

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
June 30, 2020

Klamath Falls, Oregon



City of Klamath Falls, Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2020



Prepared by the Finance Department of the City of Klamath Falls

Design by Aaron Snow, Management Analyst

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 June 30, 2020
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City of Klamath Falls, Oregon

Introductory Section



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CITY OF KLAMATH FALLS

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

November 25, 2020

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, 2020. 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, 2020. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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

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

The City of Klamath Falls has a permanent tax rate of \$5.4423 per \$1,000 of assessed valuation. 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 fiscal year 2020 was approximately \$5.227 per \$1,000 of assessed value. The City of Klamath Falls collected about \$640,372 more in property taxes than the prior year, including delinquent taxes, which represents a 8% increase during the 2020 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 and department/division, or category (e.g., debt service or transfers out).

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 continued to decline until it hit a new high of 15.6% in April 2020 due to COVID-19. As of June 30, 2020, our unemployment rate was approximately 11.5% percent, which is 0.4% 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.

With access to fiber optic cable, a major highway system, technical college, numerous recreational opportunities, and a good quality of life, Klamath Falls is an attractive place to live.

The City and County, along with other stakeholders in the community, continue to work diligently to attract new commercial and industrial businesses to Klamath Falls. We look forward to a Klamath Falls that continues to grow a stronger and more diverse economy.

Long-term financial planning and major initiatives

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

Council's Goals and Objectives include citizen safety, customer service, economic viability, integrity of infrastructure to ensure the City can meet long-term stability, and efficiency in delivery of services. 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 2017, the Crater Lake-Klamath Regional Airport lost commercial air service. Since that time, City officials have worked diligently to attract another provider for air service but the current state of the airline industry is making that challenging. During this fiscal year, the Airport completed renovations to Taxiway G and expects to complete Taxiways B1 & D repairs by September 2021 with a majority of funding coming from discretionary Federal Aviation Administration (FAA) grants. The Oregon Air Guard's Kingsley Field, located on the airport, was recently announced to receive the new F-15Ex to continue its training mission.

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. It is anticipated that the DHS building will break ground in October 2020. A 92-room Marriott Fairfield Inn and Suites began construction in late May 2019 with a planned October 2020 opening.

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. Bealls announced in fall of 2019 it was to be replaced by Gordman's, a sister company. However, due to a corporate bankruptcy exacerbated by Covid 19 this store is permanently closing.

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. A Disposition and Development Agreement was entered into in December of 2019. The vision is for a mixed-use urban for residential and commercial development. Construction began with the demolition of the existing building in April of 2020.

The City's Parks Division takes pride in maintaining and improving our approximately 600 acres of parks, keeping them safe, well-groomed and beautiful. Since Klamath Falls has long winters, the Division also stays busy during the winter with plowing snow from City parking lots and sidewalks, and with performing park tree maintenance. Additionally, the City receives grant funding for Parks projects, including the Lake Ewauna Trail Project.

Major development has occurred at the Kit Carson Park, with the installation of a new off-leash dog area and landscape improvements. Development of trails within the Park is on-going. In partnership with Sky Lakes Medical Center and other partners, Klamath Commons has been completed in the downtown core. Klamath Commons provides additional natural open space and trees for citizens to enjoy throughout the year. The City Parks Division 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 continuing a major overhaul to 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. Construction is underway for the front end of the plant which includes the influent pump station and headworks. The City also received our National Pollution Discharge Elimination System (NPDES) permit and one of the difficult requirements to meet is temperature. As a result the City is evaluating getting out of the river and sending water to an irrigation district. Once the City decides if this is feasible or not, we will continue with the remaining design and construction. We estimate concluding the project late in 2023.

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, 2019. 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 Director



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

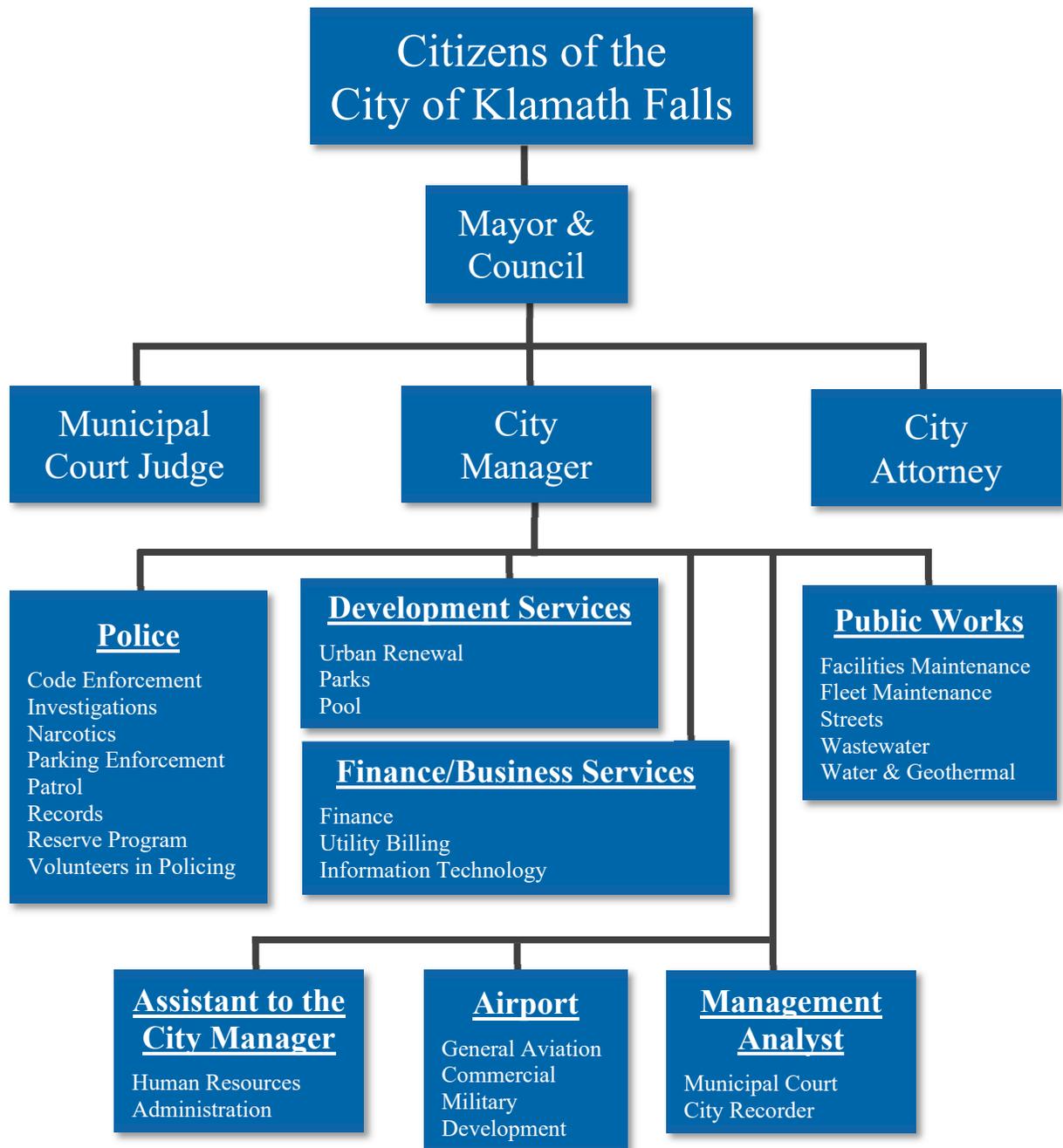
June 30, 2019

Christopher P. Morill

Executive Director/CEO

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City of Klamath Falls, Oregon Organization Chart



City of Klamath Falls, Oregon

List of Principal Officials and Staff

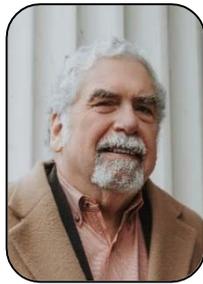
As of June 30, 2020

Elected Officials

Length of Service



Carol Westfall
Mayor
3 yrs. 6 mos.



Phil Studenberg
Ward I
3 yrs. 6 mos.



Kendall Bell
Ward II
4 yrs. 6 mos.



Matt Dodson
Ward III
7 yrs. 10 mos.



Dan Tofell
Ward IV
9 yrs. 6 mos.



Todd Andres
Ward V
1 yr. 6 mos.

Appointed Officials / Directors

Time in Current Position



Nathan Cherpeski
City Manager
7 yrs. 5 mos.



Michael Swanson
City Attorney
1 yr. 9 mos.



Nathan Ratliff
Judge
15 yrs. 6 mos.



John Barsalou
Airport Director
4 yrs. 11 mos.



David Henslee
Chief of Police
5 yrs. 3 mos.



Scott Souders
Development Services Director
2 mos.



Mark Willrett
Public Works Director
14 yrs. 3 mos.



Jessica Lindsay
Finance and Business Services Director / 2 mos.

City of Klamath Falls, Oregon

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, 2020, 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, 2020, 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 schedules 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 November 25, 2020 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 November 25, 2020, 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
November 25, 2020

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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, 2020 and June 30, 2019. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$209,520,275 (*net position*). Of this amount, \$40,863,153 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,238,947 primarily due to an increase of capital and operating grants of \$5,073,934. An increase of \$670,800 was due to a restatement.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$40,142,886, a decrease of \$177,626 in comparison with the prior year. Approximately 29% of this amount, \$11,566,560, 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 \$12,872,697, or approximately 75% of total General Fund expenditures.
- The City's total outstanding long-term debt decreased by \$389,113 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 \$209,520,275, at the close of the most recent fiscal year.

City of Klamath Falls' Net Position

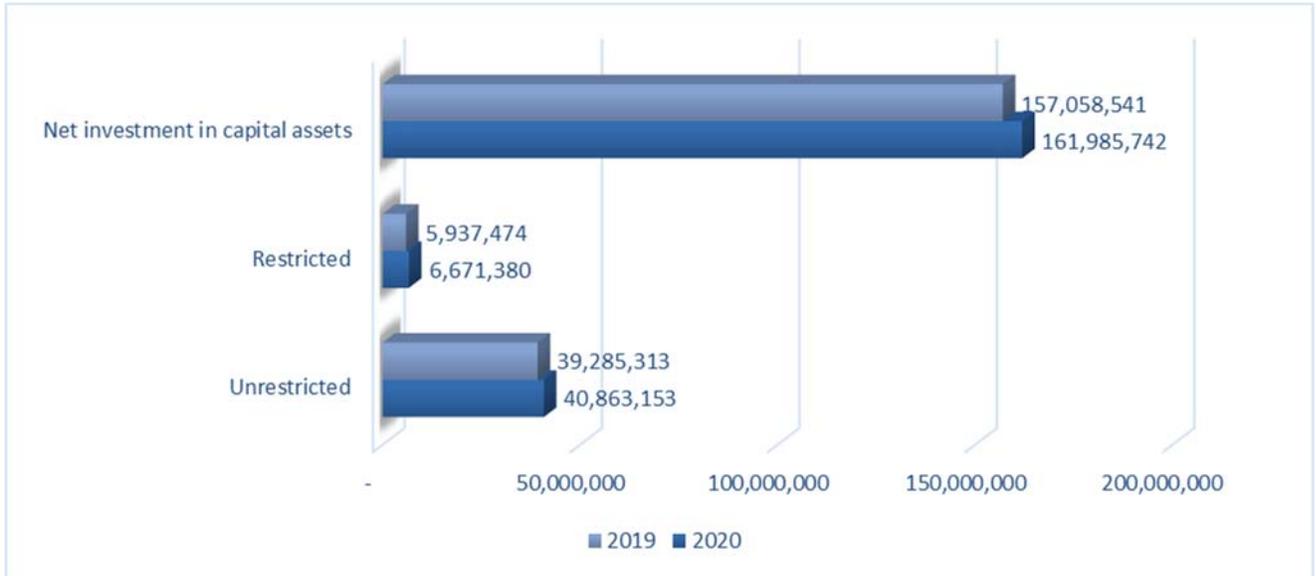
	Governmental activities		Business-type activities		Total	
	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)
Current and other assets	\$ 45,829,724	\$ 42,850,527	\$ 21,316,506	\$ 18,180,475	\$ 67,146,230	\$ 61,031,002
Capital assets	108,665,435	105,193,834	69,609,477	68,322,881	178,274,912	173,516,715
Total assets	154,495,159	148,044,361	90,925,983	86,503,356	245,421,142	234,547,717
Deferred outflow of resources	4,062,954	4,096,838	1,069,990	1,093,504	5,132,944	5,190,342
Long-term liabilities outstanding	21,909,214	20,622,014	11,474,065	10,832,521	33,383,279	31,454,535
Other liabilities	3,818,297	2,092,089	2,502,955	2,611,809	6,321,252	4,703,898
Total liabilities	25,727,511	22,714,103	13,977,020	13,444,330	39,704,531	36,158,433
Deferred inflows of resources	1,066,167	1,041,956	263,113	256,342	1,329,280	1,298,298
Net position:						
Net investment in capital assets	101,122,675	97,349,847	60,863,067	59,708,694	161,985,742	157,058,541
Restricted	5,254,223	4,825,481	1,417,157	1,111,993	6,671,380	5,937,474
Unrestricted	25,387,537	26,209,812	15,475,616	13,075,501	40,863,153	39,285,313
Total net position	<u>\$ 131,764,435</u>	<u>\$ 128,385,140</u>	<u>\$ 77,755,840</u>	<u>\$ 73,896,188</u>	<u>\$ 209,520,275</u>	<u>\$ 202,281,328</u>

By far, the largest portion of the City's net position (77.3%) 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 (3.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$40,863,153 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.

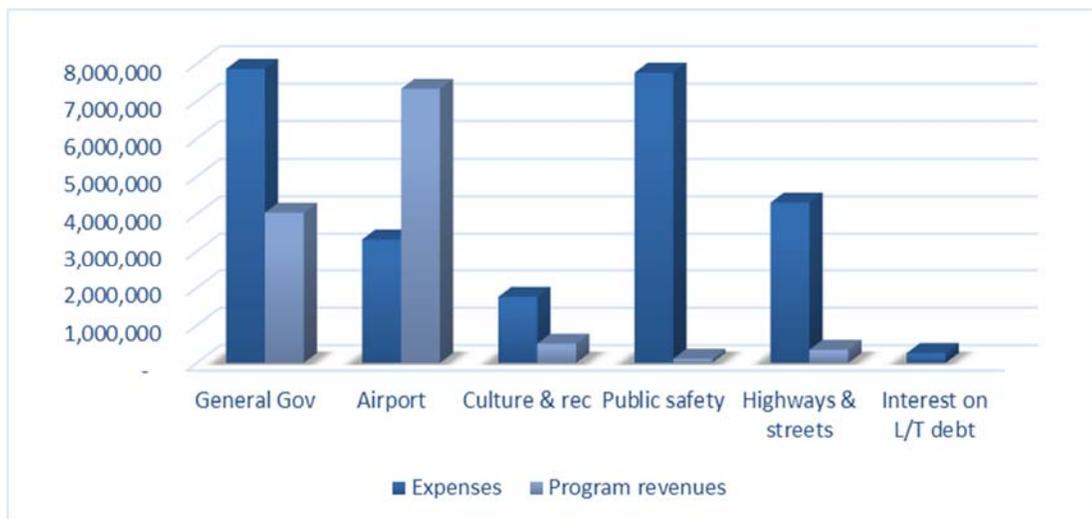
City of Klamath Falls' Net Position June 30, 2019 and 2020



The City's overall net position increased \$7,238,947 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$3,379,295. The primary reason was an increase in grants of \$4,975,589. As net position increased for governmental activities, governmental expenses have increased \$2,522,097 from the prior year mainly due to an increase in capital expenditures. Program revenues increased \$5,086,524 due to an increase in grant revenue for the Airport. General revenues increased by \$586,459 due to an increase in investment income and other taxes. The City's main source of revenue for governmental activities, property taxes, increased \$640,372 which is an eight percent (8%) increase over the prior fiscal year. \$96,100 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 an increase in the overall net position. The net position increased to an ending balance of \$77,755,840. The total increase in net position for business-type activities (Wastewater and Water Funds) was \$3,859,652 or 5.2% from the prior fiscal year. The primary reason for the increase was a reduction in transfers out and an increase in system development charges. Current and other assets increased \$3,136,031. Each year, there is a rate increase in water and wastewater in accordance with a designated consumer price index (CPI). This allows a predictable \$1.5 million increase to net position annually. In addition, rates were raised several years ago in the Wastewater Fund in anticipation of building a treatment plant and complying with environmental regulations. Construction began in fiscal year 2019 and is estimated to be completed in 2023. Water rates were also designed to keep up with capital maintenance and allow for an increase of approximately \$2.2 - \$2.5 million annually.

City of Klamath Falls’ Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 5,092,117	\$ 4,981,182	\$ 16,661,095	\$ 16,051,410	\$ 21,753,212	\$ 21,032,592
Operating grants & contributions	330,149	272,096	5,565	-	335,714	272,096
Capital grants & contributions	6,899,870	1,982,334	92,780	-	6,992,650	1,982,334
General revenues:						
Property taxes	8,514,563	7,874,191	-	-	8,514,563	7,874,191
Other taxes	5,827,239	6,009,227	-	-	5,827,239	6,009,227
Other	1,111,201	983,126	1,074,843	1,099,713	2,186,044	2,082,839
Total revenues	27,775,139	22,102,156	17,834,283	17,151,123	45,609,422	39,253,279
Expenses:						
General government	7,860,667	6,035,233	-	-	7,860,667	6,035,233
Airport	3,317,849	3,636,051	-	-	3,317,849	3,636,051
Culture & recreation	1,757,881	1,683,114	-	-	1,757,881	1,683,114
Public safety	7,758,364	6,891,162	-	-	7,758,364	6,891,162
Highways & streets	4,303,395	4,213,848	-	-	4,303,395	4,213,848
Interest on long-term debt	260,602	277,253	-	-	260,602	277,253
Wastewater	-	-	6,448,198	6,037,473	6,448,198	6,037,473
Water	-	-	7,334,319	7,013,758	7,334,319	7,013,758
Total expenses	25,258,758	22,736,661	13,782,517	13,051,231	39,041,275	35,787,892
Increase (decrease) in net position before transfers & other sources	2,516,381	(634,505)	4,051,766	4,099,892	6,568,147	3,465,387
Special & extraordinary items	-	-	-	-	-	-
Transfers	569,614	2,346,048	(569,614)	(2,346,048)	-	-
Increase (decrease) in net position	3,085,995	1,711,543	3,482,152	1,753,844	6,568,147	3,465,387
Net position - beginning	128,385,140	139,202,170	73,896,188	74,202,075	202,281,328	213,404,245
Restatement	293,300	(12,528,573)	377,500	(2,059,731)	670,800	(14,588,304)
Net position - ending	\$ 131,764,435	\$ 128,385,140	\$ 77,755,840	\$ 73,896,188	\$ 209,520,275	\$ 202,281,328

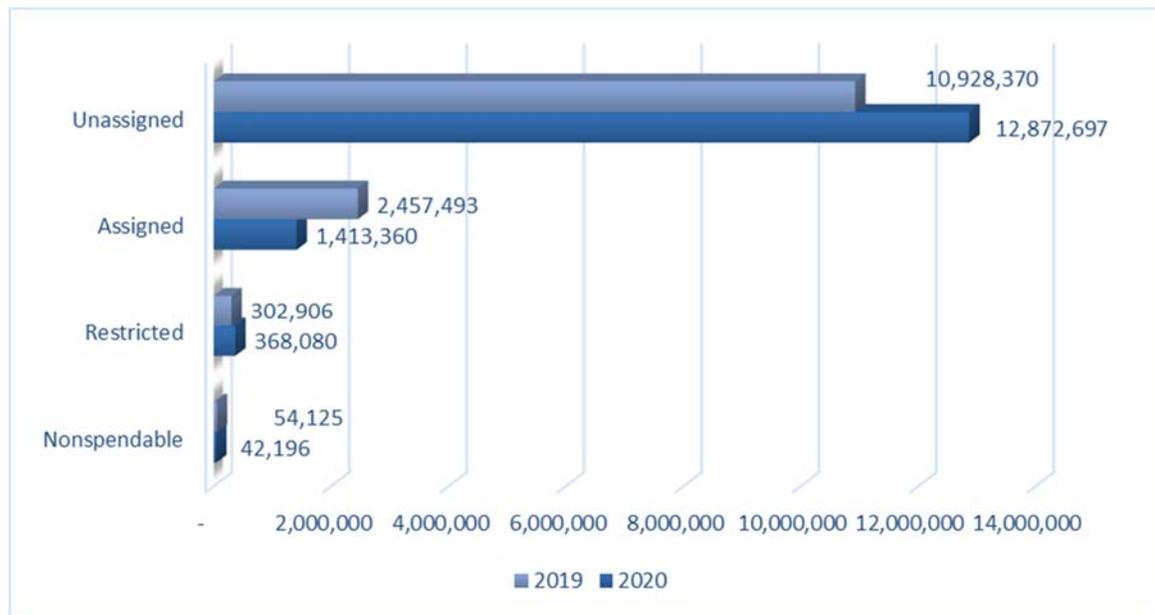
Financial Analysis of the Government’s Funds

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, 2020, the City’s governmental funds reported combined fund balances of \$40,142,886 a decrease of \$177,626 in comparison with the prior year. Approximately 29% of this amount, \$11,566,560, 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 (\$42,196), 2) legally required to be maintained intact or restricted for particular purposes (\$5,254,223), or 3) assigned for particular purposes (\$23,279,907).

**General Fund - Components of Fund Balance
June 30, 2019 and 2020**

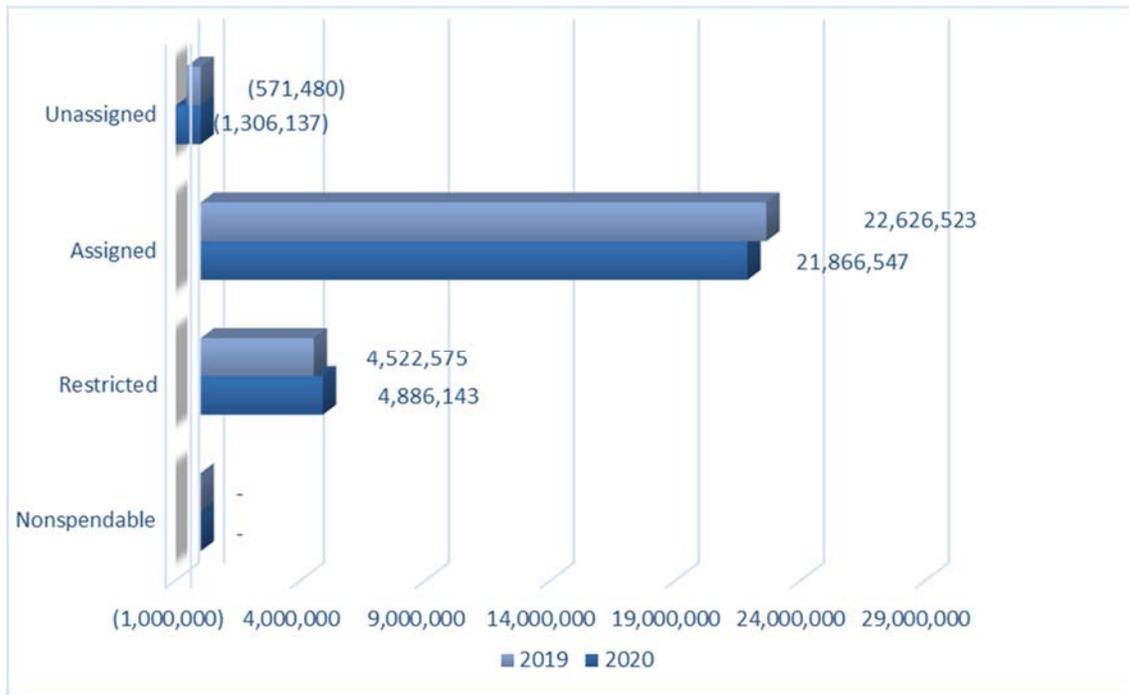


The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,872,697, while total fund balance increased to \$14,696,333. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 74.6% of total General Fund expenditures, while total fund balance represents approximately 85.1% 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 \$953,439 during the current fiscal year. Revenues decreased from the prior year \$166,900. Property taxes, the General Fund’s primary revenue source, increased by \$621,653 which is a nine percent (9%) increase. Intergovernmental revenue decreased \$902,121 from decreased activity due to COVID-19 restrictions. Expenditures

were \$856,411 higher in the current year compared to the prior year. Overall revenues exceeded expenditures by \$638,610 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, 2019 and 2020**



The Airport Fund, a major fund, had a decrease in fund balance of \$1,029,666. Revenues increased \$3,414,256 from the prior fiscal year primarily due to FAA grant funds. Charges for services increased \$28,922. Expenditures increased from the prior fiscal year \$5,622,967 which again was primarily due to FAA projects. Overall expenditures exceeded revenues by \$1,412,441.

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 \$107,989 due to rent and investment income.

The final major governmental fund, the Escrow Reserve Fund, had an increase in fund balance of \$424,682 which was primarily due to 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 \$11,045,829. Total net position increased \$2,405,148. Operating revenues decreased \$89,224 from the prior fiscal year. Operating expenses had an increase of \$365,518.

Unrestricted net position of the Water Fund at the end of the year was \$4,429,787. Total net position increased \$1,454,504. Operating revenues decreased \$46,494 despite a rate increase of 1.7% on January 1, 2020. Operating expenses had an increase of \$318,790.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains supplemental appropriations approved during the first fiscal year of the biennium.

Below are authorized changes in the General Fund:

- City Administration: \$7,300 for codification services that overlapped fiscal years
- Human Resources / Information Technology: \$131,725 personnel transfer
- Police Department: Increase capital outlay by \$194,525 for vehicles not purchased in the prior year.
- Ella Redkey Pool: \$25,000 moved to capital outlay for sidewalk project not completed in prior fiscal year
- Streets: \$50,000 moved to capital outlay for ADA improvements
- Transfer to Downtown Maintenance District of \$5,575 for South Portal repairs
- Kiger Stadium structural evaluation \$4,800
- Police Department: Insurance vehicle claim was recognized for \$4,300

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, 2020, amounts to \$178,274,912 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, construction in progress, buildings and system, machinery and equipment, and infrastructure. The total increase in capital assets after disposals and depreciation for the current fiscal year was approximately 2.7%.

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

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 14,007,394	\$ 14,152,898	\$ 1,941,099	\$ 1,563,599	\$ 15,948,493	\$ 15,716,497
Intangible assets	465,469	520,410	142,112	191,460	607,581	711,870
Construction in progress	9,423,193	4,147,251	8,133,848	9,338,395	17,557,041	13,485,646
Buildings & system	10,468,017	10,979,791	3,004,973	3,134,712	13,472,990	14,114,503
Machinery & equipment	3,495,925	3,169,977	7,225,559	6,934,407	10,721,484	10,104,384
Infrastructure	70,805,437	72,223,507	49,161,886	47,160,308	119,967,323	119,383,815
Total	\$ 108,665,435	\$ 105,193,834	\$ 69,609,477	\$ 68,322,881	\$ 178,274,912	\$ 173,516,715

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

- Streets Washburn Way sidewalks \$737,335
- Lake Ewauna Trail \$166,130
- Airport airfield improvements \$6,764,035
- Wastewater Sargent and Hillside main replacement \$274,825
- Wastewater Treatment Plant \$914,550
- Water Stewart Lennox improvements \$491,200
- Water Dayton main replacement \$657,495
- Geothermal main replacement \$845,190

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 \$17,433,857. Of this amount, \$3,776,704 is bonded debt secured by revenue from the City’s applicable funds, \$3,871,469 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$2,143,792 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. There is a \$2,585,388 loan for economic growth that is secured by the revenues derived from that growth and another \$5,056,504 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	
	2020	2019	2020	2019	2020	2019
Leases/loans payable	\$ 2,585,388	\$ 2,858,073	\$ 5,056,504	\$ 4,178,472	\$ 7,641,892	\$ 7,036,545
General obligation bonds	3,871,469	3,971,113	-	-	3,871,469	3,971,113
Full faith and credit bond	2,143,792	2,335,339	-	-	2,143,792	2,335,339
Revenue bonds	-	-	3,776,704	4,479,973	3,776,704	4,479,973
Total	<u>\$ 8,600,649</u>	<u>\$ 9,164,525</u>	<u>\$ 8,833,208</u>	<u>\$ 8,658,445</u>	<u>\$ 17,433,857</u>	<u>\$ 17,822,970</u>

The City’s total debt decreased \$389,113 or 2.2% 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 \$42,396,500 which is significantly in excess of the City’s outstanding general obligation debt of \$3,871,469.

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, 2020 was 11.5 percent, a major increase from one year ago. The rate is slightly higher than the national average of 11.1 percent as of June 30, 2020.
- On January 1, 2020, sewer and water rates increased by the CPI 1.7 percent.
- The City continued to invest \$33,186,916 in diversified bonds and the state pool intermediate fund in fiscal year 2020.

Requests for Information

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

BASIC FINANCIAL
STATEMENTS

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GOVERNMENT-WIDE
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 14,645,430	\$ 9,541,268	\$ 24,186,698
Accounts receivable (<i>net of uncollectibles</i>)	3,204,595	2,317,518	5,522,113
Taxes receivable	881,982	-	881,982
Special assessments receivable	93,033	197,913	290,946
Interest receivable	81,605	67,984	149,589
Inventories	42,196	303,975	346,171
Prepaid items	355,363	98,612	453,975
Restricted assets			
Cash and cash equivalents	535,106	1,417,156	1,952,262
Total Current Assets	<u>19,839,310</u>	<u>13,944,426</u>	<u>33,783,736</u>
Noncurrent Assets:			
Investments	21,099,017	7,338,573	28,437,590
Prepaid bond insurance	6,296	-	6,296
Net OPEB asset	135,774	33,507	169,281
Restricted assets			
Investments	4,749,327	-	4,749,327
Capital assets not being depreciated			
Land	14,007,394	1,941,099	15,948,493
Intangible assets	116,771	137,489	254,260
Construction in progress	9,423,193	8,133,848	17,557,041
Capital assets (<i>net of accumulated depreciation</i>)			
Buildings and system	10,468,017	3,004,973	13,472,990
Intangible assets	348,698	4,623	353,321
Machinery, equipment and vehicles	3,495,925	7,225,559	10,721,484
Infrastructure	70,805,437	49,161,886	119,967,323
Total Noncurrent Assets	<u>134,655,849</u>	<u>76,981,557</u>	<u>211,637,406</u>
Total Assets	<u>154,495,159</u>	<u>90,925,983</u>	<u>245,421,142</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	126,970	98,647	225,617
Deferred outflow of resources - OPEB related	61,538	15,187	76,725
Deferred outflow of resources - pension related	3,874,446	956,156	4,830,602
Total Deferred Outflows of Resources	<u>4,062,954</u>	<u>1,069,990</u>	<u>5,132,944</u>

Continued on next page

City of Klamath Falls, Oregon
Statement of Net Position *Continued*
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities (<i>payable from unrestricted assets</i>):			
Accounts payable	2,601,600	1,024,326	3,625,926
Retainage payable	-	11,849	11,849
Accrued interest payable	23,295	-	23,295
Accrued payroll payable	67,659	56,143	123,802
Compensated Absences	500,217	137,021	637,238
Customer deposits	115,982	238,897	354,879
Unearned revenues	69,561	130,404	199,965
Leases / loans payable	125,386	-	125,386
Bonds payable	314,597	-	314,597
Current Liabilities (<i>payable from restricted assets</i>):			
Accrued interest payable	-	138,662	138,662
Leases / loans payable	-	42,098	42,098
Bonds payable	-	723,555	723,555
Total Current Liabilities	3,818,297	2,502,955	6,321,252
Noncurrent Liabilities:			
Compensated absences	500,217	137,021	637,238
Leases / Loans / Contracts payable	2,460,002	5,014,406	7,474,408
Bonds payable (<i>net of unamortized discounts and premiums</i>)	5,700,664	3,053,149	8,753,813
Total OPEB liability	494,213	121,964	616,177
Net pension liability	12,754,118	3,147,525	15,901,643
Total Noncurrent Liabilities	21,909,214	11,474,065	33,383,279
Total Liabilities	25,727,511	13,977,020	39,704,531
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	108,307	26,728	135,035
Deferred inflows of resources - pension related	957,860	236,385	1,194,245
Total Deferred Inflows of Resources	1,066,167	263,113	1,329,280
NET POSITION			
Net investment in capital assets	101,122,675	60,863,067	161,985,742
Restricted for:			
Outside Legal Authority	280,459	-	280,459
System development	170,496	535,269	705,765
Capital outlay	53,941	-	53,941
Debt service	-	881,888	881,888
Environmental	4,749,327	-	4,749,327
Unrestricted	25,387,537	15,475,616	40,863,153
Total Net Position	\$ 131,764,435	\$ 77,755,840	\$ 209,520,275

City of Klamath Falls, Oregon
Statement of Activities
For the Year Ended June 30, 2020

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
Governmental Activities:							
General government	\$ 7,860,667	\$ 3,866,148	\$ 161,885	\$ 1,596	\$ (3,831,038)	\$ -	\$ (3,831,038)
Airport	3,317,849	546,060	124,253	6,656,683	4,009,147	-	4,009,147
Culture and recreation	1,757,881	324,830	17,220	166,931	(1,248,900)	-	(1,248,900)
Public safety	7,758,364	19,698	26,774	61,760	(7,650,132)	-	(7,650,132)
Highways and streets	4,303,395	335,381	17	12,900	(3,955,097)	-	(3,955,097)
Interest on long-term debt	260,602	-	-	-	(260,602)	-	(260,602)
Total Government Activities	25,258,758	5,092,117	330,149	6,899,870	(12,936,622)	-	(12,936,622)
Business-Type Activities:							
Wastewater	6,448,198	7,870,573	2,202	72,980	-	1,497,557	1,497,557
Water	7,334,319	8,790,522	3,363	19,800	-	1,479,366	1,479,366
Total Business-Type Activities	13,782,517	16,661,095	5,565	92,780	-	2,976,923	2,976,923
Total	\$ 39,041,275	\$ 21,753,212	\$ 335,714	\$ 6,992,650	(12,936,622)	2,976,923	(9,959,699)
General Revenues:							
Property taxes					8,514,563	-	8,514,563
Franchise taxes					2,762,831	-	2,762,831
Motor fuel taxes					1,501,270	-	1,501,270
Alcoholic beverage taxes					389,885	-	389,885
Cigarette taxes					23,960	-	23,960
Transient room taxes					642,162	-	642,162
State revenue sharing					332,131	-	332,131
Federal forest receipts					175,000	-	175,000
Unrestricted investment earnings					1,111,201	1,074,843	2,186,044
Transfers					569,614	(569,614)	-
Total General Revenues and Transfers					16,022,617	505,229	16,527,846
Change in Net Position					3,085,995	3,482,152	6,568,147
Net Position - Beginning					128,385,140	73,896,188	202,281,328
Restatement (see note 5)					293,300	377,500	670,800
Net Position - Beginning as restated					128,678,440	74,273,688	202,952,128
Net Position - Ending					\$ 131,764,435	\$ 77,755,840	\$ 209,520,275

FUND FINANCIAL
STATEMENTS

City of Klamath Falls, Oregon
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,856,844	\$ 1,719,996	\$ 3,594,954	\$ 2,962,910	\$ 510,726	\$ 14,645,430
Accounts receivable	860,821	2,262,172	-	-	81,602	3,204,595
Taxes receivable	793,215	35,208	-	-	53,559	881,982
Special assessments receivable	93,033	-	-	-	-	93,033
Interest receivable	55,786	532	-	24,512	775	81,605
Advances to other funds	-	-	-	1,344,069	-	1,344,069
Inventories	42,196	-	-	-	-	42,196
Restricted assets						
Cash and cash equivalents	368,080	53,941	-	-	113,085	535,106
Long-term assets						
Investments	8,386,329	-	6,804,036	5,908,652	-	21,099,017
Restricted investments	-	-	4,749,327	-	-	4,749,327
Total Assets	\$ 16,456,304	\$ 4,071,849	\$ 15,148,317	\$ 10,240,143	\$ 759,747	\$ 46,676,360
LIABILITIES						
Liabilities:						
Accounts payable	\$ 771,129	\$ 1,754,512	\$ -	\$ -	\$ 70,464	\$ 2,596,105
Payroll payable	63,620	4,039	-	-	-	67,659
Advances from other funds	-	-	-	-	1,344,069	1,344,069
Deposits payable	107,752	8,230	-	-	-	115,982
Unearned revenue	38,835	-	-	-	30,726	69,561
Total Liabilities	981,336	1,766,781	-	-	1,445,259	4,193,376
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	547,740	24,312	-	-	37,354	609,406
Unavailable revenue - economic improvement district fees	-	-	-	-	4,827	4,827
Unavailable revenue - grant	-	1,466,594	-	-	6,353	1,472,947
Unavailable revenue - franchise fees	12,265	-	-	-	-	12,265
Unavailable revenue - special assessment debt receivable	93,033	-	-	-	-	93,033
Unavailable revenue - accounts receivable	33,311	18,973	-	-	-	52,284
Unavailable revenue - municipal court fines	83,948	-	-	-	-	83,948
Unavailable revenue - parking fines	-	-	-	-	3,050	3,050
Unavailable revenue - code enforcement fines	8,338	-	-	-	-	8,338
Total Deferred Inflows of Resources	778,635	1,509,879	-	-	51,584	2,340,098
Total Liabilities and Deferred Inflows of Resources	1,759,971	3,276,660	-	-	1,496,843	6,533,474
FUND BALANCES (DEFICITS)						
Nonspendable	42,196	-	-	-	-	42,196
Restricted	368,080	53,941	4,749,327	-	82,875	5,254,223
Assigned	1,413,360	741,248	10,398,990	10,240,143	486,166	23,279,907
Unassigned	12,872,697	-	-	-	(1,306,137)	11,566,560
Total Fund Balances	14,696,333	795,189	15,148,317	10,240,143	(737,096)	40,142,886
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,456,304	\$ 4,071,849	\$ 15,148,317	\$ 10,240,143	\$ 759,747	

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

Prepaid assets are not reported in the funds.	355,363
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	108,665,435
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.	2,340,098
Pension related liability and deferred outflows and inflows of resources.	(9,837,532)
Other post employment benefits related liability and deferred outflows and inflows of resources.	(405,208)

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	(8,600,649)
Deferred charge on refunding	126,970
Prepaid bond insurance	6,296
Accrued interest	(23,295)
Accounts payable	(5,495)
Compensated absences	(1,000,434)
	<u>(9,496,607)</u>
	<u>\$ 131,764,435</u>

City of Klamath Falls, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 7,666,210	\$ 330,956	\$ -	\$ -	\$ 503,244	\$ 8,500,410
Special assessments	16,926	-	-	-	-	16,926
Intergovernmental	2,871,112	5,795,964	-	-	123,368	8,790,444
Licenses, fees and permits	279,208	-	-	-	47,039	326,247
Franchise fees	2,772,079	-	-	-	-	2,772,079
Charges for services	421,172	542,697	54,000	584,565	100,609	1,703,043
Internal charges for services	2,698,883	-	-	-	-	2,698,883
Fines and forfeits	269,074	-	-	-	35,877	304,951
Investment income	718,949	34,846	53,989	282,687	20,730	1,111,201
Miscellaneous revenues	185,087	3,363	-	-	373	188,823
Total Revenues	17,898,700	6,707,826	107,989	867,252	831,240	26,413,007
EXPENDITURES						
Current:						
General government	5,457,016	-	-	384	1,255,588	6,712,988
Airport	-	1,356,231	-	-	-	1,356,231
Culture and recreation	1,391,876	-	-	-	-	1,391,876
Public safety	6,203,227	-	-	-	11,582	6,214,809
Highways and streets	1,816,445	-	-	-	71,905	1,888,350
Debt service:						
Principal	190,000	-	-	-	372,328	562,328
Interest	103,245	-	-	-	154,415	257,660
Capital outlay:						
General government	8,429	-	-	-	11,067	19,496
Airport	-	6,764,036	-	-	-	6,764,036
Culture and recreation	417,271	-	-	-	-	417,271
Public safety	408,838	-	-	-	-	408,838
Highways and streets	1,263,743	-	-	-	-	1,263,743
Total Expenditures	17,260,090	8,120,267	-	384	1,876,885	27,257,626
Excess (Deficiency) of Revenues Over (Under) Expenditures	638,610	(1,412,441)	107,989	866,868	(1,045,645)	(844,619)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	86,154	-	-	-	-	86,154
Transfers in	578,025	382,775	-	-	411,575	1,372,375
Transfers out	(360,575)	-	-	(442,186)	-	(802,761)
Insurance recoveries	11,225	-	-	-	-	11,225
Total Other Financing Sources (Uses)	314,829	382,775	-	(442,186)	411,575	666,993
Net Change in Fund Balance	953,439	(1,029,666)	107,989	424,682	(634,070)	(177,626)
Fund Balance - Beginning	13,742,894	1,824,855	15,040,328	9,815,461	(103,026)	40,320,512
Fund Balance - Ending	<u>\$ 14,696,333</u>	<u>\$ 795,189</u>	<u>\$ 15,148,317</u>	<u>\$ 10,240,143</u>	<u>\$ (737,096)</u>	<u>\$ 40,142,886</u>

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, 2020

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

Net change in fund balances - total governmental funds	\$	(177,626)
<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	\$ 8,873,384	
Less current year depreciation	<u>(5,320,647)</u>	3,552,737
<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	17,055	
Cost of capital assets sold	<u>(391,491)</u>	(374,436)
<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	14,153	
Special assessments against benefiting properties	(17,698)	
Grant receivable - non-current portion	1,472,947	
Franchise Fees - non-current portion	(9,248)	
Accounts receivable - non-current portion	39,927	
Fines and forfeitures - non current portion	<u>(78,784)</u>	1,421,297
<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	562,329	
Amortization of deferred charge on refunding	7,464	
Amortization of bond premium	(13,402)	
Amortization of bond insurance	<u>(706)</u>	555,685
The net effect of various pension related transactions		(1,895,228)
<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	(6,568)	
Accrued interest on long-term obligations	2,995	
Compensated absences	(28,661)	
Other postemployment benefits	<u>35,800</u>	<u>3,566</u>
Change in net position of governmental activities	\$	<u><u>3,085,995</u></u>

PROPRIETARY
FUNDS

City of Klamath Falls, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities		
	Wastewater	Water	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,742,318	\$ 2,798,950	\$ 9,541,268
Accounts receivable <i>(net of uncollectibles)</i>	903,742	1,413,776	2,317,518
Loans receivable	152,639	45,274	197,913
Interest receivable	30,366	37,618	67,984
Inventories	30,285	273,690	303,975
Prepaid items	35,071	63,541	98,612
Restricted assets			
Cash and cash equivalents	958,776	458,380	1,417,156
Total Current Assets	8,853,197	5,091,229	13,944,426
Long-term Assets:			
Investments	4,908,745	2,429,828	7,338,573
Capital assets <i>(net of accumulated depreciation)</i>			
Land	1,322,899	618,200	1,941,099
Intangible assets	4,623	137,489	142,112
Construction in progress	6,498,839	1,635,009	8,133,848
Buildings and system	2,229,349	775,624	3,004,973
Machinery and equipment	3,941,851	3,283,708	7,225,559
Infrastructure	18,802,680	30,359,206	49,161,886
Net OPEB asset	12,261	21,246	33,507
Total Noncurrent Assets	37,721,247	39,260,310	76,981,557
Total Assets	46,574,444	44,351,539	90,925,983
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	98,647	-	98,647
Deferred outflow of resources - OPEB related	5,557	9,630	15,187
Deferred outflow of resources - pension related	349,877	606,279	956,156
Total Deferred Outflows of resources	454,081	615,909	1,069,990
Total Assets & Deferred Outflows of Resources	\$ 47,028,525	\$ 44,967,448	\$ 91,995,973

Continued on next page

City of Klamath Falls, Oregon
Statement of Net Position *Continued*
Proprietary Funds
June 30, 2020

	Business-Type Activities		
	Wastewater	Water	Totals
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 596,304	\$ 428,022	\$ 1,024,326
Retainage payable	11,849	-	11,849
Accrued payroll	19,828	36,315	56,143
Compensated absences	45,265	91,756	137,021
Customer deposits	-	238,897	238,897
Unearned revenue	-	130,404	130,404
Current Liabilities (payable from restricted assets):			
Accrued interest payable	125,720	12,942	138,662
Loans/leases payable	-	42,098	42,098
Revenue bonds payable	723,555	-	723,555
Total Current Liabilities	1,522,521	980,434	2,502,955
Long-term Liabilities:			
Compensated absences	45,265	91,756	137,021
Loans/Leases payable	4,550,200	464,206	5,014,406
Revenue bonds payable (net of unamortized discounts and premiums)	3,053,149	-	3,053,149
Post employment benefits	44,629	77,335	121,964
Net pension liability	1,151,743	1,995,782	3,147,525
Total Noncurrent Liabilities	8,844,986	2,629,079	11,474,065
Total Liabilities	10,367,507	3,609,513	13,977,020
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	9,780	16,948	26,728
Deferred inflows of resources - pension related	86,498	149,887	236,385
Total Deferred Inflows of resources	96,278	166,835	263,113
NET POSITION			
Net investment in capital assets	24,560,135	36,302,932	60,863,067
Restricted for:			
System development	147,602	387,667	535,269
Debt Service	811,174	70,714	881,888
Unrestricted	11,045,829	4,429,787	15,475,616
Total Net Position	36,564,740	41,191,100	77,755,840
Total Liability, Deferred Inflows of Resources and Net Position	\$ 47,028,525	\$ 44,967,448	\$ 91,995,973

City of Klamath Falls, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities		Totals
	Wastewater	Water	
OPERATING REVENUES			
Charges for sales and services			
Wastewater charges (net of allowances)	\$ 7,113,218	\$ -	\$ 7,113,218
Geothermal charges (net of allowances)	-	228,105	228,105
Water charges (net of allowances)	-	8,271,295	8,271,295
	<hr/>	<hr/>	<hr/>
Total operating revenues	7,113,218	8,499,400	15,612,618
OPERATING EXPENSES			
Costs of sales and services	4,094,352	4,972,650	9,067,002
Administration	752,000	649,700	1,401,700
Depreciation and amortization	1,389,971	1,685,729	3,075,700
	<hr/>	<hr/>	<hr/>
Total operating expenses	6,236,323	7,308,079	13,544,402
	<hr/>	<hr/>	<hr/>
Operating income (loss)	876,895	1,191,321	2,068,216
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	2,202	3,363	5,565
Investment earnings	516,405	558,438	1,074,843
Interest expense	(211,875)	(22,884)	(234,759)
Loss on disposal of property	-	(3,356)	(3,356)
System development charges	757,355	291,122	1,048,477
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expenses)	1,064,087	826,683	1,890,770
	<hr/>	<hr/>	<hr/>
Income before contributions and transfers	1,940,982	2,018,004	3,958,986
CAPITAL CONTRIBUTIONS			
	72,980	19,800	92,780
TRANSFERS IN			
	391,186	-	391,186
TRANSFERS OUT			
	-	(960,800)	(960,800)
	<hr/>	<hr/>	<hr/>
Change in net position	2,405,148	1,077,004	3,482,152
	<hr/>	<hr/>	<hr/>
Total net position - beginning	34,159,592	39,736,596	73,896,188
	<hr/>	<hr/>	<hr/>
Restatement (see note 5)	-	377,500	377,500
	<hr/>	<hr/>	<hr/>
Total net position - beginning as restated	34,159,592	40,114,096	74,273,688
	<hr/>	<hr/>	<hr/>
Total net position - ending	\$ 36,564,740	\$ 41,191,100	\$ 77,755,840

City of Klamath Falls, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities		
	Wastewater	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 6,928,121	\$ 8,169,647	\$ 15,097,768
Receipts from interfund services provided	49,932	181,454	231,386
Payments to suppliers	(1,954,118)	(2,999,879)	(4,953,997)
Payments to employees	(985,212)	(1,636,150)	(2,621,362)
Payments for interfund services used	(1,591,542)	(1,067,613)	(2,659,155)
Net cash provided by operating activities	<u>2,447,181</u>	<u>2,647,459</u>	<u>5,094,640</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants	2,202	3,363	5,565
Transfers in (out)	391,186	(960,800)	(569,614)
Net Cash (Used) by Noncapital Financing Activities	<u>393,388</u>	<u>(957,437)</u>	<u>(564,049)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees collected	757,355	291,122	1,048,477
Purchases and construction of capital assets	(1,413,130)	(2,482,242)	(3,895,372)
Loan Proceeds	919,857	-	919,857
Principal paid on capital debt	(703,269)	(41,825)	(745,094)
Interest paid on capital debt	(123,483)	(23,860)	(147,343)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(562,670)</u>	<u>(2,256,805)</u>	<u>(2,819,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	456,081	273,641	729,722
Interest and dividends received	514,877	556,543	1,071,420
Net Cash Provided (Used) by Investing Activities	<u>970,958</u>	<u>830,184</u>	<u>1,801,142</u>
Net Change in Cash and Cash Equivalents	3,248,857	263,401	3,512,258
Cash and Cash Equivalents - Beginning of Year	<u>4,452,237</u>	<u>2,993,929</u>	<u>7,446,166</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,701,094</u>	<u>\$ 3,257,330</u>	<u>\$ 10,958,424</u>
Cash and Cash Equivalents - Unrestricted	\$ 6,742,318	\$ 2,798,950	\$ 9,541,268
Cash and Cash Equivalents - Restricted	<u>958,776</u>	<u>458,380</u>	<u>1,417,156</u>
Total Cash and Cash Equivalents	<u>\$ 7,701,094</u>	<u>\$ 3,257,330</u>	<u>\$ 10,958,424</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 876,895	\$ 1,191,321	\$ 2,068,216
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,389,971	1,685,729	3,075,700
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	(135,165)	(170,032)	(305,197)
Inventories	(866)	(15,277)	(16,143)
Prepaid items	(3,908)	(11,314)	(15,222)
Net OPEB asset	(4,844)	(8,666)	(13,510)
Deferred charges on refunding	20,037	-	20,037
Deferred outflows related to other post employment benefits	2,924	4,755	7,679
Deferred outflows related to pensions	3,205	(7,407)	(4,202)
Increases (decrease) in liabilities			
Accounts payable	90,822	(341,727)	(250,905)
Retainage payable	11,849	(74,426)	(62,577)
Payroll liabilities	19,828	36,315	56,143
Compensated absences	17,732	19,823	37,555
Customer deposits	-	9,975	9,975
Unearned revenue	-	11,758	11,758
Other post employment benefits	(658)	524	(134)
Net pension liability	158,159	310,537	468,696
Deferred inflows related to other post employment benefits	(1,073)	(1,460)	(2,533)
Deferred inflows related to pensions	2,273	7,031	9,304
Total Adjustments	<u>1,570,286</u>	<u>1,456,138</u>	<u>3,026,424</u>
Net cash provided by operating activities	<u>\$ 2,447,181</u>	<u>\$ 2,647,459</u>	<u>\$ 5,094,640</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	<u>\$ 72,980</u>	<u>\$ 19,800</u>	<u>\$ 92,780</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, 2020

	<u>Veterans Memorial Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 163,663</u>
Total Assets	<u><u>\$ 163,663</u></u>
LIABILITIES	
Due to Veterans Associations	<u>\$ 163,663</u>
Total Liabilities	<u><u>\$ 163,663</u></u>

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City of Klamath Falls, Oregon

Notes to the Financial Statements



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

The government reports the following major enterprise funds:

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

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

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

Additionally, 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 fiscal year ending June 30, 2020. Appropriations lapse at the end of the biennium budget period.

2. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2020, 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, and capital assets received in a service concession agreement are reported at acquisition value.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an initial useful life extending beyond a single reporting period. All property, right of way easements, and vehicles (rolling stock) are capitalized regardless of cost. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent 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 certain intangible assets are not depreciated. Property, plant, and equipment of the government are depreciated using the "straight line" method

The estimated useful lives of capital assets are:

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

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position reports 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 reports 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the government classifies governmental fund balances as follows:

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

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

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

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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City Council annually adopts a reserve balance in the Water and Wastewater Funds of at least 15% of the annual operating budget. The City Council annually adopts a reserve balance in other funds receiving property tax support at a minimum level of 10% of the annual operating budget. Other special revenue funds will be evaluated individually based on the type of service, potential for unexpected expenditures, and purpose of the fund, to determine the appropriate reserve. There may be some funds that require no reserve.

H. Revenues and expenditures/expenses

1. *Program revenues*

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

2. *Property taxes*

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

The government participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the government and others by other local governments and state agencies. There were no material taxes abated for the year ended June 30, 2020.

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 1st 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.

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 CFR 7695), which requires that all airport revenues generated by a public airport will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport, and are directly and substantially related to the actual air transportation of passengers or property.

B. Violations of legal or contractual provisions

There were no violations of legal or contractual provisions for the year ended June 30, 2020.

C. Deficit fund equity

At June 30, 2020, the Lakefront Urban Renewal Fund has a deficit fund balance of \$496,973, the Town Center Urban Renewal Fund has a deficit fund balance of \$100,393, and the Spring Street Urban Renewal Fund has a deficit fund balance of \$708,771. The reason for the deficits are interfund loans. The interfund loans are

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

reported as a fund liability on the Governmental Funds balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balance). This deficit will be eliminated as the scheduled principal payments on the loans are made.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash, cash equivalents and investments

At June 30, 2020, the government’s cash, cash equivalents and investments were comprised of the following:

Cash on hand	\$	1,300
Deposits with financial institutions		1,391,438
Investments:		
Oregon State Treasurer’s Local Government Investment Pool		24,746,222
Oregon State Treasurer’s Local Government Intermediate Fund		9,791,352
U.S. agency and municipal obligations		11,658,418
Commercial paper and corporate bonds		11,737,147
Total cash and investments	\$	<u>59,325,877</u>

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

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 15,180,536	\$10,958,424	\$26,138,960
Investments	25,848,344	7,338,573	33,186,917
	<u>\$41,028,880</u>	<u>\$18,296,997</u>	<u>\$59,325,877</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, 2020, the government’s bank balances were \$1,699,663.

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.

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

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

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

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

As of June 30, 2020, 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, 2020, the government had the following investments:

Investment Type	Fair Value	% of Investment Portfolio	Weighted Average Maturity (Years)
Local Government Investment Pool	\$ 34,537,574	59.6%	0.64
U.S. Agency Securities	7,045,226	12.2%	1.86
U.S. Treasury Securities	473,401	0.8%	4.62
Municipal Commercial Paper	4,139,791	7.1%	2.69
Corporate Commercial Paper and Bonds	11,737,147	20.3%	2.07
Total	\$ 57,933,139	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.

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

The government’s investment portfolio as of June 30, 2020, is representative of the types of investments made throughout the year. The government’s investments in guaranteed investment contracts and the state treasurer’s investment pool are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same amount as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

At June 30, 2020, the government’s investments were rated by Standard & Poors as follows:

	Commercial Paper and Corporate Bonds	Municipal Corporations	US Agency Corporations	US Treasury Notes (1)	Local Government Investment Pool
AAA	\$ 2,030,717	\$ 915,602	\$ -	\$ -	\$ -
AA+	1,010,087	-	3,438,395	473,401	-
AA	-	528,005	-	-	-
AA-	2,571,601	1,074,350	-	-	-
A+	1,963,484	-	-	-	-
A	3,466,672	-	-	-	-
A-	694,586	-	-	-	-
Unrated	-	1,621,834	3,606,831	-	34,537,574
	<u>\$ 11,737,147</u>	<u>\$ 4,139,791</u>	<u>\$ 7,045,226</u>	<u>\$ 473,401</u>	<u>\$ 34,537,574</u>

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

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

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

B. Receivables

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

Governmental Activities

<u>General Fund</u>	<u>Municipal Court</u>	<u>Code Enforcement</u>	<u>Other</u>	<u>Total General Fund</u>
Gross Accounts Receivable	\$ 2,257,197	\$ 183,252	\$ 723,183	\$ 3,163,632
Uncollectibles	(2,128,047)	(174,142)	(622)	(2,302,811)
Net Accounts Receivable	<u>\$ 129,150</u>	<u>\$ 9,110</u>	<u>\$ 722,561</u>	<u>\$ 860,821</u>

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

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Gross Accounts Receivable	\$ 3,163,632	\$ 2,262,172	\$ 98,540	\$ 5,524,344
Uncollectibles	<u>(2,302,811)</u>	<u>-</u>	<u>(16,938)</u>	<u>(2,319,749)</u>
Net Accounts Receivable	<u>\$ 860,821</u>	<u>\$ 2,262,172</u>	<u>\$ 81,602</u>	<u>\$ 3,204,595</u>

Business-type Activities

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Gross Accounts Receivable	\$ 919,847	\$ 1,442,072	\$ 2,361,919
Uncollectibles	<u>(16,105)</u>	<u>(28,296)</u>	<u>(44,401)</u>
Net Accounts Receivable	<u>\$ 903,742</u>	<u>\$ 1,413,776</u>	<u>\$ 2,317,518</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 \$39,070,591 and the carrying value was \$25,309,266. Payments received in the current year were \$497,975.

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

2021	\$ 484,788
2022	407,290
2023	355,558
2024	338,871
2025	313,120
2026-2030	1,195,266
2031-2035	572,296
2036-2040	254,403
2041-2045	135,249
2046-2050	45,840
Total	<u>\$ 4,102,680</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, 2020, was as follows:

Governmental Activities:	Balance July 1, 2019	Prior Period Adjustment	Restated July 1, 2019	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2020
Capital assets, not being depreciated:							
Land	\$ 14,152,898	\$ 228,500	\$ 14,381,398	\$ -	\$ (391,491)	\$ 17,487	\$ 14,007,394
Construction in progress	4,147,251	-	4,147,251	7,764,525	-	(2,488,584)	9,423,193
Intangible assets	116,771	-	116,771	-	-	-	116,771
Total capital assets, not being depreciated	18,416,921	228,500	18,645,421	7,764,525	(391,491)	(2,471,097)	23,547,358
Capital assets, being depreciated:							
Buildings	17,650,455	-	17,650,455	39,892	-	23,549	17,713,896
Intangible assets	1,025,914	-	1,025,914	-	(467,276)	-	558,638
Machinery, equipment, and vehicles	12,516,349	-	12,516,349	941,200	(1,188,016)	36,387	12,305,920
Infrastructure	206,247,750	64,800	206,312,550	141,464	-	2,411,161	208,865,176
Total capital assets being depreciated	237,440,468	64,800	237,505,268	1,122,557	(1,655,292)	2,471,097	239,443,630
Less accumulated depreciation for:							
Buildings	(6,670,664)	-	(6,670,664)	(575,215)	-	-	(7,245,879)
Intangible assets	(622,275)	-	(622,275)	(54,941)	467,276	-	(209,940)
Machinery, equipment, and vehicles	(9,346,372)	-	(9,346,372)	(654,995)	1,191,372	-	(8,809,995)
Infrastructure	(134,024,243)	-	(134,024,243)	(4,035,496)	-	-	(138,059,739)
Total accumulated depreciation	(150,663,555)	-	(150,663,555)	(5,320,647)	1,658,648	-	(154,325,553)
Total capital assets, being depreciated, net	86,776,914	64,800	86,841,714	(4,198,090)	3,356	2,471,097	85,118,077
Government activities capital assets, net	\$ 105,193,834	\$ 293,300	\$ 105,487,134	\$ 3,566,436	\$ (388,135)	\$ -	\$ 108,665,435

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

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

Governmental activities:	
General government	\$ 233,489
Public safety	558,775
Highways and streets	2,242,299
Culture and recreation	258,862
Airport	2,027,222
Total depreciation expense - governmental activities	\$ 5,320,647

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

Business-type Activities:

	Balance July 1, 2019	Prior Period Adjustment	Restated Balance	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2020
Capital assets, not being depreciated:							
Land	\$ 1,563,599	\$ 377,500	\$ 1,941,099	\$ -	\$ -	\$ -	\$ 1,941,099
Construction in progress	9,338,395	-	9,338,395	3,362,485	-	(4,567,032)	8,133,848
Intangible assets	185,728	-	185,728	-	(48,239)	-	137,489
Total capital assets, not being depreciated	11,087,722	377,500	11,465,222	3,362,485	(48,239)	(4,567,032)	10,212,436
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	20,267,378	-	20,267,378	532,887	(142,636)	569,457	21,227,085
Infrastructure	85,394,506	-	85,394,506	92,780	(484,334)	3,997,575	89,000,527
Total capital assets being depreciated	113,168,459	-	113,168,459	625,667	(626,970)	4,567,032	117,734,187
Less accumulated depreciation for:							
Buildings	(4,364,364)	-	(4,364,364)	(129,738)	-	-	(4,494,103)
Intangible assets	(1,768)	-	(1,768)	(49,349)	48,239	-	(2,877)
Machinery and equipment	(13,332,971)	-	(13,332,971)	(807,835)	139,280	-	(14,001,525)
Infrastructure	(38,234,197)	-	(38,234,197)	(2,088,778)	484,334	-	(39,838,641)
Total accumulated depreciation	(55,933,300)	-	(55,933,300)	(3,075,700)	671,854	-	(58,337,146)
Total capital assets, being depreciated, net	57,235,159	-	57,235,159	(2,450,033)	44,883	4,567,032	59,397,041
Business-type activities capital assets, net	\$ 68,322,881	\$ 377,500	\$ 68,700,381	\$ 912,452	\$ (3,356)	\$ -	\$ 69,609,477

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

Business-type activities:

Water	\$ 1,685,729
Wastewater	1,389,971
Total depreciation expense - business-type activities	<u>\$ 3,075,700</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. The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

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

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, 2015 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2017. Employer contributions for the year ended June 30, 2020, were \$1,509,744, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2020, were 20.54 percent for Tier One/Tier Two members, 11.41 percent for OPSRP Pension Program General Service Members, and 16.04 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 \$587,737 for the year ended June 30, 2020.

Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2020, the government reported a liability of \$15,901,643 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to June 30, 2019. 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, 2019, the government's proportion was 0.0919 percent, which was an increase of .0024 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the government's recognized pension expense (income) was \$2,369,027. At June 30, 2020, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 876,929	\$ -
Changes of assumptions	2,157,239	-
Net difference between projected and actual earnings on investments	-	450,795
Changes in proportion	286,689	112,029
Differences between employer contributions and proportionate share of contributions	-	631,422
Total (prior to post-MD contributions)	<u>3,320,857</u>	<u>1,194,246</u>
Contributions subsequent to the MD	<u>1,509,745</u>	<u>-</u>
Total	<u>\$ 4,830,602</u>	<u>\$ 1,194,246</u>

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

\$1,509,745 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>	
2021	\$ 1,278,681
2022	(17,825)
2023	405,030
2024	389,632
2025	<u>71,093</u>
Total	<u>\$ 2,126,611</u>

Actuarial assumptions. The employer contribution rates effective July 1, 2019, through June 30, 2020, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
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>Health retirees and beneficiaries: 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>Active Members: 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>Disabled retirees: 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 2017, 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			
Debt Securities	15.0%	25.0%	20.0%	Core Fixed Income	8.00%	3.49%
Public Equity	32.5%	42.5%	37.5%	Short-Term Bonds	8.00%	3.38%
Real Estate	9.5%	15.5%	12.5%	Bank/Leveraged Loans	3.00%	5.09%
Private Equity	14.0%	21.0%	17.5%	High Yield Bonds	1.00%	6.45%
Alternative Equity	0.0%	12.5%	12.5%	Large/Mid Cap US Equities	15.75%	6.30%
Opportunity Portfolio	0.0%	3.0%	0.0%	Small Cap US Equities	1.30%	6.69%
Total			100.0%	Micro Cap US Equities	1.30%	6.80%
				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)	\$ 25,465,071	\$ 15,901,643	\$ 7,898,372

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, 2019 measurement period that require disclosure.

Changes in plan provisions subsequent to measurement date. A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in liability.

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

F. Other Postemployment Benefits (OPEB)

City County Insurance Services (CIS)

Plan description. The government does not have a formal post-employment benefits plan for any employee groups; however, the government is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 75 is applicable to the government due 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.

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, 2020 the following employees were covered by the benefit terms:

Active employees	104
Eligible retirees	7
Spouses of ineligible retirees	<u>3</u>
Total participants	<u><u>114</u></u>

OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2020, the government reported an OPEB liability of \$616,177. 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, 2019 valuation date and a June 30, 2019 measurement date.

	Total OPEB Liability
Balance as of June 30, 2019	\$ 618,395
Changes for the year:	
Service cost	30,599
Interest on Total OPEB Liability	23,732
Effect of assumptions changes or inputs	-
Effect of economic demographic gains or loss	15,649
Benefit payments	<u>(72,198)</u>
Balance as of June 30, 2020	<u><u>\$ 616,177</u></u>

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

For the year ended June 30, 2020, the government’s recognized OPEB expense (income) was \$38,530. At June 30, 2020, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 36,566
Changes of assumptions	13,668	65,221
Total (prior to post-MD contributions)	13,668	101,787
Contributions subsequent to the MD	55,135	-
Total	<u>\$ 68,803</u>	<u>\$ 101,787</u>

\$55,135 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>	
2021	\$ (15,801)
2022	(15,801)
2023	(15,801)
2024	(15,801)
2025	(15,801)
Thereafter	(9,114)
Total	<u>\$ (88,119)</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.

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

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, 2017.

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: RP-2014 healthy annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data scale.
	Healthcare cost trend rate: Medical and vision: 7.00 percent per year decreasing to 4.75 percent. Dental: 4.50 percent per year

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, 2020 reporting date is 3.50 percent. The previous year discount rate was 3.87 percent.

Sensitivity of the government's proportionate share of the total OPEB liability. The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.50%, 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 (2.50%) or 1 percentage point higher (4.50%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB Liability	\$ 658,028	\$ 616,177	\$ 576,958

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 563,624	\$ 616,177	\$ 677,180

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

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, 2020, there were 33 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2018 and ending June 30, 2021, 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 \$1,555 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.

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, 2017 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, 2020, were \$6,100. The rates in effect for the fiscal year ended June 30, 2020, 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, 2020 the government reported an asset of \$169,281 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2019, the government's proportion was .0876 percent, which was a decrease of .0031 percent from its proportion measured as of June 30, 2018.

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

For the year ended June 30, 2020, the government’s recognized OPEB expense (income) was (\$21,546). As of June 30, 2020, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,323
Changes of assumptions	-	175
Net difference between projected and actual earnings on investments	-	10,449
Changes in proportionate share	1,822	301
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>1,822</u>	<u>33,248</u>
Contributions subsequent to the MD	<u>6,100</u>	<u>-</u>
Total	<u>\$ 7,922</u>	<u>\$ 33,248</u>

\$6,100 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (16,338)
2022	(14,313)
2023	(1,852)
2024	1,077
2025	-
Total	<u>\$ (31,426)</u>

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>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (131,236)	\$ (169,281)	\$ (201,697)

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

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

Changes in Plan Provisions Subsequent to Measurement Date. There were no changes during the June 30, 2019 measurement period that require disclosure.

Defined Contribution Plans

Plan Description. The government sponsors three defined contribution plans; a Section 457 Plan, a Section 457 Roth Plan and a Section 401(k) Plan. 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 \$301,890, \$9,315 and \$25,230 to the Section 457, Section 457 Roth and the Section 401(k) plans respectively, in 2020.

G. Construction and other significant commitments

The government has active construction and professional service contracts as of June 30, 2020. General Fund commitments include Washburn Way and Shasta Way pavement projects. Airport professional service contracts are for Taxiway G rehabilitation, master plan update, and Taxiway B1 & D. Wastewater construction is Phase One of the treatment plant and professional services are for the treatment plant design build, stormwater master plan, and sewer main replacements. Water construction is the Pelican City Booster Station and professional services are for water main replacements 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:

<u>Project</u>	<u>Cost to date</u>	<u>Commitment</u>
General Fund professional service contracts	\$ 179,201	\$ 163,805
Airport professional service contracts	7,042,086	950,616
Wastewater professional services contract	1,063,540	643,365
Wastewater construction contracts	569,723	5,631,699
Water professional services contract	116,138	53,184
Nonmajor Governmental Funds professional service contracts	315,014	7,417
Total	<u>\$ 9,285,703</u>	<u>\$ 7,450,086</u>

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.

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

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

	Year Ended June 30, 2020	Year Ended June 30, 2019
Unpaid claims, beginning	\$ -	\$ -
Incurred claims (including IBNRs)	11,993	10,259
Claims paid	11,993	10,259
Unpaid claims, ending	<u>\$ -</u>	<u>\$ -</u>

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

	Year Ended June 30, 2020	Year Ended June 30, 2019
Unpaid claims, beginning	\$ -	\$ -
Incurred claims (including IBNRs)	3,610	4,783
Claims paid	(3,610)	(4,783)
Unpaid claims, ending	<u>\$ -</u>	<u>\$ -</u>

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 \$40,397 were made during the year ended June 30, 2020.

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

2021	\$ 29,721
2022	3,287
2023	1,483
2024	1,526
2025	1,571
Total	<u>\$ 37,588</u>

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.

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

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, 2020.

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 \$255,800 and \$219,183, respectively.

Full Faith and Credit Bond, Series 2008 – Police Department of the General Fund

The government has pledged general non-restricted revenues and other funds that are lawfully available to repay \$3,995,000 in Full Faith and Credit Obligations issued in September of 2008. Proceeds of the bonds financed a portion of the costs of capital construction and capital improvements of the new City Police station facilities and equipment. The source for the repayment of the bonds are the ad valorem property taxes levied under the government's permanent rate limitations under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the government in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted, or obligated by law or contract to an inconsistent expenditure or use. Interest rates range from 3.5% to 5.0%. The bonds are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of the total non-restricted property taxes collected in any given fiscal year. Principal and interest paid in the current year and total non-restricted property taxes collected were \$293,345 and \$7,696,976 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 3.95%) 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 February 2020. 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 \$287,825 and \$194,651, respectively.

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

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 Sturdcraft 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 \$65,685 and \$3,438,851, 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 \$807,204 and 2,785,473, 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 and June 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$4,550,200 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. An interest only payment of \$162,013 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees will be made for 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 \$143,527.

Oregon Department of Environmental Quality – Wastewater Fund

In June of 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$45,449,800 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. An interest only payment of \$1,410,615 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees will be made for 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 1.38% per annum. There is a loan reserve requirement of \$1,335,133. The government has not drawn down on these funds.

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

Long-term liability activity for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General Obligation Bonds, Series 2017	\$ 3,971,113	\$ -	\$ 99,644	\$ 3,871,469	\$ 114,597
Full Faith and Credit Bonds, Series 2008	2,320,000	-	190,000	2,130,000	200,000
Plus: Bond issuance premium	15,339	-	1,547	13,792	-
Long-term bonded debt obligations	<u>6,306,452</u>	<u>-</u>	<u>291,191</u>	<u>6,015,261</u>	<u>314,597</u>
Direct borrowings:					
Washington Federal	609,509	-	272,685	336,824	125,386
Timbermill Shores	2,248,564	-	-	2,248,564	-
Direct borrowings	<u>2,858,073</u>	<u>-</u>	<u>272,685</u>	<u>2,585,388</u>	<u>125,386</u>
Compensated Absences	971,773	1,271,508	1,242,847	1,000,434	500,217
Total OPEB Liability	496,297	-	2,084	494,213	-
Net Pension Liability	10,888,722	1,865,396	-	12,754,118	-
Total other liabilities	<u>12,356,792</u>	<u>3,136,904</u>	<u>1,244,931</u>	<u>14,248,765</u>	<u>500,217</u>
Total governmental activities	<u>\$ 21,521,317</u>	<u>\$ 3,136,904</u>	<u>\$ 1,808,807</u>	<u>\$ 22,849,414</u>	<u>\$ 940,200</u>
Business-type activities:					
Revenue Bonds:					
Wastewater Revenue Refunding Bonds, Series 2015	\$ 4,479,973	\$ -	\$ 703,269	\$ 3,776,704	\$ 723,555
Direct borrowings:					
Clean Water State Revolving Loan	3,630,343	919,857	-	4,550,200	-
Special Public Works Fund (Water line extension)	548,129	-	41,825	506,304	42,098
Direct borrowings	<u>4,178,472</u>	<u>919,857</u>	<u>41,825</u>	<u>5,056,504</u>	<u>42,098</u>
Compensated Absences	236,487	346,000	308,445	274,042	137,021
Other Post Employment Benefits	122,098	-	134	121,964	-
Net Pension Liability	2,678,829	468,696	-	3,147,525	-
Total other liabilities	<u>3,037,414</u>	<u>814,696</u>	<u>308,579</u>	<u>3,543,531</u>	<u>137,021</u>
Total business-type activities	<u>\$ 11,695,859</u>	<u>\$ 1,734,553</u>	<u>\$ 1,053,673</u>	<u>\$ 12,376,739</u>	<u>\$ 902,674</u>
Total long-term debt obligations					
Bonds	\$ 10,771,086	\$ -	\$ 992,913	\$ 9,778,173	\$ 1,038,152
Bond issuance premiums	15,339	-	1,547	13,792	-
Direct borrowings	7,036,545	919,857	314,510	7,641,892	167,484
Compensated Absences	1,208,260	1,617,508	1,551,292	1,274,476	637,238
Other Post Employment Benefits	618,395	-	2,218	616,177	-
Net Pension Liability	<u>13,567,551</u>	<u>2,334,092</u>	<u>-</u>	<u>15,901,643</u>	<u>-</u>
Total long-term obligations	<u>\$ 33,217,176</u>	<u>\$ 4,871,457</u>	<u>\$ 2,862,480</u>	<u>\$ 35,226,153</u>	<u>\$ 1,842,874</u>

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

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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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Wastewater Refunding Bonds, Series 2015				
Principal	\$ 723,555	\$ 736,696	\$ 754,138	\$ 775,784
Interest	<u>87,620</u>	<u>70,833</u>	<u>53,742</u>	<u>36,246</u>
Total Revenue Bonds	<u>\$ 811,174</u>	<u>\$ 807,529</u>	<u>\$ 807,879</u>	<u>\$ 812,029</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	\$ 114,597	\$ 124,188	\$ 133,527	\$ 147,607
Interest	<u>110,337</u>	<u>107,071</u>	<u>103,532</u>	<u>99,726</u>
Total General Obligation Bonds	<u>\$ 224,933</u>	<u>\$ 231,258</u>	<u>\$ 237,058</u>	<u>\$ 247,333</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	\$ 200,000	\$ 205,000	\$ 215,000	\$ 225,000
Interest	<u>95,145</u>	<u>86,145</u>	<u>76,920</u>	<u>67,245</u>
Total Full Faith and Credit Bonds	<u>\$ 295,145</u>	<u>\$ 291,145</u>	<u>\$ 291,920</u>	<u>\$ 292,245</u>

Other Long-term Liabilities

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

SPWF - Water line service extension				
Principal	\$ 42,098	\$ 42,382	\$ 42,687	\$ 48,014
Interest	22,187	20,503	18,755	16,941
Timbermill Shores				
Principal	-	-	-	140,600
Washington Fed - Town Center Urban Renewal				
Principal	125,386	130,444	80,994	-
Interest	13,526	8,468	3,244	-
Clean Water State Revolving Loan				
Principal	-	-	-	190,647
Interest	<u>-</u>	<u>-</u>	<u>162,013</u>	<u>95,459</u>
Total other long-term liabilities	<u>\$ 203,197</u>	<u>\$ 201,797</u>	<u>\$ 307,693</u>	<u>\$ 491,661</u>
Total Long-term Liabilities	<u>\$ 1,534,450</u>	<u>\$ 1,531,730</u>	<u>\$ 1,644,551</u>	<u>\$ 1,843,268</u>

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

2025	2026-2030	2031-2035	2036-2040	2041-2045	Total
\$ 786,532	\$ -	\$ -	\$ -	\$ -	\$ 3,776,704
18,248	-	-	-	-	266,688
<u>\$ 804,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,043,391</u>
\$ 161,302	\$ 1,017,255	\$ 1,451,847	\$ 721,146	\$ -	\$ 3,871,469
95,519	400,813	232,395	31,146	-	1,180,537
<u>\$ 256,821</u>	<u>\$ 1,418,067</u>	<u>\$ 1,684,242</u>	<u>\$ 752,292</u>	<u>\$ -</u>	<u>\$ 5,052,007</u>
\$ 235,000	\$ 1,050,000	\$ -	\$ -	\$ -	\$ 2,130,000
57,345	120,580	-	-	-	503,380
<u>\$ 292,345</u>	<u>\$ 1,170,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,633,380</u>
\$ 48,364	\$ 282,759	\$ -	\$ -	\$ -	\$ 506,304
14,840	39,037	-	-	-	132,262
115,000	575,000	575,000	575,000	267,964	2,248,564
-	-	-	-	-	336,824
-	-	-	-	-	25,238
194,710	1,037,593	1,152,975	1,281,189	693,086	4,550,200
91,396	392,937	277,555	149,341	22,195	1,190,896
<u>\$ 464,310</u>	<u>\$ 2,327,326</u>	<u>\$ 2,005,530</u>	<u>\$ 2,005,530</u>	<u>\$ 983,245</u>	<u>\$ 8,990,288</u>
<u>\$ 1,818,255</u>	<u>\$ 4,915,973</u>	<u>\$ 3,689,772</u>	<u>\$ 2,757,822</u>	<u>\$ 983,245</u>	<u>\$ 20,719,066</u>

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

Debt service requirements on long-term debt at June 30, 2020, 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
2021	\$ 314,597	\$ 205,482	\$ 125,386	\$ 13,526	\$ 723,555	\$ 87,620	\$ 42,098	\$ 22,187
2022	329,188	193,216	130,444	8,468	736,696	70,833	42,382	20,503
2023	348,527	180,452	80,994	3,244	754,138	53,742	42,687	180,768
2024	372,607	166,971	140,600	-	775,784	36,246	238,661	112,400
2025	396,302	152,864	115,000	-	786,532	18,248	243,074	106,236
2026-2030	2,067,255	521,393	575,000	-	-	-	1,320,352	431,974
2031-2035	1,451,847	232,395	575,000	-	-	-	1,152,975	277,555
2036-2040	721,146	31,146	575,000	-	-	-	1,281,189	149,341
2041-2045	-	-	267,964	-	-	-	693,086	22,195
	<u>\$ 6,001,469</u>	<u>\$ 1,683,917</u>	<u>\$ 2,585,388</u>	<u>\$ 25,238</u>	<u>\$ 3,776,704</u>	<u>\$ 266,688</u>	<u>\$ 5,056,504</u>	<u>\$ 1,323,158</u>

The government's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,585,388 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 \$5,056,504 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
2021	\$ 439,983	\$ 219,008	\$ 765,653	\$ 109,807	\$ 1,205,635	\$ 328,814
2022	459,632	201,684	779,078	91,336	1,238,710	293,020
2023	429,521	183,696	796,825	234,510	1,226,346	418,205
2024	513,207	166,971	1,014,445	148,645	1,527,652	315,616
2025	511,302	152,864	1,029,606	124,484	1,540,908	277,348
2026-2030	2,642,255	521,393	1,320,352	431,974	3,962,607	953,366
2031-2035	2,026,847	232,395	1,152,975	277,555	3,179,822	509,950
2036-2040	1,296,146	31,146	1,281,189	149,341	2,577,335	180,487
2041-2045	267,964	-	693,086	22,195	961,050	22,195
	<u>\$ 8,586,857</u>	<u>\$ 1,709,155</u>	<u>\$ 8,833,208</u>	<u>\$ 1,589,846</u>	<u>\$ 17,420,065</u>	<u>\$ 3,299,001</u>

The government also has an unused line of credit in the amount of \$45,449,800.

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

K. Fund balance

Fund Balance as of June 30, 2020 is detailed as follows:

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Capital Projects Fund</u>	<u>Escrow Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 42,196	\$ -	\$ -	\$ -	\$ -	\$ 42,196
Restricted for:						
Capital projects	-	53,941	-	-	-	53,941
Civil Seizure	193,610	-	-	-	-	193,610
DOJ Equitable Sharing	3,974	-	-	-	82,875	86,849
System Development	170,496	-	-	-	-	170,496
Environmental	-	-	4,749,327	-	-	4,749,327
Assigned for:						
Capital projects	-	-	10,398,990	10,240,143	-	20,639,133
Community programs	65,346	-	-	-	-	65,346
Public Access Television	25,000	-	-	-	-	25,000
Debt Service	-	-	-	-	42,053	42,053
Operations	1,323,014	741,247	-	-	444,113	2,508,374
Unassigned:						
Unassigned	12,872,697	-	-	-	(1,306,137)	11,566,561
Total Fund Balances	<u>\$ 14,696,333</u>	<u>\$ 795,189</u>	<u>\$ 15,148,317</u>	<u>\$ 10,240,143</u>	<u>\$ (737,096)</u>	<u>\$ 40,142,885</u>

Interfund receivables and payables

The composition of interfund balances as of June 30, 2020, 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	\$ 499,496
Escrow Reserve Fund	Town Center Urban Renewal Fund	\$ 106,973
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 8,600
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 729,000

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 \$49,843 and interest of \$20,657 were paid in Fiscal Year 2020.

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 \$10,309 and interest of \$4,691 were paid in fiscal year 2020.

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. Principal of \$11,400 and interest of \$750 were paid in fiscal year 2020.

An interfund capital loan in the amount of \$729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. The first interest only payment is due December 2020.

L. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Interfund transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 360,575
Escrow Reserve Fund	Wastewater Fund	\$ 391,186
Escrow Reserve Fund	Nonmajor Governmental Funds	\$ 51,000
Water Fund	Airport Fund	\$ 382,775
Water Fund	General Fund	\$ 578,025

In the year ended June 30, 2020, the government made the following transfers:

The General Fund transferred \$35,000 to the Parking District, \$45,575 to the Downtown Maintenance District, \$270,000 to Economic Development and \$10,000 to BINET for operational expenditures.

The Escrow Reserve Fund transferred \$51,000 to the Economic Development Fund for community development programs and \$391,186 to the Wastewater Fund.

The Water Fund transferred \$382,775 to the Airport Fund and \$578,025 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. The government received its permit with all applicable TMDL's in October of 2020. The government's consultants are reviewing what those impacts mean for the upgrade project which is currently underway.

NOTE V – CHANGE IN ACCOUNTING PRINCIPAL

Based on an increase in historical value of land acquisitions, the government restated the beginning net position for the Governmental Activities and Business-Type Activities. Net Position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$ 128,385,140	\$ 73,896,188	\$ 202,281,328
Cumulative effect of change in accounting principle	293,300	377,500	670,800
Net position - beginning (as restated)	<u>\$ 128,678,440</u>	<u>\$ 74,273,688</u>	<u>\$ 202,952,128</u>

NOTE VI – SUBSEQUENT EVENTS

In November of 2020, the government entered into a revenue secured loan with the Oregon Infrastructure Financing Authority for \$750,000 along with a grant for \$750,000 for wastewater treatment facility improvements. The government has pledged wastewater net operating revenues to repay the loan. Annual payments of principal and interest will be made for 30 years after the project completion date. The interest rate is 1.00% per annum.

NOTE VII – 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. Implementation Guide No. 2019-3 updates the effective date for GASB Statement No. 87 to fiscal year ending June 30, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued May 2020 to provide guidance on reporting for subscription-based information technology arrangements (SBITA). To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Under this Statement, a government generally should recognize a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. GASB Statement No. 96 will be effective for the City for fiscal year ending June 30, 2023.

City of Klamath Falls, Oregon

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, 2020

Schedule A-1

	BN 2019-2021		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 14,513,675	\$ 14,513,675	\$ 7,666,210	\$ 7,666,210	\$ (6,847,465)
Special assessments	-	-	16,926	16,926	16,926
Intergovernmental	12,003,725	12,003,725	2,871,112	2,871,112	(9,132,613)
Licenses, fees and permits	329,600	329,600	279,208	279,208	(50,392)
Franchise fees	5,860,225	5,860,225	2,772,079	2,772,079	(3,088,146)
Charges for services	902,050	902,050	421,172	421,172	(480,878)
Internal charges for services	5,637,750	5,637,750	2,698,883	2,698,883	(2,938,867)
Fines and forfeits	634,950	634,950	269,074	269,074	(365,876)
Investment income	485,550	485,550	718,949	718,949	233,399
Miscellaneous revenue	783,575	783,575	185,087	185,087	(598,488)
Total revenues	<u>41,151,100</u>	<u>41,151,100</u>	<u>17,898,700</u>	<u>17,898,700</u>	<u>(23,252,400)</u>
EXPENDITURES					
Municipal Court	467,625	467,625	209,441	209,441	258,184
City Manager	1,551,925	1,559,225	668,199	668,199	891,026
Finance	1,658,050	1,718,050	795,642	795,642	922,408
Human Resources	978,075	846,350	340,715	340,715	505,635
Information Technology	1,439,725	1,571,450	632,995	632,995	938,455
Public Works Administration	924,225	924,225	431,216	431,216	493,009
Public Works Development Services	2,432,225	2,432,225	1,035,303	1,035,303	1,396,922
Police	13,896,125	14,094,950	6,612,065	6,612,065	7,482,885
Legislative	496,675	496,675	213,542	213,542	283,133
Maintenance	2,135,625	2,135,625	953,136	953,136	1,182,489
Facilities Maintenance	480,600	480,600	185,256	185,256	295,344
Parks and Recreation	3,415,250	3,420,050	1,371,987	1,371,987	2,048,063
Parks Ella Redkey Pool	1,118,025	1,143,025	437,160	437,160	705,865
Street Maintenance	12,039,525	12,089,525	2,635,355	2,635,355	9,454,170
Street Vehicle Maintenance	551,550	551,550	237,110	237,110	314,440
Street Lighting	406,725	406,725	207,723	207,723	199,002
Debt Service	588,400	588,400	293,245	293,245	295,155
Total expenditures	<u>44,580,350</u>	<u>44,926,275</u>	<u>17,260,090</u>	<u>17,260,090</u>	<u>27,666,185</u>
Excess (deficiency) of revenues over expenditures	(3,429,250)	(3,775,175)	638,610	638,610	4,413,785
OTHER FINANCING SOURCES (USES)					
Transfers out	(568,000)	(573,575)	(360,575)	(360,575)	213,000
Transfers in	1,242,625	1,242,625	578,025	578,025	(664,600)
Proceeds from sale of capital assets	-	-	86,154	86,154	86,154
Insurance recoveries	-	4,300	11,225	11,225	6,925
Total other financing sources (uses)	<u>674,625</u>	<u>673,350</u>	<u>314,829</u>	<u>314,829</u>	<u>(358,521)</u>
Net change in fund balance	(2,754,625)	(3,101,825)	953,439	953,439	4,055,264
Fund balance - beginning	12,487,900	13,742,900	13,742,894	13,742,894	(6)
Fund balance - ending	<u>\$ 9,733,275</u>	<u>\$ 10,641,075</u>	<u>\$ 14,696,333</u>	<u>\$ 14,696,333</u>	<u>\$ 4,055,258</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, 2020

Schedule A-2

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 560,375	\$ 560,375	\$ 330,956	\$ 330,956	\$ (229,419)
Intergovernmental	11,028,250	11,097,250	5,795,964	5,795,964	(5,301,286)
Charges for services	1,014,700	1,014,700	542,697	542,697	(472,003)
Investment income	22,775	22,775	34,846	34,846	12,071
Miscellaneous revenue	-	-	3,363	3,363	3,363
Total revenues	<u>12,626,100</u>	<u>12,695,100</u>	<u>6,707,826</u>	<u>6,707,826</u>	<u>(5,987,274)</u>
EXPENDITURES					
Airport operations	3,012,500	3,012,500	1,352,546	1,352,546	1,659,954
FAA grants	10,391,675	10,391,675	6,767,721	6,767,721	3,623,954
Total expenditures	<u>13,404,175</u>	<u>13,404,175</u>	<u>8,120,267</u>	<u>8,120,267</u>	<u>5,283,908</u>
Excess (deficiency) of revenues over expenditures	(778,075)	(709,075)	(1,412,441)	(1,412,441)	(703,366)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>1,023,200</u>	<u>1,023,200</u>	<u>382,775</u>	<u>382,775</u>	<u>(640,425)</u>
Net change in fund balance	245,125	314,125	(1,029,666)	(1,029,666)	(1,343,791)
Fund balance - beginning	1,840,750	1,824,850	1,824,855	1,824,855	5
Fund balance - ending	<u>\$ 2,085,875</u>	<u>\$ 2,138,975</u>	<u>\$ 795,189</u>	<u>\$ 795,189</u>	<u>\$ (1,343,786)</u>

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

Schedule A-3

	2020	2019	2018
Total OPEB Liability			
Service Interest	\$ 30,599	\$ 34,480	\$ 37,018
Interest	23,732	26,161	22,055
Changes of benefit terms (losses)	- 15,649	- (48,962)	- -
Changes of assumption	-	(56,255)	(36,597)
Benefit payments	(72,198)	(66,022)	(60,244)
Net change in total OPEB liability	<u>(2,218)</u>	<u>(110,598)</u>	<u>(37,768)</u>
Total OPEB liability - beginning	<u>618,395</u>	<u>728,993</u>	<u>766,761</u>
Total OPEB liability - ending	<u>\$ 616,177</u>	<u>\$ 618,395</u>	<u>\$ 728,993</u>
Covered-employee payroll	10,020,468	9,905,073	9,507,830
Total OPEB liability as a percentage of covered- employee payroll	6.00%	6.24%	7.67%

City of Klamath Falls, Oregon
 Schedule of Proportionate Share - RHIA
 Last Three Fiscal Years¹

Schedule A-4

Measurement Date June 30,	Proportion of the net OPEB liability (asset) (a)	Proportionate share of the net OPEB liability (asset) (b)	Covered payroll (c)	Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.08760296%	\$ (169,281)	\$ 10,020,468	-1.69%	144.40%
2018	0.09072752%	(101,277)	9,905,073	-1.02%	124.00%
2017	0.09196963%	(38,383)	9,507,830	-0.40%	108.90%

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

¹This 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 Four Fiscal Years¹

Schedule A-5

Year Ended June 30,	Contractually determined contribution (a)	Contributions in relation to the actuarially required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2020	\$ 6,100	\$ 6,100	\$ -	\$ 10,261,348	0.06%
2019	43,418	43,418	-	10,020,468	0.43%
2018	43,931	43,931	-	9,905,073	0.44%
2017	45,788	45,788	-	9,507,830	0.48%

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

¹This 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 of payroll	Level percentage of payroll	Level percentage 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 stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance	stipulates \$60 monthly payment for healthcare insurance

City of Klamath Falls, Oregon
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan
Last Four Fiscal Years¹

Schedule A-6

Year Ended June 30,	Actuarially determined contribution (a)	Contributions in relation to the actuarially required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2020	\$ 55,135	\$ 55,135	\$ -	\$ 10,261,348	0.54%
2019	72,198	72,198	-	10,020,468	0.72%
2018	66,022	66,022	-	9,905,073	0.67%
2017	60,244	60,244	-	9,507,830	0.63%

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

¹This 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	July 1, 2016
Effective:	June 30, 2018 and 2019	June 30, 2016 and 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	6.8 years	7.7 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50 percent	2.50 percent
Projected salary increases	3.50 percent	3.50 percent

City of Klamath Falls, Oregon
 Schedule of Proportionate Share of Net Pension (Asset)/Liability
 For the Last Seven Fiscal Years¹

Schedule A-7

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2019	0.09192974%	\$ 15,901,643	10,020,468	158.69%	80.20%
2018	0.08956258%	13,567,551	9,905,073	136.98%	82.10%
2017	0.08938908%	12,049,683	9,507,830	126.73%	83.12%
2016	0.09248144%	13,883,611	9,314,418	149.06%	80.53%
2015	0.09065128%	5,204,708	9,389,238	55.43%	91.90%
2014	0.07740436%	(1,754,536)	9,063,997	-19.36%	103.60%
2013	0.09065128%	673,613	8,897,471	7.57%	91.97%

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

¹This 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.

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation. Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability as a reduction in 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 s leave, and vacation pay were updated.

City of Klamath Falls, Oregon
Schedule of Pension Contributions
Last Seven Fiscal Years¹

Schedule A-8

Year Ended June 30,	Statutorily required contribution (a)	Contributions in relation to the statutorily required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2020	\$ 1,509,744	\$ 1,509,744	\$ -	\$ 10,261,348	14.71%
2019	1,066,031	1,066,031	-	10,020,468	10.64%
2018	1,080,324	1,080,324	-	9,905,073	10.91%
2017	762,604	762,604	-	9,507,830	8.02%
2016	756,647	756,647	-	9,314,418	8.12%
2015	733,439	733,439	-	9,389,238	7.81%
2014	764,158	764,158	-	9,063,997	8.43%

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

¹This 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	Projected Unit Credit
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage 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, 2020

Stewardship, Compliance, and Accountability

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

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City had supplemental budgets during the year-ended June 30, 2020. Appropriations lapse as of year-end.

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City of Klamath Falls, Oregon

Other Supplementary Information



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NONMAJOR
GOVERNMENTAL
FUNDS COMBINING
STATEMENTS

City of Klamath Falls, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

Schedule B-1

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 476,507	\$ 34,219	\$ 510,726
Accounts receivable	81,602	-	81,602
Taxes receivable	29,885	23,674	53,559
Interest receivable	417	358	775
Restricted assets			
Cash and cash equivalents	113,085	-	113,085
Total Assets	\$ 701,496	\$ 58,251	\$ 759,747
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 70,464	\$ -	\$ 70,464
Unearned revenue	30,726	-	30,726
Advances from other funds	1,344,069	-	1,344,069
Total Liabilities	1,445,259	-	1,445,259
Deferred inflows of resources:			
Unavailable revenue - property taxes	21,156	16,198	37,354
Unavailable revenue - grant	6,353	-	6,353
Unavailable revenue - economic improvement district fees	4,827	-	4,827
Unavailable revenue - municipal court fines	3,050	-	3,050
Total Deferred Inflows of Resources	35,386	16,198	51,584
Total Liabilities and Deferred Inflows of Resources	1,480,645	16,198	1,496,843
Fund Balances:			
Restricted	82,875	-	82,875
Assigned	444,113	42,053	486,166
Unassigned	(1,306,137)	-	(1,306,137)
Total Fund Balances	(779,149)	42,053	(737,096)
Total Liabilities and Fund Balances	\$ 701,496	\$ 58,251	\$ 759,747

City of Klamath Falls, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

Schedule B-2

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 281,236	\$ 222,008	\$ 503,244
Intergovernmental	123,368	-	123,368
Licenses, fees and permits	47,039	-	47,039
Charges for services	100,609	-	100,609
Fines and forfeits	35,877	-	35,877
Investment income	17,402	3,328	20,730
Miscellaneous revenues	373	-	373
	<u>605,904</u>	<u>225,336</u>	<u>831,240</u>
EXPENDITURES			
Current:			
General government	1,255,588	-	1,255,588
Public safety	11,582	-	11,582
Highways and streets	71,905	-	71,905
Debt service:			
Principal	272,685	99,644	372,329
Interest	41,237	113,177	154,414
Capital outlay:			
General government	11,067	-	11,067
	<u>1,664,064</u>	<u>212,821</u>	<u>1,876,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,058,160)</u>	<u>12,515</u>	<u>(1,045,645)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	411,575	-	411,575
	<u>(646,585)</u>	<u>12,515</u>	<u>(634,070)</u>
Fund Balances - Beginning	(132,564)	29,538	(103,026)
Fund Balances - Ending	<u>\$ (779,149)</u>	<u>\$ 42,053</u>	<u>\$ (737,096)</u>

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CITY OF KLAMATH FALLS, OREGON
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

The 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, 2020

Schedule C-1

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables			
Accounts	-	-	-
Taxes	7,635	21,134	1,116
Interest	101	282	34
Restricted assets			
Cash and cash equivalents	281	171	30,782
Total Assets	\$ 8,017	\$ 21,587	\$ 31,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 2,448
Unearned revenue	-	-	-
Advances from other funds	499,496	106,973	737,600
Total Liabilities	499,496	106,973	740,048
Deferred inflows of resources:			
Unavailable revenue - property taxes	5,494	15,007	655
Unavailable revenue - grant	-	-	-
Unavailable revenue - downtown maint. district fees	-	-	-
Unavailable revenue - municipal court fines	-	-	-
Total Deferred Inflows of Resources	5,494	15,007	655
Total Liabilities and Deferred Inflows of Resources	504,990	121,980	740,703
Fund Balance:			
Restricted	-	-	-
Assigned	-	-	-
Unassigned	(496,973)	(100,393)	(708,771)
Total Fund Balance	(496,973)	(100,393)	(708,771)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 8,017	\$ 21,587	\$ 31,932

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Schedule C-1 *continued*

<u>Parking Fund</u>	<u>Downtown Maintenance District Fund</u>	<u>Economic Development/ Property Fund</u>	<u>BINET Fund</u>	<u>Total</u>
\$ 89,933	\$ 37,961	\$ 347,589	\$ 1,024	\$ 476,507
5,349	7,775	68,478	-	81,602
-	-	-	-	29,885
-	-	-	-	417
-	-	-	81,851	113,085
<u>\$ 95,282</u>	<u>\$ 45,736</u>	<u>\$ 416,067</u>	<u>\$ 82,875</u>	<u>\$ 701,496</u>
\$ 1,181	\$ 12,951	\$ 53,884	\$ -	\$ 70,464
19,670	11,056	-	-	30,726
-	-	-	-	1,344,069
20,851	24,007	53,884	-	1,445,259
-	-	-	-	21,156
-	-	6,353	-	6,353
-	4,827	-	-	4,827
3,050	-	-	-	3,050
3,050	4,827	6,353	-	35,386
23,901	28,834	60,237	-	1,480,645
-	-	-	82,875	82,875
71,381	16,902	355,830	-	444,113
-	-	-	-	(1,306,137)
71,381	16,902	355,830	82,875	(779,149)
<u>\$ 95,282</u>	<u>\$ 45,736</u>	<u>\$ 416,067</u>	<u>\$ 82,875</u>	<u>\$ 701,496</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, 2020

Schedule C-2

	<u>Lakefront Urban Renewal Fund</u>	<u>Town Center Urban Renewal Fund</u>	<u>Spring Street Urban Renewal Fund</u>
Revenues			
Taxes	\$ 68,738	\$ 196,968	\$ 15,530
Intergovernmental	-	-	-
Licenses, fees and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income	1,148	3,035	1,100
Miscellaneous revenues	-	-	-
	<u>69,886</u>	<u>200,003</u>	<u>16,630</u>
Total Revenues			
Expenditures			
Current:			
General government	-	-	707,254
Public safety	-	-	-
Highways and streets	-	-	-
Debt service:			
Principal	-	272,685	-
Interest	20,656	19,831	750
Capital outlay:			
General government	-	-	-
	<u>20,656</u>	<u>292,516</u>	<u>708,004</u>
Total Expenditures			
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>49,230</u>	<u>(92,513)</u>	<u>(691,374)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
	<u>49,230</u>	<u>(92,513)</u>	<u>(691,374)</u>
Net Change in Fund Balance			
Fund Balance - Beginning	<u>(546,203)</u>	<u>(7,880)</u>	<u>(17,397)</u>
Fund Balance - Ending	<u>\$ (496,973)</u>	<u>\$ (100,393)</u>	<u>\$ (708,771)</u>

Continued on next page

Schedule C-2 *continued*

<u>Parking Fund</u>	<u>Downtown Maintenance District Fund</u>	<u>Economic Development/ Property Fund</u>	<u>BINET Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 281,236
-	550	109,264	13,554	123,368
47,039	-	-	-	47,039
-	88,403	12,206	-	100,609
35,877	-	-	-	35,877
1,703	1,009	9,407	-	17,402
373	-	-	-	373
<u>84,992</u>	<u>89,962</u>	<u>130,877</u>	<u>13,554</u>	<u>605,904</u>
-	131,663	416,671	-	1,255,588
-	-	-	11,582	11,582
71,905	-	-	-	71,905
-	-	-	-	272,685
-	-	-	-	41,237
-	11,067	-	-	11,067
<u>71,905</u>	<u>142,730</u>	<u>416,671</u>	<u>11,582</u>	<u>1,664,064</u>
<u>13,087</u>	<u>(52,768)</u>	<u>(285,794)</u>	<u>1,972</u>	<u>(1,058,160)</u>
<u>35,000</u>	<u>45,575</u>	<u>321,000</u>	<u>10,000</u>	<u>411,575</u>
48,087	(7,193)	35,206	11,972	(646,585)
<u>23,294</u>	<u>24,095</u>	<u>320,624</u>	<u>70,903</u>	<u>(132,564)</u>
<u>\$ 71,381</u>	<u>\$ 16,902</u>	<u>\$ 355,830</u>	<u>\$ 82,875</u>	<u>\$ (779,149)</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, 2020

Schedule C-3

	BN 2019-2021		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 136,600	\$ 136,600	\$ 68,738	\$ 68,738	\$ (67,862)
Investment income	2,525	2,525	1,148	1,148	(1,377)
Total revenues	<u>139,125</u>	<u>139,125</u>	<u>69,886</u>	<u>69,886</u>	<u>(69,239)</u>
EXPENDITURES					
Lakefront Urban Renewal	160,000	160,000	-	-	160,000
Debt service	139,125	139,125	70,500	70,500	68,625
Total expenditures	<u>299,125</u>	<u>299,125</u>	<u>70,500</u>	<u>70,500</u>	<u>228,625</u>
Excess (deficiency) of revenues over expenditures	(160,000)	(160,000)	(614)	(614)	159,386
OTHER FINANCING SOURCES (USES)					
Loan proceeds - interfund loan	160,000	160,000	-	-	(160,000)
Net change in fund balance	-	-	(614)	(614)	159,386
Fund balance - beginning	-	3,125	3,137	3,137	12
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,125</u>	2,523	<u>\$ 2,523</u>	<u>\$ 159,398</u>
Reconciliation: Interfund loan			(499,496)		
Fund balance - ending (GAAP)			<u>\$ (496,973)</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, 2020

Schedule C-4

	BN 2019-2021		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 366,025	\$ 366,025	\$ 196,968	\$ 196,968	\$ (169,057)
Investment income	10,925	10,925	3,035	3,035	(7,890)
Total revenues	<u>376,950</u>	<u>376,950</u>	<u>200,003</u>	<u>200,003</u>	<u>(176,947)</u>
EXPENDITURES					
Debt service	<u>494,600</u>	<u>494,600</u>	<u>302,825</u>	<u>302,825</u>	<u>191,775</u>
Net change in fund balance	(117,650)	(117,650)	(102,822)	(102,822)	14,828
Fund balance - beginning	117,650	109,400	109,402	109,402	2
Fund balance - ending	<u>\$ -</u>	<u>\$ (8,250)</u>	<u>6,580</u>	<u>\$ 6,580</u>	<u>\$ 14,830</u>
Reconciliation: Interfund loan			<u>(106,973)</u>		
Fund balance - ending (GAAP)			<u>\$ (100,393)</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, 2020

Schedule C-5

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual	Total Actual for budget	Variance with
	Original	Final	FY 2019-20	period	Final Budget
REVENUES					
Taxes	\$ 73,000	\$ 60,900	\$ 15,530	\$ 15,530	\$ (45,370)
Investment income	-	-	1,100	1,100	1,100
Total revenues	<u>73,000</u>	<u>60,900</u>	<u>16,630</u>	<u>16,630</u>	<u>(44,270)</u>
EXPENDITURES					
Spring Street Urban Renewal	700,000	731,600	707,254	707,254	24,346
Debt service	63,725	51,625	12,150	12,150	39,475
Total expenditures	<u>763,725</u>	<u>783,225</u>	<u>719,404</u>	<u>719,404</u>	<u>63,821</u>
Excess (deficiency) of revenues over expenditures	(690,725)	(722,325)	(702,774)	(702,774)	19,551
OTHER FINANCING SOURCES (USES)					
Loan proceeds - interfund loan	<u>700,000</u>	<u>729,000</u>	<u>729,000</u>	<u>729,000</u>	-
Net change in fund balance	9,275	6,675	26,226	26,226	19,551
Fund balance - beginning	-	2,600	2,603	2,603	3
Fund balance - ending	<u>\$ 9,275</u>	<u>\$ 9,275</u>	<u>28,829</u>	<u>\$ 28,829</u>	<u>\$ 19,554</u>
Reconciliation: Interfund loan			<u>(737,600)</u>		
Fund balance - ending (GAAP)			<u>\$ (708,771)</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, 2020

Schedule C-6

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Licenses, fees and permits	\$ 86,025	\$ 86,025	\$ 47,039	\$ 47,039	\$ (38,986)
Fines and forfeits	92,125	92,125	35,877	35,877	(56,248)
Investment income	2,300	2,300	1,703	1,703	(597)
Miscellaneous revenue	-	-	373	373	373
Total revenues	<u>180,450</u>	<u>180,450</u>	<u>84,992</u>	<u>84,992</u>	<u>(95,458)</u>
EXPENDITURES					
Parking	<u>243,000</u>	<u>243,000</u>	<u>71,905</u>	<u>71,905</u>	<u>171,095</u>
Excess (deficiency) of revenues over expenditures	(62,550)	(62,550)	13,087	13,087	75,637
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>43,000</u>	<u>43,000</u>	<u>35,000</u>	<u>35,000</u>	<u>(8,000)</u>
Net change in fund balance	(19,550)	(19,550)	48,087	48,087	67,637
Fund balance - beginning	29,300	23,300	23,294	23,294	(6)
Fund balance - ending	<u>\$ 9,750</u>	<u>\$ 3,750</u>	<u>\$ 71,381</u>	<u>\$ 71,381</u>	<u>\$ 67,631</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, 2020

Schedule C-7

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 550	\$ 550	\$ 550
Charges for services	186,550	186,550	88,403	88,403	(98,147)
Investment income	2,300	2,300	1,009	1,009	(1,291)
Total revenues	<u>188,850</u>	<u>188,850</u>	<u>89,962</u>	<u>89,962</u>	<u>(98,888)</u>
EXPENDITURES					
Downtown Maintenance District	<u>291,025</u>	<u>302,100</u>	<u>142,730</u>	<u>142,730</u>	<u>159,370</u>
Excess (deficiency) of revenues over expenditures	(102,175)	(113,250)	(52,768)	(52,768)	60,482
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>85,000</u>	<u>85,000</u>	<u>45,575</u>	<u>45,575</u>	<u>(39,425)</u>
Net change in fund balance	(17,175)	(28,250)	(7,193)	(7,193)	21,057
Fund balance - beginning	18,100	24,100	24,095	24,095	(5)
Fund balance - ending	<u>\$ 925</u>	<u>\$ (4,150)</u>	<u>\$ 16,902</u>	<u>\$ 16,902</u>	<u>\$ 21,052</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, 2020

Schedule C-8

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Intergovernmental	\$ 50,000	\$ 80,175	\$ 109,264	\$ 109,264	\$ 29,089
Charges for services	24,350	24,350	12,206	12,206	(12,144)
Investment income	6,000	6,000	9,407	9,407	3,407
Total revenues	<u>80,350</u>	<u>110,525</u>	<u>130,877</u>	<u>130,877</u>	<u>20,352</u>
EXPENDITURES					
Economic development/property	<u>860,800</u>	<u>1,028,975</u>	<u>416,671</u>	<u>416,671</u>	<u>612,304</u>
Excess (deficiency) of revenues over expenditures	(780,450)	(918,450)	(285,794)	(285,794)	632,656
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>595,000</u>	<u>681,000</u>	<u>321,000</u>	<u>321,000</u>	<u>(360,000)</u>
Net change in fund balance	(185,450)	(237,450)	35,206	35,206	272,656
Fund balance - beginning	219,125	320,625	320,624	320,624	(1)
Fund balance - ending	<u>\$ 33,675</u>	<u>\$ 83,175</u>	<u>\$ 355,830</u>	<u>\$ 355,830</u>	<u>\$ 272,655</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, 2020

Schedule C-9

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Intergovernmental	\$ 6,000	\$ 6,000	\$ 13,554	\$ 13,554	\$ 7,554
EXPENDITURES					
BINET	36,000	36,000	11,582	11,582	24,418
Excess (deficiency) of revenues over expenditures	(30,000)	(30,000)	1,972	1,972	31,972
OTHER FINANCING SOURCES (USES)					
Transfers in	20,000	20,000	10,000	10,000	(10,000)
Net change in fund balance	(10,000)	(10,000)	11,972	11,972	21,972
Fund balance - beginning	71,425	70,900	70,903	70,903	3
Fund balance - ending	\$ 61,425	\$ 60,900	\$ 82,875	\$ 82,875	\$ 21,975

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, 2020

Schedule D-1

	BN 2019-2021		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Charges for services	\$ 108,000	\$ 108,000	\$ 54,000	\$ 54,000	\$ (54,000)
Investment income	32,000	32,000	53,989	53,989	21,989
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>107,989</u>	<u>107,989</u>	<u>(32,011)</u>
Net change in fund balance	140,000	140,000	107,989	107,989	(32,011)
Fund balance - beginning	15,036,075	15,040,325	15,040,328	15,040,328	3
Fund balance - ending	<u>\$ 15,176,075</u>	<u>\$ 15,180,325</u>	<u>\$ 15,148,317</u>	<u>\$ 15,148,317</u>	<u>\$ (32,008)</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, 2020

Schedule D-2

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Charges for services	\$ 1,154,625	\$ 1,154,625	\$ 584,565	\$ 584,565	\$ (570,060)
Investment income	134,250	134,250	282,687	282,687	148,437
Total revenues	<u>1,288,875</u>	<u>1,288,875</u>	<u>867,252</u>	<u>867,252</u>	<u>(421,623)</u>
EXPENDITURES					
Escrow reserve	-	1,000	384	384	616
Total expenditures	<u>-</u>	<u>1,000</u>	<u>384</u>	<u>384</u>	<u>616</u>
Excess (deficiency) of revenues over expenditures	1,288,875	1,287,875	866,868	866,868	(422,239)
OTHER FINANCING SOURCES (USES)					
Transfers out	(1,335,250)	(1,421,250)	(442,186)	(442,186)	979,064
Interfund loan	(700,000)	(729,000)	(729,000)	(729,000)	-
Interfund loan repayment	244,550	232,450	71,553	71,553	(160,897)
Total other financing sources (uses)	<u>(1,790,700)</u>	<u>(1,917,800)</u>	<u>(1,099,633)</u>	<u>(1,099,633)</u>	<u>818,167</u>
Net change in fund balance	(501,825)	(629,925)	(232,765)	(232,765)	395,928
Fund balance - beginning	9,068,475	9,128,850	9,128,839	9,128,839	(11)
Fund balance - ending	<u>\$ 8,566,650</u>	<u>\$ 8,498,925</u>	8,896,074	<u>\$ 8,896,074</u>	<u>\$ 395,917</u>
Reconciliation: Interfund loan			<u>1,344,069</u>		
Fund balance - ending (GAAP)			<u>\$ 10,240,143</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, 2020

Schedule E-1

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 435,525	\$ 435,525	\$ 222,008	\$ 222,008	\$ (213,517)
Investment income	5,625	5,625	3,328	3,328	(2,297)
Total revenues	<u>441,150</u>	<u>441,150</u>	<u>225,336</u>	<u>225,336</u>	<u>(215,814)</u>
EXPENDITURES					
Debt service	<u>437,775</u>	<u>437,775</u>	<u>212,821</u>	<u>212,821</u>	<u>224,954</u>
Net change in fund balance	3,375	3,375	12,515	12,515	9,140
Fund balance - beginning	125	29,550	29,538	29,538	(12)
Fund balance - ending	<u>\$ 3,500</u>	<u>\$ 32,925</u>	<u>\$ 42,053</u>	<u>\$ 42,053</u>	<u>\$ 9,128</u>

City of Klamath Falls, Oregon
 Veterans Memorial Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2020

Schedule F-1

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and cash equivalents	\$ 159,508	\$ 4,550	\$ 395	\$ 163,663
	\$ 159,508	\$ 4,550	\$ 395	\$ 163,663
LIABILITIES				
Due to Veterans Associations	\$ 159,508	\$ 4,550	\$ 395	\$ 163,663
	\$ 159,508	\$ 4,550	\$ 395	\$ 163,663

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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, 2020

Schedule G-1

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 2,202	\$ 2,202	\$ 2,202
Charges for services	14,456,825	14,456,825	7,105,977	7,105,977	(7,350,848)
Investment income	429,975	429,975	516,405	516,405	86,430
System development charges	250,000	250,000	606,346	606,346	356,346
Miscellaneous revenue	-	-	7,241	7,241	7,241
Total revenues	<u>15,136,800</u>	<u>15,136,800</u>	<u>8,238,171</u>	<u>8,238,171</u>	<u>(6,898,629)</u>
EXPENDITURES					
Collections	7,646,950	7,646,950	2,723,557	2,723,557	4,923,393
Treatment	48,957,850	48,957,850	3,362,115	3,362,115	45,595,735
Debt service	4,339,600	4,339,600	806,714	806,714	3,532,886
Total expenditures	<u>60,944,400</u>	<u>60,944,400</u>	<u>6,892,386</u>	<u>6,892,386</u>	<u>54,052,014</u>
Excess (deficiency) of revenues over expenditures	(45,807,600)	(45,807,600)	1,345,785	1,345,785	47,153,385
OTHER FINANCING SOURCES (USES)					
Transfers in	4,835,250	4,835,250	391,186	391,186	(4,444,064)
Loan Proceeds	38,000,000	38,000,000	919,857	919,857	(37,080,143)
Total other financing sources (uses)	<u>42,835,250</u>	<u>42,835,250</u>	<u>1,311,043</u>	<u>1,311,043</u>	<u>(41,524,207)</u>
Net change in fund balance	(2,972,350)	(2,972,350)	2,656,828	2,656,828	5,629,178
Fund balance - beginning	10,482,050	10,289,425	10,289,423	10,289,423	(2)
Fund balance - ending	<u>\$ 7,509,700</u>	<u>\$ 7,317,075</u>	<u>12,946,251</u>	<u>\$ 12,946,251</u>	<u>\$ 5,629,176</u>
Reconciliation					
Prepaid items			35,071		
Notes & Accounts Receivable			152,639		
Capital assets, net of accumulated depreciation			32,800,241		
Net OPEB asset/(liability)			(32,368)		
OPEB deferred inflows of resources			(9,780)		
OPEB deferred outflows of resources			5,557		
Compensated absences			(90,530)		
Bond refunding deferred charge			98,647		
Accrued interest payable			(125,720)		
Bonds payable			(3,776,704)		
Loan payable			(4,550,200)		
Deferred outflows of resources - pensions			349,877		
Deferred inflows of resources - pensions			(86,498)		
Net pension liability			<u>(1,151,743)</u>		
Net position - ending (GAAP)			<u>\$ 36,564,740</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, 2020

Schedule G-2

	BN 2019-2021		First Year Actual FY 2019-20	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 3,363	\$ 3,363	\$ 3,363
Charges for services	15,931,575	15,931,575	8,092,124	8,092,124	(7,839,451)
Investment income	465,550	465,550	558,438	558,438	92,888
Internal service charges	805,675	805,675	395,875	395,875	(409,800)
System development charges	204,875	204,875	259,583	259,583	54,708
Miscellaneous revenue	19,125	19,125	7,843	7,843	(11,282)
Total revenues	<u>17,426,800</u>	<u>17,426,800</u>	<u>9,317,226</u>	<u>9,317,226</u>	<u>(8,109,574)</u>
EXPENDITURES					
Operations	13,451,625	13,451,625	5,597,438	5,597,438	7,854,187
Utility billing	2,596,675	2,596,675	1,193,539	1,193,539	1,403,136
Geothermal	1,368,175	1,368,175	999,793	999,793	368,382
Debt service	130,000	130,000	65,685	65,685	64,315
Total expenditures	<u>17,546,475</u>	<u>17,546,475</u>	<u>7,856,455</u>	<u>7,856,455</u>	<u>9,690,020</u>
Excess (deficiency) of revenues over expenditures	(119,675)	(119,675)	1,460,771	1,460,771	1,580,446
OTHER FINANCING SOURCES (USES)					
Transfers out	(1,940,825)	(1,940,825)	(960,800)	(960,800)	980,025
Net change in fund balance	(2,060,500)	(2,060,500)	499,971	499,971	2,560,471
Fund balance - beginning	5,471,825	6,074,625	6,074,620	6,074,620	(5)
Fund balance - ending	<u>\$ 3,411,325</u>	<u>\$ 4,014,125</u>	<u>6,574,591</u>	<u>\$ 6,574,591</u>	<u>\$ 2,560,466</u>
Reconciliation					
Prepaid items			63,541		
Notes & Accounts Receivable			49,287		
Capital assets, net of accumulated depreciation			36,809,236		
Net OPEB asset/(liability)			(56,089)		
OPEB deferred inflows of resources			(16,948)		
OPEB deferred outflows of resources			9,630		
Compensated absences			(183,512)		
Accrued interest payable			(12,942)		
Loans payable			(506,304)		
Deferred outflows of resources - pensions			606,279		
Deferred inflows of resources - pensions			(149,887)		
Net pension liability			(1,995,782)		
Net position - ending (GAAP)			<u>\$ 41,191,100</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, 2020

Schedule H-1

Function and Activity	Land	Buildings	Machinery and Equipment		Intangibles	Infrastructure	Construction in Progress	Total
			Equipment					
General Government:								
Manager	\$ 1,097,241	\$ 3,649,250	\$ 142,627	\$ -	\$ -	\$ 1,214,428	\$ -	\$ 6,103,546
Information Systems	-	-	161,379	590,303	-	-	-	751,682
Engineering	-	-	239,463	12,500	-	-	-	251,963
Maintenance	-	79,087	237,206	-	-	-	-	316,293
Economic Development	544,243	-	-	-	-	-	-	544,243
Total General Government	1,641,484	3,728,337	780,675	602,803	-	1,214,428	-	7,967,727
Airport	9,193,403	4,065,962	2,756,453	-	-	65,878,056	7,825,087	89,718,962
Culture and Recreation	670,948	1,452,288	1,952,459	-	-	4,067,917	1,497,624	9,641,235
Public safety	399,111	8,152,307	2,394,977	-	-	-	-	10,946,395
Highways and Streets:								
Maintenance	1,500	215,816	3,549,860	40,686	-	-	-	3,807,862
Street System	2,100,947	99,186	871,496	31,920	137,704,776	100,482	100,482	140,908,807
Total Highways and Streets	2,102,447	315,002	4,421,355	72,606	137,704,776	100,482	100,482	144,716,669
Total Governmental Funds Capital Assets	\$ 14,007,394	\$ 17,713,896	\$ 12,305,920	\$ 675,409	\$ 208,865,176	\$ 9,423,193	\$ -	\$ 262,990,988

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, 2020

Schedule H-2

Function and Activity	Governmental Funds Capital Assets July 1, 2019	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2020
General Government:				
Manager	\$ 6,603,349	\$ 65,792	\$ (565,595)	\$ 6,103,546
Information Systems	1,491,210	-	(739,528)	751,682
Engineering	354,804	8,429	(111,270)	251,963
Maintenance	270,738	-	45,555	316,293
Economic Development	544,243	-	-	544,243
Total General Government	<u>9,264,344</u>	<u>74,221</u>	<u>(1,370,838)</u>	<u>7,967,727</u>
Airport	<u>83,075,771</u>	<u>6,764,036</u>	<u>(120,845)</u>	<u>89,718,962</u>
Culture and Recreation	<u>9,185,983</u>	<u>656,645</u>	<u>(201,393)</u>	<u>9,641,235</u>
Public safety:				
Police	10,780,779	408,838	(243,222)	10,946,395
Code enforcement	76,625	-	(76,625)	-
Total Public Safety	<u>10,857,404</u>	<u>408,838</u>	<u>(319,847)</u>	<u>10,946,395</u>
Highways and streets:				
Maintenance	3,482,289	359,435	(33,861)	3,807,862
Street system	139,991,599	917,208	-	140,908,807
Total Highways and Streets	<u>143,473,887</u>	<u>1,276,643</u>	<u>(33,861)</u>	<u>144,716,669</u>
Total Governmental Funds Capital Assets	<u><u>\$ 255,857,389</u></u>	<u><u>\$ 9,180,383</u></u>	<u><u>\$ (2,046,783)</u></u>	<u><u>\$ 262,990,988</u></u>

City of Klamath Falls, Oregon

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

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$101,122,675	\$ 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
Restricted	5,254,223	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
Unrestricted	25,387,537	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
Total governmental activities net position	\$131,764,435	\$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
Business-type activities										
Net investment in capital assets	\$ 60,863,067	\$ 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
Restricted	1,417,157	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
Unrestricted	15,475,616	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
Total business-type activities net position	\$ 77,755,840	\$ 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
Primary government										
Net investment in capital assets	\$161,985,742	\$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
Restricted	6,671,380	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
Unrestricted	40,863,153	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
Total primary government net position	\$209,520,275	\$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

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

Schedule I-2a

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
General government	\$ 7,860,667	\$ 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
Airport	3,317,849	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
Culture and recreation	1,757,881	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
Public safety	7,758,364	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
Highways and streets	4,303,395	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
Interest on long-term debt	260,602	277,253	252,843	386,404	426,013	450,287	409,176	435,161	468,537	514,306
Total governmental activities	25,258,758	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
Business-type activities:										
Wastewater	6,448,198	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
Water	7,334,319	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
Total business-type activities	13,782,517	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
Total expenses	\$ 39,041,275	\$ 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
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 3,866,148	\$ 3,812,814	\$ 2,933,356	\$ 2,776,556	\$ 2,855,961	\$ 2,837,399	\$ 286,623	\$ 484,091	\$ 375,711	\$ 297,346
Airport	546,060	513,813	571,764	685,469	470,645	524,083	714,909	709,978	690,670	752,472
Culture and recreation	324,830	207,757	222,568	208,900	208,900	184,357	152,142	139,322	32,895	26,465
Public safety	19,698	31,534	61,438	33,462	33,462	404,376	446,467	421,800	511,539	486,579
Highways and streets	335,381	415,264	354,625	332,301	347,832	151,678	355,562	302,871	310,576	298,671
Operating grants and contributions	330,149	272,096	231,631	353,709	247,032	108,891	117,860	278,724	408,138	1,228,734
Capital grants and contributions	6,899,870	1,982,334	6,959,883	3,010,978	916,336	831,469	2,236,523	986,649	1,824,829	3,123,541
Total governmental activities	12,322,136	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
Business-type activities:										
Charges for services										
Wastewater	7,870,573	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
Water	8,790,522	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
Operating grants and contributions	5,565	-	-	-	-	-	-	-	1,989	45,623
Capital grants and contributions	92,780	-	7,200	48,030	275,677	339,176	864,767	428,094	43,543	172,287
Total business-type activities	16,759,440	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
Total program revenues	\$ 29,081,576	\$ 23,287,022	\$ 28,047,816	\$ 23,064,600	\$ 20,376,253	\$ 20,102,678	\$ 19,134,271	\$ 17,977,884	\$ 17,155,812	\$ 19,380,705

Continued on next page

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Program Revenues										
Net (expense)/revenue										
Governmental activities	\$ (12,936,622)	\$ (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)
Business-type activities	2,976,923	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
Total net expense (revenue)	\$ (9,959,699)	\$ (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)
General Revenues										
Governmental activities:										
Property taxes	\$ 8,514,563	\$ 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
Franchise taxes	2,762,831	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
911 excise tax	-	-	-	-	-	-	-	51,006	102,784	105,920
Motor fuel taxes	1,501,270	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
Alcoholic beverage taxes	389,885	363,917	346,268	331,238	309,573	309,693	300,889	284,182	268,841	250,378
Cigarette taxes	23,960	25,102	26,782	27,459	28,420	28,698	28,905	30,238	30,699	32,418
Transient room taxes	642,162	584,170	681,281	560,037	505,000	507,012	448,867	400,655	470,879	494,922
State revenue sharing	332,131	229,621	284,662	214,081	193,598	199,962	202,054	183,829	177,232	163,365
Federal forest receipts	175,000	400,000	-	114,654	110,195	1,103,867	-	-	-	-
Unrestricted investment earnings	1,111,201	983,126	344,146	386,276	344,046	247,792	199,778	178,996	227,402	222,930
Gain on sale of capital assets	-	-	-	(41,129)	12,351	2,199	111,709	-	750	30,435
Special and extraordinary items	-	-	-	-	-	-	-	-	1,133,000	-
Insurance recoveries	-	-	-	-	9,865	15,123	-	-	-	-
Transfer of capital asset	-	12,198	-	-	30,463	(1,293,837)	-	-	-	-
Transfers in / (out)	569,614	2,333,850	(2,041,525)	948,520	15,241,622	1,569,912	385,189	285,180	238,653	379,138
Total general revenues, transfers, and special items	16,022,617	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
Business-type activities:										
Unrestricted investment earnings	1,074,843	1,086,983	201,465	91,880	280,301	142,631	104,507	95,196	80,863	60,273
Gain on sale of capital assets	-	12,730	-	-	-	-	-	-	-	-
Transfer of capital asset	-	(12,198)	-	-	(30,463)	1,293,837	-	-	-	-
Transfers in / (out)	(569,614)	(2,333,850)	2,041,525	(948,520)	(15,241,622)	(1,569,912)	(385,189)	(285,180)	(238,653)	(379,138)
Total business-type activities	505,229	(1,246,335)	2,242,990	(856,640)	(14,991,784)	(133,444)	(280,682)	(189,984)	(157,790)	(318,865)
Total primary government	\$ 16,527,846	\$ 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
Change in Net Position										
Governmental activities	\$ 3,085,995	\$ 1,711,543	\$ 1,585,803	\$ (245,019)	\$ 9,951,922	\$ (1,992,450)	\$ (1,350,013)	\$ (2,258,664)	\$ (912,561)	\$ (41,692)
Business-type activities	3,482,152	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
Total Change in Net Position	\$ 6,568,147	\$ 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

City of Klamath Falls, Oregon
Fund Balances of Government Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Schedule I-3

	2020	2019	2018	2017	2016 ²	2015 ¹	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 42,196	\$ 54,125	\$ 46,849	\$ 45,496	\$ 38,971	\$ 130,701	\$ 243,735	\$ 96,586	\$ 94,654	\$ 123,265
Restricted	368,080	302,906	278,326	144,847	133,776	80,454	65,278	56,596	-	-
Assigned	1,413,360	2,457,493	2,716,501	4,188,842	5,751,645	103,791	39,638	49,638	521,743	954,280
Unassigned	12,872,697	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
Total general fund	\$ 14,696,333	\$ 13,742,894	\$ 11,337,479	\$ 11,559,914	\$ 11,204,546	\$ 3,561,893	\$ 4,801,958	\$ 4,353,350	\$ 4,504,060	\$ 4,083,309
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 8,544	\$ 125,307	\$ 149,572	\$ 91,110	\$ 75,919	\$ 104,942
Restricted	4,886,143	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	21,866,547	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	(1,306,137)	(571,480)	(641,563)	(672,379)	(902,008)	(901,147)	(796,705)	-	-	(206,459)
Total all other governmental funds	\$ 25,446,553	\$ 26,577,618	\$ 23,328,460	\$ 26,966,877	\$ 26,506,533	\$ 19,163,255	\$ 15,872,998	\$ 16,196,999	\$ 14,423,216	\$ 13,830,011

¹ In fiscal year 2015 the General Fund fund transferred \$2 million to the Capital Projects Fund (formerly Building Reserve Fund)

² In fiscal year 2016 the General Fund fund balance increased significantly because the fund balances of three former special revenue funds (Parks, Streets and Street Lighting) were transferred into the General Fund. These three funds are not departments in the General Fund. In fiscal year 2016 the Capital Projects Fund received a \$10 million transfer from the Wastewater Fund and a \$4.5 million transfer from the Water Fund.

City of Klamath Falls, Oregon
Changes in Fund Balances of Government Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

Schedule I-4a

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 8,500,410	\$ 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
Special assessments	16,926	10,898	15,456	17,215	48,688	-	800	97,227	2,479	6,387
Intergovernmental	8,790,444	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
Licenses, fees and permits	326,247	192,974	179,634	153,232	163,011	178,499	183,764	194,230	224,155	216,805
Franchise fees	2,772,079	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
Charges for services	1,703,043	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
Internal charges for services	2,698,883	2,695,418	2,602,322	2,509,271	2,422,161	2,936,762	-	-	-	-
Fines and forfeitures	304,951	360,436	417,160	341,693	344,653	460,151	452,676	432,056	471,487	441,085
Investment earnings	1,111,201	983,126	344,146	386,276	344,046	247,792	285,013	195,184	251,546	246,054
Miscellaneous	188,823	115,121	472,493	316,809	138,949	146,519	330,967	337,110	860,705	139,516
System development charges	-	-	-	-	-	2,722	-	-	-	4,549
Total Revenues	\$ 26,413,007	\$ 23,111,411	\$ 23,771,049	\$ 20,272,080	\$ 17,357,189	\$ 18,231,739	\$ 19,209,304	\$ 18,852,170	\$ 21,557,958	\$ 22,628,271

Expenditures

Current:										
General government	\$ 6,712,988	\$ 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
Airport	1,356,231	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
Culture and recreation	1,391,876	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
Public safety	6,214,809	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
Highways and streets	1,888,350	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
Debt service:										
Principal	562,328	400,200	455,866	284,923	429,187	1,545,504	878,156	1,078,192	1,246,208	1,679,938
Interest	257,660	272,319	258,004	390,994	418,248	472,719	429,641	454,509	482,696	542,702
Capital outlay:										
General government	19,496	17,487	81,097	50,727	691,549	666,569	1,268,137	98,237	1,243,738	427,806
Airport	6,764,036	1,071,141	6,234,882	2,714,340	670,989	294,464	1,071,748	487,536	204,245	1,772,448
Culture and recreation	417,271	724,636	785,602	179,520	190,611	152,894	105,539	224,123	343,890	401,250
Public safety	408,838	100,565	400,969	247,584	259,835	203,127	175,045	153,902	90,723	1,342,951
Highways and streets	1,263,743	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
Total Expenditures	27,257,626	19,914,520	25,742,339	20,405,979	17,635,096	19,205,699	20,150,076	18,137,995	21,632,655	25,251,778
Excess (Deficiency) of Revenues over Expenditures	(844,619)	3,196,891	(1,971,290)	(133,899)	(277,907)	(973,960)	(940,772)	714,175	(74,697)	(2,623,507)

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

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other financing sources (uses)										
Transfers in	1,372,375	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
Transfers out	(802,761)	(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)
General long-term debt issued	-	-	58,950	-	-	1,417,262	414,721	600,000	350,000	105,500
Insurance recoveries	11,225	45,359	11,599	91	9,865	15,123	-	-	-	-
Sale of general capital assets	86,154	78,473	81,414	1,000	12,351	70,771	187,706	23,718	-	-
Total Other Financing Sources (Uses)	666,993	2,457,682	(1,889,562)	949,611	15,263,838	3,073,068	1,065,379	908,898	588,653	495,975
Net change in fund balances before extraordinary item	(177,626)	5,654,573	(3,860,852)	815,712	14,985,931	2,099,108	124,607	1,623,073	513,956	(2,127,532)
Extraordinary item	-	-	-	-	-	-	-	-	500,000	-
Net change in fund balances	\$ (177,626)	\$ 5,654,573	\$ (3,860,852)	\$ 815,712	\$ 14,985,931	\$ 2,099,108	\$ 124,607	\$ 1,623,073	\$ 1,013,956	\$ (2,127,532)
Debt service as a percentage of noncapital expenditures	4.46%	4.00%	4.45%	4.27%	5.59%	12.32%	7.96%	9.07%	9.49%	11.71%

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 ¹		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value ¹	Assessed Value	Estimated Actual Value ¹			Actual Value	Estimated Value	
2020	\$ 1,476,641	\$ 2,263,305	\$ 59,207	\$ 59,207	\$ 1,535,847	\$ 5.14	\$ 2,322,512	\$ 2,322,512	66.1%
2019	1,420,291	2,057,817	50,700	50,700	1,470,991	5.19	2,108,517	2,108,517	69.8%
2018	1,363,797	2,116,041	52,366	52,366	1,416,163	5.23	2,168,407	2,168,407	65.3%
2017	1,309,448	1,777,953	51,454	51,454	1,360,902	5.25	1,829,407	1,829,407	74.4%
2016	1,305,308	1,900,989	50,033	50,033	1,355,341	5.24	1,951,022	1,951,022	69.5%
2015	1,287,767	1,828,863	49,080	49,080	1,336,847	5.43	1,877,943	1,877,943	71.2%
2014	1,240,897	1,769,715	52,113	52,113	1,293,010	5.67	1,821,828	1,821,828	71.0%
2013	1,240,906	1,806,891	52,113	52,113	1,293,019	5.74	1,859,004	1,859,004	69.6%
2012	1,239,596	1,941,724	52,576	52,576	1,292,172	5.93	1,994,300	1,994,300	64.8%
2011	1,220,364	2,199,827	57,007	57,007	1,277,371	6.01	2,256,834	2,256,834	56.6%

Source: Klamath County Assessors Office.

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

¹ Includes Urban Renewal Districts.

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

Schedule I-6

Fiscal Year	Overlapping Rates										Total Direct and Overlapping
	City of Klamath Falls ²					Klamath County					
	Operating Millage	Debt Service Millage	Total City Millage	School District Operating Millage	Other	Operating Millage	Debt Service Millage	Total County Millage			
2020	\$ 4.99	\$ 0.15	\$ 5.14	\$ 4.02	\$ 3.66	\$ 1.71	\$ 1.57	\$ 3.28			\$ 16.10
2019	5.04	0.15	5.19	4.02	3.65	1.71	1.59	3.30			16.16
2018	5.10	0.13	5.23	4.11	3.66	1.71	1.56	3.27			16.27
2017	5.11	0.14	5.25	4.10	3.66	1.71	1.57	3.28			16.29
2016	5.11	0.13	5.24	4.10	3.99	1.62	1.02	2.64			15.97
2015	5.28	0.15	5.43	4.08	4.13	1.68	0.61	2.29			15.93
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

¹ Millage rates are reported after compression

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

Source: Klamath County Assessor and Klamath County Budget Officer.

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

	2020				2011			
	Taxable Assessed Value	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value		
	\$			\$				
Jeld Wen, Inc. - Wood products manufacturing	53,479	1	3.52%	54,087	1	4.45%		
Avista Corporation - Natural Gas Utility	22,240	2	1.46					
Wal Mart - Retail Department store	18,594	3	1.22	14,700	2	1.21		
Charter Communications - Telecommunications	20,430	4	1.34	10,507	8	0.86		
Fred Meyer Stores, Inc. - Retail Department Store	15,667	5	1.03	12,733	5	1.05		
CenturyLink - Telecommunications	13,347	6	0.88					
Klamath Falls MSL LLC	12,153	7	0.80					
Lithia Real Estate Inc	9,452	8	0.62					
Pacificorp - Electric utility	9,122	9	0.60	10,886	10	0.89		
Klamath - Jefferson LLC - Shopping Center	8,344	10	0.55	12,014	6	0.99		
Running Y Resort, Inc.				16,882	3	1.39		
Qwest Corporation- Communications				11,502	7	0.95		
Aqua Glass Western, Inc.				10,199	9	0.84		
Evergreen Environmental Dev Corp- Shopping Center				13,683	4	1.12		
	<u>\$ 182,828</u>		<u>12.03%</u>	<u>\$ 167,193</u>		<u>13.74%</u>		

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

Schedule I-8

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount Collected	Percentage of Levy	Collections in Subsequent Years	Amount Collected	Percentage of Levy	
2020	\$ 8,473	\$ 7,792	91.96%	-	\$ 7,792	91.96%	
2019	7,947	7,382	92.89%	199	7,581	95.40%	
2018	7,540	6,953	92.21%	252	7,205	95.56%	
2017	7,216	6,355	88.07%	326	6,681	92.59%	
2016	7,128	6,548	91.86%	362	6,910	96.94%	
2015	7,160	6,590	92.04%	335	6,925	96.72%	
2014	7,157	6,522	91.13%	368	6,890	96.27%	
2013	7,405	6,788	91.67%	397	7,185	97.02%	
2012	7,658	6,955	90.82%	465	7,420	96.89%	
2011	7,671	6,930	90.34%	505	7,435	96.92%	

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 ¹	Full Faith & Credit Bonds ¹	SPWF & Other Loans	Revenue Bonds	Line of Credit Loans	Total
2020	\$ 3,871	\$ 2,144	\$ 2,249	\$ -	\$ 337	8,601
2019	3,971	2,335	2,249	-	610	9,165
2018	4,066	2,522	2,249	-	730	9,567
2017	4,022	2,698	2,249	-	848	9,817
2016	4,023	2,870	2,249	-	963	10,105
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

Business-Type Activities						
Fiscal Year	Water SPWF Loans	Water Revenue Bonds	Wastewater State Revolving Loan	Wastewater Revenue Bonds	Wastewater SPWF Loans	Total
2020	\$ 506	\$ -	\$ 4,550	\$ 3,777	\$ -	8,833
2019	548	-	3,630	4,480	-	8,658
2018	585	-	-	5,172	-	5,757
2017	621	-	-	5,842	-	6,463
2016	657	-	-	6,499	-	7,156
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

Fiscal Year	Total Outstanding Debt	% of Personal Income ²	Population ³	Debt Per Capita
2020	\$ 17,434	3.66%	22,002	792
2019	17,823	4.19%	21,890	814
2018	15,324	3.60%	21,890	700
2017	16,280	3.82%	21,770	748
2016	17,261	4.05%	21,640	798
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

¹ Presented net of original issuance discounts and premiums.

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

³ Schedule I-14- Portland State University

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

(amounts expressed in thousands, except per capita amount)

Schedule I-10

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Available in Debt Service Fund ²	Total	Percentage of Estimated Actual Taxable Value of Property ³	Per Capita ⁴
2020	\$ 3,871	\$ 42	3,829	0.25%	174
2019	3,971	30	3,941	0.27%	180
2018	4,066	(51)	4,117	0.29%	188
2017	4,022	8	4,014	0.29%	184
2016	4,023	30	3,993	0.29%	185
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

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

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

² This is the amount restricted for debt service principle payments.

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

⁴ Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Klamath Falls, Oregon
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020
(amounts expressed in thousands)

Schedule I-11

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Amount Applicable to the City of Klamath Falls</u>
Klamath Community College	\$ 5,688	31.24%	\$ 1,777
Klamath County Emergency Comm	880	28.65%	252
Klamath County Fire District #1	175	49.82%	87
Klamath County School Distirct	38,762	9.33%	3,618
Klamath City School District	34,692	66.19%	22,963
Subtotal, overlapping debt			28,697
City of Klamath Falls direct debt ¹			8,601
Total direct and overlapping debt			<u>\$ 37,298</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.

¹ City of Klamath Falls direct debt includes \$3,871 general obligation, \$2,144 full faith and credit bonds, and \$2,585 in Urban Renewal loans.

City of Klamath Falls, Oregon
Legal Debt Margin Information
June 30, 2020
(amounts expressed in thousands)

Schedule I-12

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a % of Estimated Actual Value	Estimated Actual Taxable Value
2020	\$ 1,535,847	66.13%	\$ 2,322,512
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
Total Five Years Valuation			<u>\$ 10,379,865</u>
Five Year Average Full Valuation of Taxable Real Property			<u>\$ 2,075,973</u>
Constitutional Debt Limit (3% of total assessed value)			<u>\$ 46,075</u>
Outstanding General Obligation Indebtedness as of June 30, 2020			
Governmental Activities - General Obligation Debt			\$ 8,601
Governmental Activities - Short-term Debt - Current Portion of Lines of Credit			125
Net indebtedness subject to debt limit			<u>\$ 8,726</u>
Net debt contracting margin			\$ 37,349
Percentage of net debt contracting margin available			<u>81.06%</u>
Percentage of net debt contracting power exhausted			<u>18.94%</u>

Last Ten Fiscal Years

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2020	\$ 46,075	\$ 8,726	81.06%
2019	44,130	9,289	78.95%
2018	42,485	9,688	77.20%
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%
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%

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

Schedule I-13

Wastewater Revenue Bonds							
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2020	\$ 7,632	\$ 4,846	\$ 2,786	\$ 703	\$ 103	3.46	
2019	7,710	4,556	3,154	692	119	3.89	
2018	7,849	4,495	3,354	670	135	4.17	
2017	7,655	4,085	3,570	657	151	4.42	
2016	7,372	4,249	3,123	673	136	3.86	
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	

Water Revenue Bonds ¹							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2020	\$ -	\$ -	\$ -	\$ -	\$ -	-	
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	

Airport Revenue Bonds ²							
Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2020	\$ -	\$ -	\$ -	\$ -	\$ -	-	
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	

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.

¹ Water Revenue Bonds were paid off in FY 2016.

² 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 ¹	City Median Age ²	City Per Capita Personal Income ³	City Aggregate Income ³ <i>(amounts expressed in thousands)</i>	City Education Level in Years of Formal Schooling ³	City Public School Enrollment ⁴	County Unemployment Rate ⁵
2020	22,002	35.4	23,260	475,777	Unavailable	2,959	7.9%
2019	21,890	34.9	21,898	Unavailable	Unavailable	2,988	6.4%
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%

Data Sources:

¹ Portland State University, Population Research Center (Supplement 2- March 31, 2020)

² U.S. Census Bureau (2018: ACS 5-Year Estimate:)

³ U.S. Census Bureau, Quick Facts (2014-2018 Estimate)

⁴ Oregon Department of Education

⁵ Oregon State Employment Department, Quality Information, Economic Data

**City of Klamath Falls
Klamath County, Oregon
Principal Employers**

Current Year and Ten Years Prior

Schedule I-15

	2020			2011		
	Employees ¹	Percentage of Total City Employment ³	Rank	Percentage of Total County Employment ³	Employees ¹	Rank
Sky Lakes Medical Center	1,495	14.71%	1	7.22%	1,110	2
Klamath County School District	1,017	10.01%	2	4.91%	841	4
Kingsley Field Oregon Air National Guard	1,000	9.84%	3	4.83%	883	3
Jeld-Wen Inc. Wood Products	810	7.97%	4	3.91%	1,150	1
Klamath Falls City Schools	520	5.12%	5	2.51%	422	8
Klamath County	450	4.43%	6	2.17%	526	6
Oregon Institute of Technology	338	3.33%	7	1.63%	321	9
Wal-Mart	336	3.31%	8	1.62%	427	7
Fred Meyer	312	3.07%	9	1.51%		
Columbia Forest Products ²	250	2.46%	10	1.21%	213	10
iQor (Assurion)- Previously N.E.W					632	5
	6,528	64.25%		14.56%	6,525	
Total Employment ³		10,161		20,710		

¹ Numbers of employees furnished by employer.

² 2010 data represents County statistics. These employers are not within City limits.

³ 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
City Manager	5.00	5.00	4.00	4.70	5.00	5.00	3.75	3.75	4.50	4.50
Legal	-	-	-	1.00	1.70	1.70	1.75	1.75	2.00	2.00
Municipal Court	2.10	2.15	2.40	2.40	2.40	3.30	3.25	3.25	3.00	3.25
Developmental Services	8.00	9.00	8.50	8.00	8.50	-	-	-	-	-
Public Works Engineering	-	-	-	-	-	5.50	6.50	6.50	7.50	7.50
Public Works Administration	3.00	3.00	3.00	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
Legislative	1.00	1.00	0.70	-	-	-	-	-	-	-
Maintenance	9.00	10.00	9.00	9.00	10.00	10.00	10.50	10.00	10.00	10.00
Support Services										
Finance	6.50	6.50	6.00	6.00	6.00	6.50	6.00	7.00	7.00	8.00
Human Resources/Risk	3.00	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Information Systems	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Culture and Recreation	6.00	5.00	5.00	6.00	6.00	6.30	6.75	8.25	8.25	8.00
Ella Redkey Pool ¹	6.55	6.40	6.25	6.60	4.25	3.20	5.00	-	-	-
Airport	5.00	6.00	6.00	6.00	6.00	5.00	6.00	6.00	6.00	6.00
Public Safety										
Police	38.00	37.00	36.00	40.00	41.00	39.00	40.00	41.00	42.00	45.00
Code enforcement	-	-	2.00	2.00	2.00	2.00	2.00	2.33	2.33	3.33
Off-street Parking	-	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	10.00	9.00	10.00	10.00	10.00	10.00	10.00	11.00
Vehicle Maintenance	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Water ²	24.00	24.00	23.00	19.50	19.28	19.25	21.10	21.10	22.10	22.85
Geothermal	-	-	-	-	0.25	0.25	0.75	0.75	0.75	0.50
Wastewater ²	14.00	13.00	14.00	17.00	14.97	15.00	16.65	16.65	16.65	17.90
Total	147.15	146.55	144.35	147.20	147.35	144.00	154.50	153.00	157.00	166.00

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

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

² 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	Last Ten Fiscal Years										Schedule I-17	
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2012	2011
Police												
Police department personnel	43	39	36	40	41	39	40	41	42	45	42	45
Physical arrests	2,088	1,972	2,101	2,157	2,318	2,319	2,489	2,423	2,362	1,687	2,362	1,687
Parking violations	1,547	1,797	2,198	2,039	2,445	2,323	2,275	2,632	2,222	2,506	2,222	2,506
Traffic violations	1,397	1,486	1,955	1,529	2,082	2,403	2,882	2,691	2,999	2,146	2,999	2,146
Airport												
Takeoffs and landings	40,291	42,127	43,358	47,564	53,246	51,732	44,194	38,095	41,617	36,270	41,617	36,270
Passengers enplaned ¹	-	-	-	7,827	-	-	11,972	14,254	17,376	20,486	17,376	20,486
Total passengers	-	-	-	15,606	-	-	23,648	27,950	35,409	41,284	35,409	41,284
Highways and streets												
Street resurfacing (feet)	57,289	49,282	93,729	73,361	26,826	17,262	12,157	4,135	8,200	8,151	8,200	8,151
Potholes (tons of asphalt)	99	83	55	75	138	36	34	27	42	38	42	38
Culture and recreation												
Park reservations	34	92	112	122	113	116	153	94	87	64	87	64
Municipal pool admissions ²	21,455	27,867	23,495	21,522	20,986	20,001	19,282	12,881	-	-	-	-
Water												
New connections	67	49	39	40	47	43	36	36	24	26	36	26
Total connections	16,277	16,177	15,852	16,128	16,009	16,346	15,732	16,020	16,240	16,216	16,240	16,216
Average daily production (thousands of gallons)	6,669	7,048	6,734	6,859	6,817	7,180	6,899	6,790	6,700	6,400	6,700	6,400
Wastewater												
New connections	24	15	36	17	10	7	17	25	18	9	18	9
Total connections	8,417	8,287	8,273	7,520	8,133	7,443	7,680	7,668	7,411	7,393	7,411	7,393
Average daily sewage treatment (thousands of gallons)	2,274	2,515	2,247	3,448	2,840	2,760	2,650	2,963	3,080	2,820	3,080	2,820
Average daily reclaimed water produced (thousands of gallons)	2,014	2,058	2,276	2,166	2,640	2,370	2,350	2,280	2,340	3,120	2,340	3,120

Source: Various city departments.

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

² 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	33	31	33	32	36	40	37	33	32
Airport										
Miles of runways & taxiways ³	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	302
Streetlights ¹	2,979	2,979	2,966	2,966	2,636	3,116	3,114	3,104	3,080	3,052
Traffic signals	37	37	36	36	36	36	34	31	31	31
Culture and recreation										
Park acreage										
Developed	151	151	119	119	119	119	119	119	119	119
Natural areas	457	457	514	514	514	514	514	514	514	514
Undeveloped	0	0	50	50	50	50	50	50	50	50
Parks	27	27	25	25	24	23	23	23	23	23
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playground equipment areas	9	9	8	8	8	8	8	8	8	8
Cemetery										
Developed acres ²	18	18	18	18	18	18	18	18	18	18
Water										
Water mains (<i>miles</i>)	266	266	266	266	265	263	240	240	240	239
Fire hydrants	1,239	1,212	1,176	1,175	1,166	1,157	1,186	1,176	1,093	1,089
Maximum daily capacity (<i>thousands of gallons</i>)	14,029	14,930	14,739	13,952	13,669	13,918	15,107	13,204	13,700	13,800
Wastewater										
Sanitary sewer (<i>miles</i>)	156	156	156	156	156	156	156	155	156	156
Storm sewers (<i>miles</i>)	110	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 (<i>thousands of gallons</i>)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Maximum daily reclaimed water capacity (<i>thousands of gallons</i>)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500

Source: Various city departments.

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

² In November 2009 Klamath Memorial Park Cemetery was sold

³ There are 8.25 miles of runway and taxiway which is equivalent to 109 street lane miles.

City of Klamath Falls, Oregon
Top Ten Water & Wastewater Customers
Fiscal Year Ended June 30, 2020

Schedule I-19

Water Customers	Billed	Percent of Total Charges	Wastewater Customers	Billed	Percent of Total Charges
City of Klamath Falls	\$ 471,010	6.16 %	Oregon Water Utilities	\$ 353,599	4.97 %
Klamath County	110,735	1.45	Sky Lakes Medical Center	273,530	3.84
Klamath County School District	88,718	1.16	Klamath County	225,795	3.17
Klamath Co-Gen	88,320	1.15	Klamath Co-Gen	224,824	3.16
Jeld-Wen	87,556	1.14	Falcon Heights Condo	122,331	1.72
Sky Lakes	84,068	1.10	OIT (Oregon Institute of Technology)	91,876	1.29
Kingsley Field	74,438	0.97	Kingsley Field	74,801	1.05
Madison Village	43,572	0.57	Shilo	63,819	0.90
Emerald Estates	39,081	0.51	Southern Pacific	55,722	0.78
Klamath Falls City Schools	35,480	0.46	City of Klamath Falls	51,237	0.72
Total Top Ten	\$ 1,122,978	14.68 %	Total Top Ten	\$ 1,537,534	9.62 %

Total Billed Fiscal Year 19/20 **\$ 7,652,075**

Total Billed Fiscal Year 19/20 **\$ 7,114,003**

Total Water Service Connections **16,277**

Total Wastewater Service Connections **8,417**

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City of Klamath Falls, Oregon

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 the City of Klamath Falls, Oregon, as of and for the year ended June 30, 2020 and have issued our report thereon dated November 25, 2020. 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 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered City of Klamath Falls' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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
November 25, 2020

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

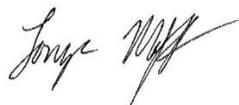
Report on Compliance

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, 2020. 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, 2020.



For Merina+Co
Tualatin, Oregon
November 25, 2020

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, 2020

Gross Revenues		
Operating revenues		\$ 7,113,218
Other revenues		
Interest earned on investments	\$ 516,405	
Miscellaneous revenue	759,557	
Less: SDC Improvement fee	<u>(757,355)</u>	<u>518,607</u>
Total Gross Revenues		7,631,825
Total operating expense	6,236,323	
Less: depreciation and amortization expense	<u>(1,389,971)</u>	<u>4,846,352</u>
Net Revenues		2,785,473

Wastewater Fund debt service for the fiscal year ended June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015 Wastewater Revenue Refunding	<u>\$ 703,269</u>	<u>\$ 103,445</u>	<u>\$ 806,714</u>	
Total	<u><u>\$ 703,269</u></u>	<u><u>\$ 103,445</u></u>	<u><u>\$ 806,714</u></u>	<u>806,714</u>
1.25 Compliance				3.45
Net Revenue after senior debt				<u><u>\$ 1,978,759</u></u>