264,828</u>  |
| <br>                |                     |                     |                     |                     |                      |
| \$ 225,000          | \$ 1,285,000        | \$ -                | \$ -                | \$ -                | \$ 2,320,000         |
| 67,245              | 177,925             | -                   | -                   | -                   | 606,625              |
| <u>\$ 292,245</u>   | <u>\$ 1,462,925</u> | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 2,926,625</u>  |
| <br>                |                     |                     |                     |                     |                      |
| \$ 48,014           | \$ 270,712          | \$ 60,411           | \$ -                | \$ -                | \$ 548,129           |
| 16,941              | 51,158              | 2,719               | -                   | -                   | 156,122              |
| 140,600             | 575,000             | 575,000             | 575,000             | 382,964             | 2,248,564            |
| 95,703              | -                   | -                   | -                   | -                   | 609,509              |
| 2,377               | -                   | -                   | -                   | -                   | 44,219               |
| 1,010,308           | 5,383,844           | 5,982,536           | 6,647,807           | 704,130             | 22,634,802           |
| 412,920             | 1,732,296           | 1,133,604           | 468,333             | 7,464               | 5,159,124            |
| <u>\$ 1,726,863</u> | <u>\$ 8,013,010</u> | <u>\$ 7,754,270</u> | <u>\$ 7,691,140</u> | <u>\$ 1,094,558</u> | <u>\$ 31,400,469</u> |
| <br>                |                     |                     |                     |                     |                      |
| \$ 3,078,470        | \$ 11,653,682       | \$ 9,378,912        | \$ 8,804,953        | \$ 1,094,558        | \$ 44,442,517        |

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

Debt service requirements on long-term debt at June 30, 2019, are as follows:

| Year Ending June 30, | Governmental Activities |                     |  |                  | Business-Type Activities |                   |                              |                     |
|----------------------|-------------------------|---------------------|--|------------------|--------------------------|-------------------|------------------------------|---------------------|
|                      | Bonds                   |                     | Notes from Direct Borrowings and Direct Placements |                  | Bonds                    |                   | Notes from Direct Borrowings |                     |
|                      | Principal               | Interest            | Principal  | Interest         | Principal                | Interest          | Principal                    | Interest            |
| 2020                 | \$ 289,644              | \$ 216,422          | \$ 123,772   | \$ 15,140        | \$ 703,269               | \$ 103,935        | \$ 41,825                    | \$ 64,860           |
| 2021                 | 314,597                 | 205,482             | 126,813  | 12,099           | 723,555                  | 87,620            | 990,468                      | 497,045             |
| 2022                 | 329,188                 | 193,216             | 129,996  | 8,916            | 736,696                  | 70,833            | 1,010,964                    | 475,149             |
| 2023                 | 348,527                 | 180,452             | 133,225  | 5,687            | 754,138                  | 53,742            | 1,031,912                    | 452,758             |
| 2024                 | 372,607                 | 166,971             | 236,303  | 2,377            | 775,784                  | 36,246            | 1,058,322                    | 429,861             |
| 2025-2029            | 2,230,216               | 605,676             | 575,000  | -                | 786,532                  | 18,248            | 5,654,556                    | 1,783,454           |
| 2030-2034            | 1,353,668               | 270,974             | 575,000  | -                | -                        | -                 | 6,042,947                    | 1,136,323           |
| 2035-2039            | 1,052,666               | 61,147              | 575,000  | -                | -                        | -                 | 6,647,807                    | 468,333             |
| 2040-2044            | -                       | -                   | 382,964  | -                | -                        | -                 | 704,130                      | 7,464               |
|                      | <u>\$ 6,291,113</u>     | <u>\$ 1,900,339</u> | <u>\$ 2,858,073</u>                                | <u>\$ 44,219</u> | <u>\$ 4,479,973</u>      | <u>\$ 370,623</u> | <u>\$ 23,182,931</u>         | <u>\$ 5,315,246</u> |

The government's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,858,073 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

The government's outstanding notes from direct borrowings related to business-type activities of \$23,182,931 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

| Year Ending June 30, | Governmental Activities |                     | Business-Type Activities |                     | Total                |                     |
|----------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
|                      | Principal               | Interest            | Principal                | Interest            | Principal            | Interest            |
| 2020                 | \$ 413,416              | \$ 231,562          | \$ 745,094               | \$ 168,795          | \$ 1,158,510         | \$ 400,357          |
| 2021                 | 441,410                 | 217,581             | 1,714,023                | 584,665             | 2,155,432            | 802,245             |
| 2022                 | 459,184                 | 202,132             | 1,747,660                | 545,982             | 2,206,844            | 748,114             |
| 2023                 | 481,752                 | 186,138             | 1,786,050                | 506,500             | 2,267,802            | 692,638             |
| 2024                 | 608,910                 | 169,348             | 1,834,106                | 466,106             | 2,443,016            | 635,455             |
| 2025-2029            | 2,805,216               | 605,676             | 6,441,088                | 1,801,702           | 9,246,304            | 2,407,378           |
| 2030-2034            | 1,928,668               | 270,974             | 6,042,947                | 1,136,323           | 7,971,615            | 1,407,297           |
| 2035-2039            | 1,627,666               | 61,147              | 6,647,807                | 468,333             | 8,275,473            | 529,480             |
| 2040-2044            | 382,964                 | -                   | 704,130                  | 7,464               | 1,087,094            | 7,464               |
|                      | <u>\$ 9,149,186</u>     | <u>\$ 1,944,558</u> | <u>\$ 27,662,904</u>     | <u>\$ 5,685,869</u> | <u>\$ 36,812,090</u> | <u>\$ 7,630,427</u> |

The government also has an unused line of credit in the amount of \$19,004,459.

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

**K. Fund balance**

Fund Balance as of June 30, 2019 is detailed as follows:

|                          | <u>General Fund</u>  | <u>Airport Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Escrow<br/>Reserve Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------|----------------------|---------------------|----------------------------------|--------------------------------|---|---|
| Fund Balances:           |                      |                     |                                  |                                |   |   |
| Nonspendable:            |                      |                     |                                  |                                |   |   |
| Inventory                | \$ 54,125            | \$ -                | \$ -                             | \$ -                           | \$ -                                    | 54,125                                  |
| Restricted for:          |                      |                     |                                  |                                |   |   |
| Capital projects         | 81,976               | 46,896              | -                                | -                              | -                                       | 128,872                                 |
| Forfeiture Money         | 82,622               | -                   | -                                | -                              | -                                       | 82,622                                  |
| DOJ Equitable Sharing    | 3,974                | -                   | -                                | -                              | 70,903                                  | 74,877                                  |
| Parks Master Plan        | 102,506              | -                   | -                                | -                              | -                                       | 102,506                                 |
| Traffic signals          | 31,828               | -                   | -                                | -                              | -                                       | 31,828                                  |
| Environmental            | -                    | -                   | 4,404,776                        | -                              | -                                       | 4,404,776                               |
| Assigned for:            |                      |                     |                                  |                                |   |   |
| Capital projects         | -                    | -                   | 10,635,552                       | 9,815,461                      | -                                       | 20,451,013                              |
| Community programs       | 92,232               | -                   | -                                | -                              | -                                       | 92,232                                  |
| Public Access Television | 25,000               | -                   | -                                | -                              | -                                       | 25,000                                  |
| Debt Service             | -                    | -                   | -                                | -                              | 29,538                                  | 29,538                                  |
| Operations               | 2,340,261            | 1,777,959           | -                                | -                              | 368,013                                 | 4,486,233                               |
| Unassigned:              |                      |                     |                                  |                                |   |   |
| Unassigned               | 10,928,370           | -                   | -                                | -                              | (571,480)                               | 10,356,890                              |
| Total Fund Balances      | <u>\$ 13,742,894</u> | <u>\$ 1,824,855</u> | <u>\$ 15,040,328</u>             | <u>\$ 9,815,461</u>            | <u>\$ (103,026)</u>                     | <u>\$ 40,320,512</u>                    |

**Interfund receivables and payables**

The composition of interfund balances as of June 30, 2019, is as follows:

**Advances from / to other funds:**

| <u>Receivable Fund</u> | <u>Payable Fund</u>              | <u>Amount</u> |
|------------------------|----------------------------------|---------------|
| Escrow Reserve Fund    | Lakefront Urban Renewal Fund     | \$ 549,340    |
| Escrow Reserve Fund    | Town Center Urban Renewal Fund   | \$ 117,282    |
| Escrow Reserve Fund    | Spring Street Urban Renewal Fund | \$ 20,000     |

An interfund capital 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 \$46,265 and interest of \$22,335 were paid in Fiscal Year 2019.

An interfund capital 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. Principal of \$12,239 and interest of \$5,181 were paid in fiscal year 2019.

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

An interfund capital loan in the amount of \$20,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in June 2019. The loan was used for engineering and construction administration services. The loan accrues interest at 3.75% and matures in fiscal year 2020. The loan will be repaid using tax increment financing.

An interfund operating loan in the amount of \$70,000 from the General Fund to the Debt Service Fund was authorized by the government’s council in February 2018. The government was notified by the state that the county had used the previous levy amount which couldn’t be corrected until the next tax year. Since it is an operating loan, there is no interest and the full amount was repaid in fiscal year 2019.

**L. Interfund transfers**

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

Interfund transfers:

| <u>Transfer Out</u>         | <u>Transfer In</u>          | <u>Amount</u>       |
|-----------------------------|-----------------------------|---------------------|
| General Fund                | Nonmajor Governmental Funds | \$ 211,775          |
| Nonmajor Governmental Funds | General Fund                | 310,000             |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 225,000             |
| Wastewater Fund             | Nonmajor Governmental Funds | 1,350,000           |
| Water Fund                  | Airport Fund                | 458,800             |
| Water Fund                  | General Fund                | 525,050             |
|                             |                             | <u>\$ 3,080,625</u> |

In the year ended June 30, 2019, the government made the following transfers:

The General Fund transferred \$15,525 to the Parking District, \$36,250 to the Downtown Maintenance District, \$150,000 to Economic Development and \$10,000 to BINET for operational expenditures.

The Escrow Reserve Fund transferred \$310,000 to the General Fund and \$225,000 to the Economic Development Fund for community development programs.

The Wastewater fund transferred \$1,350,000 to the Escrow Reserve fund for the fee component of the effluent and water sale agreement with Klamath Energy.

The Water Fund transferred \$458,800 to the Airport Fund and \$525,050 to the General Fund to support operations and capital improvements for the airport, parks, and streets.

**NOTE IV – CONTINGENCIES**

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

#### NOTE IV – CONTINGENCIES (continued)

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 government hired Perkins, Coie, LLP, to prepare comments to the draft. The government'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, government 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 government requested that DEQ hold off on adopting the TMDL's until after the government and DEQ met in January 2012. The government 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 government pursued additional modeling work to show that this was feasible. While this modeling work was taking place, the government 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 government 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. Throughout 2018 staff has worked with our consultants and DEQ to look not only at TMDL related permit items but also running Reasonable Potential Analysis (RPA) on other potential contaminants that may be on our new permit. DEQ is indicating the City's permit should be ready in 2019 or early 2020. In addition to the TMDL's that have already been approved, DEQ submitted the updated temperature TMDL to the EPA for approval in September. There will likely be severe ramifications to the City's permit related to temperature.

#### NOTE V – CHANGE IN ACCOUNTING PRINCIPAL

Based on the elimination of infrastructure salvage value, the government restated the beginning net position for the Governmental Activities and Business-Type Activities. Net Position has been restated as follows:

|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|---|----------------------------|-----------------------------|----------------|
| Net position - beginning (as originally reported)   | \$ 139,202,170             | \$ 74,202,075               | \$ 213,404,245 |
| Cumulative effect of change in accounting principle | (12,528,573)               | (2,059,731)                 | (14,588,304)   |
| Net position - beginning (as restated)              | \$ 126,673,597             | \$ 72,142,344               | \$ 198,815,941 |

#### NOTE VI – ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

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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 Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule A-1

|   | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
|   | Original             | Final                |                      |                               |
| <b>REVENUES</b>                                   |                      |                      |                      |                               |
| Taxes   | \$ 6,662,425         | \$ 6,662,425         | \$ 7,044,557         | \$ 382,132                    |
| Special assessments                               | -                    | -                    | 10,898               | 10,898                        |
| Intergovernmental                                 | 5,663,625            | 5,723,625            | 3,773,233            | (1,950,392)                   |
| Licenses, fees and permits                        | 127,525              | 127,525              | 151,200              | 23,675                        |
| Franchise fees                                    | 2,599,475            | 2,599,475            | 2,809,670            | 210,195                       |
| Charges for services                              | 455,350              | 455,350              | 467,728              | 12,378                        |
| Internal charges for services                     | 2,605,600            | 2,605,600            | 2,695,418            | 89,818                        |
| Fines and forfeits                                | 270,350              | 270,350              | 311,365              | 41,015                        |
| Investment income                                 | 187,300              | 187,300              | 686,448              | 499,148                       |
| Miscellaneous revenue                             | 434,200              | 434,200              | 115,083              | (319,117)                     |
| Total revenues                                    | <u>19,005,850</u>    | <u>19,065,850</u>    | <u>18,065,600</u>    | <u>(1,000,250)</u>            |
| <b>EXPENDITURES</b>                               |                      |                      |                      |                               |
| Municipal Court                                   | 239,750              | 239,750              | 218,974              | 20,776                        |
| City Manager                                      | 695,875              | 695,875              | 600,507              | 95,368                        |
| Finance   | 763,925              | 763,925              | 715,066              | 48,859                        |
| Support Services                                  | 564,100              | 564,100              | 467,124              | 96,976                        |
| Technology Services                               | 602,500              | 602,500              | 441,276              | 161,224                       |
| Public Works Administration                       | 424,675              | 424,675              | 413,502              | 11,173                        |
| Public Works Development Services                 | 1,121,275            | 1,121,275            | 945,096              | 176,179                       |
| Police  | 6,060,650            | 6,173,650            | 5,661,328            | 512,322                       |
| Code Enforcement                                  | 210,475              | 210,475              | 191,474              | 19,001                        |
| Legislative                                       | 198,850              | 202,650              | 182,415              | 20,235                        |
| Maintenance                                       | 987,475              | 987,475              | 919,139              | 68,336                        |
| Facilities Maintenance                            | 164,875              | 164,875              | 141,079              | 23,796                        |
| Parks and Recreation                              | 1,915,850            | 1,915,850            | 1,752,512            | 163,338                       |
| Parks Ella Redkey Pool                            | 441,850              | 441,850              | 388,733              | 53,117                        |
| Street Maintenance                                | 5,082,375            | 5,082,375            | 2,670,290            | 2,412,085                     |
| Street Vehicle Maintenance                        | 248,100              | 248,100              | 224,058              | 24,042                        |
| Street Lighting                                   | 192,400              | 192,400              | 175,461              | 16,939                        |
| Debt Service                                      | 295,650              | 295,650              | 295,645              | 5                             |
| Total expenditures                                | <u>20,210,650</u>    | <u>20,327,450</u>    | <u>16,403,679</u>    | <u>3,923,771</u>              |
| Excess (deficiency) of revenues over expenditures | (1,204,800)          | (1,261,600)          | 1,661,921            | 2,923,521                     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                      |                      |                               |
| Transfers out                                     | (211,775)            | (211,775)            | (211,775)            | -                             |
| Transfers in                                      | 835,050              | 835,050              | 835,050              | -                             |
| Interfund loan repayment                          | -                    | -                    | 70,000               | 70,000                        |
| Proceeds from sale of capital assets              | -                    | -                    | 74,860               | 74,860                        |
| Insurance recoveries                              | -                    | 36,600               | 45,359               | 8,759                         |
| Total other financing sources (uses)              | <u>623,275</u>       | <u>659,875</u>       | <u>813,494</u>       | <u>153,619</u>                |
| Net change in fund balance                        | (581,525)            | (601,725)            | 2,475,415            | 3,077,140                     |
| Fund balance - beginning                          | 10,705,450           | 11,267,475           | 11,267,479           | 4                             |
| Fund balance - ending                             | <u>\$ 10,123,925</u> | <u>\$ 10,665,750</u> | <u>\$ 13,742,894</u> | <u>\$ 3,077,144</u>           |

City of Klamath Falls, Oregon  
 Airport Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule A-2

|   | Budgeted Amounts  |                   | Actual              | Variance with<br>Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
|   | Original          | Final             |                     |                               |
| <b>REVENUES</b>                                   |                   |                   |                     |                               |
| Taxes   | \$ 295,700        | \$ 295,700        | \$ 314,910          | \$ 19,210                     |
| Intergovernmental                                 | 3,687,900         | 1,874,850         | 2,442,186           | 567,336                       |
| Charges for services                              | 508,275           | 508,275           | 513,775             | 5,500                         |
| Investment income                                 | 16,550            | 16,550            | 22,661              | 6,111                         |
| Miscellaneous revenue                             | 1,000             | 1,000             | 38                  | (962)                         |
| Total revenues                                    | <u>4,509,425</u>  | <u>2,696,375</u>  | <u>3,293,570</u>    | <u>597,195</u>                |
| <b>EXPENDITURES</b>                               |                   |                   |                     |                               |
| Airport operations                                | 5,979,575         | 1,602,000         | 1,454,780           | 147,220                       |
| FAA grants  | 1,007,175         | 1,160,675         | 1,042,520           | 118,155                       |
| Debt service                                      | 141,800           | -                 | -                   | -                             |
| Total expenditures                                | <u>7,128,550</u>  | <u>2,762,675</u>  | <u>2,497,300</u>    | <u>265,375</u>                |
| Excess (deficiency) of revenues over expenditures | (2,619,125)       | (66,300)          | 796,270             | 862,570                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                   |                     |                               |
| Transfers in                                      | 858,800           | 458,800           | 458,800             | -                             |
| Proceeds from sale of capital assets              | -                 | -                 | 3,613               | 3,613                         |
| Total other financing sources (uses)              | <u>858,800</u>    | <u>458,800</u>    | <u>462,413</u>      | <u>3,613</u>                  |
| Net change in fund balance                        | (1,760,325)       | 392,500           | 1,258,683           | 866,183                       |
| Fund balance - beginning                          | 2,484,150         | 602,175           | 566,172             | (36,003)                      |
| Fund balance - ending                             | <u>\$ 723,825</u> | <u>\$ 994,675</u> | <u>\$ 1,824,855</u> | <u>\$ 830,180</u>             |

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

Schedule A-3

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Total OPEB Liability</b>  |                   |                   |
| Service Interest   | \$ 34,480         | \$ 37,018         |
| Interest   | 26,161            | 22,055            |
| Changes of benefit terms<br>(losses)                                     | -<br>(48,962)     | -<br>-            |
| Changes of assumption  | (56,255)          | (36,597)          |
| Benefit payments   | (66,022)          | (60,244)          |
| <b>Net change in total OPEB liability</b>                                | <b>(110,598)</b>  | <b>(37,768)</b>   |
| <b>Total OPEB liability - beginning</b>                                  | <b>728,993</b>    | <b>766,761</b>    |
| <b>Total OPEB liability - ending</b>                                     | <b>\$ 618,395</b> | <b>\$ 728,993</b> |
| <br>Covered-employee payroll   | <br>10,020,468    | <br>9,905,073     |
| <br>Total OPEB liability as a percentage of covered-<br>employee payroll | <br>6.17%         | <br>7.36%         |

City of Klamath Falls, Oregon  
Schedule of Proportionate Share - RHIA  
Last Two Fiscal Years<sup>1</sup>

Schedule A-4

| Measurement<br>Date<br>June 30, | Proportion of<br>the net OPEB<br>liability (asset)<br>(a) | Proportionate share<br>of the net OPEB<br>liability (asset)<br>(b) | Covered<br>payroll<br>(c) | Proportionate share<br>of the net OPEB<br>liability (asset) as a<br>percentage of its<br>covered payroll<br>(b/c) | Plan fiduciary<br>net position as<br>a percentage of<br>the total OPEB<br>liability |
|---------------------------------|---|--|---------------------------|---|---|
| 2018                            | 0.09072752%   | \$ (101,277)   | \$ 10,020,468             | -1.01%  | 82.07%  |
| 2017                            | 0.09196963%   | (38,383)   | 9,905,073                 | -0.39%  | 34.30%  |

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

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

**NOTES TO SCHEDULE**

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include lowering of the long-term expected rate of return to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

City of Klamath Falls, Oregon  
Schedule of Contributions - RHIA  
Last Three Fiscal Years<sup>1</sup>

Schedule A-5

| Year Ended<br>June 30, | Contractually<br>determined<br>contribution<br>(a) | Contributions in<br>relation to the<br>actuarially required<br>contribution<br>(b) | Contribution<br>deficiency<br>(excess)<br>(a-b) | City's<br>covered<br>payroll<br>(c) | Contributions<br>as a percent<br>of covered<br>payroll<br>(b/c) |
|------------------------|--|--|---|-------------------------------------|---|
| 2019                   | \$ 43,418  | \$ 43,418  | \$ -  | \$ 10,261,348                       | 0.42%   |
| 2018                   | 43,931   | 43,931   | -   | 10,020,468                          | 0.44%   |
| 2017                   | 45,788   | 45,788   | -   | 9,905,073                           | 0.46%   |

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

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

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

|                                 |   |   |   |
|---------------------------------|---|---|---|
| Actuarial valuation:            | December 31, 2015   | December 31, 2013   | December 31, 2011   |
| Effective:                      | July 2017 - June 2019   | July 2015 - June 2017   | July 2013 - June 2015   |
| Actuarial cost method:          | Entry Age Normal  | Entry Age Normal  | Entry Age Normal  |
| Amortization method:            | Level percentage<br>of payroll  | Level percentage<br>of payroll  | Level percentage<br>of payroll                                    |
| Amortization period:            | 10 years  | 10 years  | 10 years  |
| Actuarial valuation method:     | Market Value  | Market Value  | Market Value  |
| Remaining amortization periods: | 20 years  | 20 years  | 20 years  |
| Actuarial assumptions:          |   |   |   |
| Inflation rate                  | 2.50 percent  | 2.75 percent  | 2.75 percent  |
| Projected salary increases      | 3.50 percent  | 3.75 percent  | 3.75 percent  |
| Investment rate of return       | 7.50 percent  | 7.75 percent  | 8.00 percent  |
| Healthcare cost trend rates     | None. Statute<br>stipulates \$60<br>monthly payment for<br>healthcare insurance | None. Statute<br>stipulates \$60<br>monthly payment for<br>healthcare insurance | stipulates \$60<br>monthly payment<br>for healthcare<br>insurance |

City of Klamath Falls, Oregon  
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan  
Last Three Fiscal Years<sup>1</sup>

Schedule A-6

| Year Ended<br>June 30, | Actuarially<br>determined<br>contribution<br>(a) | Contributions in<br>relation to the<br>actuarially required<br>contribution<br>(b) | Contribution<br>deficiency<br>(excess)<br>(a-b) | City's<br>covered<br>payroll<br>(c) | Contributions<br>as a percent<br>of covered<br>payroll<br>(b/c) |
|------------------------|--|--|---|-------------------------------------|---|
| 2019                   | \$ 72,198  | \$ 72,198  | \$ -  | \$ 10,261,348                       | 0.70%   |
| 2018                   | 66,022   | 66,022   | -   | 10,020,468                          | 0.66%   |
| 2017                   | 60,244   | 60,244   | -   | 9,905,073                           | 0.61%   |

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

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

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

|                                 |                                     |
|---------------------------------|-------------------------------------|
| Actuarial valuation:            | July 1, 2018                        |
| Effective:                      | July 2017 - June 2019               |
| Actuarial cost method:          | Entry Age Normal                    |
| Amortization method:            | Level percentage of payroll, closed |
| Amortization period:            | 10 years                            |
| Asset valuation method:         | Market value                        |
| Remaining amortization periods: | 20 years                            |
| Actuarial assumptions           |                                     |
| Inflation rate                  | 2.50 percent                        |
| Projected salary increases      | 3.50 percent                        |
| Investment rate of return       | 7.50 percent                        |

City of Klamath Falls, Oregon  
 Schedule of Proportionate Share of Net Pension (Asset)/Liability  
 For the Last Six Fiscal Years<sup>1</sup>

Schedule A-7

| Measurement<br>Date<br>June 30, | Proportion of<br>the net pension<br>liability (asset)<br>(a) | Proportionate share<br>of the net pension<br>liability (asset)<br>(b) | Covered<br>payroll<br>(c) | Proportionate share<br>of the net pension<br>liability (asset) as a<br>percentage of its<br>covered payroll<br>(b/c) | Plan fiduciary<br>net position as<br>a percentage of<br>the total pension<br>liability |
|---------------------------------|--|---|---------------------------|--|--|
| 2018                            | 0.08956258%  | \$ 13,567,551   | \$ 10,020,468             | 135.40%  | 82.10%   |
| 2017                            | 0.08938908%  | 12,049,683  | 9,905,073                 | 121.65%  | 83.12%   |
| 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%   |

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

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

**NOTES TO SCHEDULE**

**Changes in Benefit Terms:**

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

**Changes of Assumptions:**

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

City of Klamath Falls, Oregon  
Schedule of Pension Contributions  
Last Six Fiscal Years<sup>1</sup>

Schedule A-8

| Year Ended<br>June 30, | Statutorily<br>required<br>contribution<br>(a) | Contributions in<br>relation to the<br>statutorily required<br>contribution<br>(b) | Contribution<br>deficiency<br>(excess)<br>(a-b) | City's<br>covered<br>payroll<br>(c) | Contributions<br>as a percent<br>of covered<br>payroll<br>(b/c) |
|------------------------|--|--|---|-------------------------------------|---|
| 2019                   | \$ 1,066,031                                   | \$ 1,066,031   | -   | \$ 10,261,348                       | 10.39%  |
| 2018                   | 1,080,324                                      | 1,080,324  | -   | 10,020,468                          | 10.78%  |
| 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 actuarially determined at December 31 and rolled forward to the measurement date.

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

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

|                                 |                                |                                |                                |
|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Actuarial Valuation             | December 31, 2015              | December 31, 2013              | December 31, 2011              |
| Effective                       | July 2017 - June 2019          | July 2015 - June 2017          | July 2013 - June 2015          |
| Actuarial cost method:          | Entry Age Normal               | Entry Age Normal               | Entry Age Normal               |
| Amortization method:            | Level percentage<br>of payroll | Level percentage<br>of payroll | Level percentage<br>of payroll |
| Actuarial valuation method:     | Market Value                   | Market Value                   | Market Value                   |
| Remaining amortization periods: | 20 years                       | 20 years                       | N/A                            |
| Actuarial assumption:           |                                |                                |                                |
| Inflation rate                  | 2.50 percent                   | 2.75 percent                   | 2.75 percent                   |
| Projected salary increases      | 3.50 percent                   | 3.75 percent                   | 3.75 percent                   |
| Investment rate of return       | 7.50 percent                   | 7.75 percent                   | 8.00 percent                   |

City of Klamath Falls, Oregon  
Notes to Required Supplementary Information  
June 30, 2019

**Stewardship, Compliance, and Accountability**

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

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the funds. Non-departmental expenditures within the funds are categorized by materials and services, capital outlay, debt service, transfers and contingency and are the legal level of control for non-departmental expenditures. The detail budget document, however, 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 supplemental budgets during the year-ended June 30, 2019. Appropriations lapse as of year-end.

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**OTHER SUPPLEMENTARY  
INFORMATION**

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NONMAJOR  
GOVERNMENTAL FUNDS  
COMBINING SCHEDULES

City of Klamath Falls, Oregon  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

Schedule B-1

|   | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|-------------------------|--|
| <b>ASSETS</b>   |                             |                         |  |
| Cash and cash equivalents   | \$ 438,125                  | \$ 21,553               | \$ 459,678                                 |
| Accounts receivable   | 21,920                      | -                       | 21,920                                     |
| Taxes receivable  | 26,348                      | 23,280                  | 49,628                                     |
| Interest receivable   | 344                         | 322                     | 666  |
| Restricted assets   |                             |                         |  |
| Cash and cash equivalents   | 182,950                     | -                       | 182,950                                    |
| Total Assets  | \$ 669,687                  | \$ 45,155               | \$ 714,842                                 |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> |                             |                         |  |
| Liabilities:  |                             |                         |  |
| Accounts payable  | \$ 62,323                   | \$ -                    | \$ 62,323                                  |
| Unearned revenue  | 27,950                      | -                       | 27,950                                     |
| Advances from other funds   | 686,622                     | -                       | 686,622                                    |
| Total Liabilities   | 776,895                     | -                       | 776,895                                    |
| Deferred inflows of resources:  |                             |                         |  |
| Unavailable revenue - property taxes                                    | 21,137                      | 15,617                  | 36,754                                     |
| Unavailable revenue - municipal court fines                             | 4,219                       | -                       | 4,219                                      |
| Total Deferred Inflows of Resources                                     | 25,356                      | 15,617                  | 40,973                                     |
| Total Liabilities and Deferred Inflows of Resources                     | 802,251                     | 15,617                  | 817,868                                    |
| Fund Balances:  |                             |                         |  |
| Restricted  | 70,903                      | -                       | 70,903                                     |
| Assigned  | 368,013                     | 29,538                  | 397,551                                    |
| Unassigned  | (571,480)                   | -                       | (571,480)                                  |
| Total Fund Balances   | (132,564)                   | 29,538                  | (103,026)                                  |
| Total Liabilities and Fund Balances                                     | \$ 669,687                  | \$ 45,155               | \$ 714,842                                 |

City of Klamath Falls, Oregon  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

Schedule B-2

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|-------------------------|--|
| <b>REVENUES</b>  |                             |                         |  |
| Taxes  | \$ 243,788                  | \$ 287,770              | \$ 531,558                                 |
| Intergovernmental  | 118,604                     | -                       | 118,604                                    |
| Licenses, fees and permits                                   | 41,774                      | -                       | 41,774                                     |
| Charges for services   | 104,046                     | -                       | 104,046                                    |
| Fines and forfeits   | 49,071                      | -                       | 49,071                                     |
| Investment income  | 15,782                      | 2,910                   | 18,692                                     |
|  | <b>573,065</b>              | <b>290,680</b>          | <b>863,745</b>                             |
| <b>EXPENDITURES</b>  |                             |                         |  |
| Current:   |                             |                         |  |
| General government   | 475,244                     | -                       | 475,244                                    |
| Public safety  | 15,527                      | -                       | 15,527                                     |
| Highways and streets   | 128,079                     | -                       | 128,079                                    |
| Debt service:  |                             |                         |  |
| Principal  | 120,626                     | 94,574                  | 215,200                                    |
| Interest   | 45,802                      | 115,872                 | 161,674                                    |
| Capital outlay:  |                             |                         |  |
| General government   | 17,487                      | -                       | 17,487                                     |
|  | <b>802,765</b>              | <b>210,446</b>          | <b>1,013,211</b>                           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <b>(229,700)</b>            | <b>80,234</b>           | <b>(149,466)</b>                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                         |  |
| Transfers in   | 436,775                     | -                       | 436,775                                    |
|  | <b>207,075</b>              | <b>80,234</b>           | <b>287,309</b>                             |
| Fund Balances - Beginning                                    | <b>(339,639)</b>            | <b>(50,696)</b>         | <b>(390,335)</b>                           |
| Fund Balances - Ending                                       | <b>\$ (132,564)</b>         | <b>\$ 29,538</b>        | <b>\$ (103,026)</b>                        |

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

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

The Downtown Maintenance District Fund imposes an annual assessment on benefited properties to partially offset the costs of landscaping, banners, benches, entry signs, sidewalk sweeping, garbage removal and other public area maintenance.

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

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

City of Klamath Falls, Oregon  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2019

Schedule C-1

|   | Lakefront<br>Urban Renewal<br>Fund | Town Center<br>Urban Renewal<br>Fund | Spring Street<br>Urban Renewal<br>Fund |
|---|------------------------------------|--------------------------------------|--|
| <b>ASSETS</b>   |                                    |                                      |  |
| Cash and cash equivalents   | \$ -                               | \$ -                                 | \$ -                                   |
| Receivables   |                                    |                                      |  |
| Accounts  | -                                  | -                                    | -                                      |
| Taxes   | 7,219                              | 19,129                               | -                                      |
| Interest  | 97                                 | 247                                  | -                                      |
| Restricted assets   |                                    |                                      |  |
| Cash and cash equivalents   | 1,628                              | 105,356                              | 4,811                                  |
| Total Assets  | \$ 8,944                           | \$ 124,732                           | \$ 4,811                               |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> |                                    |                                      |  |
| Liabilities:  |                                    |                                      |  |
| Accounts payable  | \$ -                               | \$ -                                 | \$ 2,208                               |
| Unearned revenue  | -                                  | -                                    | -                                      |
| Advances from other funds   | 549,340                            | 117,282                              | 20,000                                 |
| Total Liabilities   | 549,340                            | 117,282                              | 22,208                                 |
| Deferred inflows of resources:  |                                    |                                      |  |
| Unavailable revenue - property taxes                                    | 5,807                              | 15,330                               | -                                      |
| Unavailable revenue - municipal court fines                             | -                                  | -                                    | -                                      |
| Total Deferred Inflows of Resources                                     | 5,807                              | 15,330                               | -                                      |
| Total Liabilities and Deferred Inflows of Resources                     | 555,147                            | 132,612                              | 22,208                                 |
| Fund Balance:   |                                    |                                      |  |
| Restricted  | -                                  | -                                    | -                                      |
| Assigned  | -                                  | -                                    | -                                      |
| Unassigned  | (546,203)                          | (7,880)                              | (17,397)                               |
| Total Fund Balance  | (546,203)                          | (7,880)                              | (17,397)                               |
| Total Liabilities, Deferred Inflows of Resources and Fund<br>Balance    | \$ 8,944                           | \$ 124,732                           | \$ 4,811                               |

*Continued on next page*

Schedule C-1 *continued*

| <u>Parking<br/>Fund</u> | <u>Downtown<br/>Maintenance<br/>District Fund</u> | <u>Economic<br/>Development/<br/>Property Fund</u> | <u>BINET<br/>Fund</u> | <u>Total</u>      |
|-------------------------|---|--|-----------------------|-------------------|
| \$ 62,620               | \$ 54,881   | \$ 320,624   | \$ -                  | \$ 438,125        |
| 9,227                   | 2,039   | 10,654   | -                     | 21,920            |
| -                       | -   | -  | -                     | 26,348            |
| -                       | -   | -  | -                     | 344               |
| <u>-</u>                | <u>-</u>  | <u>-</u>   | <u>71,155</u>         | <u>182,950</u>    |
| <u>\$ 71,847</u>        | <u>\$ 56,920</u>                                  | <u>\$ 331,278</u>                                  | <u>\$ 71,155</u>      | <u>\$ 669,687</u> |
| <br>                    |   |  |                       |                   |
| \$ 26,477               | \$ 22,732   | \$ 10,654  | \$ 252                | \$ 62,323         |
| 17,857                  | 10,093  | -  | -                     | 27,950            |
| <u>-</u>                | <u>-</u>  | <u>-</u>   | <u>-</u>              | <u>686,622</u>    |
| <u>44,334</u>           | <u>32,825</u>                                     | <u>10,654</u>                                      | <u>252</u>            | <u>776,895</u>    |
| <br>                    |   |  |                       |                   |
| -                       | -   | -  | -                     | 21,137            |
| <u>4,219</u>            | <u>-</u>  | <u>-</u>   | <u>-</u>              | <u>4,219</u>      |
| <br>                    |   |  |                       |                   |
| <u>4,219</u>            | <u>-</u>  | <u>-</u>   | <u>-</u>              | <u>25,356</u>     |
| <br>                    |   |  |                       |                   |
| <u>48,553</u>           | <u>32,825</u>                                     | <u>10,654</u>                                      | <u>252</u>            | <u>802,251</u>    |
| <br>                    |   |  |                       |                   |
| -                       | -   | -  | 70,903                | 70,903            |
| 23,294                  | 24,095  | 320,624  | -                     | 368,013           |
| <u>-</u>                | <u>-</u>  | <u>-</u>   | <u>-</u>              | <u>(571,480)</u>  |
| <u>23,294</u>           | <u>24,095</u>                                     | <u>320,624</u>                                     | <u>70,903</u>         | <u>(132,564)</u>  |
| <br>                    |   |  |                       |                   |
| <u>\$ 71,847</u>        | <u>\$ 56,920</u>                                  | <u>\$ 331,278</u>                                  | <u>\$ 71,155</u>      | <u>\$ 669,687</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, 2019

Schedule C-2

|  | <u>Lakefront<br/>Urban Renewal<br/>Fund</u> | <u>Town Center<br/>Urban Renewal<br/>Fund</u> | <u>Spring Street<br/>Urban Renewal<br/>Fund</u> |
|--|---|---|---|
| <b>Revenues</b>  |   |   |   |
| Taxes  | \$ 65,413                                   | \$ 178,375                                    | \$ -  |
| Intergovernmental  | -   | -   | -   |
| Licenses, fees and permits                                   | -   | -   | -   |
| Charges for services   | -   | -   | -   |
| Fines and forfeits   | -   | -   | -   |
| Investment income  | 1,586                                       | 5,518   | 90  |
|  | <u>66,999</u>                               | <u>183,893</u>                                | <u>90</u>                                       |
| Total Revenues   |   |   |   |
| <b>Expenditures</b>  |   |   |   |
| Current:   |   |   |   |
| General government   | -   | 50,000  | -   |
| Public safety  | -   | -   | -   |
| Highways and streets   | -   | -   | -   |
| Debt service:  |   |   |   |
| Principal  | -   | 120,626                                       | -   |
| Interest   | 22,335                                      | 23,467  | -   |
| Capital outlay:  |   |   |   |
| General government   | -   | -   | 17,487  |
|  | <u>22,335</u>                               | <u>194,093</u>                                | <u>17,487</u>                                   |
| Total Expenditures   |   |   |   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>44,664</u>                               | <u>(10,200)</u>                               | <u>(17,397)</u>                                 |
| <b>Other Financing Sources (Uses)</b>                        |   |   |   |
| Transfers in   | -   | -   | -   |
| Net Change in Fund Balance                                   | 44,664                                      | (10,200)                                      | (17,397)  |
| Fund Balance - Beginning                                     | <u>(590,867)</u>                            | <u>2,320</u>                                  | <u>-</u>  |
| Fund Balance - Ending  | <u>\$ (546,203)</u>                         | <u>\$ (7,880)</u>                             | <u>\$ (17,397)</u>                              |

*Continued on next page*

Schedule C-2 *continued*

| <u>Parking<br/>Fund</u> | <u>Downtown<br/>Maintenance<br/>District Fund</u> | <u>Economic<br/>Development/<br/>Property Fund</u> | <u>BINET<br/>Fund</u> | <u>Total</u>        |
|-------------------------|---|--|-----------------------|---------------------|
| \$ -                    | \$ -  | \$ -   | \$ -                  | \$ 243,788          |
| -                       | -   | 87,265   | 31,339                | 118,604             |
| 41,774                  | -   | -  | -                     | 41,774              |
| -                       | 92,083  | 11,963   | -                     | 104,046             |
| 49,071                  | -   | -  | -                     | 49,071              |
| 1,717                   | 1,606   | 5,265  | -                     | 15,782              |
| <u>92,562</u>           | <u>93,689</u>                                     | <u>104,493</u>                                     | <u>31,339</u>         | <u>573,065</u>      |
| -                       | 140,821   | 284,423  | -                     | 475,244             |
| -                       | -   | -  | 15,527                | 15,527              |
| 128,079                 | -   | -  | -                     | 128,079             |
| -                       | -   | -  | -                     | 120,626             |
| -                       | -   | -  | -                     | 45,802              |
| -                       | -   | -  | -                     | 17,487              |
| <u>128,079</u>          | <u>140,821</u>                                    | <u>284,423</u>                                     | <u>15,527</u>         | <u>802,765</u>      |
| <u>(35,517)</u>         | <u>(47,132)</u>                                   | <u>(179,930)</u>                                   | <u>15,812</u>         | <u>(229,700)</u>    |
| <u>15,525</u>           | <u>36,250</u>                                     | <u>375,000</u>                                     | <u>10,000</u>         | <u>436,775</u>      |
| (19,992)                | (10,882)  | 195,070  | 25,812                | 207,075             |
| <u>43,286</u>           | <u>34,977</u>                                     | <u>125,554</u>                                     | <u>45,091</u>         | <u>(339,639)</u>    |
| <u>\$ 23,294</u>        | <u>\$ 24,095</u>                                  | <u>\$ 320,624</u>                                  | <u>\$ 70,903</u>      | <u>\$ (132,564)</u> |

City of Klamath Falls, Oregon  
 Lakefront Urban Renewal Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule C-3

|                                | Budgeted Amounts |               | Actual              | Variance with<br>Final Budget |
|--------------------------------|------------------|---------------|---------------------|-------------------------------|
|                                | Original         | Final         |                     |                               |
| <b>REVENUES</b>                |                  |               |                     |                               |
| Taxes                          | \$ 63,225        | \$ 63,225     | \$ 65,413           | \$ 2,188                      |
| Investment income              | 1,125            | 1,125         | 1,586               | 461                           |
| Total revenues                 | <u>64,350</u>    | <u>64,350</u> | <u>66,999</u>       | <u>2,649</u>                  |
| <b>EXPENDITURES</b>            |                  |               |                     |                               |
| Lakefront Urban Renewal        | 25               | 25            | -                   | 25                            |
| Debt service                   | 68,600           | 68,600        | 68,600              | -                             |
| Total expenditures             | <u>68,625</u>    | <u>68,625</u> | <u>68,600</u>       | <u>25</u>                     |
| Net change in fund balance     | (4,275)          | (4,275)       | (1,601)             | 2,674                         |
| Fund balance - beginning       | 4,275            | 4,725         | 4,738               | 13                            |
| Fund balance - ending          | <u>\$ -</u>      | <u>\$ 450</u> | <u>3,137</u>        | <u>\$ 2,687</u>               |
| Reconciliation: Interfund loan |                  |               | <u>(549,340)</u>    |                               |
| Fund balance - ending (GAAP)   |                  |               | <u>\$ (546,203)</u> |                               |

City of Klamath Falls, Oregon  
Town Center Urban Renewal Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule C-4

|                                | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget |
|--------------------------------|-------------------|-------------------|-------------------|-------------------------------|
|                                | Original          | Final             |                   |                               |
| <b>REVENUES</b>                |                   |                   |                   |                               |
| Taxes                          | \$ 178,000        | \$ 178,000        | \$ 178,375        | \$ 375                        |
| Investment income              | 3,300             | 3,300             | 5,518             | 2,218                         |
| Total revenues                 | <u>181,300</u>    | <u>181,300</u>    | <u>183,893</u>    | <u>2,593</u>                  |
| <b>EXPENDITURES</b>            |                   |                   |                   |                               |
| Town Center Urban Renewal      | 50,025            | 50,025            | 50,000            | 25                            |
| Debt service                   | 156,375           | 156,375           | 156,331           | 44                            |
| Total expenditures             | <u>206,400</u>    | <u>206,400</u>    | <u>206,331</u>    | <u>69</u>                     |
| Net change in fund balance     | (25,100)          | (25,100)          | (22,438)          | 2,662                         |
| Fund balance - beginning       | 128,475           | 131,825           | 131,840           | 15                            |
| Fund balance - ending          | <u>\$ 103,375</u> | <u>\$ 106,725</u> | <u>109,402</u>    | <u>\$ 2,677</u>               |
| Reconciliation: Interfund loan |                   |                   | <u>(117,282)</u>  |                               |
| Fund balance - ending (GAAP)   |                   |                   | <u>\$ (7,880)</u> |                               |

City of Klamath Falls, Oregon  
Spring Street Urban Renewal Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule C-5

|   | Budgeted Amounts |                | Actual             | Variance with<br>Final Budget |
|---|------------------|----------------|--------------------|-------------------------------|
|   | Original         | Final          |                    |                               |
| <b>REVENUES</b>                                   |                  |                |                    |                               |
| Taxes   | \$ 11,675        | \$ 11,675      | \$ -               | \$ (11,675)                   |
| Investment income                                 | -                | -              | 90                 | 90                            |
| Total revenues                                    | <u>11,675</u>    | <u>11,675</u>  | <u>90</u>          | <u>(11,585)</u>               |
| <b>EXPENDITURES</b>                               |                  |                |                    |                               |
| Spring Street Urban Renewal                       | 550,000          | 550,000        | 17,487             | 532,513                       |
| Debt service                                      | 11,675           | 11,675         | -                  | 11,675                        |
| Total expenditures                                | <u>561,675</u>   | <u>561,675</u> | <u>17,487</u>      | <u>544,188</u>                |
| Excess (deficiency) of revenues over expenditures | (550,000)        | (550,000)      | (17,397)           | 532,603                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                |                    |                               |
| Loan proceeds - interfund loan                    | <u>550,000</u>   | <u>550,000</u> | <u>20,000</u>      | <u>(530,000)</u>              |
| Net change in fund balance                        | -                | -              | 2,603              | 532,603                       |
| Fund balance - beginning                          | -                | -              | -                  | -                             |
| Fund balance - ending                             | <u>\$ -</u>      | <u>\$ -</u>    | <u>2,603</u>       | <u>\$ 532,603</u>             |
| Reconciliation: Interfund loan                    |                  |                | <u>(20,000)</u>    |                               |
| Fund balance - ending (GAAP)                      |                  |                | <u>\$ (17,397)</u> |                               |

City of Klamath Falls, Oregon  
 Parking Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule C-6

|   | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
|   | Original         | Final            |                  |                               |
| <b>REVENUES</b>                                   |                  |                  |                  |                               |
| Licenses, fees and permits                        | \$ 42,275        | \$ 42,275        | \$ 41,774        | \$ (501)                      |
| Fines and forfeits                                | 48,150           | 48,150           | 49,071           | 921                           |
| Investment income                                 | 625              | 625              | 1,717            | 1,092                         |
| Miscellaneous revenue                             | 150              | 150              | -                | (150)                         |
| Total revenues                                    | <u>91,200</u>    | <u>91,200</u>    | <u>92,562</u>    | <u>1,362</u>                  |
| <b>EXPENDITURES</b>                               |                  |                  |                  |                               |
| Parking   | <u>133,350</u>   | <u>133,350</u>   | <u>128,079</u>   | <u>5,271</u>                  |
| Excess (deficiency) of revenues over expenditures | (42,150)         | (42,150)         | (35,517)         | 6,633                         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                  |                  |                               |
| Transfers in                                      | <u>15,525</u>    | <u>15,525</u>    | <u>15,525</u>    | <u>-</u>                      |
| Net change in fund balance                        | (26,625)         | (26,625)         | (19,992)         | 6,633                         |
| Fund balance - beginning                          | 26,925           | 43,275           | 43,286           | 11                            |
| Fund balance - ending                             | <u>\$ 300</u>    | <u>\$ 16,650</u> | <u>\$ 23,294</u> | <u>\$ 6,644</u>               |

City of Klamath Falls, Oregon  
Downtown Maintenance District Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule C-7

|   | Budgeted Amounts |                 | Actual           | Variance with<br>Final Budget |
|---|------------------|-----------------|------------------|-------------------------------|
|   | Original         | Final           |                  |                               |
| <b>REVENUES</b>                                   |                  |                 |                  |                               |
| Charges for services                              | \$ 93,975        | \$ 93,975       | \$ 92,083        | \$ (1,892)                    |
| Investment income                                 | 400              | 400             | 1,606            | 1,206                         |
| Total revenues                                    | <u>94,375</u>    | <u>94,375</u>   | <u>93,689</u>    | <u>(686)</u>                  |
| <b>EXPENDITURES</b>                               |                  |                 |                  |                               |
| Downtown Maintenance District                     | <u>151,725</u>   | <u>159,425</u>  | <u>140,821</u>   | <u>18,604</u>                 |
| Excess (deficiency) of revenues over expenditures | (57,350)         | (65,050)        | (47,132)         | 17,918                        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                 |                  |                               |
| Transfers in                                      | <u>36,250</u>    | <u>36,250</u>   | <u>36,250</u>    | <u>-</u>                      |
| Net change in fund balance                        | (21,100)         | (28,800)        | (10,882)         | 17,918                        |
| Fund balance - beginning                          | 26,100           | 34,975          | 34,977           | 2                             |
| Fund balance - ending                             | <u>\$ 5,000</u>  | <u>\$ 6,175</u> | <u>\$ 24,095</u> | <u>\$ 17,920</u>              |

City of Klamath Falls, Oregon  
Economic Development/Property Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule C-8

|   | Budgeted Amounts |                  | Actual            | Variance with<br>Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
|   | Original         | Final            |                   |                               |
| <b>REVENUES</b>                                   |                  |                  |                   |                               |
| Charges for services                              | \$ 11,950        | \$ 11,950        | \$ 11,963         | \$ 13                         |
| Intergovernmental                                 | 90,000           | 90,000           | 87,265            | (2,735)                       |
| Investment income                                 | 1,600            | 1,600            | 5,265             | 3,665                         |
| Total revenues                                    | <u>103,550</u>   | <u>103,550</u>   | <u>104,493</u>    | <u>943</u>                    |
| <b>EXPENDITURES</b>                               |                  |                  |                   |                               |
| Economic Development/Property                     | 515,300          | 515,300          | 284,423           | 230,877                       |
| Contingency                                       | 41,850           | 41,850           | -                 | 41,850                        |
| Total expenditures                                | <u>557,150</u>   | <u>557,150</u>   | <u>284,423</u>    | <u>272,727</u>                |
| Excess (deficiency) of revenues over expenditures | (453,600)        | (453,600)        | (179,930)         | 273,670                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                  |                   |                               |
| Transfers in                                      | <u>375,000</u>   | <u>375,000</u>   | <u>375,000</u>    | <u>-</u>                      |
| Net change in fund balance                        | (78,600)         | (78,600)         | 195,070           | 273,670                       |
| Fund balance - beginning                          | 78,600           | 125,550          | 125,554           | 4                             |
| Fund balance - ending                             | <u>\$ -</u>      | <u>\$ 46,950</u> | <u>\$ 320,624</u> | <u>\$ 273,674</u>             |

City of Klamath Falls, Oregon  
 BINET Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule C-9

|   | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
|   | Original         | Final            |                  |                               |
| REVENUES  |                  |                  |                  |                               |
| Intergovernmental                                 | \$ -             | \$ 1,975         | \$ 31,339        | \$ 29,364                     |
| EXPENDITURES                                      |                  |                  |                  |                               |
| BINET fund  | 15,000           | 16,975           | 15,527           | 1,448                         |
| Excess (deficiency) of revenues over expenditures | (15,000)         | (15,000)         | 15,812           | 30,812                        |
| OTHER FINANCING SOURCES (USES)                    |                  |                  |                  |                               |
| Transfers in                                      | 10,000           | 10,000           | 10,000           | -                             |
| Net change in fund balance                        | (5,000)          | (5,000)          | 25,812           | 30,812                        |
| Fund balance - beginning                          | 45,000           | 45,075           | 45,091           | 16                            |
| Fund balance - ending                             | <u>\$ 40,000</u> | <u>\$ 40,075</u> | <u>\$ 70,903</u> | <u>\$ 30,828</u>              |

CITY OF KLAMATH FALLS, OREGON  
CAPITAL PROJECTS FUNDS

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

The Capital Projects Fund is a major fund that accounts for funds received for major projects and acquisitions. Revenue consists of 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.

City of Klamath Falls, Oregon  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule D-1

|                                | <u>Budgeted Amounts</u> |                      | <u>Actual</u>        | <u>Variance with<br/>Final Budget</u> |
|--------------------------------|-------------------------|----------------------|----------------------|---------------------------------------|
|                                | <u>Original</u>         | <u>Final</u>         |                      |                                       |
| REVENUES                       |                         |                      |                      |                                       |
| Charges for services           | \$ 54,000               | \$ 54,000            | \$ 54,000            | \$ -                                  |
| Investment income              | 79,225                  | 79,225               | 19,278               | (59,947)                              |
| Total revenues                 | <u>133,225</u>          | <u>133,225</u>       | <u>73,278</u>        | <u>(59,947)</u>                       |
| OTHER FINANCING SOURCES (USES) |                         |                      |                      |                                       |
| Transfers out                  | <u>(4,000,000)</u>      | <u>(4,000,000)</u>   | -                    | <u>4,000,000</u>                      |
| Net change in fund balance     | (3,866,775)             | (3,866,775)          | 73,278               | 3,940,053                             |
| Fund balance - beginning       | 14,990,150              | 14,967,075           | 14,967,050           | (25)                                  |
| Fund balance - ending          | <u>\$ 11,123,375</u>    | <u>\$ 11,100,300</u> | <u>\$ 15,040,328</u> | <u>\$ 3,940,028</u>                   |

City of Klamath Falls, Oregon  
Escrow Reserve Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule D-2

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
|   | Original            | Final               |                     |                               |
| <b>REVENUES</b>                                   |                     |                     |                     |                               |
| Charges for services                              | \$ 582,150          | \$ 582,150          | \$ 579,171          | \$ (2,979)                    |
| Investment income                                 | 104,750             | 104,750             | 236,047             | 131,297                       |
| Total revenues                                    | <u>686,900</u>      | <u>686,900</u>      | <u>815,218</u>      | <u>128,318</u>                |
| <b>EXPENDITURES</b>                               |                     |                     |                     |                               |
| Escrow reserve fund                               | -                   | 400                 | 330                 | 70                            |
| Excess (deficiency) of revenues over expenditures | 686,900             | 686,500             | 814,888             | 128,248                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |                               |
| Transfers in                                      | 1,350,000           | 1,350,000           | 1,350,000           | -                             |
| Transfers out                                     | (935,000)           | (535,000)           | (535,000)           | -                             |
| Interfund loan                                    | (550,000)           | (550,000)           | (20,000)            | 530,000                       |
| Interfund loan repayment                          | 99,500              | 99,500              | 58,503              | (40,997)                      |
| Total other financing sources (uses)              | <u>(35,500)</u>     | <u>364,500</u>      | <u>853,503</u>      | <u>489,003</u>                |
| Net change in fund balance                        | 651,400             | 1,051,000           | 1,668,391           | 617,251                       |
| Fund balance - beginning                          | 5,921,375           | 7,460,425           | 7,460,448           | 23                            |
| Fund balance - ending                             | <u>\$ 6,572,775</u> | <u>\$ 8,511,425</u> | <u>9,128,839</u>    | <u>\$ 617,274</u>             |
| Reconciliation: Interfund loan                    |                     |                     | <u>686,622</u>      |                               |
| Fund balance - ending (GAAP)                      |                     |                     | <u>\$ 9,815,461</u> |                               |

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CITY OF KLAMATH FALLS, OREGON  
NONMAJOR GOVERNMENTAL FUNDS

**Debt Service Fund**

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

**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  
 Debt Service Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Year Ended June 30, 2019

Schedule E-1

|                            | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget |
|----------------------------|------------------|------------------|------------------|-------------------------------|
|                            | Original         | Final            |                  |                               |
| <b>REVENUES</b>            |                  |                  |                  |                               |
| Taxes                      | \$ 273,975       | \$ 273,975       | \$ 287,770       | \$ 13,795                     |
| Investment income          | 1,725            | 1,725            | 2,910            | 1,185                         |
| Total revenues             | <u>275,700</u>   | <u>275,700</u>   | <u>290,680</u>   | <u>14,980</u>                 |
| <b>EXPENDITURES</b>        |                  |                  |                  |                               |
| Debt service               | <u>280,450</u>   | <u>280,450</u>   | <u>280,446</u>   | <u>4</u>                      |
| Net change in fund balance | (4,750)          | (4,750)          | 10,234           | 14,984                        |
| Fund balance - beginning   | 13,025           | 19,300           | 19,304           | 4                             |
| Fund balance - ending      | <u>\$ 8,275</u>  | <u>\$ 14,550</u> | <u>\$ 29,538</u> | <u>\$ 14,988</u>              |

City of Klamath Falls, Oregon  
Veterans Memorial Agency Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2019

Schedule F-1

|                              | Balance<br>July 1, 2018 | Additions  | Deductions | Balance<br>June 30, 2019 |
|------------------------------|-------------------------|------------|------------|--------------------------|
| <b>ASSETS</b>                |                         |            |            |                          |
| Cash and cash equivalents    | \$ 52,314               | \$ 109,083 | \$ 1,889   | \$ 159,508               |
| Interest Receivable          | 20                      | -          | 20         | -                        |
| Investments                  | 103,754                 | 82         | 103,836    | -                        |
|                              | \$ 156,088              | \$ 109,165 | \$ 105,745 | \$ 159,508               |
| <b>LIABILITIES</b>           |                         |            |            |                          |
| Due to Veterans Associations | \$ 156,088              | \$ 109,165 | \$ 105,745 | \$ 159,508               |
|                              | \$ 156,088              | \$ 109,165 | \$ 105,745 | \$ 159,508               |

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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 consist of the following:

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

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

City of Klamath Falls, Oregon  
Wastewater Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule G-1

|   | Budgeted Amounts    |                     | Actual               | Variance with<br>Final Budget |
|---|---------------------|---------------------|----------------------|-------------------------------|
|   | Original            | Final               |                      |                               |
| <b>REVENUES</b>                                   |                     |                     |                      |                               |
| Charges for services                              | \$ 7,173,700        | \$ 7,173,700        | \$ 7,201,776         | \$ 28,076                     |
| Investment income                                 | 129,450             | 129,450             | 507,325              | 377,875                       |
| System development charges                        | 110,000             | 110,000             | 166,579              | 56,579                        |
| Miscellaneous revenue                             | 7,500               | 7,500               | 666                  | (6,834)                       |
| Total revenues                                    | <u>7,420,650</u>    | <u>7,420,650</u>    | <u>7,876,346</u>     | <u>455,696</u>                |
| <b>EXPENDITURES</b>                               |                     |                     |                      |                               |
| Collections                                       | 4,164,075           | 4,164,075           | 3,087,368            | 1,076,707                     |
| Treatment   | 17,882,000          | 17,882,000          | 5,935,831            | 11,946,169                    |
| Debt service                                      | 812,150             | 812,150             | 811,451              | 699                           |
| Total expenditures                                | <u>22,858,225</u>   | <u>22,858,225</u>   | <u>9,834,650</u>     | <u>13,023,575</u>             |
| Excess (deficiency) of revenues over expenditures | (15,437,575)        | (15,437,575)        | (1,958,304)          | 13,479,271                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                      |                               |
| Transfers in                                      | 4,000,000           | 4,000,000           | -                    | (4,000,000)                   |
| Transfers out                                     | (1,350,000)         | (1,350,000)         | (1,350,000)          | -                             |
| Loan Proceeds                                     | 8,150,675           | 8,150,675           | 3,630,343            | (4,520,332)                   |
| Total other financing sources (uses)              | <u>10,800,675</u>   | <u>10,800,675</u>   | <u>2,280,343</u>     | <u>(8,520,332)</u>            |
| Net change in fund balance                        | (4,636,900)         | (4,636,900)         | 322,039              | 4,958,939                     |
| Fund balance - beginning                          | 9,657,500           | 9,967,375           | 9,967,384            | 9                             |
| Fund balance - ending                             | <u>\$ 5,020,600</u> | <u>\$ 5,330,475</u> | <u>10,289,423</u>    | <u>\$ 4,958,948</u>           |
| <b>Reconciliation</b>                             |                     |                     |                      |                               |
| Prepaid items                                     |                     |                     | 31,163               |                               |
| Notes & Accounts Receivable                       |                     |                     | 1,629                |                               |
| Capital assets, net of accumulated depreciation   |                     |                     | 32,704,103           |                               |
| Net OPEB liability                                |                     |                     | (37,870)             |                               |
| OPEB deferred inflows of resources                |                     |                     | (10,853)             |                               |
| OPEB deferred outflows of resources               |                     |                     | 8,481                |                               |
| Compensated absences                              |                     |                     | (72,798)             |                               |
| Bond refunding deferred charge                    |                     |                     | 118,684              |                               |
| Accrued interest payable                          |                     |                     | (37,327)             |                               |
| Bonds payable                                     |                     |                     | (4,479,973)          |                               |
| Loan payable                                      |                     |                     | (3,630,343)          |                               |
| Deferred outflows of resources - pensions         |                     |                     | 353,082              |                               |
| Deferred inflows of resources - pensions          |                     |                     | (84,225)             |                               |
| Net pension liability                             |                     |                     | (993,584)            |                               |
| Net position - ending (GAAP)                      |                     |                     | <u>\$ 34,159,592</u> |                               |

City of Klamath Falls, Oregon  
Water Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2019

Schedule G-2

|   | Budgeted Amounts    |                     | Actual               | Variance with<br>Final Budget |
|---|---------------------|---------------------|----------------------|-------------------------------|
|   | Original            | Final               |                      |                               |
| <b>REVENUES</b>                                   |                     |                     |                      |                               |
| Charges for services                              | \$ 7,911,150        | \$ 7,911,150        | \$ 8,120,600         | \$ 209,450                    |
| Investment income                                 | 106,900             | 106,900             | 579,658              | 472,758                       |
| Internal service charges                          | 593,525             | 593,525             | 417,134              | (176,391)                     |
| System development charges                        | 105,425             | 105,425             | 139,089              | 33,664                        |
| Miscellaneous revenue                             | 12,825              | 12,825              | 8,171                | (4,654)                       |
| Total revenues                                    | <u>8,729,825</u>    | <u>8,729,825</u>    | <u>9,264,652</u>     | <u>534,827</u>                |
| <b>EXPENDITURES</b>                               |                     |                     |                      |                               |
| Operations  | 7,671,350           | 7,671,350           | 6,600,831            | 1,070,519                     |
| Utility billing                                   | 1,251,500           | 1,251,500           | 1,163,133            | 88,367                        |
| Geothermal  | 429,975             | 429,975             | 243,115              | 186,860                       |
| Debt service                                      | 61,900              | 61,900              | 61,885               | 15                            |
| Total expenditures                                | <u>9,414,725</u>    | <u>9,414,725</u>    | <u>8,068,964</u>     | <u>1,345,761</u>              |
| Excess (deficiency) of revenues over expenditures | (684,900)           | (684,900)           | 1,195,688            | 1,880,588                     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                      |                               |
| Transfers out                                     | (983,850)           | (983,850)           | (983,850)            | -                             |
| Gain on sale of capital assets                    | -                   | -                   | 12,730               | 12,730                        |
| Total other financing sources (uses)              | <u>(983,850)</u>    | <u>(983,850)</u>    | <u>(971,120)</u>     | <u>12,730</u>                 |
| Net change in fund balance                        | (1,668,750)         | (1,668,750)         | 224,568              | 1,893,318                     |
| Fund balance - beginning                          | 5,582,500           | 5,850,050           | 5,850,052            | 2                             |
| Fund balance - ending                             | <u>\$ 3,913,750</u> | <u>\$ 4,181,300</u> | <u>6,074,620</u>     | <u>\$ 1,893,320</u>           |
| <b>Reconciliation</b>                             |                     |                     |                      |                               |
| Prepaid items                                     |                     |                     | 52,227               |                               |
| Notes & Accounts Receivable                       |                     |                     | 14,190               |                               |
| Capital assets, net of accumulated depreciation   |                     |                     | 35,618,779           |                               |
| Net OPEB liability                                |                     |                     | (64,232)             |                               |
| OPEB deferred inflows of resources                |                     |                     | (18,408)             |                               |
| OPEB deferred outflows of resources               |                     |                     | 14,385               |                               |
| Compensated absences                              |                     |                     | (163,689)            |                               |
| Accrued interest payable                          |                     |                     | (13,918)             |                               |
| Loans payable                                     |                     |                     | (548,129)            |                               |
| Deferred outflows of resources - pensions         |                     |                     | 598,872              |                               |
| Deferred inflows of resources - pensions          |                     |                     | (142,856)            |                               |
| Net pension liability                             |                     |                     | (1,685,245)          |                               |
| Net position - ending (GAAP)                      |                     |                     | <u>\$ 39,736,596</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, 2019

Schedule H-1

| Function and Activity                          | Land                 | Buildings            | Machinery<br>and<br>Equipment | Infrastructure        | Construction<br>in Progress | Total                 |
|--|----------------------|----------------------|-------------------------------|-----------------------|-----------------------------|-----------------------|
| General Government:                            |                      |                      |                               |                       |                             |                       |
| Manager  | \$ 1,471,246         | \$ 3,638,182         | \$ 316,731                    | \$ 1,159,703          | \$ 17,488                   | \$ 6,603,349          |
| Information Systems                            | -                    | -                    | 1,491,210                     | -                     | -                           | 1,491,210             |
| Engineering                                    | -                    | -                    | 354,804                       | -                     | -                           | 354,804               |
| Maintenance                                    | -                    | 79,087               | 191,651                       | -                     | -                           | 270,738               |
| Economic Development                           | 544,243              | -                    | -                             | -                     | -                           | 544,243               |
| <b>Total General Government</b>                | <b>2,015,489</b>     | <b>3,717,269</b>     | <b>2,354,395</b>              | <b>1,159,703</b>      | <b>17,488</b>               | <b>9,264,344</b>      |
| Airport  | 9,193,403            | 4,065,962            | 2,877,298                     | 65,878,056            | 1,061,051                   | 83,075,771            |
| Culture and Recreation                         | 442,448              | 1,399,914            | 1,993,530                     | 3,981,734             | 1,368,357                   | 9,185,983             |
| Public safety:                                 |                      |                      |                               |                       |                             |                       |
| Police   | 399,111              | 8,152,307            | 2,188,797                     | -                     | 40,565                      | 10,780,779            |
| Code enforcement                               | -                    | -                    | 76,625                        | -                     | -                           | 76,625                |
| <b>Total Public Safety</b>                     | <b>399,111</b>       | <b>8,152,307</b>     | <b>2,265,422</b>              | <b>-</b>              | <b>40,565</b>               | <b>10,857,404</b>     |
| Highways and Streets:                          |                      |                      |                               |                       |                             |                       |
| Maintenance                                    | 1,500                | 215,816              | 3,264,972                     | -                     | -                           | 3,482,289             |
| Street System                                  | 2,100,947            | 99,186               | 903,416                       | 135,228,258           | 1,659,792                   | 139,991,599           |
| <b>Total Highways and Streets</b>              | <b>2,102,447</b>     | <b>315,002</b>       | <b>4,168,388</b>              | <b>135,228,258</b>    | <b>1,659,792</b>            | <b>143,473,887</b>    |
| <b>Total Governmental Funds Capital Assets</b> | <b>\$ 14,152,898</b> | <b>\$ 17,650,455</b> | <b>\$ 13,659,034</b>          | <b>\$ 206,247,750</b> | <b>\$ 4,147,251</b>         | <b>\$ 255,857,389</b> |

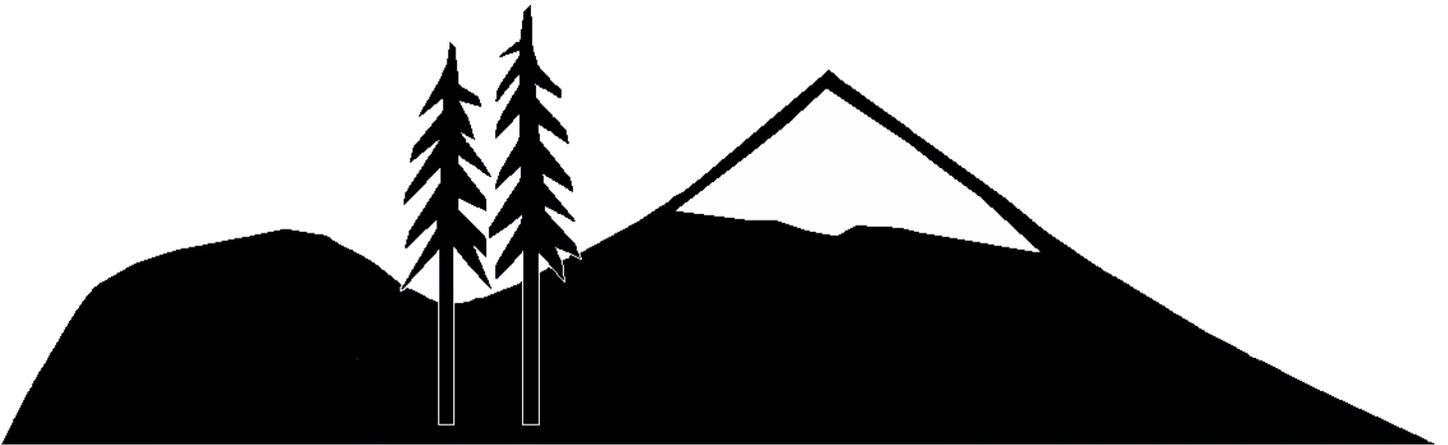
City of Klamath Falls, Oregon  
Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes By Function and Activity  
For the Fiscal Year Ended June 30, 2019

Schedule H-2

| Function and Activity                          | Governmental<br>Funds Capital<br>Assets<br>July 1, 2018 | Additions                  | Deductions,<br>Transfers in &<br>(Transfers out) | Governmental<br>Funds Capital<br>Assets<br>June 30, 2019 |
|--|---|----------------------------|--|--|
| <b>General Government:</b>                     |   |                            |  |  |
| Manager  | \$ 6,586,503  | \$ 17,487                  | \$ (641)   | \$ 6,603,349   |
| Information Systems                            | 1,491,210   | -                          | -  | 1,491,210  |
| Engineering                                    | 309,952   | -                          | 44,852   | 354,804  |
| Maintenance                                    | 197,969   | -                          | 72,769   | 270,738  |
| Economic Development                           | 544,243   | -                          | -  | 544,243  |
| Total General Government                       | <u>9,129,877</u>  | <u>17,487</u>              | <u>116,980</u>                                   | <u>9,264,344</u>   |
| Airport  | <u>82,405,177</u>                                       | <u>1,071,141</u>           | <u>(400,548)</u>                                 | <u>83,075,771</u>  |
| Culture and Recreation                         | <u>8,386,970</u>  | <u>725,665</u>             | <u>73,348</u>                                    | <u>9,185,983</u>   |
| <b>Public safety:</b>                          |   |                            |  |  |
| Police   | 10,802,131  | 100,565                    | (121,916)  | 10,780,779   |
| Code enforcement                               | 76,625  | -                          | -  | 76,625   |
| Total Public Safety                            | <u>10,878,756</u>                                       | <u>100,565</u>             | <u>(121,916)</u>                                 | <u>10,857,404</u>  |
| <b>Highways and streets:</b>                   |   |                            |  |  |
| Maintenance                                    | 3,814,575   | 27,335                     | (359,621)  | 3,482,289  |
| Street system                                  | 138,914,205   | 1,150,742                  | (73,348)   | 139,991,599  |
| Total Highways and Streets                     | <u>142,728,780</u>                                      | <u>1,178,077</u>           | <u>(432,970)</u>                                 | <u>143,473,887</u>                                       |
| <b>Total Governmental Funds Capital Assets</b> | <u><u>\$ 253,529,561</u></u>                            | <u><u>\$ 3,092,935</u></u> | <u><u>\$ (765,106)</u></u>                       | <u><u>\$ 255,857,389</u></u>                             |



## 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.

### Contents

|   |     |
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| Financial Trends – Schedules I-1, I-2, I-3, and I-4 .....   | 143 |
| <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 .....   | 151 |
| <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 .....  | 157 |
| <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 .....   | 165 |
| <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 .....  | 169 |
| <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)*

|   | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Governmental activities</b>              |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | \$ 97,349,847 | \$111,784,474 | \$106,175,191 | \$105,999,139 | \$107,962,108 | \$113,684,484 | \$115,096,825 | \$119,231,089 | \$120,623,415 | \$117,426,374 |
| Restricted                                  | 4,825,481     | 4,420,534     | 3,971,607     | 2,582,763     | 1,832,112     | 2,324,012     | 2,851,180     | 3,800,188     | 5,705,016     | 12,853,050    |
| Unrestricted                                | 26,209,812    | 22,997,162    | 27,580,669    | 29,390,584    | 18,256,806    | 16,908,446    | 17,186,214    | 14,361,606    | 11,814,580    | 7,948,267     |
| Total governmental activities net position  | \$128,385,140 | \$139,202,170 | \$137,727,467 | \$137,972,486 | \$128,051,026 | \$132,916,942 | \$135,134,219 | \$137,392,883 | \$138,143,011 | \$138,227,691 |
| <b>Business-type activities</b>             |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | \$ 59,708,694 | \$ 60,389,249 | \$ 58,324,352 | \$ 56,282,189 | \$ 55,458,635 | \$ 51,934,040 | \$ 51,447,145 | \$ 49,262,631 | \$ 49,086,527 | \$ 47,325,073 |
| Restricted                                  | 1,111,993     | 1,104,956     | 1,092,164     | 4,633,944     | 5,041,272     | 5,402,198     | 9,062,712     | 7,691,035     | 5,823,352     | 4,055,414     |
| Unrestricted                                | 13,075,501    | 12,707,870    | 8,196,965     | 3,246,712     | 14,989,228    | 14,149,001    | 7,435,547     | 7,086,144     | 6,789,017     | 7,971,682     |
| Total business-type activities net position | \$ 73,896,188 | \$ 74,202,075 | \$ 67,613,481 | \$ 64,162,845 | \$ 75,489,135 | \$ 71,485,239 | \$ 67,945,404 | \$ 64,039,810 | \$ 61,698,896 | \$ 59,352,169 |
| <b>Primary government</b>                   |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | \$157,058,541 | \$172,173,723 | \$164,499,543 | \$162,281,328 | \$163,420,743 | \$165,618,524 | \$166,543,970 | \$168,493,720 | \$169,709,942 | \$164,751,447 |
| Restricted                                  | 5,937,474     | 5,525,490     | 5,063,771     | 7,216,707     | 6,873,384     | 7,726,210     | 11,913,892    | 11,491,223    | 11,528,368    | 16,908,464    |
| Unrestricted                                | 39,285,313    | 35,705,032    | 35,777,634    | 32,637,296    | 33,246,034    | 31,057,447    | 24,621,761    | 21,447,750    | 18,603,597    | 15,919,949    |
| Total primary government net position       | \$202,281,328 | \$213,404,245 | \$205,340,948 | \$202,135,331 | \$203,540,161 | \$204,402,181 | \$203,079,623 | \$201,432,693 | \$199,841,907 | \$197,579,860 |

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

Schedule I-2a

|                                    | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Expenses</b>                    |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:           |               |               |               |               |               |               |               |               |               |               |
| General government                 | \$ 6,035,233  | \$ 5,636,155  | \$ 5,727,651  | \$ 5,802,794  | \$ 4,750,011  | \$ 1,117,501  | \$ 998,328    | \$ 916,736    | \$ 1,858,704  | \$ 965,249    |
| Airport                            | 3,636,051     | 2,833,505     | 3,128,916     | 2,865,179     | 2,483,308     | 2,979,505     | 2,738,308     | 3,056,676     | 2,711,318     | 2,416,914     |
| Culture and recreation             | 1,683,114     | 1,511,771     | 1,315,260     | 1,346,156     | 1,198,095     | 1,429,718     | 1,393,933     | 1,315,332     | 1,170,962     | 1,126,984     |
| Public safety                      | 6,891,162     | 6,783,353     | 6,678,984     | 7,827,924     | 4,551,499     | 6,392,398     | 6,643,034     | 6,592,397     | 6,728,610     | 6,245,613     |
| Highways and streets               | 4,213,848     | 3,694,992     | 3,795,646     | 4,266,110     | 6,920,863     | 5,376,296     | 5,443,451     | 6,069,358     | 5,548,199     | 6,980,014     |
| Interest on long-term debt         | 277,253       | 252,843       | 386,404       | 426,013       | 450,287       | 409,176       | 435,161       | 468,537       | 514,306       | 549,840       |
| Total governmental activities      | 22,736,661    | 20,712,619    | 21,032,861    | 22,534,176    | 20,354,063    | 17,704,594    | 17,652,215    | 18,419,036    | 18,532,099    | 18,284,614    |
| Business-type activities:          |               |               |               |               |               |               |               |               |               |               |
| Wastewater                         | 6,037,473     | 5,862,851     | 5,396,231     | 5,474,517     | 4,893,634     | 5,045,680     | 4,992,855     | 4,914,640     | 5,021,711     | 5,784,920     |
| Water                              | 7,013,758     | 6,483,466     | 5,959,718     | 6,156,074     | 5,536,655     | 5,682,323     | 5,566,016     | 5,588,110     | 5,479,594     | 5,557,164     |
| Electric                           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Total business-type activities     | 13,051,231    | 12,346,317    | 11,355,949    | 11,630,591    | 10,430,289    | 10,728,003    | 10,558,871    | 10,502,750    | 10,501,305    | 11,342,084    |
| Total expenses                     | \$ 35,787,892 | \$ 33,058,936 | \$ 32,388,810 | \$ 34,164,767 | \$ 30,784,352 | \$ 28,432,597 | \$ 28,211,086 | \$ 28,921,786 | \$ 29,033,404 | \$ 29,626,698 |
| <b>Program Revenues</b>            |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:           |               |               |               |               |               |               |               |               |               |               |
| Charges for services               |               |               |               |               |               |               |               |               |               |               |
| General government                 | \$ 3,812,814  | \$ 2,933,356  | \$ 2,776,556  | \$ 2,855,961  | \$ 2,837,399  | \$ 286,623    | \$ 484,091    | \$ 375,711    | \$ 297,346    | \$ 307,620    |
| Airport                            | 513,813       | 571,764       | 685,469       | 470,645       | 524,083       | 714,909       | 709,978       | 690,670       | 752,472       | 714,295       |
| Culture and recreation             | 207,757       | 222,568       | 208,900       | 208,900       | 184,357       | 152,142       | 139,322       | 32,895        | 26,465        | 62,635        |
| Public safety                      | 31,534        | 61,438        | 33,462        | 33,462        | 404,376       | 446,467       | 421,800       | 511,539       | 486,579       | 477,764       |
| Highways and streets               | 415,264       | 354,625       | 332,301       | 347,832       | 151,678       | 355,562       | 302,871       | 310,576       | 298,671       | 293,013       |
| Operating grants and contributions | 272,096       | 231,631       | 353,709       | 247,032       | 108,891       | 117,860       | 278,724       | 408,138       | 1,228,734     | 500,695       |
| Capital grants and contributions   | 1,982,334     | 6,959,883     | 3,010,978     | 916,336       | 831,469       | 2,236,523     | 986,649       | 1,824,829     | 3,123,541     | 21,676,883    |
| Total governmental activities      | 7,235,612     | 11,335,265    | 7,401,375     | 5,080,168     | 5,042,253     | 4,310,086     | 3,323,435     | 4,154,358     | 6,213,808     | 24,032,905    |
| Business-type activities:          |               |               |               |               |               |               |               |               |               |               |
| Charges for services               |               |               |               |               |               |               |               |               |               |               |
| Wastewater                         | 7,368,960     | 8,174,984     | 7,678,873     | 7,354,469     | 7,018,141     | 6,714,855     | 6,791,552     | 6,223,467     | 6,181,257     | 6,190,377     |
| Water                              | 8,682,450     | 8,530,367     | 7,936,322     | 7,665,939     | 7,703,108     | 7,244,563     | 7,434,803     | 6,732,455     | 6,767,730     | 7,128,762     |
| Electric                           | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Operating grants and contributions | -             | -             | -             | -             | -             | -             | -             | 1,989         | 45,623        | 104,527       |
| Capital grants and contributions   | -             | 7,200         | 48,030        | 275,677       | 339,176       | 864,767       | 428,094       | 43,543        | 172,287       | 307,195       |
| Total business-type activities     | 16,051,410    | 16,712,551    | 15,663,225    | 15,296,085    | 15,060,425    | 14,824,185    | 14,654,449    | 13,001,454    | 13,166,897    | 13,730,861    |
| Total program revenues             | \$ 23,287,022 | \$ 28,047,816 | \$ 23,064,600 | \$ 20,376,255 | \$ 20,102,678 | \$ 19,134,271 | \$ 17,977,884 | \$ 17,155,812 | \$ 19,380,705 | \$ 37,763,766 |

*Continued on next page*

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

Schedule I-2b

|  | 2019            | 2018           | 2017            | 2016            | 2015            | 2014            | 2013            | 2012            | 2011            | 2010          |
|--|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| <b>Program Revenues</b>                              |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Net (expense)/revenue                                |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Governmental activities                              | \$ (15,501,049) | \$ (9,377,354) | \$ (13,631,486) | \$ (17,454,008) | \$ (15,311,810) | \$ (13,394,508) | \$ (14,328,780) | \$ (14,264,678) | \$ (12,318,291) | \$ 5,748,291  |
| Business-type activities                             | 3,000,179       | 4,366,234      | 4,307,276       | 3,665,494       | 4,630,136       | 4,096,182       | 4,095,578       | 2,498,704       | 2,665,592       | 2,388,777     |
| Total net expense (revenue)                          | \$ (12,500,870) | \$ (5,011,120) | \$ (9,324,210)  | \$ (13,788,514) | \$ (10,681,674) | \$ (9,298,326)  | \$ (10,233,202) | \$ (11,765,974) | \$ (9,652,699)  | \$ 8,137,068  |
| <b>General Revenues</b>                              |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Governmental activities:                             |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Property taxes                                       | \$ 7,874,191    | \$ 7,430,283   | \$ 7,009,508    | \$ 6,901,748    | \$ 6,999,271    | \$ 6,801,445    | \$ 7,205,147    | \$ 7,443,904    | \$ 7,519,701    | \$ 7,455,530  |
| Franchise taxes                                      | 2,805,417       | 2,490,622      | 2,542,802       | 2,444,433       | 2,400,513       | 2,338,179       | 2,285,109       | 2,112,940       | 2,032,875       | 1,897,175     |
| 911 excise tax                                       | -               | -              | -               | -               | -               | -               | 51,006          | 102,784         | 105,920         | -             |
| Motor fuel taxes                                     | 1,601,000       | 1,400,638      | 1,293,021       | 1,274,616       | 1,229,155       | 1,227,480       | 1,165,774       | 1,145,033       | 1,044,517       | 887,985       |
| Alcoholic beverage taxes                             | 363,917         | 346,268        | 331,238         | 309,573         | 309,693         | 300,889         | 284,182         | 268,841         | 250,378         | 241,280       |
| Cigarette taxes                                      | 25,102          | 26,782         | 27,459          | 28,420          | 28,698          | 28,905          | 30,238          | 30,699          | 32,418          | 31,174        |
| Transient room taxes                                 | 584,170         | 681,281        | 560,037         | 505,000         | 507,012         | 448,867         | 400,655         | 470,879         | 494,922         | 375,233       |
| State revenue sharing                                | 229,621         | 284,662        | 214,081         | 193,598         | 199,962         | 202,054         | 183,829         | 177,232         | 163,365         | 159,682       |
| Federal forest receipts                              | 400,000         | -              | 114,654         | 110,195         | 1,103,867       | -               | -               | -               | -               | -             |
| Unrestricted investment earnings                     | 983,126         | 344,146        | 386,276         | 344,046         | 247,792         | 199,778         | 178,996         | 227,402         | 222,930         | 482,757       |
| Gain on sale of capital assets                       | -               | -              | (41,129)        | 12,351          | 2,199           | 111,709         | -               | 750             | 30,435          | -             |
| Special and extraordinary items                      | -               | -              | -               | -               | -               | -               | -               | 1,133,000       | -               | (397,783)     |
| Insurance recoveries                                 | -               | -              | -               | 9,865           | 15,123          | -               | -               | -               | -               | -             |
| Transfer of capital asset                            | 12,198          | -              | -               | 30,463          | (1,293,837)     | -               | -               | -               | -               | -             |
| Transfers in / (out)                                 | 2,333,850       | (2,041,525)    | 948,520         | 15,241,622      | 1,569,912       | 385,189         | 285,180         | 238,653         | 379,138         | 8,236,517     |
| Total general revenues, transfers, and special items | 17,212,592      | 10,963,157     | 13,386,467      | 27,405,930      | 13,319,360      | 12,044,495      | 12,070,116      | 13,352,117      | 12,276,599      | 19,369,550    |
| Business-type activities:                            |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Unrestricted investment earnings                     | 1,086,983       | 201,465        | 91,880          | 280,301         | 142,631         | 104,507         | 95,196          | 80,863          | 60,273          | 494,734       |
| Gain on sale of capital assets                       | 12,730          | -              | -               | -               | -               | -               | -               | -               | -               | -             |
| Transfer of capital asset                            | (12,198)        | -              | -               | (30,463)        | 1,293,837       | -               | -               | -               | -               | -             |
| Transfers in / (out)                                 | (2,333,850)     | 2,041,525      | (948,520)       | (15,241,622)    | (1,569,912)     | (385,189)       | (285,180)       | (238,653)       | (379,138)       | (8,236,517)   |
| Total business-type activities                       | (1,246,335)     | 2,242,990      | (856,640)       | (14,991,784)    | (133,444)       | (280,682)       | (189,984)       | (157,790)       | (318,865)       | (7,741,783)   |
| Total primary government                             | \$ 15,966,257   | \$ 13,206,147  | \$ 12,529,827   | \$ 12,414,146   | \$ 13,185,916   | \$ 11,763,813   | \$ 11,880,132   | \$ 13,194,327   | \$ 11,957,734   | \$ 11,627,767 |
| <b>Change in Net Position</b>                        |                 |                |                 |                 |                 |                 |                 |                 |                 |               |
| Governmental activities                              | \$ 1,711,543    | \$ 1,585,803   | \$ (245,019)    | \$ 9,951,922    | \$ (1,992,450)  | \$ (1,350,013)  | \$ (2,258,664)  | \$ (912,561)    | \$ (41,692)     | \$ 25,117,841 |
| Business-type activities                             | 1,753,844       | 6,609,224      | 3,450,636       | (11,326,290)    | 4,496,692       | 3,815,500       | 3,905,594       | 2,340,914       | 2,346,727       | (5,353,006)   |
| Total Change in Net Position                         | \$ 3,465,387    | \$ 8,195,027   | \$ 3,205,617    | \$ (1,374,368)  | \$ 2,504,242    | \$ 2,465,487    | \$ 1,646,930    | \$ 1,428,353    | \$ 2,305,035    | \$ 19,764,835 |

**City of Klamath Falls, Oregon**  
**Fund Balances of Government Funds**

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

**Schedule I-3**

|                                    | 2019                 | 2018                 | 2017                 | 2016 <sup>3</sup>    | 2015 <sup>2</sup>    | 2014                 | 2013                 | 2012                 | 2011 <sup>1</sup>    | 2010                 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                       | \$ 54,125            | \$ 46,849            | \$ 45,496            | \$ 38,971            | \$ 130,701           | \$ 243,735           | \$ 96,586            | \$ 94,654            | \$ 123,265           | \$ -                 |
| Restricted                         | 302,906              | 278,326              | 144,847              | 133,776              | 80,454               | 65,278               | 56,596               | -                    | -                    | -                    |
| Assigned                           | 2,457,493            | 2,716,501            | 4,188,842            | 5,751,645            | 103,791              | 39,638               | 49,638               | 521,743              | 954,280              | -                    |
| Unassigned                         | 10,928,370           | 8,295,803            | 7,180,729            | 5,280,154            | 3,246,947            | 4,453,307            | 4,150,530            | 3,887,663            | 3,005,764            | -                    |
| Reserved                           | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 213,091              |
| Unreserved                         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 3,266,208            |
| Total general fund                 | <u>\$ 13,742,894</u> | <u>\$ 11,337,479</u> | <u>\$ 11,559,914</u> | <u>\$ 11,204,546</u> | <u>\$ 3,561,893</u>  | <u>\$ 4,801,938</u>  | <u>\$ 4,353,350</u>  | <u>\$ 4,504,060</u>  | <u>\$ 4,083,309</u>  | <u>\$ 3,479,299</u>  |
| All other governmental funds       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                       | \$ -                 | \$ -                 | \$ -                 | \$ 8,544             | \$ 125,307           | \$ 149,572           | \$ 91,110            | \$ 75,919            | \$ 104,942           | \$ -                 |
| Restricted                         | 4,522,575            | 4,142,208            | 3,826,760            | 2,448,987            | 1,696,307            | 2,166,019            | 2,201,094            | 3,432,013            | 5,325,961            | -                    |
| Assigned                           | 22,626,523           | 19,827,815           | 23,812,496           | 24,951,010           | 18,242,788           | 14,354,112           | 13,904,795           | 10,915,284           | 8,605,567            | -                    |
| Unassigned                         | (571,480)            | (641,563)            | (672,379)            | (902,008)            | (901,147)            | (796,705)            | -                    | -                    | (206,459)            | -                    |
| Reserved for:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Prepays and inventory              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 177,656              |
| Advances to other funds            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 500,000              |
| System development charges         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 64,759               |
| Capital outlay                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,152,821            |
| Debt service                       | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 145,025              |
| Outside Third Party Claims         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 5,873,283            |
| Unreserved, reported in:           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 3,540,839            |
| Capital project funds              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 4,701,679            |
| Debt service fund                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 448,480              |
| Total all other governmental funds | <u>\$ 26,577,618</u> | <u>\$ 23,328,460</u> | <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> |

<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 teh 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)*

Schedule I-4a

|                               | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Taxes                         | \$ 7,891,025         | \$ 7,429,107         | \$ 7,034,171         | \$ 6,892,417         | \$ 7,032,490         | \$ 6,956,668         | \$ 7,211,003         | \$ 7,507,727         | \$ 7,387,533         | \$ 7,340,106         |
| Special assessments           | 10,898               | 15,456               | 17,215               | 48,688               | -                    | 800                  | 97,227               | 2,479                | 6,387                | 10,350               |
| Intergovernmental             | 6,334,023            | 8,681,135            | 5,792,146            | 3,477,796            | 3,743,238            | 3,797,578            | 3,158,117            | 4,984,594            | 6,886,229            | 22,573,756           |
| Licenses, fees and permits    | 192,974              | 179,634              | 153,232              | 163,011              | 178,499              | 183,764              | 194,230              | 224,155              | 216,805              | 231,027              |
| Franchise fees                | 2,809,670            | 2,473,145            | 2,534,513            | 2,444,433            | 2,400,513            | 2,338,178            | 2,293,767            | 2,120,371            | 2,040,041            | 1,905,227            |
| Charges for services          | 1,718,720            | 1,156,451            | 1,186,754            | 1,081,035            | 1,083,053            | 4,863,660            | 4,933,476            | 5,134,894            | 5,260,072            | 5,114,039            |
| Internal charges for services | 2,695,418            | 2,602,322            | 2,509,271            | 2,422,161            | 2,936,762            | -                    | -                    | -                    | -                    | -                    |
| Fines and forfeitures         | 360,436              | 417,160              | 341,693              | 344,653              | 460,151              | 452,676              | 432,056              | 471,487              | 441,085              | 464,037              |
| Investment earnings           | 983,126              | 344,146              | 386,276              | 344,046              | 247,792              | 285,013              | 195,184              | 251,546              | 246,054              | 531,217              |
| Miscellaneous                 | 115,121              | 472,493              | 316,809              | 138,949              | 146,519              | 330,967              | 337,110              | 860,705              | 139,516              | 263,425              |
| System development charges    | -                    | -                    | -                    | -                    | 2,722                | -                    | -                    | -                    | 4,549                | -                    |
| <b>Total Revenues</b>         | <b>\$ 23,111,411</b> | <b>\$ 23,771,049</b> | <b>\$ 20,272,080</b> | <b>\$ 17,357,189</b> | <b>\$ 18,231,739</b> | <b>\$ 19,209,304</b> | <b>\$ 18,852,170</b> | <b>\$ 21,557,958</b> | <b>\$ 22,628,271</b> | <b>\$ 38,433,184</b> |

**Expenditures**

|                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current:                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General government        | \$ 5,519,752      | \$ 5,212,716      | \$ 5,083,443      | \$ 4,866,004      | \$ 4,906,651      | \$ 4,726,157      | \$ 4,479,363      | \$ 4,566,723      | \$ 5,597,129      | \$ 4,674,825      |
| Airport                   | 1,426,159         | 1,312,918         | 1,595,817         | 1,159,526         | 1,055,989         | 1,189,143         | 1,102,636         | 1,483,526         | 1,272,520         | 1,387,107         |
| Culture and recreation    | 1,416,609         | 1,309,108         | 1,190,045         | 1,054,101         | 1,167,304         | 1,258,030         | 1,224,762         | 1,158,806         | 1,024,348         | 964,693           |
| Public safety             | 5,767,764         | 5,694,881         | 5,486,413         | 5,442,424         | 5,243,094         | 5,686,252         | 6,202,304         | 6,270,405         | 6,523,042         | 6,072,095         |
| Highways and streets      | 2,019,811         | 1,811,415         | 1,785,710         | 1,794,377         | 1,985,704         | 2,258,666         | 2,348,697         | 3,003,832         | 2,341,674         | 2,314,837         |
| Debt service:             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                 | 400,200           | 455,866           | 284,923           | 429,187           | 1,545,504         | 878,156           | 1,078,192         | 1,246,208         | 1,679,938         | 1,097,091         |
| Interest                  | 272,319           | 258,004           | 390,994           | 418,248           | 472,719           | 429,641           | 454,509           | 482,696           | 542,702           | 603,483           |
| Capital outlay:           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General government        | 17,487            | 81,097            | 50,727            | 691,549           | 666,569           | 1,268,137         | 98,237            | 1,243,738         | 427,806           | 609,577           |
| Airport                   | 1,071,141         | 6,234,882         | 2,714,340         | 670,989           | 294,464           | 1,071,748         | 487,536           | 204,245           | 1,772,448         | 19,655,722        |
| Culture and recreation    | 724,636           | 785,602           | 179,520           | 190,611           | 152,894           | 105,539           | 224,123           | 343,890           | 401,250           | 192,133           |
| Public safety             | 100,565           | 400,969           | 247,584           | 259,835           | 203,127           | 175,045           | 153,902           | 90,723            | 1,342,951         | 5,650,413         |
| Highways and streets      | 1,178,077         | 2,184,881         | 1,396,463         | 658,245           | 1,511,680         | 1,103,562         | 283,734           | 1,537,863         | 2,325,970         | 3,932,092         |
| <b>Total Expenditures</b> | <b>19,914,520</b> | <b>25,742,339</b> | <b>20,405,979</b> | <b>17,635,096</b> | <b>19,205,699</b> | <b>20,150,076</b> | <b>18,137,995</b> | <b>21,632,655</b> | <b>25,251,778</b> | <b>47,154,068</b> |

|   |           |             |           |           |           |           |         |          |             |             |
|---|-----------|-------------|-----------|-----------|-----------|-----------|---------|----------|-------------|-------------|
| Excess (Deficiency) of Revenues over Expenditures | 3,196,891 | (1,971,290) | (133,899) | (277,907) | (973,960) | (940,772) | 714,175 | (74,697) | (2,623,507) | (8,720,884) |
|---|-----------|-------------|-----------|-----------|-----------|-----------|---------|----------|-------------|-------------|

Continued on next page

**City of Klamath Falls, Oregon**  
**Changes in Fund Balances of Government Funds (continued)**

Last Ten Fiscal Years  
(modified accrual basis of accounting)

|   | 2019                | 2018                  | 2017              | 2016                 | 2015                | 2014              | 2013                | 2012                | 2011                  | 2010                  | Schedule I-4b |
|---|---------------------|-----------------------|-------------------|----------------------|---------------------|-------------------|---------------------|---------------------|-----------------------|-----------------------|---------------|
| <b>Other financing sources (uses)</b>                   |                     |                       |                   |                      |                     |                   |                     |                     |                       |                       |               |
| Transfers in  | 3,080,625           | 1,395,856             | 1,847,312         | 22,172,729           | 3,777,366           | 1,504,581         | 2,814,408           | 2,836,477           | 2,195,503             | 3,450,095             |               |
| Transfers out   | (746,775)           | (3,437,381)           | (898,792)         | (6,931,107)          | (2,207,454)         | (1,041,629)       | (2,529,228)         | (2,597,824)         | (1,805,028)           | (3,089,424)           |               |
| General long-term debt issued                           | -                   | 58,950                | -                 | -                    | 1,417,262           | 414,721           | 600,000             | 350,000             | 105,500               | 1,022,228             |               |
| Insurance recoveries                                    | 45,359              | 11,599                | 91                | 9,865                | 15,123              | -                 | -                   | -                   | -                     | -                     |               |
| Sale of general capital assets                          | 78,473              | 81,414                | 1,000             | 12,351               | 70,771              | 187,706           | 23,718              | -                   | -                     | -                     |               |
| <b>Total Other Financing Sources (Uses)</b>             | <b>2,457,682</b>    | <b>(1,889,562)</b>    | <b>949,611</b>    | <b>15,263,838</b>    | <b>3,073,068</b>    | <b>1,065,379</b>  | <b>908,898</b>      | <b>588,653</b>      | <b>495,975</b>        | <b>1,382,899</b>      |               |
| Net change in fund balances before extraordinary item   | 5,654,573           | (3,860,852)           | 815,712           | 14,985,931           | 2,099,108           | 124,607           | 1,623,073           | 513,956             | (2,127,532)           | (7,337,985)           |               |
| Extraordinary item                                      | -                   | -                     | -                 | -                    | -                   | -                 | -                   | 500,000             | -                     | (408,837)             |               |
| <b>Net change in fund balances</b>                      | <b>\$ 5,654,573</b> | <b>\$ (3,860,852)</b> | <b>\$ 815,712</b> | <b>\$ 14,985,931</b> | <b>\$ 2,099,108</b> | <b>\$ 124,607</b> | <b>\$ 1,623,073</b> | <b>\$ 1,013,956</b> | <b>\$ (2,127,532)</b> | <b>\$ (7,746,822)</b> |               |
| Debt service as a percentage of noncapital expenditures | 4.00%               | 4.45%                 | 4.27%             | 5.59%                | 12.32%              | 7.96%             | 9.07%               | 9.49%               | 11.71%                | 9.94%                 |               |

## 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 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> |                      |                       | Actual Value                       | Estimated Value |   |
| 2019        | \$ 1,420,291   | \$ 2,057,817                        | \$ 50,700         | \$ 50,700                           | \$ 1,470,991         | \$ 5.19               | \$ 2,108,517                       | 69.8%           |   |
| 2018        | 1,363,797      | 2,116,041                           | 52,366            | 52,366                              | 1,416,163            | 5.23                  | 2,168,407                          | 65.3%           |   |
| 2017        | 1,309,448      | 1,777,953                           | 51,454            | 51,454                              | 1,360,902            | 5.25                  | 1,829,407                          | 74.4%           |   |
| 2016        | 1,305,308      | 1,900,989                           | 50,033            | 50,033                              | 1,355,341            | 5.24                  | 1,951,022                          | 69.5%           |   |
| 2015        | 1,287,767      | 1,828,863                           | 49,080            | 49,080                              | 1,336,847            | 5.43                  | 1,877,943                          | 71.2%           |   |
| 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%           |   |

Source: Klamath County Assessors Office.

Note: Property in the county is reassessed annually. Tax rates are per \$1,000 of assessed value.

<sup>1</sup> Includes Urban Renewal Districts.

**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 | Overlapping Rates                  |                      |                    |                                   |         |                   |                      |                      |  |          | Total Direct and Overlapping |
|-------------|------------------------------------|----------------------|--------------------|-----------------------------------|---------|-------------------|----------------------|----------------------|--|----------|------------------------------|
|             | City of Klamath Falls <sup>2</sup> |                      |                    |                                   |         | Klamath County    |                      |                      |  |          |                              |
|             | Operating Millage                  | Debt Service Millage | Total City Millage | School District Operating Millage | Other   | Operating Millage | Debt Service Millage | Total County Millage |  |          |                              |
| 2019        | \$ 5.04                            | \$ 0.15              | \$ 5.19            | \$ 4.02                           | \$ 3.65 | \$ 1.71           | \$ 1.59              | \$ 3.30              |  | \$ 16.16 |                              |
| 2018        | 5.10                               | 0.13                 | 5.23               | 4.11                              | 3.66    | 1.71              | 1.56                 | 3.27                 |  | 16.27    |                              |
| 2017        | 5.11                               | 0.14                 | 5.25               | 4.10                              | 3.66    | 1.71              | 1.57                 | 3.28                 |  | 16.29    |                              |
| 2016        | 5.11                               | 0.13                 | 5.24               | 4.10                              | 3.99    | 1.62              | 1.02                 | 2.64                 |  | 15.97    |                              |
| 2015        | 5.28                               | 0.15                 | 5.43               | 4.08                              | 4.13    | 1.68              | 0.61                 | 2.29                 |  | 15.93    |                              |
| 2014        | 5.51                               | 0.16                 | 5.67               | 4.73                              | 3.59    | 1.73              | -                    | 1.73                 |  | 15.72    |                              |
| 2013        | 5.57                               | 0.17                 | 5.74               | 4.12                              | 3.37    | 1.56              | -                    | 1.56                 |  | 14.79    |                              |
| 2012        | 5.75                               | 0.18                 | 5.93               | 4.10                              | 2.98    | 1.66              | -                    | 1.66                 |  | 14.67    |                              |
| 2011        | 5.83                               | 0.18                 | 6.01               | 4.06                              | 3.01    | 1.66              | 0.35                 | 2.01                 |  | 15.09    |                              |
| 2010        | 5.94                               | 0.18                 | 6.12               | 3.99                              | 3.94    | 1.27              | 0.48                 | 1.75                 |  | 15.80    |                              |

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

<sup>2</sup> During the current fiscal year, the levy rates were separated for debt service.

Source: Klamath County Assessor and Klamath County Budget Officer.

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

Schedule I-7

| Taxpayer  | 2019                   |      |                           | 2010                   |      |                           |
|---|------------------------|------|---------------------------|------------------------|------|---------------------------|
|   | Taxable Assessed Value | Rank | % of Total Assessed Value | Taxable Assessed Value | Rank | % of Total Assessed Value |
| Jeld Wen, Inc. - Wood products manufacturing      | \$ 52,434              | 1    | 3.60%                     | \$ 67,369              | 1    | 5.43%                     |
| Avista Corporation - Natural Gas Utility          | 23,725                 | 2    | 1.63                      | 9,301                  | 10   | 0.75                      |
| Wal Mart - Retail Department store                | 18,594                 | 3    | 1.28                      | 14,272                 | 4    | 1.15                      |
| Charter Communications - Telecommunications       | 19,610                 | 4    | 1.35                      |                        |      |                           |
| Fred Meyer Stores, Inc. - Retail Department Store | 15,667                 | 5    | 1.08                      | 12,362                 | 5    | 1.00                      |
| CenturyLink - Telecommunications                  | 16,384                 | 6    | 1.12                      |                        |      |                           |
| Klamath Falls MSL LLC                             | 11,050                 | 7    | 0.76                      |                        |      |                           |
| Pacificcorp - Electric utility                    | 9,412                  | 8    | 0.65                      | 11,352                 | 8    | 0.91                      |
| Klamath - Jefferson LLC - Shopping Center         | 8,344                  | 9    | 0.57                      |                        |      |                           |
| APG Real Estate Investments LLC                   | 7,690                  | 10   | 0.53                      |                        |      |                           |
| Running Y Resort, Inc.                            |                        |      |                           | 19,859                 | 2    | 1.60                      |
| Klamath Publishing LLC                            |                        |      |                           | 14,344                 | 3    | 1.16                      |
| Quest Corporation- Communications                 |                        |      |                           | 11,673                 | 6    | 0.94                      |
| Klamath Falls One, LLC- Shopping Center           |                        |      |                           | 11,586                 | 7    | 0.93                      |
| Aqua Glass Western, Inc.                          |                        |      |                           | 11,151                 | 9    | 0.90                      |
|   | <u>\$ 182,910</u>      |      | <u>12.55%</u>             | <u>\$ 183,269</u>      |      | <u>14.76%</u>             |

Source: Klamath County Assessor's Office

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

Schedule I-8

| Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for Fiscal<br>Year | Collected within the<br>Fiscal Year of the Levy |                       |                                       | Total Collections to Date |                       |  |
|---------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|--|
|                                 |                                      | Amount<br>Collected                             | Percentage of<br>Levy | Collections in<br>Subsequent<br>Years | Amount<br>Collected       | Percentage of<br>Levy |  |
| 2019                            | \$ 7,947                             | \$ 7,382  | 92.89%                | \$ -                                  | \$ 7,382                  | 92.89%                |  |
| 2018                            | 7,540                                | 6,953   | 92.21%                | 181                                   | 7,134                     | 94.61%                |  |
| 2017                            | 7,216                                | 6,355   | 88.07%                | 273                                   | 6,628                     | 91.84%                |  |
| 2016                            | 7,128                                | 6,548   | 91.86%                | 327                                   | 6,875                     | 96.45%                |  |
| 2015                            | 7,160                                | 6,590   | 92.04%                | 332                                   | 6,922                     | 96.68%                |  |
| 2014                            | 7,157                                | 6,522   | 91.13%                | 366                                   | 6,888                     | 96.25%                |  |
| 2013                            | 7,405                                | 6,788   | 91.67%                | 396                                   | 7,184                     | 97.01%                |  |
| 2012                            | 7,658                                | 6,955   | 90.82%                | 465                                   | 7,420                     | 96.89%                |  |
| 2011                            | 7,671                                | 6,930   | 90.34%                | 505                                   | 7,435                     | 96.92%                |  |
| 2010                            | 7,599                                | 6,869   | 90.39%                | 505                                   | 7,374                     | 97.04%                |  |

Source: Klamath County Assessor's Office

## 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 <sup>1</sup> | Full Faith & Credit Bonds <sup>1</sup> | SPWF & Other Loans | Revenue Bonds | Line of Credit Loans | Total    |
| 2019                    | \$ 3,971                              | \$ 2,335                               | \$ 2,249           | \$ -          | \$ 610               | \$ 9,165 |
| 2018                    | 4,066                                 | 2,522                                  | 2,249              | -             | 730                  | 9,567    |
| 2017                    | 4,022                                 | 2,698                                  | 2,249              | -             | 848                  | 9,817    |
| 2016                    | 4,023                                 | 2,870                                  | 2,249              | -             | 963                  | 10,105   |
| 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   |

| Business-Type Activities |                  |                     |                                 |                          |                       |          |
|--------------------------|------------------|---------------------|---------------------------------|--------------------------|-----------------------|----------|
| Fiscal Year              | Water SPWF Loans | Water Revenue Bonds | Wastewater State Revolving Loan | Wastewater Revenue Bonds | Wastewater SPWF Loans | Total    |
| 2019                     | \$ 548           | \$ -                | \$ 3,630                        | \$ 4,480                 | \$ -                  | \$ 8,658 |
| 2018                     | 585              | -                   | -                               | 5,172                    | -                     | 5,757    |
| 2017                     | 621              | -                   | -                               | 5,842                    | -                     | 6,463    |
| 2016                     | 657              | -                   | -                               | 6,499                    | -                     | 7,156    |
| 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   |

| Fiscal Year | Total Outstanding Debt | % of Personal Income <sup>2</sup> | Population <sup>3</sup> | Debt Per Capita |
|-------------|------------------------|-----------------------------------|-------------------------|-----------------|
| 2019        | \$ 17,823              | 4.19%                             | 21,890                  | 814             |
| 2018        | 15,324                 | 3.60%                             | 21,890                  | 700             |
| 2017        | 16,280                 | 3.82%                             | 21,770                  | 748             |
| 2016        | 17,261                 | 4.05%                             | 21,640                  | 798             |
| 2015        | 18,866                 | 4.43%                             | 21,580                  | 874             |
| 2014        | 21,278                 | 5.00%                             | 21,500                  | 990             |
| 2013        | 20,105                 | 4.72%                             | 21,495                  | 935             |
| 2012        | 21,921                 | 5.35%                             | 21,465                  | 1,021           |
| 2011        | 24,094                 | 6.17%                             | 21,120                  | 1,141           |
| 2010        | 26,892                 | 6.44%                             | 20,925                  | 1,285           |

<sup>1</sup> Presented net of original issuance discounts and premiums.

<sup>2</sup> Personal income is disclosed on Schedule I-14, Demographic and Economic Statistics.

<sup>3</sup> United States Census Bureau

**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<br>Year | General<br>Obligation<br>Bonds <sup>1</sup> | Less: Amounts<br>Available in<br>Debt Service<br>Fund <sup>2</sup> | Total    | Percentage of<br>Estimated Actual<br>Taxable Value of<br>Property <sup>3</sup> | Per Capita <sup>4</sup> |
|----------------|---|--|----------|--|-------------------------|
| 2019           | \$ 3,971                                    | \$ 30  | \$ 3,941 | 0.27%  | \$ 180                  |
| 2018           | 4,066                                       | (51)   | 4,117    | 0.29%  | 188                     |
| 2017           | 4,022                                       | 8  | 4,014    | 0.29%  | 184                     |
| 2016           | 4,023                                       | 30   | 3,993    | 0.29%  | 185                     |
| 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                     |

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

<sup>1</sup> This is the general bonded debt of governmental activities, net of original issuance discounts and premiums.

<sup>2</sup> This is the amount restricted for debt service principle payments.

<sup>3</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

<sup>4</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, 2019**  
*(amounts expressed in thousands)*

**Schedule I-11**

| <u>Government Unit:</u>                        | <u>Debt<br/>Outstanding</u> | <u>Estimated %<br/>Applicable</u> | <u>Amount Applicable to the<br/>City of Klamath Falls</u> |
|--|-----------------------------|-----------------------------------|---|
| Klamath Community College                      | \$ 6,224                    | 32.50%                            | \$ 2,023  |
| Klamath County Fire District #1                | 370                         | 51.77%                            | 192   |
| Klamath County School District                 | 40,566                      | 9.34%                             | 3,789   |
| Klamath City School District                   | 33,003                      | 68.02%                            | 22,449  |
| Klamath Falls Urban Renewal Area <sup>1</sup>  | 2,858                       | 100.00%                           | 2,858   |
| Subtotal, overlapping debt                     |                             |                                   | 31,310  |
| City of Klamath Falls direct debt <sup>2</sup> |                             |                                   | 6,306   |
| Total direct and overlapping debt              |                             |                                   | <u>\$ 37,616</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 includes \$2,249 Timbermill Shores loan and \$609 Washington Federal line of credit.

<sup>2</sup> City of Klamath Falls direct debt includes \$3,971 general obligation and \$2,335 full faith and credit bonds.

**City of Klamath Falls, Oregon**  
**Legal Debt Margin Information**  
**June 30, 2019**  
*(amounts expressed in thousands)*

**Schedule I-12**

| Fiscal Year  | Total Taxable Assessed<br>Value | Taxable Assessed Value as a<br>% of Estimated Actual Value | Estimated Actual Taxable<br>Value |
|--|---------------------------------|--|-----------------------------------|
| 2019   | \$ 1,470,991                    | 69.76%   | \$ 2,108,517                      |
| 2018   | 1,416,163                       | 65.31%   | 2,168,407                         |
| 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                         |
| Total Five Years Valuation   |                                 |  | <u>\$ 9,935,296</u>               |
| Five Year Average Full Valuation of Taxable Real Property                      |                                 |  | <u>\$ 1,987,059</u>               |
| Constitutional Debt Limit (3% of total assessed value)                         |                                 |  | <u>\$ 44,130</u>                  |
| Outstanding General Obligation Indebtedness as of June 30, 2019                |                                 |  |                                   |
| Governmental Activities - General Obligation Debt                              |                                 |  | \$ 9,165                          |
| Governmental Activities - Short-term Debt - Current Portion of Lines of Credit |                                 |  | 124                               |
| Net indebtedness subject to debt limit   |                                 |  | <u>\$ 9,289</u>                   |
| Net debt contracting margin  |                                 |  | \$34,841                          |
| Percentage of net debt contracting margin available                            |                                 |  | <u>78.95%</u>                     |
| Percentage of net debt contracting power exhausted                             |                                 |  | <u>21.05%</u>                     |

**Last Ten Fiscal Years**

| Fiscal Year | Constitutional Debt Limit | Outstanding Indebtedness<br>June 30 | % of Net Debt Contracting<br>Margin Available |
|-------------|---------------------------|-------------------------------------|---|
| 2019        | \$ 44,130                 | \$ 9,289                            | 78.95%  |
| 2018        | 42,485                    | 9,688                               | 77.20%  |
| 2017        | 40,827                    | 9,935                               | 75.67%  |
| 2016        | 40,660                    | 10,220                              | 74.86%  |
| 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%  |

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

**Schedule I-13**

| <b>Wastewater Revenue Bonds</b> |                                 |                             |                          |              |          |          |  |
|---------------------------------|---------------------------------|-----------------------------|--------------------------|--------------|----------|----------|--|
| Fiscal Year                     | Wastewater Charges<br>and Other | Less: Operating<br>Expenses | Net Available<br>Revenue | Debt Service |          | Coverage |  |
|                                 |                                 |                             |                          | Principal    | Interest |          |  |
| 2019                            | \$ 7,710                        | \$ 8,233                    | \$ (523)                 | \$ 692       | \$ 119   | (0.64)   |  |
| 2018                            | 7,849                           | 4,495                       | 3,354                    | 670          | 135      | 4.17     |  |
| 2017                            | 7,655                           | 4,085                       | 3,570                    | 657          | 151      | 4.42     |  |
| 2016                            | 7,372                           | 4,249                       | 3,123                    | 673          | 136      | 3.86     |  |
| 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     |  |

| <b>Water Revenue Bonds <sup>1</sup></b> |                            |                             |                          |              |          |          |  |
|---|----------------------------|-----------------------------|--------------------------|--------------|----------|----------|--|
| Fiscal Year                             | Water Charges<br>and Other | Less: Operating<br>Expenses | Net Available<br>Revenue | Debt Service |          | Coverage |  |
|   |                            |                             |                          | Principal    | Interest |          |  |
| 2019                                    | \$ -                       | \$ -                        | \$ -                     | \$ -         | \$ -     | -        |  |
| 2018                                    | -                          | -                           | -                        | -            | -        | -        |  |
| 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     |  |

| <b>Airport Revenue Bonds <sup>2</sup></b> |                              |                             |                          |              |          |          |  |
|---|------------------------------|-----------------------------|--------------------------|--------------|----------|----------|--|
| Fiscal Year                               | Airport Charges<br>and Other | Less: Operating<br>Expenses | Net Available<br>Revenue | Debt Service |          | Coverage |  |
|   |                              |                             |                          | Principal    | Interest |          |  |
| 2019                                      | \$ -                         | \$ -                        | \$ -                     | \$ -         | \$ -     | -        |  |
| 2018                                      | -                            | -                           | -                        | -            | -        | -        |  |
| 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     |  |

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 2016.

<sup>2</sup> Airport Revenue Bonds were paid off in FY 2016.

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## 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

| Fiscal Year | City Population <sup>1</sup> | City Median Age <sup>2</sup> | City Per Capita Personal Income <sup>3</sup> | City Aggregate Income <sup>3</sup><br><i>(amounts expressed in thousands)</i> | City Education Level in Years of Formal Schooling <sup>3</sup> | City Public School Enrollment <sup>4</sup> | County                         |                   |
|-------------|------------------------------|------------------------------|--|---|--|--|--------------------------------|-------------------|
|             |                              |                              |  |   |  |  | Unemployment Rate <sup>5</sup> | Rate <sup>5</sup> |
| 2019        | 21,890                       | 34.9                         | 21,898                                       | Unavailable   | Unavailable  | 2,988                                      | 6.7%                           |                   |
| 2018        | 21,890                       | 34.9                         | 21,898                                       | Unavailable   | Unavailable  | 3,034                                      | 6.1%                           |                   |
| 2017        | 21,770                       | 34.9                         | 21,898                                       | Unavailable   | Unavailable  | 2,986                                      | 6.2%                           |                   |
| 2016        | 21,640                       | 34.9                         | 21,898                                       | Unavailable   | Unavailable  | 3,225                                      | 7.4%                           |                   |
| 2015        | 21,580                       | 34.9                         | 20,685                                       | Unavailable   | Unavailable  | 3,257                                      | 8.5%                           |                   |
| 2014        | 21,500                       | 35.9                         | 20,495                                       | Unavailable   | Unavailable  | 3,198                                      | 10.1%                          |                   |
| 2013        | 21,495                       | 35.6                         | 19,947                                       | 425,718   | 12.8   | 3,302                                      | 11.4%                          |                   |
| 2012        | 21,465                       | 35.0                         | 19,557                                       | 409,642   | 12.8   | 3,271                                      | 12.0%                          |                   |
| 2011        | 21,120                       | 34.4                         | 18,743                                       | 390,699   | 12.8   | 3,341                                      | 12.3%                          |                   |
| 2010        | 20,925                       | 34.6                         | 19,992                                       | 417,521   | 12.7   | 3,397                                      | 13.5%                          |                   |

Data Sources:

<sup>1</sup> Portland State University, Population Research Center (Certified Population on Sept 30, 2019)

<sup>2</sup> U.S. Census Bureau (2013-2017 5 Year Estimate)

<sup>3</sup> U.S. Census Bureau, Quick Facts

<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

|  | 2019                   |      |  | 2010 <sup>2</sup>      |      |  |
|--|------------------------|------|--|------------------------|------|--|
|  | Employees <sup>1</sup> | Rank | Percentage of Total City Employment <sup>3</sup> | Employees <sup>1</sup> | Rank | Percentage of Total County Employment <sup>3</sup> |
| Sky Lakes Medical Center                 | 1,500                  | 1    | 14.57%   | 1,034                  | 2    | 6.53%  |
| Kingsley Field Oregon Air National Guard | 1,100                  | 2    | 10.68%   | 883                    | 3    | 4.79%  |
| Klamath County School District           | 1,062                  | 3    | 10.31%   | 834                    | 4    | 4.63%  |
| Jeld-Wen Inc. Wood Products              | 830                    | 4    | 8.06%  | 1,150                  | 1    | 3.61%  |
| Klamath Falls City Schools               | 600                    | 5    | 5.83%  | 492                    | 7    | 2.61%  |
| Klamath County                           | 385                    | 6    | 3.74%  | 599                    | 5    | 1.68%  |
| Oregon Institute of Technology           | 366                    | 7    | 3.55%  |                        |      | 1.59%  |
| Wal-Mart                                 | 322                    | 8    | 3.13%  | 440                    | 8    | 1.40%  |
| iQor (Assurion)- Previously N.E.W        | 300                    | 9    | 2.91%  | 553                    | 6    | 1.31%  |
| Columbia Forest Products <sup>2</sup>    | 280                    | 10   | 2.72%  | 207                    | 9    | 1.22%  |
| Fred Meyer                               | 278                    |      | 2.70%  |                        |      | 1.21%  |
| Collins Company <sup>2</sup>             | 245                    |      | 2.38%  | 204                    | 10   | 1.07%  |
|  | 7,268                  |      | 70.59%   | 3,645                  |      | 15.71%   |
| <b>Total Employment<sup>3</sup></b>      |                        |      | 10,296   |                        |      | 22,960   |

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

<sup>2</sup> 2010 data represents County statistics. These employers are not within City limits.

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

## Operating Information

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

| Function                      | Schedule I-16 |               |               |               |               |               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                               | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          |
| General Government            |               |               |               |               |               |               |               |               |               |               |
| City Manager                  | 5.00          | 4.00          | 4.70          | 5.00          | 5.00          | 3.75          | 3.75          | 4.50          | 4.50          | 4.50          |
| Legal                         | -             | -             | 1.00          | 1.70          | 1.70          | 1.75          | 1.75          | 2.00          | 2.00          | 2.00          |
| Municipal Court               | 2.15          | 2.40          | 2.40          | 2.40          | 3.30          | 3.25          | 3.25          | 3.00          | 3.25          | 3.25          |
| Developmental Services        | 9.00          | 8.50          | 8.00          | 8.50          | -             | -             | -             | -             | -             | -             |
| Public Works Engineering      | -             | -             | -             | -             | 5.50          | 6.50          | 6.50          | 7.50          | 7.50          | 7.50          |
| Public Works Administration   | 3.00          | 3.00          | 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          |
| Legislative                   | 1.00          | 0.70          | -             | -             | -             | -             | -             | -             | -             | -             |
| Maintenance                   | 10.00         | 9.00          | 9.00          | 10.00         | 10.00         | 10.50         | 10.00         | 10.00         | 10.00         | 10.00         |
| Support Services              |               |               |               |               |               |               |               |               |               |               |
| Finance                       | 6.50          | 6.00          | 6.00          | 6.00          | 6.50          | 6.00          | 7.00          | 7.00          | 8.00          | 8.00          |
| Human Resources/Risk          | 2.50          | 2.50          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          |
| Information Systems           | 4.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          |
| Culture and Recreation        | 5.00          | 5.00          | 6.00          | 6.00          | 6.30          | 6.75          | 8.25          | 8.25          | 8.00          | 6.00          |
| Ella Redkey Pool <sup>1</sup> | 6.40          | 6.25          | 6.60          | 4.25          | 3.20          | 5.00          | -             | -             | -             | -             |
| Cemetery <sup>2</sup>         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 2.00          |
| Airport                       | 6.00          | 6.00          | 6.00          | 6.00          | 5.00          | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          |
| Public Safety                 |               |               |               |               |               |               |               |               |               |               |
| Police                        | 37.00         | 36.00         | 40.00         | 41.00         | 39.00         | 40.00         | 41.00         | 42.00         | 45.00         | 45.00         |
| Code enforcement              | -             | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.33          | 2.33          | 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                       | 10.00         | 10.00         | 9.00          | 10.00         | 10.00         | 10.00         | 10.00         | 10.00         | 11.00         | 11.00         |
| Vehicle Maintenance           | 1.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          | 2.00          |
| Water <sup>3</sup>            | 24.00         | 23.00         | 19.50         | 19.28         | 19.25         | 21.10         | 21.10         | 22.10         | 22.85         | 22.85         |
| Geothermal                    | -             | -             | -             | 0.25          | 0.25          | 0.75          | 0.75          | 0.75          | 0.50          | 0.50          |
| Wastewater <sup>3</sup>       | 13.00         | 14.00         | 17.00         | 14.97         | 15.00         | 16.65         | 16.65         | 16.65         | 17.90         | 17.90         |
| <b>Total</b>                  | <b>146.55</b> | <b>144.35</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> |

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.

<sup>3</sup> Utility Billing is now counted under Water and no longer split for reporting

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

| Function  | Schedule I-17 |        |        |        |        |        |        |        |        |        |
|---|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 2019          | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   |
| Police  |               |        |        |        |        |        |        |        |        |        |
| Police department personnel                                   | 39            | 36     | 40     | 41     | 39     | 40     | 41     | 42     | 45     | 45     |
| Physical arrests  | 1,972         | 2,101  | 2,157  | 2,318  | 2,319  | 2,489  | 2,423  | 2,362  | 1,687  | 2,184  |
| Parking violations  | 1,797         | 2,198  | 2,039  | 2,445  | 2,323  | 2,275  | 2,632  | 2,222  | 2,506  | 2,572  |
| Traffic violations  | 1,486         | 1,955  | 1,529  | 2,082  | 2,403  | 2,882  | 2,691  | 2,999  | 2,146  | 2,432  |
| Airport   |               |        |        |        |        |        |        |        |        |        |
| Takeoffs and landings   | 42,127        | 43,358 | 47,564 | 53,246 | 51,732 | 44,194 | 38,095 | 41,617 | 36,270 | 25,796 |
| Passengers enplaned <sup>1</sup>                              | -             | -      | 7,827  | -      | -      | 11,972 | 14,254 | 17,376 | 20,486 | 21,893 |
| Total passengers  | -             | -      | 15,606 | -      | -      | 23,648 | 27,950 | 35,409 | 41,284 | 43,693 |
| Highways and streets  |               |        |        |        |        |        |        |        |        |        |
| Street resurfacing (feet)                                     | 49,282        | 93,729 | 73,361 | 26,826 | 17,262 | 12,157 | 4,135  | 8,200  | 8,151  | 40,400 |
| Potholes (tons of asphalt)                                    | 83            | 55     | 75     | 138    | 36     | 34     | 27     | 42     | 38     | 27     |
| Culture and recreation  |               |        |        |        |        |        |        |        |        |        |
| Park reservations   | 92            | 112    | 122    | 113    | 116    | 153    | 94     | 87     | 64     | 57     |
| Municipal pool admissions <sup>2</sup>                        | 27,867        | 23,495 | 21,522 | 20,986 | 20,001 | 19,282 | 12,881 | -      | -      | -      |
| Water   |               |        |        |        |        |        |        |        |        |        |
| New connections   | 49            | 39     | 40     | 47     | 43     | 36     | 36     | 24     | 26     | 32     |
| Total connections   | 16,177        | 15,852 | 16,128 | 16,009 | 16,346 | 15,732 | 16,020 | 16,240 | 16,216 | 16,190 |
| Average daily production (thousands of gallons)               | 7,048         | 6,734  | 6,859  | 6,817  | 7,180  | 6,899  | 6,790  | 6,700  | 6,400  | 7,800  |
| Wastewater  |               |        |        |        |        |        |        |        |        |        |
| New connections   | 15            | 36     | 17     | 10     | 7      | 17     | 25     | 18     | 9      | 15     |
| Total connections   | 8,287         | 8,273  | 7,520  | 8,133  | 7,443  | 7,680  | 7,668  | 7,411  | 7,393  | 7,384  |
| Average daily sewage treatment (thousands of gallons)         | 2,515         | 2,247  | 3,448  | 2,840  | 2,760  | 2,650  | 2,963  | 3,080  | 2,820  | 2,970  |
| Average daily reclaimed water produced (thousands of gallons) | 2,058         | 2,276  | 2,166  | 2,640  | 2,370  | 2,350  | 2,280  | 2,340  | 3,120  | 2,825  |

Source: Various city departments.

<sup>1</sup> Commercial air service was discontinued in June of 2014, reestablished in October 2016 and discontinued again in August of 2017.

<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**

| Function  | Schedule I-18 |        |        |        |        |        |        |        |        |        |
|---|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 2019          | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   |
| Public Safety   |               |        |        |        |        |        |        |        |        |        |
| Stations  | 1             | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Patrol Units  | 33            | 31     | 33     | 32     | 36     | 40     | 37     | 33     | 32     | 37     |
| Airport   |               |        |        |        |        |        |        |        |        |        |
| Miles of runways & taxiways   | 8.25          | 8.25   | 8.25   | 8.25   | 8.25   | 8.25   | 8.25   | 8.25   | 8.25   | 8.25   |
| Highways and streets  |               |        |        |        |        |        |        |        |        |        |
| Streets ( <i>lane miles</i> )   | 302           | 302    | 302    | 302    | 302    | 302    | 302    | 302    | 302    | 301    |
| Streetlights <sup>1</sup>   | 2,979         | 2,966  | 2,966  | 2,636  | 3,116  | 3,114  | 3,104  | 3,080  | 3,052  | 3,047  |
| Traffic signals   | 37            | 36     | 36     | 36     | 36     | 34     | 31     | 31     | 31     | 31     |
| Culture and recreation  |               |        |        |        |        |        |        |        |        |        |
| Park acreage  |               |        |        |        |        |        |        |        |        |        |
| Developed   | 151           | 119    | 119    | 119    | 119    | 119    | 119    | 119    | 119    | 119    |
| Natural areas   | 457           | 514    | 514    | 514    | 514    | 514    | 514    | 514    | 514    | 514    |
| Undeveloped   | 0             | 50     | 50     | 50     | 50     | 50     | 50     | 50     | 50     | 50     |
| Parks   | 27            | 25     | 25     | 24     | 23     | 23     | 23     | 23     | 23     | 23     |
| Tennis courts   | 3             | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| Playground equipment areas  | 9             | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 8      |
| Cemetery  |               |        |        |        |        |        |        |        |        |        |
| Developed acres <sup>2</sup>  | 18            | 18     | 18     | 18     | 18     | 18     | 18     | 18     | 18     | 18     |
| Water   |               |        |        |        |        |        |        |        |        |        |
| Water mains ( <i>miles</i> )  | 266           | 266    | 266    | 265    | 263    | 240    | 240    | 240    | 239    | 239    |
| Fire hydrants   | 1,212         | 1,176  | 1,175  | 1,166  | 1,157  | 1,186  | 1,176  | 1,093  | 1,089  | 1,084  |
| Maximum daily capacity<br>( <i>thousands of gallons</i> )                 | 14,930        | 14,739 | 13,952 | 13,669 | 13,918 | 15,107 | 13,204 | 13,700 | 13,800 | 16,135 |
| Wastewater  |               |        |        |        |        |        |        |        |        |        |
| Sanitary sewer ( <i>miles</i> )   | 156           | 156    | 156    | 156    | 156    | 156    | 155    | 156    | 156    | 155    |
| Storm sewers ( <i>miles</i> )   | 40            | 40     | 40     | 40     | 40     | 40     | 40     | 40     | 40     | 40     |
| Manholes  | 2,600         | 2,600  | 2,600  | 2,600  | 2,600  | 2,600  | 2,600  | 2,600  | 2,600  | 2,600  |
| Maximum daily treatment capacity<br>( <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<br>capacity ( <i>thousands of gallons</i> ) | 6,500         | 6,500  | 6,500  | 6,500  | 6,500  | 6,500  | 6,500  | 6,500  | 6,500  | 6,500  |

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**  
**Top Ten Water & Wastewater Customers**  
**Fiscal Year Ended June 30, 2019**

Schedule I-19

| Water Customers                | Billed              | Percent of<br>Total Charges | Wastewater Customers                 | Billed              | Percent of<br>Total Charges |
|--------------------------------|---------------------|-----------------------------|--------------------------------------|---------------------|-----------------------------|
| City of Klamath Falls          | \$ 514,204          | 6.71 %                      | Oregon Water Utilities               | \$ 346,478          | 4.81 %                      |
| Klamath Co-Gen                 | 125,684             | 1.64                        | Sky Lakes Medical Center             | 273,099             | 3.79                        |
| Klamath County                 | 110,596             | 1.44                        | OIT (Oregon Institute of Technology) | 247,618             | 3.43                        |
| Jeld-Wen                       | 89,066              | 1.16                        | Klamath County                       | 227,246             | 3.15                        |
| Klamath County School District | 82,498              | 1.08                        | Klamath Co-Gen                       | 188,398             | 2.61                        |
| Klamath Falls City Schools     | 77,307              | 1.01                        | Falcon Heights Condo                 | 115,842             | 1.61                        |
| Sky Lakes                      | 75,744              | 0.99                        | Southern Pacific                     | 77,641              | 1.08                        |
| Kingsley Field                 | 68,987              | 0.90                        | Kingsley Field                       | 73,846              | 1.02                        |
| Madison Village                | 40,037              | 0.52                        | Shilo                                | 69,933              | 0.97                        |
| Emerald Estates                | 38,770              | 0.51                        | Klamath Falls City Schools           | 60,900              | 0.84                        |
| <b>Total Top Ten</b>           | <b>\$ 1,222,893</b> | <b>15.95 %</b>              | <b>Total Top Ten</b>                 | <b>\$ 1,681,001</b> | <b>11.29 %</b>              |

**Total Billed Fiscal Year 18/19**      **\$ 7,665,086**

**Total Billed Fiscal Year 18/19**      **\$ 7,209,895**

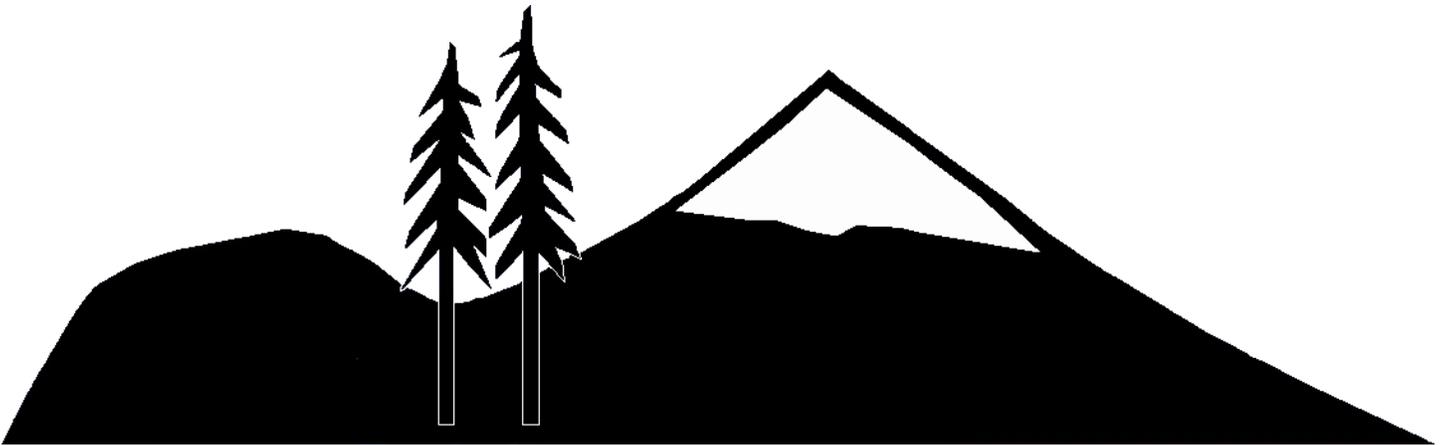
**Total Water Service Connections**      **16,177**

**Total Wastewater Service Connections**      **8,287**

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## Compliance Section



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STATE OF OREGON  
COMPLIANCE

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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 City of Klamath Falls, Oregon, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 19, 2019. 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 City of Klamath Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 City of Klamath Falls 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*.

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

In planning and performing our audit, we considered City of Klamath Falls' 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 City of Klamath Falls' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Klamath Falls' 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+Co  
Tualatin, Oregon  
December 19, 2019

## 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

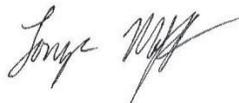
**Report on Compliance**

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, 2019. 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, 2019.



For Merina+Co  
Tualatin, Oregon  
December 19, 2019

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, 2019

|   |                    |                  |
|---|--------------------|------------------|
| Gross Revenues                              |                    |                  |
| Operating revenues                          |                    | \$ 7,202,442     |
| Other revenues                              |                    |                  |
| Interest earned on investments              | \$ 507,325         |                  |
| Miscellaneous revenue                       | 166,518            |                  |
| Less: SDC Improvement fee                   | <u>(166,518)</u>   | <u>507,325</u>   |
| Total Gross Revenues                        |                    | 7,709,767        |
|   |                    |                  |
| Total operating expense                     | 5,870,805          |                  |
| Less: depreciation and amortization expense | <u>(1,315,053)</u> | <u>4,555,752</u> |
| Net Revenues                                |                    | 3,154,015        |

Sewer Fund debt service for the fiscal year ended June 30, 2019:

|                                   | <u>Principal</u>         | <u>Interest</u>          | <u>Total</u>             |                            |
|-----------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
| 2015 Wastewater Revenue Refunding | <u>\$ 692,149</u>        | <u>\$ 119,302</u>        | <u>\$ 811,451</u>        |                            |
| Total                             | <u><u>\$ 692,149</u></u> | <u><u>\$ 119,302</u></u> | <u><u>\$ 811,451</u></u> | <u>811,451</u>             |
| 1.25 Compliance                   |                          |                          |                          | 3.89                       |
| Net Revenue after senior debt     |                          |                          |                          | <u><u>\$ 2,342,564</u></u> |