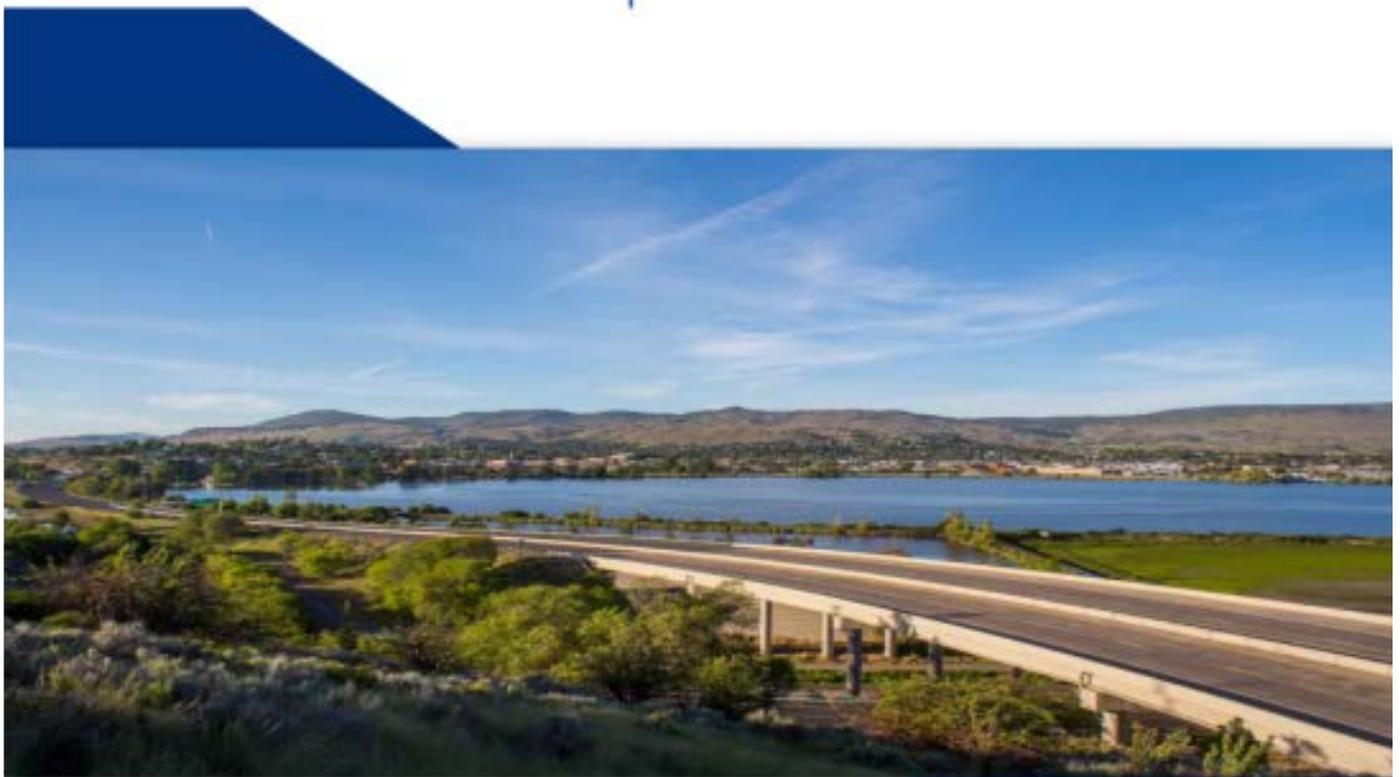




**Fiscal Year
Ended
June 30, 2022**

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**



City of Klamath Falls, Oregon
www.klamathfalls.city

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City of Klamath Falls, Oregon

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2022



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Annual Comprehensive Financial Report
 June 30, 2022
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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

December 29, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report for the City of Klamath Falls for the fiscal year ended June 30, 2022. 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.

KDP, 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, 2022. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

The City of Klamath Falls, incorporated in 1905, is located in the south-central portion of Oregon, approximately 275 miles southeast of Portland and 300 miles north of Sacramento, California. The City of Klamath Falls has a land area of about 20.7 square miles and an approximate population of 22,000. Although the population within the city limits is only 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 2022 was approximately \$5.225 per \$1,000 of assessed value. The City of Klamath Falls collected about \$472,245 more in property taxes than the prior year, including delinquent taxes, which represents approximately a 5% increase during the 2022 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 right-of-way services are also provided by the City of Klamath Falls on a fee-for-services basis.

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

The Council is required to adopt a budget for two fiscal years no later than June 30 of every odd year preceding the fiscal year beginning July 1. This biennial budget serves as the foundation for the City’s financial planning and control. The budget is 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, 2022, our unemployment rate was approximately 5.3% percent, which is 1.7% 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. The City recently completed a strategic plan to identify short and long-term goals. In order to meet the goal of customer service and service efficiency, the City continues to leverage opportunities with technology. The City recently completed improvements to municipal court services, by providing citizens with the opportunity to make online payments, access account information, and provide enhanced communication. During the pandemic, municipal court started offering telecourt services, which has been very successful. 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. The City recently implemented a 311 program, which allows citizens to report and interact with the City and Council through an app.

During fiscal year 2022, the Airport completed the design and awarded the construction contract for the Runway 7/25 Reconstruction Project. The majority of funding, \$10.7 million, will come from a discretionary Federal Aviation Administration (FAA) grant with an addition \$550,000 coming from a ConnectOregon grant. The project is expected to be completed in October 2023.

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. In 2013, Council approved a \$900,000 payment to the developer by taking out a 10 year tax increment loan with the Escrow Reserve Fund. The City owes the developer an additional \$2.48 million for work done in prior years. A Fairfield Inn, People's Bank and Department of Human Services buildings have recently been completed in the district. An additional hotel is in the early design phase. Based on tax estimates, the City should be able to pay off the \$900,000 loan and take out an additional loan to pay the developer off by the end of fiscal year 2023.

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 land has been prepared but due to rising construction costs, the project is currently stalled.

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 and the headworks portion of the project has been completed. The City also received our National Pollution Discharge Elimination System (NPDES) permit and one of the difficult requirements to meet is temperature. The final phase of the project not related to temperature goes before City Council in December. As a result of the temperature issue, the City is evaluating getting out of the river and reinjecting the water indirectly back into the aquifer. Once the City decides if this is feasible or not, we will continue with the remaining design and construction. We estimate the plant upgrade/reconstruction portion of the project to be completed mid to late 2025. We are unsure at this point when the water reuse piece will be completed but according to our permit, it must be completed by December 31, 2035.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the City of Klamath Falls' Annual Comprehensive Financial Report (ACFR) for fiscal year ended June 30, 202. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Jonathan Teichert, City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Klamath Falls
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

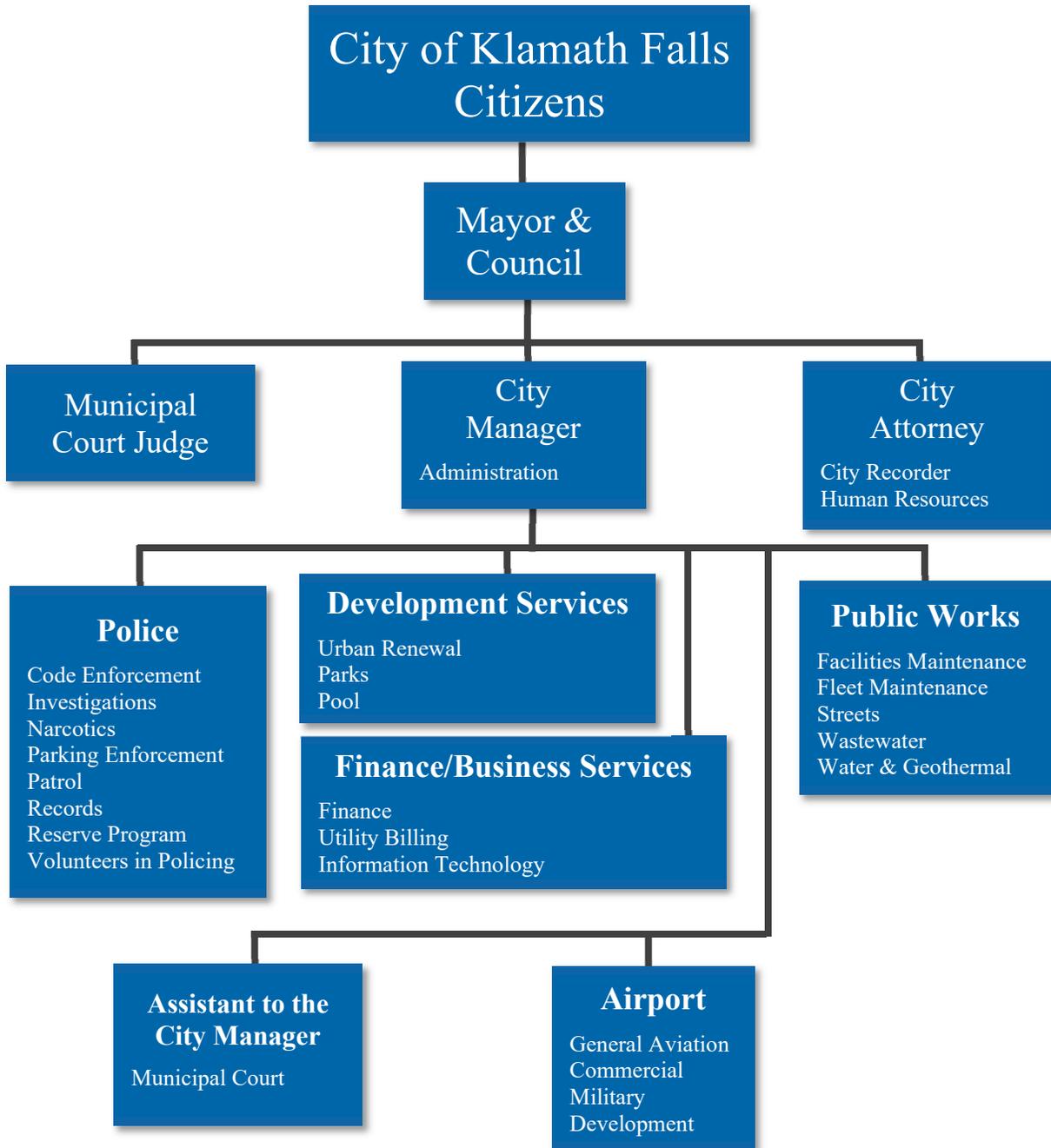
Christopher P. Morill

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, 2022



Carol Westfall
Mayor
5.5 years



Phil Studenberg
Ward I
5.5 years



Mika Blain
Ward II
1.5 years



Matt Dodson
Ward III
10 years



Dan Tofell
Ward IV
11.5 years



Todd Andres
Ward V
3.5 years



Nathan Cherpeski
City Manager
10 years



Michael Swanson
City Attorney
4 years



Nathan Ratliff
Judge
17 years



Mark Willrett
Public Works Director
16 years



John Barsalou
Airport Director
7 years



Rob Dentinger
Chief of Police
1 year



Scott Souders
Development Services Director
2 years



Jessica Lindsay
**Finance &
Business Services
Director**
2 years

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund and major special revenue fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, certain pension schedules and certain other post-employment benefit schedules in accordance with 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 general fund and major special revenue fund budgetary comparison information are the responsibility of management and was derived from and relate 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 general fund and major special revenue fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information and other financial schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award, and is also not a required part of the basic financial statements. The schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the Table of Contents, the schedule of expenditures of federal awards, and the schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulations, we have also issued our report dated December 29, 2022 on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive style with a long horizontal stroke at the end.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2022

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, 2022 and June 30, 2021. 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 \$220,531,834 (*net position*). Of this amount, \$49,141,086 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 \$6,951,166.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$45,558,378, an increase of \$1,786,047 in comparison with the prior year. Approximately 34% of this amount, \$15,376,823, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,662,801, or approximately 85% of total General Fund expenditures.
- The City's total outstanding long-term debt increased by \$9,268,433 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 *Custodial fund* reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements follow the proprietary fund statements.

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

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

The combining 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 \$220,531,834, at the close of the most recent fiscal year.

City of Klamath Falls’ Net Position

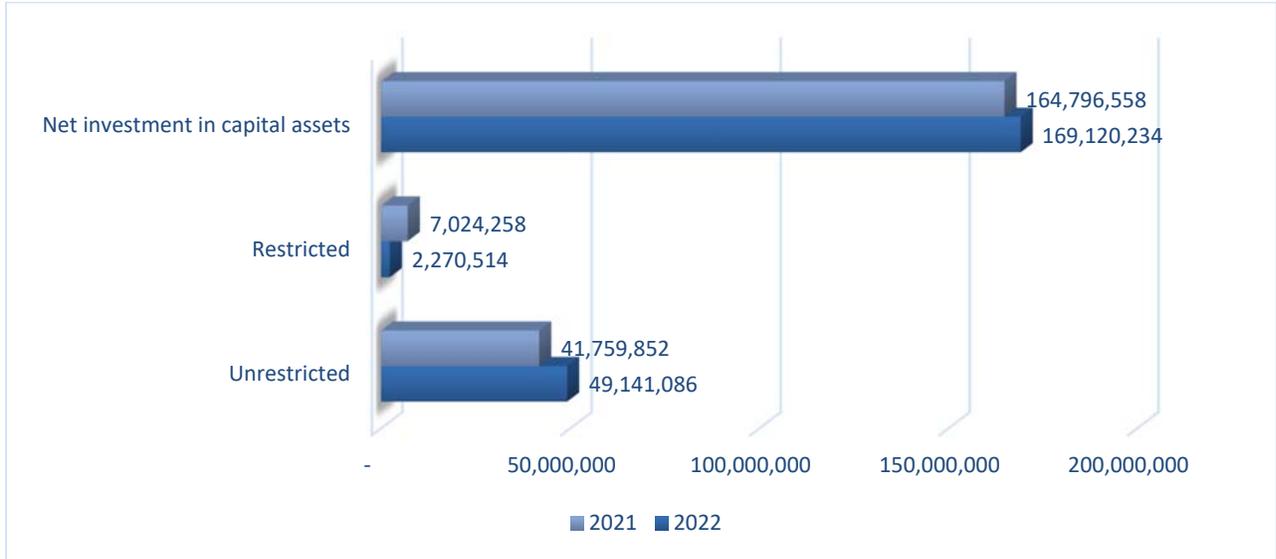
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 59,366,080	\$ 47,778,220	\$ 23,476,109	\$ 22,406,781	\$ 82,842,189	\$ 70,185,001
Capital assets	108,804,918	108,162,394	92,534,089	78,687,533	201,339,007	186,849,927
Total assets	168,170,998	155,940,614	116,010,198	101,094,314	284,181,196	257,034,928
Deferred outflow of resources	4,982,812	4,726,206	1,354,781	1,233,839	6,337,593	5,960,045
Long-term liabilities outstanding	16,404,126	22,954,958	25,804,464	17,489,013	42,208,590	40,443,971
Other liabilities	7,509,598	3,405,527	4,441,790	3,346,652	11,951,388	6,752,179
Total liabilities	23,913,724	26,360,485	30,246,254	20,835,665	54,159,978	47,196,150
Deferred inflows of resources	13,229,647	1,066,167	2,013,277	444,726	15,242,924	1,510,893
Net position:						
Net investment in capital assets	101,861,892	100,923,713	67,258,342	63,872,845	169,120,234	164,796,558
Restricted	417,195	5,454,546	1,853,319	1,569,712	2,270,514	7,024,258
Unrestricted	33,731,352	26,154,647	15,409,734	15,605,205	49,141,086	41,759,852
Total net position	\$ 136,010,439	\$ 132,532,906	\$ 84,521,395	\$ 81,047,762	\$ 220,531,834	\$ 213,580,668

By far, the largest portion of the City’s net position (77%) reflects its investment in capital assets (e.g., land, construction in progress, intangible assets, buildings and system, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$49,141,086 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.

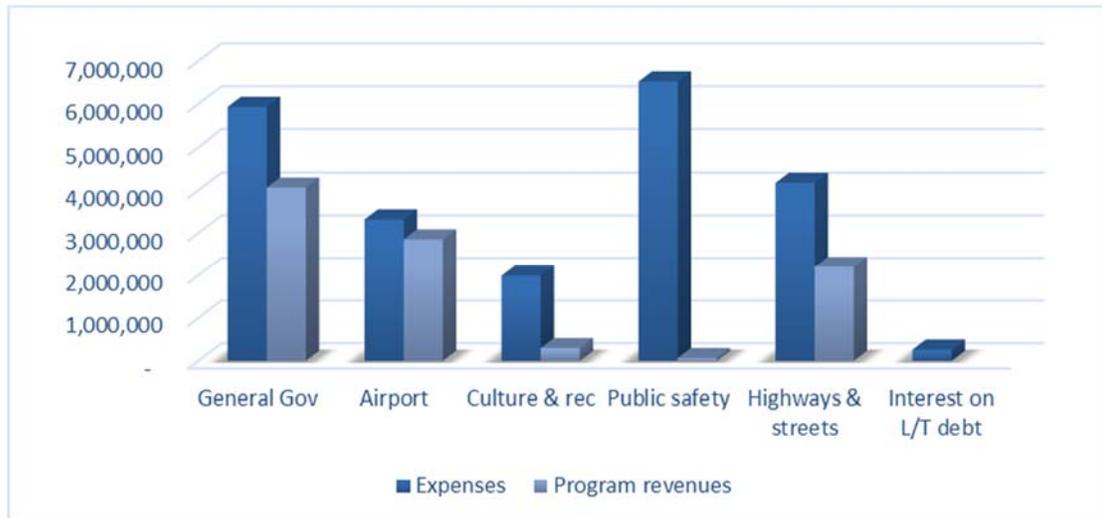
City of Klamath Falls' Net Position June 30, 2021 and 2022



The City’s overall net position increased \$6,951,166 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 \$3,477,533. As net position increased for governmental activities, governmental expenses have decreased \$2,469,260 from the prior year mainly due to a decrease in pension expenditures. Program revenues decreased \$189,611 primarily due to implementing GASB 87 which reclassified the lease revenue from charges for services to investment income. The City’s main source of revenue for governmental activities, property taxes, increased \$472,245 which is a 5.3 percent increase over the prior fiscal year. \$95,586 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 \$84,521,395. The total increase in net position for business-type activities (Wastewater and Water Funds) was \$3,473,633 or 5.5% from the prior fiscal year. The primary reason for the increase was an increase in operating revenues. Current and other assets increased \$1,069,328. 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 2025. There will still likely be offsite improvements to construct related to disposal of the treated effluent. Efforts to quantify what those improvements are, determine cost, and eventually construct are currently underway. 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 5,049,072	\$ 5,238,683	\$ 18,398,773	\$ 17,822,530	\$ 23,447,845	\$ 23,061,213
Operating grants & contributions	133,717	666,825	-	25,953	133,717	692,778
Capital grants & contributions	4,300,300	3,741,228	750,000	-	5,050,300	3,741,228
General revenues:						
Property taxes	9,390,053	8,917,808	-	-	9,390,053	8,917,808
Other taxes	6,605,402	6,024,483	-	-	6,605,402	6,024,483
Other	(477,662)	288,940	(839,412)	158,161	(1,317,074)	447,101
Total revenues	25,000,882	24,877,967	18,309,361	18,006,644	43,310,243	42,884,611
Expenses:						
General government	5,932,498	7,291,655	-	-	5,932,498	7,291,655
Airport	3,320,143	3,368,954	-	-	3,320,143	3,368,954
Culture & recreation	1,993,957	1,979,691	-	-	1,993,957	1,979,691
Public safety	6,521,431	7,511,047	-	-	6,521,431	7,511,047
Highways & streets	4,173,200	4,256,755	-	-	4,173,200	4,256,755
Interest on long-term debt	263,636	264,574	-	-	263,636	264,574
Wastewater	-	-	6,973,916	6,353,230	6,973,916	6,353,230
Water	-	-	7,180,296	7,798,312	7,180,296	7,798,312
Total expenses	22,204,865	24,672,676	14,154,212	14,151,542	36,359,077	38,824,218
Increase (decrease) in net position before transfers & other sources	2,796,017	205,291	4,155,149	3,855,102	6,951,166	4,060,393
Special & extraordinary items	-	-	-	-	-	-
Transfers	681,516	563,180	(681,516)	(563,180)	-	-
Increase (decrease) in net position	3,477,533	768,471	3,473,633	3,291,922	6,951,166	4,060,393
Net position - beginning	132,532,906	131,764,435	81,047,762	77,755,840	213,580,668	209,520,275
Restatement	-	-	-	-	-	-
Net position - ending	\$ 136,010,439	\$ 132,532,906	\$ 84,521,395	\$ 81,047,762	\$ 220,531,834	\$ 213,580,668

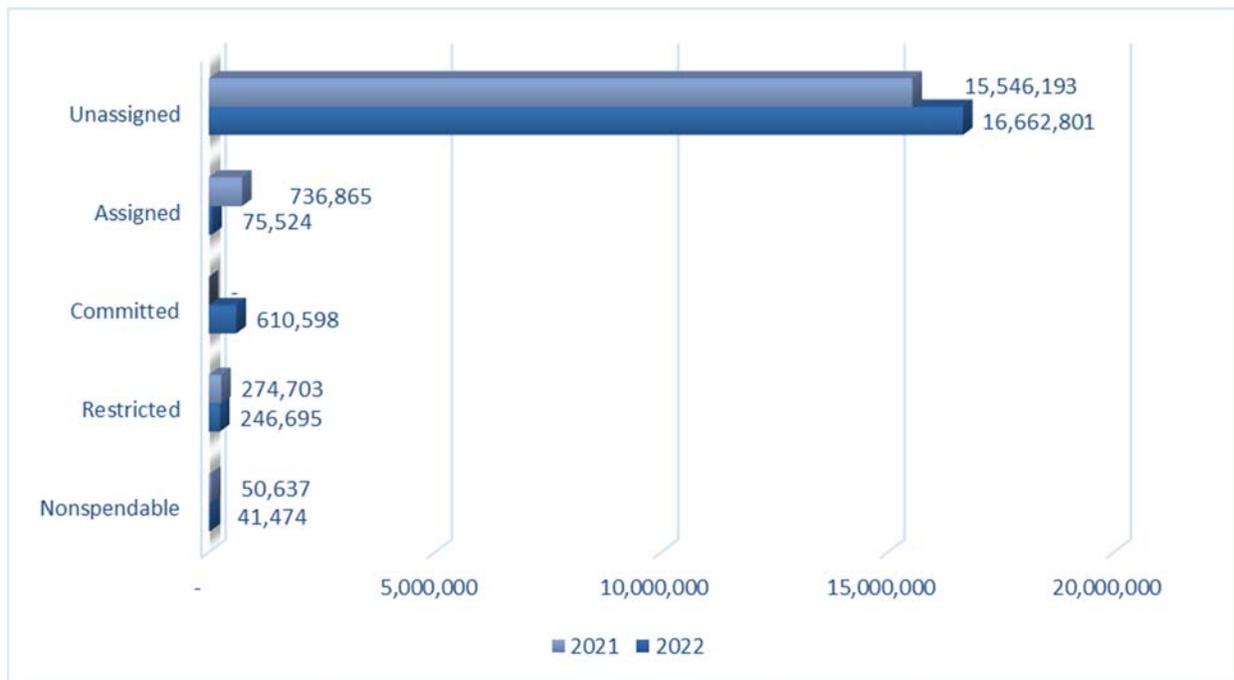
Financial Analysis of the Government’s Funds

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, 2022, the City’s governmental funds reported combined fund balances of \$45,558,378 an increase of \$1,786,047 in comparison with the prior year. Approximately 34% of this amount, \$15,376,823, 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 (\$41,474), 2) legally required to be maintained intact or restricted for particular purposes (\$417,195), 3) committed for specific purposes (\$6,006,354), or 4) assigned for particular purposes (\$23,716,532).

**General Fund - Components of Fund Balance
June 30, 2021 and 2022**

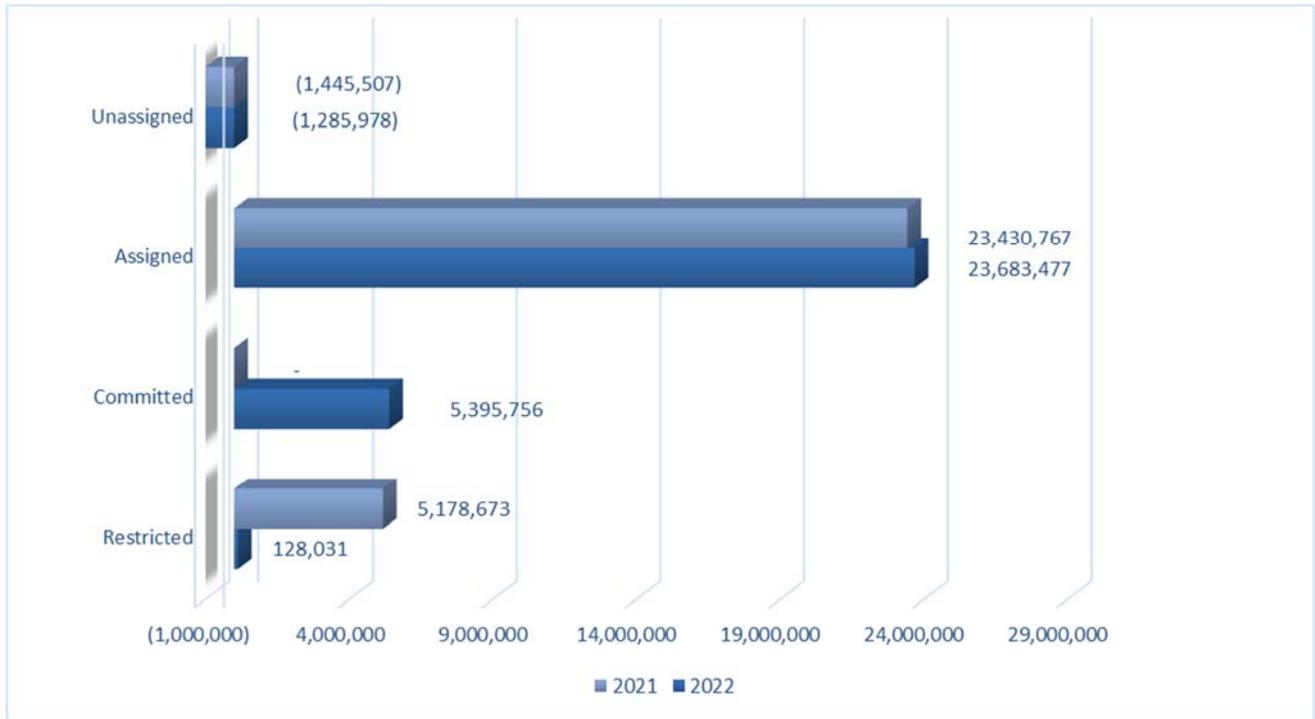


The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,662,801, while total fund balance increased to \$17,637,092. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 85.5% of total General Fund expenditures, while total fund balance represents approximately 90.4% 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 \$1,028,694 during the current fiscal year. Revenues increased \$1,292,917 from the prior reporting period. Direct taxes, the General Fund’s primary revenue source, increased \$367,190 which is a four percent (4%) increase. Intergovernmental revenue increased \$1,625,700 due to federal grant surface transportation block

grants used for a street extension completed by the Oregon Department of Transportation and an additional gas tax payment from the State of Oregon to supplement prior year revenue loss due to COVID 19. Expenditures were \$2,330,286 higher in the current year compared to the prior year mainly due to an increase in streets capital. Overall revenues exceeded expenditures by \$404,433 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, 2021 and 2022**



The Airport Fund, a major fund, had an increase in fund balance of \$533,394. Revenues decreased \$606,184 from the prior fiscal year primarily due to the timing of FAA grant receipts. Charges for service decreased \$71,128. Expenditures increased from the prior fiscal year \$506,156 due to an increase in infrastructure capital expense. Overall revenues exceeded expenditures by \$159,369.

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 \$75,360 due to rent and investment income.

The final major governmental fund, the Escrow Reserve Fund, had an increase in fund balance of \$157,099 due to decrease in transfers out.

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 \$7,333,330. Total net position increased \$2,511,420. Operating revenues increased \$778,416 due to a rate increase of 5.4% on January 1, 2022. Operating expenses had an increase of \$439,995.

Unrestricted net position of the Water Fund at the end of the year was \$8,076,404. Total net position increased \$962,213. Operating revenues decreased \$288,787. Operating expenses had a decrease of \$616,294.

General Fund Budgetary Highlights

The City’s final budget differs from the original budget in that it contains supplemental appropriations approved during the biennial budget.

Below are authorized changes in the General Fund:

- \$30,075 increase in intergovernmental revenues from ARPA funds for Moore Park broadband
- \$31,875 increase in intergovernmental revenues from grant funding from Business Oregon
- Increase in personnel services for additional funding to PERS side account of \$1,950,600
- Municipal Court: \$1,000 increase for amnesty mailings
- Administration: City manager recruitment and travel reimbursement of \$60,000 and \$27,000 for Community Recreation District Survey.
- Information Technology: Increase of \$30,075 for Moore Park Broadband.
- Development Services: \$10,000 increase for two CDO amendment mailings
- Police Department: \$22,500 increase for relocation of fire suppression system
- Parks: \$14,700 roll over previous budget for Moore Park bike skills course
- Ella Redkey Pool: \$38,525 roll over previous budget for pavilion
- Streets: \$57,000 previously budgeted plow truck and \$187,100 ADA ramp.

Significant variances between budgeted and actual line items in the General Fund will be disclosed in the second year of the biennial budget.

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, 2022, amounts to \$201,339,007 (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 7.8%.

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 14,179,527	\$ 14,137,414	\$ 1,941,099	\$ 1,941,099	\$ 16,120,626	\$ 16,078,513
Intangible assets	411,137	437,851	139,893	141,002	551,030	578,853
Construction in progress	7,894,787	5,028,662	32,868,835	19,182,491	40,763,622	24,211,153
Buildings & system	9,474,294	9,935,558	2,753,999	2,878,218	12,228,293	12,813,776
Machinery & equipment	3,527,245	3,584,335	6,789,549	6,601,644	10,316,794	10,185,979
Infrastructure	73,317,928	75,038,574	48,040,714	47,943,079	121,358,642	122,981,653
Total	\$ 108,804,918	\$ 108,162,394	\$ 92,534,089	\$ 78,687,533	\$ 201,339,007	\$ 186,849,927

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

- Streets Campus & Daggett Roundabout \$775,305
- Streets Brett Way Extension \$1,479,424
- Airport airfield improvements \$2,705,284
- Wastewater main extension and replacements \$863,121
- Wastewater pump and lift station improvements \$239,363
- Wastewater Treatment Plant \$15,333,723

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 \$31,881,181. Of this amount, \$2,316,453 is bonded debt secured by revenue from the City’s applicable funds, \$3,632,685 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$1,735,698 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. There are \$2,329,055 of loans for economic growth that is secured by the revenues derived from that growth and another \$21,867,290 are loans for acquisition of capital assets which are secured by the revenues of the applicable funds owning those assets.

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Leases/loans payable	\$ 2,329,055	\$ 2,459,764	\$ 21,867,290	\$ 11,400,718	\$ 24,196,345	\$ 13,860,482
General obligation bonds	3,632,685	3,756,872	-	-	3,632,685	3,756,872
Full faith and credit bond	1,735,698	1,942,245	-	-	1,735,698	1,942,245
Revenue bonds	-	-	2,316,453	3,053,149	2,316,453	3,053,149
Total	\$ 7,697,438	\$ 8,158,881	\$ 24,183,743	\$ 14,453,867	\$ 31,881,181	\$ 22,612,748

The City’s total debt increased \$5,178,891 or 29.7% 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 up to 3% of its total assessed valuation. The current debt limitation for the City is approximately \$49,505,000 which is significantly in excess of the City’s outstanding general obligation debt of \$3,632,685.

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 2021-2023 budget.

- The unemployment rate for Klamath County at June 30, 2022 was 5.3 percent, a decrease from one year ago. The rate is higher than the national average of 3.6 percent.
- On January 1, 2022, sewer and water rates increased by the CPI 5.4 percent.

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 23,861,353	\$ 10,963,111	\$ 34,824,464
Investments	25,832,896	6,704,245	32,537,141
Restricted cash and cash equivalents	433,950	1,853,319	2,287,269
Accounts receivable <i>(net of uncollectibles)</i>	1,914,656	2,513,443	4,428,099
Leases receivable	275,921	17,093	293,014
Taxes receivable	701,590	-	701,590
Special assessments receivable	103,955	80,711	184,666
Interest receivable	63,512	53,456	116,968
Inventories	41,474	494,849	536,323
Prepaid items	503,903	165,167	669,070
Leases receivable	5,388,409	566,959	5,955,368
Prepaid bond insurance	4,884	-	4,884
Net OPEB asset	239,577	63,755	303,332
Capital assets not being depreciated	22,191,085	34,947,423	57,138,508
Capital assets <i>(net of accumulated depreciation)</i>	86,613,833	57,586,666	144,200,499
Total Assets	168,170,998	116,010,197	284,181,195
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	112,042	58,574	170,616
Deferred outflow of resources - OPEB related	54,969	14,628	69,597
Deferred outflow of resources - pension related	4,815,801	1,281,579	6,097,380
Total Deferred Outflows of Resources	4,982,812	1,354,781	6,337,593
LIABILITIES			
Current Liabilities <i>(payable from unrestricted assets):</i>			
Accounts payable	1,551,365	1,316,130	2,867,495
Retainage payable	32,216	1,150,578	1,182,794
Accrued interest payable	16,600	-	16,600
Accrued payroll payable	237,331	74,885	312,216
Compensated Absences	475,650	112,936	588,586
Customer deposits	96,410	224,504	320,914
Unearned revenues	4,671,008	180,234	4,851,242
Bonds payable	348,527	-	348,527
Current Liabilities <i>(payable from restricted assets):</i>			
Accrued interest payable	-	585,698	585,698
Leases / loans payable	80,491	42,687	123,178
Bonds payable	-	754,138	754,138
Noncurrent Liabilities:			
Compensated absences	475,650	112,935	588,585
Leases / Loans / Contracts payable	2,248,564	21,824,603	24,073,167
Bonds payable <i>(net of unamortized discounts and premiums)</i>	5,019,856	1,562,315	6,582,171
Total OPEB liability	439,191	116,878	556,069
Net pension liability	8,220,864	2,187,733	10,408,597
Total Liabilities	23,913,723	30,246,254	54,159,977
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	182,226	48,493	230,719
Deferred inflows of resources - pension related	7,383,092	1,964,784	9,347,876
Deferred inflows of resources - leases	5,664,330	584,052	6,248,382
Total Deferred Inflows of Resources	13,229,648	2,597,329	15,826,977
NET POSITION			
Net investment in capital assets	101,861,892	67,258,342	169,120,234
Restricted for:			
Outside legal authority	143,059	-	143,059
System development	179,645	899,998	1,079,643
Capital outlay	52,022	-	52,022
Debt service	42,469	953,321	995,790
Unrestricted	33,731,352	15,409,734	49,141,086
Total Net Position	\$ 136,010,439	\$ 84,521,395	\$ 220,531,834

City of Klamath Falls, Oregon
Statement of Activities
For the Year Ended June 30, 2022

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	\$ 5,932,498	\$ 3,990,643	\$ 29,822	\$ 42,113	\$ (1,869,920)	\$ -	\$ (1,869,920)
Airport	3,320,143	456,346	73,360	2,323,296	(467,141)	-	(467,141)
Culture and recreation	1,993,957	168,403	24,581	107,004	(1,693,969)	-	(1,693,969)
Public safety	6,521,431	64,417	-	-	(6,457,014)	-	(6,457,014)
Highways and streets	4,173,200	369,263	5,954	1,827,887	(1,970,096)	-	(1,970,096)
Interest on long-term debt	263,636	-	-	-	(263,636)	-	(263,636)
Total Government Activities	22,204,865	5,049,072	133,717	4,300,300	(12,721,776)	-	(12,721,776)
Business-Type Activities:							
Wastewater	6,973,916	8,804,188	-	750,000	-	2,580,272	2,580,272
Water	7,180,296	9,594,585	-	-	-	2,414,289	2,414,289
Total Business-Type Activities	14,154,212	18,398,773	-	750,000	-	4,994,561	4,994,561
Total	\$ 36,359,077	\$ 23,447,845	\$ 133,717	\$ 5,050,300	(12,721,776)	4,994,561	(7,727,215)
General Revenues:							
Property taxes					9,390,053	-	9,390,053
Franchise taxes					2,947,490	-	2,947,490
Motor fuel taxes					2,091,356	-	2,091,356
Alcoholic beverage taxes					412,525	-	412,525
Cigarette taxes					18,162	-	18,162
Transient room taxes					839,528	-	839,528
State revenue sharing					296,341	-	296,341
Investment Income (loss)					(477,662)	(839,412)	(1,317,074)
Transfers					681,516	(681,516)	-
Total General Revenues and Transfers					16,199,309	(1,520,928)	14,678,381
Change in Net Position					3,477,533	3,473,633	6,951,166
Net Position - Beginning					132,532,906	81,047,762	213,580,668
Net Position - Ending					<u>\$ 136,010,439</u>	<u>\$ 84,521,395</u>	<u>\$ 220,531,834</u>

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FUND FINANCIAL
STATEMENTS

City of Klamath Falls, Oregon
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 14,622,842	\$ 2,198,904	\$ 3,440,854	\$ 3,101,023	\$ 497,730	\$ 23,861,353
Accounts receivable	1,064,101	828,715	-	11,596	10,244	1,914,656
Lease receivable	-	5,664,330	-	-	-	5,664,330
Taxes receivable	632,399	22,937	-	-	46,254	701,590
Special assessments receivable	103,955	-	-	-	-	103,955
Interest receivable	43,433	325	-	19,140	614	63,512
Advances to other funds	-	-	-	1,380,069	-	1,380,069
Inventories	41,474	-	-	-	-	41,474
Restricted assets						
Cash and cash equivalents	219,093	52,022	-	-	162,835	433,950
Long-term assets						
Investments	7,467,311	-	6,473,453	5,885,778	-	19,826,542
Committed investments	610,598	-	5,395,756	-	-	6,006,354
Total Assets	\$ 24,805,206	\$ 8,767,233	\$ 15,310,063	\$ 10,397,606	\$ 717,677	\$ 59,997,785
LIABILITIES						
Liabilities:						
Accounts payable	\$ 1,437,767	\$ 41,869	\$ -	\$ -	\$ 61,089	\$ 1,540,725
Payroll payable	231,184	6,147	-	-	-	237,331
Retainage payable	32,216	-	-	-	-	32,216
Advances from other funds	-	-	-	-	1,380,069	1,380,069
Deposits payable	88,290	8,120	-	-	-	96,410
Unearned revenue	4,632,839	3,275	-	-	34,894	4,671,008
Total Liabilities	6,422,296	59,411	-	-	1,476,052	7,957,759
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	460,350	16,697	-	-	34,155	511,202
Unavailable revenue - special assessment debt receivable	103,500	-	-	-	-	103,500
Unavailable revenue - accounts receivable	15,956	15,853	-	-	290	32,099
Unavailable revenue - municipal court fines	164,206	-	-	-	-	164,206
Unavailable revenue - parking fines	-	-	-	-	4,505	4,505
Unavailable revenue - code enforcement fines	1,806	-	-	-	-	1,806
Unavailable revenue - leases	-	5,664,330	-	-	-	5,664,330
Total Deferred Inflows of Resources	745,818	5,696,880	-	-	38,950	6,481,648
Total Liabilities and Deferred Inflows of Resources	7,168,114	5,756,291	-	-	1,515,002	14,439,407
FUND BALANCES (DEFICITS)						
Nonspendable	41,474	-	-	-	-	41,474
Restricted	246,695	52,022	-	-	118,478	417,195
Committed	610,598	-	5,395,756	-	-	6,006,354
Assigned	75,524	2,958,920	9,914,307	10,397,606	370,175	23,716,532
Unassigned	16,662,801	-	-	-	(1,285,978)	15,376,823
Total Fund Balances	17,637,092	3,010,942	15,310,063	10,397,606	(797,325)	45,558,378
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,805,206	\$ 8,767,233	\$ 15,310,063	\$ 10,397,606	\$ 717,677	

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

Prepaid assets are not reported in the funds.	503,903
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	108,804,918
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.	817,318
Pension related liability and deferred outflows and inflows of resources.	(10,788,155)
Other post employment benefits related liability and deferred outflows and inflows of resources.	(326,871)

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	(7,697,438)
Deferred charge on refunding	112,042
Prepaid bond insurance	4,884
Accrued interest	(16,600)
Accounts payable	(10,640)
Compensated absences	(951,300)
	<u>(8,559,052)</u>

Total Net Position - Governmental Activities **\$ 136,010,439**

City of Klamath Falls, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,519,795	\$ 293,173	\$ -	\$ -	\$ 592,597	\$ 9,405,565
Special assessments	-	-	-	-	-	-
Intergovernmental	4,710,093	3,215,437	-	-	-	7,925,530
Licenses, fees and permits	175,912	-	-	-	59,594	235,506
Franchise fees	2,947,490	-	-	-	-	2,947,490
Charges for services	417,174	451,383	54,000	609,127	99,481	1,631,165
Internal charges for services	2,776,228	-	-	-	-	2,776,228
Fines and forfeits	253,920	-	-	-	56,057	309,977
Investment income (loss)	(491,561)	124,789	21,360	(141,544)	9,294	(477,662)
Miscellaneous revenues	595,290	4,963	-	-	461	600,714
Total Revenues	19,904,341	4,089,745	75,360	467,583	817,484	25,354,513
EXPENDITURES						
Current:						
General government	5,689,663	-	-	275	355,237	6,045,175
Airport	-	1,225,092	-	-	-	1,225,092
Culture and recreation	1,712,590	-	-	-	-	1,712,590
Public safety	6,359,128	-	-	-	-	6,359,128
Highways and streets	1,968,586	-	-	-	62,115	2,030,701
Debt service:						
Principal	205,000	-	-	-	254,896	459,896
Interest	86,145	-	-	-	174,922	261,067
Capital outlay:						
General government	39,854	-	-	-	13,032	52,886
Airport	-	2,705,284	-	-	-	2,705,284
Culture and recreation	119,389	-	-	-	-	119,389
Public safety	327,253	-	-	-	-	327,253
Highways and streets	2,992,300	-	-	-	11,782	3,004,082
Total Expenditures	19,499,908	3,930,376	-	275	871,984	24,302,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	404,433	159,369	75,360	467,308	(54,500)	1,051,970
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	21,470	-	-	-	-	21,470
Transfers in	627,700	374,025	-	-	46,000	1,047,725
Transfers out	(56,000)	-	-	(310,209)	-	(366,209)
Insurance recoveries	31,091	-	-	-	-	31,091
Total Other Financing Sources (Uses)	624,261	374,025	-	(310,209)	46,000	734,077
Net Change in Fund Balance	1,028,694	533,394	75,360	157,099	(8,500)	1,786,047
Fund Balance - Beginning	16,608,398	2,477,548	15,234,703	10,240,507	(788,825)	43,772,331
Fund Balance - Ending	\$ 17,637,092	\$ 3,010,942	\$ 15,310,063	\$ 10,397,606	\$ (797,325)	\$ 45,558,378

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, 2022

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

Net change in fund balances - total governmental funds	\$	1,786,047
<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	\$ 6,208,894	
Less current year depreciation	<u>(5,650,715)</u>	558,179
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>		
Contributions from outside parties		84,345
<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	(15,512)	
Special assessments against benefiting properties	646	
Grant receivable - non-current portion	(356,867)	
Accounts receivable - non-current portion	22,546	
Fines and forfeitures - non current portion	<u>42,945</u>	(306,242)
<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	459,896	
Amortization of deferred charge on refunding	(7,464)	
Amortization of bond premium	1,547	
Amortization of bond insurance	<u>(706)</u>	453,273
The net effect of various pension related transactions		622,623
<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	180,226	
Accrued interest on long-term obligations	3,348	
Compensated absences	51,501	
Other postemployment benefits	<u>44,233</u>	<u>279,308</u>
Change in net position of governmental activities	\$	<u><u>3,477,533</u></u>

PROPRIETARY
FUNDS

City of Klamath Falls, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities		
	Wastewater	Water	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,163,604	\$ 6,799,507	\$ 10,963,111
Accounts receivable <i>(net of uncollectibles)</i>	1,091,233	1,422,210	2,513,443
Leases receivable	-	584,052	584,052
Loans receivable	71,678	9,033	80,711
Interest receivable	23,877	29,579	53,456
Inventories	37,249	457,600	494,849
Prepaid items	37,132	128,035	165,167
Restricted assets			
Cash and cash equivalents	1,033,337	819,982	1,853,319
Total Current Assets	<u>6,458,110</u>	<u>10,249,998</u>	<u>16,708,108</u>
Noncurrent Assets:			
Investments	4,669,995	2,034,250	6,704,245
Capital assets <i>(net of accumulated depreciation)</i>			
Land	1,322,899	618,200	1,941,099
Intangible assets	2,404	137,489	139,893
Construction in progress	32,703,963	164,872	32,868,835
Buildings and system	2,051,541	702,458	2,753,999
Machinery and equipment	3,754,675	3,034,874	6,789,549
Infrastructure	17,951,441	30,089,273	48,040,714
OPEB asset, net	23,184	40,571	63,755
Total Noncurrent Assets	<u>62,480,102</u>	<u>36,821,987</u>	<u>99,302,089</u>
Total Assets	<u>68,938,212</u>	<u>47,071,985</u>	<u>116,010,197</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	58,574	-	58,574
Deferred outflow of resources - OPEB related	5,319	9,309	14,628
Deferred outflow of resources - pension related	466,038	815,541	1,281,579
Total Deferred Outflows of Resources	<u>529,931</u>	<u>824,850</u>	<u>1,354,781</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	1,010,562	305,568	1,316,130
Retainage payable	1,150,578	-	1,150,578
Accrued payroll	26,591	48,294	74,885
Compensated absences	36,948	75,988	112,936
Customer deposits	-	224,504	224,504
Unearned revenue	-	180,234	180,234
Current Liabilities (payable from restricted assets):			
Accrued interest payable	574,758	10,940	585,698
Loans payable	-	42,687	42,687
Revenue bonds payable	754,138	-	754,138
Total Current Liabilities	<u>3,553,575</u>	<u>888,215</u>	<u>4,441,790</u>
Long-term Liabilities:			
Compensated absences	36,948	75,987	112,935
Loans payable	21,445,466	379,137	21,824,603
Revenue bonds payable (net of unamortized discounts and premiums)	1,562,315	-	1,562,315
Total OPEB liability	42,502	74,376	116,878
Net pension liability	795,555	1,392,178	2,187,733
Total Noncurrent Liabilities	<u>23,882,786</u>	<u>1,921,678</u>	<u>25,804,464</u>
Total Liabilities	<u>27,436,361</u>	<u>2,809,893</u>	<u>30,246,254</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	17,634	30,859	48,493
Deferred inflows of resources - pension related	714,481	1,250,303	1,964,784
Deferred inflows of resources - leases	-	584,052	584,052
Total Deferred Inflows of Resources	<u>732,115</u>	<u>1,865,214</u>	<u>2,597,329</u>
NET POSITION			
Net investment in capital assets	32,933,000	34,325,342	67,258,342
Restricted for:			
System development	147,602	752,396	899,998
Debt service	885,735	67,586	953,321
Unrestricted	7,333,330	8,076,404	15,409,734
Total Net Position	<u>\$ 41,299,667</u>	<u>\$ 43,221,728</u>	<u>\$ 84,521,395</u>

City of Klamath Falls, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities		Totals
	Wastewater	Water	
OPERATING REVENUES			
Charges for sales and services			
Wastewater charges (net of allowances)	\$ 8,405,344	\$ -	\$ 8,405,344
Geothermal charges (net of allowances)	-	168,344	168,344
Water charges (net of allowances)	-	9,128,896	9,128,896
	<hr/>	<hr/>	<hr/>
Total operating revenues	8,405,344	9,297,240	17,702,584
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Costs of sales and services	4,207,676	4,525,033	8,732,709
Administration	814,600	771,600	1,586,200
Depreciation and amortization	1,537,747	1,864,180	3,401,927
	<hr/>	<hr/>	<hr/>
Total operating expenses	6,560,023	7,160,813	13,720,836
	<hr/>	<hr/>	<hr/>
Operating income (loss)	1,845,321	2,136,427	3,981,748
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	750,000	-	750,000
Investment income (loss)	(379,061)	(460,351)	(839,412)
Interest expense	(413,893)	(19,483)	(433,376)
System development charges	398,844	297,345	696,189
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expenses)	355,890	(182,489)	173,401
	<hr/>	<hr/>	<hr/>
Income before contributions and transfers	2,201,211	1,953,938	4,155,149
	<hr/>	<hr/>	<hr/>
TRANSFERS IN	310,209	-	310,209
TRANSFERS OUT	-	(991,725)	(991,725)
	<hr/>	<hr/>	<hr/>
Change in net position	2,511,420	962,213	3,473,633
	<hr/>	<hr/>	<hr/>
Total net position - beginning	38,788,247	42,259,515	81,047,762
	<hr/>	<hr/>	<hr/>
Total net position - ending	\$ 41,299,667	\$ 43,221,728	\$ 84,521,395
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City of Klamath Falls, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities		
	Wastewater	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 8,274,057	\$ 9,165,745	\$ 17,439,802
Receipts from interfund services provided	45,662	442,564	488,226
Payments to suppliers	(2,158,767)	(2,253,062)	(4,411,829)
Payments to employees	(1,199,440)	(2,170,182)	(3,369,622)
Payments for interfund services used	(1,664,458)	(1,128,394)	(2,792,852)
	<u>3,297,054</u>	<u>4,056,671</u>	<u>7,353,725</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	310,209	(991,725)	(681,516)
Net Cash (Used) by Noncapital Financing Activities	<u>310,209</u>	<u>(991,725)</u>	<u>(681,516)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental receipts	750,000	-	750,000
System development fees collected	398,844	297,345	696,189
Purchases and construction of capital assets	(16,162,914)	(374,422)	(16,537,336)
Loan Proceeds	10,508,954	-	10,508,954
Principal paid on capital debt	(736,696)	(42,382)	(779,078)
Interest paid on capital debt	(90,310)	(20,503)	(110,813)
	<u>(5,332,122)</u>	<u>(139,962)</u>	<u>(5,472,084)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	252,851	432,961	685,812
Purchase of investments	(376,167)	(456,766)	(832,933)
	<u>(123,316)</u>	<u>(23,805)</u>	<u>(147,121)</u>
Net Cash Provided (Used) by Investing Activities			
Net Change in Cash and Cash Equivalents	(1,848,175)	2,901,179	1,053,004
Cash and Cash Equivalents - Beginning of Year	7,045,116	4,718,310	11,763,426
Cash and Cash Equivalents - End of Year	<u>\$ 5,196,941</u>	<u>\$ 7,619,489</u>	<u>\$ 12,816,430</u>
Cash and Cash Equivalents - Unrestricted	\$ 4,163,604	\$ 6,799,507	\$ 10,963,111
Cash and Cash Equivalents - Restricted	<u>1,033,337</u>	<u>819,982</u>	<u>1,853,319</u>
Total Cash and Cash Equivalents	<u>\$ 5,196,941</u>	<u>\$ 7,619,489</u>	<u>\$ 12,816,430</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,845,321	\$ 2,136,427	\$ 3,981,748
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,537,747	1,864,180	3,401,927
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	(85,625)	280,440	194,815
Inventories	(5,593)	(176,053)	(181,646)
Prepaid items	(14,792)	(94,083)	(108,875)
Net OPEB asset	(11,357)	(17,499)	(28,856)
Deferred charges on refunding	20,036	-	20,036
Deferred outflows related to other post employment benefits	2,071	5,108	7,179
Deferred outflows related to pensions	(81,937)	(66,220)	(148,157)
Increases (decrease) in liabilities			
Accounts payable	(59,695)	64,659	4,964
Payroll liabilities	1,370	8,042	9,412
Compensated absences	(16,084)	13,436	(2,648)
Customer deposits	-	1,952	1,952
Unearned revenue	-	28,677	28,677
Other post employment benefits	5,323	1,846	7,169
Net pension liability	(421,134)	(981,389)	(1,402,523)
Deferred inflows related to other post employment benefits	4,058	4,375	8,433
Deferred inflows related to pensions	<u>577,345</u>	<u>982,773</u>	<u>1,560,118</u>
Total Adjustments	<u>1,451,733</u>	<u>1,920,244</u>	<u>3,371,977</u>
Net cash provided by operating activities	<u>\$ 3,297,054</u>	<u>\$ 4,056,671</u>	<u>\$ 7,353,725</u>

FIDUCIARY FUNDS

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City of Klamath Falls, Oregon
Statement of Fiduciary Net Position
Veterans Memorial Custodial Fund
June 30, 2022

	<u>Veterans Memorial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 169,477
Total assets	<u>169,477</u>
 LIABILITIES	
Accounts payable	<u>273</u>
Total liabilities	<u>273</u>
 NET POSITION	
Restricted for:	
Individuals and organizations	<u>169,204</u>
Total net position	<u>\$ 169,204</u>

City of Klamath Falls, Oregon
 Veterans Memorial Custodial Fund
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2022

ADDITIONS

Contributions:

Private contributions	\$	3,550
Total contributions		3,550

Investment earnings:

Interest		951
Net investment earnings		951

Total additions		4,501
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DEDUCTIONS

Memorial improvements		1,449
Total deductions		1,449

Net increase in fiduciary net position		3,052
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Net position - beginning		166,152
Net position - ending	\$	169,204

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 and landing fees. 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, the government reports the following custodial fund:

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

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

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

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 acquisitions under leases are reported as other financing sources.

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

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

F. Budgetary information

1. Budgetary basis of accounting

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

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

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, 2021. Appropriations lapse at the end of the biennium budget period.

2. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2022, 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. *Leases*

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

6. Deferred outflows/inflows of resources

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

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

7. 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.

8. 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. *Fund balance policies*

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

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

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

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

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

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

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

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

H. Revenues and expenditures/expenses

1. *Program revenues*

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022.

3. *Compensated absences*

Vacation

The government's policy permits employees to accumulate up to 240 hours of earned but unused vacation benefits depending on the contract and years of service. These hours are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave

The government's policy permits employees to accumulate earned but unused sick leave benefits. When AFSCME and Teamsters employees, hired before July 1, 2011, leave the government's employment, sick leave is paid at a graduated scale based on years employed, not to exceed 25% of 960 hours. AFSCME and Teamsters employees hired after July 1, 2011, no longer qualify for a sick leave payout upon leaving the government. Exempt employees may have two sick leave banks. All sick leave accumulated prior to July 1, 2011 is tracked as "frozen sick leave". Amounts remaining on the books upon termination are paid at a graduated scale based on years employed but not to exceed 25% of 960 hours. Leave amounts accrued after July 1, 2011, are tracked as current sick leave, which is no longer subject to a payout upon termination. Instead, the government will convert up to 32 hours of accrued current sick leave to cash and contribute the balance to a Voluntary Employee's Beneficiary Account (VEBA) on July 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensatory Time Leave

The government's policy permits AFSCME represented employees to accumulate up to 80 hours, and Teamsters represented employees to accumulate up to 120 hours of earned but unpaid compensatory time off. Straight overtime hours worked are accumulated at the straight rate for hours worked, while overtime hours worked are accumulated at the rate of time and one-half. This accumulation is eligible for payment upon separation from government service. The government may compensate Teamsters represented employees at fiscal year-end for all accrued compensatory time in excess of 40 hours. All time over the allowed accumulation must be paid in full when earned. The liability for compensatory time is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

4. Proprietary fund operating and nonoperating revenues and expenses

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

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Revenue diversion

The government was in compliance with the *Policies and Procedures Concerning the Generation and Use of Airport Revenue*, issued February 16, 1999 (64 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, 2022.

C. Deficit fund equity

At June 30, 2022, the Lakefront Urban Renewal Fund has a deficit fund balance of \$452,649 and the Spring Street Urban Renewal Fund has a deficit fund balance of \$833,329. The reason for the deficits is interfund loans. The interfund loans are reported as a fund liability on the Governmental Funds balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balance). This deficit will be eliminated as the scheduled principal payments on the loans are made.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash, cash equivalents and investments

At June 30, 2022, the government’s cash, cash equivalents and investments were comprised of the following:

Cash on hand	\$	1,250
Deposits with financial institutions		4,303,526
Investments:		
Oregon State Treasurer’s Local Government Investment Pool		32,806,957
Oregon State Treasurer’s Local Government Intermediate Fund		9,287,127
U.S. agency and municipal obligations		16,091,693
Commercial paper and corporate bonds		7,158,321
Total cash and investments	<u>\$</u>	<u>69,648,874</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	\$ 24,295,303	\$ 12,816,430	\$ 37,111,733
Investments	25,832,896	6,704,245	32,537,141
	<u>\$ 50,128,199</u>	<u>\$ 19,520,675</u>	<u>\$ 69,648,874</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, 2022, the government’s bank balances were \$4,345,330.

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, 2022, the government’s investments in U.S. Treasury Securities are classified as Level 1. All other securities, excluding the Local Government Investment Pool, which is valued at amortized cost and is not in the leveling hierarchy, are classified as Level 2.

As of June 30, 2022, the government had the following investments:

Investment Type	Fair Value	% of Investment Portfolio	Weighted Average Maturity (Years)	
Local Government Investment Pool	\$ 42,094,084	64.4%	0.50	0.3229780
U.S. Agency Securities	10,493,483	16.1%	3.31	0.5319205
U.S. Treasury Securities	430,271	0.7%	2.62	0.0172285
Municipal Commercial Paper	5,167,939	7.9%	2.95	0.2329306
Corporate Commercial Paper and Bonds	7,158,321	11.0%	2.30	0.2518105
Total	\$ 65,344,098	100.0%		1.3568681

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, 2022, is representative of the types of investments made throughout the year. The government’s investments in guaranteed investment contracts and the state treasurer’s investment pool are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7 like external investment pool and is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same amount as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

At June 30, 2022, 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	\$ -	\$ 838,846	\$ -	\$ -	\$ -
AA+	244,240	2,646,910	7,648,143	430,271	-
AA	-	497,430	-	-	-
AA-	501,073	-	-	-	-
A+	943,546	-	-	-	-
A	4,841,750	-	-	-	-
A-	627,712	-	-	-	-
Unrated	-	1,184,753	2,845,340	-	42,094,084
	<u>\$ 7,158,321</u>	<u>\$ 5,167,939</u>	<u>\$ 10,493,483</u>	<u>\$ 430,271</u>	<u>\$ 42,094,084</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	\$ 2,764,931	\$ 35,851	\$ 863,707	\$ 3,664,489
Uncollectibles	(2,567,408)	(31,961)	(1,019)	(2,600,388)
Net Accounts Receivable	<u>\$ 197,523</u>	<u>\$ 3,890</u>	<u>\$ 862,688</u>	<u>\$ 1,064,101</u>

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

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Escrow Reserve Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Gross Accounts Receivable	\$ 3,664,489	\$ 828,715	\$ 11,596	\$ 95,446	\$ 4,600,246
Uncollectibles	<u>(2,600,388)</u>	<u>-</u>	<u>-</u>	<u>(85,202)</u>	<u>(2,685,590)</u>
Net Accounts Receivable	<u>\$ 1,064,101</u>	<u>\$ 828,715</u>	<u>\$ 11,596</u>	<u>\$ 10,244</u>	<u>\$ 1,914,656</u>

Business-type Activities

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Gross Accounts Receivable	\$ 1,111,958	\$ 1,449,484	\$ 2,561,442
Uncollectibles	<u>(20,725)</u>	<u>(27,274)</u>	<u>(47,999)</u>
Net Accounts Receivable	<u>\$ 1,091,233</u>	<u>\$ 1,422,210</u>	<u>\$ 2,513,443</u>

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

C. Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2022
Capital assets, not being depreciated:					
Land	\$ 14,137,414	\$ 42,113	\$ -	\$ -	\$ 14,179,527
Construction in progress	5,028,662	5,269,482	-	(2,403,357)	7,894,787
Intangible assets	116,771	-	-	-	116,771
Total capital assets, not being depreciated	19,282,847	5,311,595	-	(2,403,357)	22,191,085
Capital assets, being depreciated:					
Buildings	17,759,629	11,655	-	105,615	17,876,899
Intangible assets	558,638	-	-	-	558,638
Machinery, equipment, and vehicles	12,834,426	639,492	(262,578)	-	13,211,340
Infrastructure	217,293,745	330,497	(378,177)	2,297,742	219,543,807
Total capital assets being depreciated	248,446,438	981,644	(640,755)	2,403,357	251,190,684
Less accumulated depreciation for:					
Buildings	(7,824,071)	(578,534)	-	-	(8,402,605)
Intangible assets	(237,558)	(26,714)	-	-	(264,272)
Machinery, equipment, and vehicles	(9,250,091)	(696,582)	262,578	-	(9,684,095)
Infrastructure	(142,255,171)	(4,348,885)	378,177	-	(146,225,879)
Total accumulated depreciation	(159,566,891)	(5,650,715)	640,755	-	(164,576,851)
Total capital assets, being depreciated, net	88,879,547	(4,669,071)	-	2,403,357	86,613,833
Government activities capital assets, net	\$ 108,162,394	\$ 642,524	\$ -	\$ -	\$ 108,804,918

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	\$ 199,889
Public safety	566,021
Highways and streets	2,223,201
Culture and recreation	329,637
Airport	2,331,967
Total depreciation expense - governmental activities	\$ 5,650,715

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

Business-type Activities:

	Balance July 1, 2021	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2022
Capital assets, not being depreciated:					
Land	\$ 1,941,099	\$ -	\$ -	\$ -	\$ 1,941,099
Construction in progress	19,182,491	16,591,863	-	(2,905,519)	32,868,835
Intangible assets	137,489	-	-	-	137,489
Total capital assets, not being depreciated	<u>21,261,079</u>	<u>16,591,863</u>	<u>-</u>	<u>(2,905,519)</u>	<u>34,947,423</u>
Capital assets, being depreciated:					
Buildings	7,499,076	-	-	-	7,499,076
Intangible assets	7,500	-	-	-	7,500
Machinery and equipment	21,402,880	656,620	(1,156,082)	566,277	21,469,695
Infrastructure	89,889,531	-	-	2,339,242	92,228,773
Total capital assets being depreciated	<u>118,798,987</u>	<u>656,620</u>	<u>(1,156,082)</u>	<u>2,905,519</u>	<u>121,205,044</u>
Less accumulated depreciation for:					
Buildings	(4,620,858)	(124,219)	-	-	(4,745,077)
Intangible assets	(3,987)	(1,109)	-	-	(5,096)
Machinery and equipment	(14,801,236)	(1,034,992)	1,156,082	-	(14,680,146)
Infrastructure	(41,946,452)	(2,241,607)	-	-	(44,188,059)
Total accumulated depreciation	<u>(61,372,533)</u>	<u>(3,401,927)</u>	<u>1,156,082</u>	<u>-</u>	<u>(63,618,378)</u>
Total capital assets, being depreciated, net	<u>57,426,454</u>	<u>(2,745,307)</u>	<u>-</u>	<u>2,905,519</u>	<u>57,586,666</u>
Business-type activities capital assets, net	<u>\$ 78,687,533</u>	<u>\$ 13,846,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,534,089</u>

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

Business-type activities:	
Wastewater	\$ 1,537,747
Water	1,864,180
Total depreciation expense - business-type activities	<u>\$ 1,537,747</u>

D. Pension obligations

Oregon Public Employees Retirement System (OPERS)

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

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

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

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

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. Beginning January 1, 2022, PERS subject salary limits increased from \$197,730 to \$210,582 per year in accordance with the Consumer Price Index for West Region.

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

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

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

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

Benefit Changes After Retirement. After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the 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%.

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:

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

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

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

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

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

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

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

3. OPSRP Individual Account Program (OPSRP IAP)

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

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

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

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

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

Employer Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019, actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer contributions for the year ended June 30, 2022, were \$1,706,216, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2022, were 20.29 percent for Tier One/Tier Two members, 13.52 percent for OPSRP Pension Program General Service Members, and 17.88 percent for OPSRP Pension Program Police Members. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions.

Employee Contributions. Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Starting July 1, 2020, Senate Bill 1049 required member contributions to their IAP accounts to be redirected to the Defined Benefit Fund. If the member earns more than \$2,500 a month, 0.75% for OPSRP members and 2.5% Tier One- and Two-members' salaries that were previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts (EPSA) to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. Employee contributions were \$526,255 for IAP and \$135,788.60 for EPSA for the year ended June 30, 2022.

Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2022, the government reported a liability of \$10,408,597 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to June 30, 2021. 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, 2021, the government's proportion was 0.0870 percent, which was an increase of .0050 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the government's recognized pension expense (reduction) was (\$613,185). At June 30, 2022, 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	\$ 974,313	\$ -
Changes of assumptions	2,605,585	27,393
Net difference between projected and actual earnings on investments	-	7,705,404
Changes in proportion	811,266	905,417
Differences between employer contributions and proportionate share of contributions	-	709,662
Total (prior to post-MD contributions)	4,391,164	9,347,876
Contributions subsequent to the MD	1,706,216	-
Total	<u>\$ 6,097,380</u>	<u>\$ 9,347,876</u>

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

\$1,706,216 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, 2023. 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>	
2023	\$ (1,002,400)
2024	(1,041,776)
2025	(1,337,950)
2026	(1,854,616)
2027	280,029
Total	<u>\$ (4,956,713)</u>

Actuarial valuations. The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the entry age normal actuarial cost method. Under this cost method, each active member’s entry age present value of projected benefits is allocated over the member’s service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

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

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

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

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	27.5	37.5	32.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	7.5	17.5	15.0
Opportunity Portfolio	0.0	5.0	0.0
Risk Parity	0.0	2.5	2.5
Total			<u>100.00 %</u>

Long-term expected rate of return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021, 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Global Equity	30.62 %	5.85 %
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	<u>(2.50) *</u>	1.76
Total	<u>100.00 %</u>	

Assumed Inflation - Mean 2.40 %

* Negative allocation to cash represents lowered exposure from allocation to Risk Parity strategy.

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

Discount rate. The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan, a reduction approved by the PERS Board from 7.20 percent in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the net pension liability (asset)	\$ 20,439,995	\$ 10,408,597	\$ 2,015,958

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

Changes in actuarial methods and assumptions

A summary of key changes implemented since the December 31, 2019 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the System, which was published in July 2021, and can be found at: <https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>.

Allocation of liability for service segments. For purposes of allocating Tier One/Tier Two member’s actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology, which utilizes member account balance, and the Full Formula methodology, which uses service. The weights are determined based on the prevalence of each formula among the current Tier One/Tier Two population. For the December 31, 2018 and December 31, 2019 valuations, the Money Match was weighted 10% for General Service members and 0% for Police & Fire members, based on a projection of the proportion of the liability attributable to Money Match benefits at those valuation dates. The December 31, 2020 allocation is 10% (0% for police & fire) based on account balance with each employer and 90% (100% for police & fire) based on service with each employer. The entire normal cost is allocated to the current employer.

Changes in economic assumptions

Administrative expenses. The administrative expense assumptions were updated to \$59.0 million per year and allocated between Tier 1/Tier 2 and OPSRP based on valuation payroll. Previously these were assumed to be \$32.5 million per year and \$8.0 million per year, respectively.

Healthcare cost inflation. The healthcare cost inflation for the maximum RHIPA subsidy was updated based on analysis performed by Milliman’s healthcare actuaries. Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, no adjustment was made in the expected plan costs or in the trend of assumptions.

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

Changes in demographic assumptions

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

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

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

E. Other Postemployment Benefits (OPEB)

City County Insurance Services (CIS)

Plan description. The government does not have a formal post-employment benefits plan for any employee groups; however, the government is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 75 is applicable to the government due 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, 2022 the following employees were covered by the benefit terms:

Active employees	111
Eligible retirees	5
Spouses of ineligible retirees	1
Total participants	<u>117</u>

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

OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2022, the government reported an OPEB liability of \$556,069. 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, 2020 valuation date and a June 30, 2021 measurement date.

	Total OPEB Liability
Balance as of June 30, 2021	\$ 547,192
Changes for the year:	
Service cost	39,207
Interest on Total OPEB Liability	12,469
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,857
Benefit payments	<u>(44,656)</u>
Balance as of June 30, 2022	<u>\$ 556,069</u>

For the year ended June 30, 2022, the government’s recognized OPEB expense (reduction) was \$27,242. At June 30, 2022, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,568	\$ 24,170
Changes of assumptions	<u>11,328</u>	<u>117,947</u>
Total (prior to post-MD contributions)	34,896	142,117
Contributions subsequent to the MD	<u>25,056</u>	<u>-</u>
Total	<u>\$ 59,952</u>	<u>\$ 142,117</u>

\$25,056 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, 2023. 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>	
2023	\$ (24,434)
2024	(24,434)
2025	(24,434)
2026	(19,529)
2027	(6,851)
Thereafter	<u>(7,539)</u>
Total	<u>\$ (107,221)</u>

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

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

In the July 1, 2020 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, 2019.

Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience study	2018, published July 24, 2019
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Retiree healthcare participation	Healthy retirees: 32%; Disabled retiree: 20%
Healthcare cost trend rate	Not applicable
Mortality	Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

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, 2022 reporting date is 2.16 percent. The previous year discount rate was 2.21 percent.

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

Sensitivity of the government's proportionate share of the total OPEB liability. The following presents the total OPEB liability of the Plan, calculated using the discount rate of 2.16%, 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 (1.16%) or 1 percentage point higher (3.16%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$ 592,589	\$ 556,069	\$ 520,989

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 502,344	\$ 556,069	\$ 618,728

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, 2022, there were 35 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2021 and ending June 30, 2023, 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 Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at: <https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

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

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

Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer RHIA contributions for the year ended June 30, 2022 were \$2,544. The City’s contribution rates in effect for the period were .05 percent for Tier One/Tier Two members and .00 percent for OPSRP Pension Program Members.

RHIA OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. At June 30, 2022 the government reported an asset of \$303,332 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. 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, 2021, the government’s proportion was .0883 percent, which was an increase of .0029 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the government’s recognized OPEB expense (income) was (\$49,696). As of June 30, 2022, 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	\$ -	\$ 8,439
Changes of assumptions	5,968	4,512
Net difference between projected and actual earnings on investments	-	72,088
Changes in proportionate share	1,133	3,563
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>7,101</u>	<u>88,602</u>
Contributions subsequent to the MD	<u>2,544</u>	<u>-</u>
Total	<u>\$ 9,645</u>	<u>\$ 88,602</u>

\$2,544 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, 2023.

Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (26,264)
2024	(16,008)
2025	(16,458)
2026	(22,771)
2027	-
Total	<u>\$ (81,501)</u>

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

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

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

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Total OPEB Liability	\$ (268,253)	\$ (303,332)	\$ (333,299)

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

OPEB expense (reduction) for the year ended June 30, 2022 was \$27,242 for CIS and (\$49,696) for RHIA for a total aggregate OPEB expense (reduction) of (\$22,454).

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 \$313,280, \$29,951 and \$23,972 to the Section 457, Section 457 Roth and the Section 401(k) plans respectively, in 2022.

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

F. Construction and other significant commitments

The government has active construction and professional service contracts as of June 30, 2022. General Fund commitments include the City Hall roof, Ella Redkey Pool plaza, painting and well projects, Campus Drive & Daggett roundabout, S. 6th St viaduct improvements, and Washburn Way pavement rehabilitation. Airport contracts are for Runway 8/26. The Wastewater professional contract is for a stormwater master plan. Wastewater construction contracts are for the treatment plant upgrade, SCADA radio upgrades, and Stewart Lenox Lift Station. Water professional service contracts are for S. 6th St booster station design, water management plan update, and reservoir maintenance. The Water construction contract is for SCADA radio upgrades. The contract in nonmajor governmental funds is for Juniper & Pine parking lot maintenance. At year-end, the government’s contract commitments were as follows:

Project	Cost to date	Commitment
General Fund professional service contracts	\$ 424,797	\$ 613,157
General Fund construction contracts	648,334	1,894,878
Airport professional service contracts	10,439	782,338
Airport construction contracts	-	10,193,481
Wastewater professional services contract	1,985,812	498,266
Wastewater construction contracts	28,268,284	16,073,907
Water professional services contract	51,925	40,869
Water construction contracts	21,415	938,707
Nonmajor Governmental Funds professional service contracts	-	18,922
Total	\$ 31,411,005	\$ 31,054,523

G. Risk management

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

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

	Year Ended June 30, 2022
Unpaid claims, beginning	\$ -
Incurred claims (including IBNRs)	21,567
Claims paid	21,567
Unpaid claims, ending	\$ -

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 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, 2022
Unpaid claims, beginning	\$ -
Incurred claims (including IBNRs)	7,694
Claims paid	(7,694)
Unpaid claims, ending	<u>\$ -</u>

H. Leases

The City is involved in various leasing arrangements for land and buildings which are leased mainly to commercial customers. With the implementation of GASB Statement No. 87 Leases, effective the fiscal year ended June 30, 2022, all existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases.

Lessor lease receivables

The City has entered into 63 lease agreements as the lessor for buildings and land. The receivable related to these leases was initially recognized on July 1, 2021 with the adoption of GASB Statement No. 87. Out of these, 57 of the leases are related to buildings, 4 of the leases are related to land, and 2 are split between land and buildings.

The City is the lessor under 59 lease agreements related to buildings primarily for airport hangars. Periods cover various ranges with the latest expiring on June 30, 2052. Interest rates for lessor leases range from 1.68% to 2.62%. Annual payments for the current year range from \$354 to \$48,099.

The City is the lessor for 6 lease agreements related to land including right of way encroachments and airport property and runway use. Of these, 2 are qualified leases under GASB Statement No. 87 with periods covering various ranges and the latest expiring on June 30, 2045. Interest rates range from 1.68% to 2.62%. Annual payments for the current year range from \$750 to \$68,856.

Lease receivables for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Building	\$ 1,943,509	\$ -	\$ (66,741)	\$ 1,876,768
Land	3,968,931	-	(181,369)	3,787,561
Total governmental activities	<u>\$ 5,912,440</u>	<u>\$ -</u>	<u>\$ (248,110)</u>	<u>\$ 5,664,329</u>
Business-type activities:				
Land	\$ 599,998	\$ -	\$ (15,946)	\$ 584,052
Total business-type activities	<u>\$ 599,998</u>	<u>\$ -</u>	<u>\$ (15,946)</u>	<u>\$ 584,052</u>

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

The net present value of lease receivables for the year ended June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 275,921	\$ 107,419	\$ 17,093	\$ 11,193
2024	281,297	102,041	18,286	10,848
2025	286,269	97,069	19,530	10,479
2026	291,346	91,992	20,824	10,085
2027	296,496	86,842	22,170	9,665
2028-2032	1,370,337	354,748	133,032	41,058
2033-2037	1,316,127	228,901	175,756	26,061
2038-2042	1,045,528	104,347	177,361	6,997
2043-2047	474,971	34,865	-	-
2048-2052	26,038	11,283	-	-
Total	<u>\$ 5,664,330</u>	<u>\$ 1,219,506</u>	<u>\$ 584,052</u>	<u>\$ 126,385</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.

Lessor lease inflows

Lease inflows of resources for the year ended June 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities
Lease revenue	\$ 248,109	\$ 15,946
Lease interest income	111,654	11,515
Total lease inflows	<u>\$ 359,763</u>	<u>\$ 27,462</u>

I. 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.

Compensated Absences:	Balance		Balance June 30, 2022	Amounts Due Within One Year
	June 30, 2021	Net Change		
Governmental activities	\$ 1,002,801	\$ (51,501)	\$ 951,300	\$ 475,650
Business-type activities	228,519	(2,648)	225,871	112,936
Total compensated absences	<u>\$ 1,231,320</u>	<u>\$ (54,149)</u>	<u>\$ 1,177,171</u>	<u>\$ 588,586</u>

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.

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 \$231,258 and \$231,818, 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 \$291,145 and \$8,083,197 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 \$138,912 and \$186,268, 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 Sturdicraft facility to the water system. Payments are due annually at 4.16% interest. The SPWF loan is payable solely from water customer net revenues and is payable through fiscal year 2030. Annual principal and interest payments on the loan are expected to require 2.0% of net revenues. Principal and interest paid in the current year and total customer net revenues were \$62,885 and \$4,124,308, 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 \$806,970 and 3,754,007, respectively.

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 \$400,913 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 1.88% per annum. There is a loan reserve requirement of \$1,008,535.

Oregon Infrastructure Finance Authority of the Business Development Department – Wastewater Fund

In November of 2020, the government entered into a revenue secured loan with the Oregon Infrastructure Finance Authority of the Business Development Department (OBDD) for \$750,000 for wastewater treatment facility upgrade. The government has pledged wastewater net operating revenues to repay the loan. The interest rate is 1.00% per annum.

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

Long-term liability activity for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General Obligation Bonds, Series 2017	\$ 3,756,872	\$ -	\$ 124,187	\$ 3,632,685	\$ 133,527
Full Faith and Credit Bonds, Series 2008	1,930,000	-	205,000	1,725,000	215,000
Plus: Bond issuance premium	12,245	-	1,547	10,698	-
Long-term bonded debt obligations	<u>5,699,117</u>	<u>-</u>	<u>330,734</u>	<u>5,368,383</u>	<u>348,527</u>
Direct borrowings:					
Washington Federal	211,200	-	130,709	80,491	80,491
Timbermill Shores	2,248,564	-	-	2,248,564	-
Direct borrowings	<u>2,459,764</u>	<u>-</u>	<u>130,709</u>	<u>2,329,055</u>	<u>80,491</u>
Total governmental activities	<u>\$ 8,158,881</u>	<u>\$ -</u>	<u>\$ 461,443</u>	<u>\$ 7,697,438</u>	<u>\$ 429,018</u>
Business-type activities:					
Revenue Bonds:					
Wastewater Revenue Refunding Bonds, Series 2015	\$ 3,053,149	\$ -	\$ 736,696	\$ 2,316,453	\$ 754,138
Direct borrowings:					
Clean Water State Revolving Loan	4,550,200	-	-	4,550,200	-
Clean Water State Revolving Loan	6,386,312	9,758,954	-	16,145,266	-
Water Fund Water Project	-	750,000	-	750,000	-
Special Public Works Fund	464,206	-	42,382	421,824	42,687
Direct borrowings	<u>11,400,718</u>	<u>10,508,954</u>	<u>42,382</u>	<u>21,867,290</u>	<u>42,687</u>
Total business-type activities	<u>\$ 14,453,867</u>	<u>\$ 10,508,954</u>	<u>\$ 779,078</u>	<u>\$ 24,183,743</u>	<u>\$ 796,825</u>
Total long-term debt obligations					
Bonds	\$ 8,740,021	\$ -	\$ 1,065,883	\$ 7,674,138	\$ 1,102,665
Bond issuance premiums	12,245	-	1,547	10,698	-
Direct borrowings	<u>13,860,482</u>	<u>10,508,954</u>	<u>173,091</u>	<u>24,196,345</u>	<u>123,178</u>
Total long-term obligations	<u>\$ 22,612,748</u>	<u>\$ 10,508,954</u>	<u>\$ 1,240,521</u>	<u>\$ 31,881,181</u>	<u>\$ 1,225,843</u>

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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>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Wastewater Refunding Bonds, Series 2015					
Principal	\$ 754,138	\$ 775,783	\$ 786,532	\$ -	\$ -
Interest	53,742	36,246	18,248	-	-
Total Revenue Bonds	<u>\$ 807,880</u>	<u>\$ 812,029</u>	<u>\$ 804,780</u>	<u>\$ -</u>	<u>\$ -</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	\$ 133,527	\$ 147,607	\$ 161,302	\$ 174,599	\$ 187,487
Interest	103,532	99,726	95,519	90,922	85,946
Total General Obligation Bonds	<u>\$ 237,059</u>	<u>\$ 247,333</u>	<u>\$ 256,821</u>	<u>\$ 265,521</u>	<u>\$ 273,433</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	\$ 215,000	\$ 225,000	\$ 235,000	\$ 245,000	\$ 255,000
Interest	76,920	67,245	57,345	47,005	36,225
Total Full Faith and Credit Bonds	<u>\$ 291,920</u>	<u>\$ 292,245</u>	<u>\$ 292,345</u>	<u>\$ 292,005</u>	<u>\$ 291,225</u>

Other Long-term Liabilities

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

Special Public Works Fund					
Principal	\$ 42,687	\$ 48,014	\$ 48,364	\$ 53,730	\$ 54,123
Interest	18,755	16,941	14,840	12,724	10,306
Timbermill Shores					
Principal	-	140,600	115,000	115,000	115,000
Washington Fed - Town Center Urban Renewal					
Principal	80,491	-	-	-	-
Interest	3,224	-	-	-	-
Water Fund Water Project					
Principal	-	-	6,919	22,214	22,437
Interest	-	-	22,726	7,431	7,209
Clean Water State Revolving Loan					
Principal	-	190,647	194,710	198,860	203,098
Interest	400,913	95,459	91,396	87,246	83,008
Clean Water State Revolving Loan					
Principal	-	-	205,996	417,819	425,711
Interest	-	-	1,041,830	297,704	289,812
Total other long-term liabilities	<u>\$ 546,070</u>	<u>\$ 491,661</u>	<u>\$ 1,741,781</u>	<u>\$ 1,212,728</u>	<u>\$ 1,210,704</u>
Total Long-term Liabilities	<u>\$ 1,882,929</u>	<u>\$ 1,843,268</u>	<u>\$ 3,095,727</u>	<u>\$ 1,770,254</u>	<u>\$ 1,775,362</u>

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

<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2042</u>	<u>2043-2047</u>	<u>2048-2052</u>	<u>2053-2057</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,316,453
-	-	-	-	-	-	108,236
<u>\$ -</u>	<u>\$ 2,424,689</u>					
\$ 1,178,796	\$ 1,649,367	\$ -	\$ -	\$ -	\$ -	\$ 3,632,685
340,560	146,925	-	-	-	-	963,130
<u>\$ 1,519,356</u>	<u>\$ 1,796,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,595,815</u>
\$ 550,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,725,000
37,350	-	-	-	-	-	322,090
<u>\$ 587,350</u>	<u>\$ -</u>	<u>\$ 2,047,090</u>				
\$ 174,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421,824
16,006	-	-	-	-	-	89,572
575,000	575,000	575,000	37,964	-	-	2,248,564
-	-	-	-	-	-	80,491
-	-	-	-	-	-	3,224
115,594	121,490	127,687	134,200	141,046	58,413	750,000
32,633	26,736	20,539	14,026	7,180	878	139,358
1,082,290	1,202,645	1,336,382	141,568	-	-	4,550,200
348,240	227,885	94,148	1,501	-	-	1,429,796
2,252,253	2,473,148	2,715,709	2,982,059	3,274,532	1,398,039	16,145,266
1,325,363	1,104,468	861,907	595,557	303,084	33,007	5,852,732
<u>\$ 5,922,285</u>	<u>\$ 5,731,372</u>	<u>\$ 5,731,372</u>	<u>\$ 3,906,875</u>	<u>\$ 3,725,842</u>	<u>\$ 1,490,337</u>	<u>\$ 31,711,027</u>
<u>\$ 8,028,991</u>	<u>\$ 7,527,664</u>	<u>\$ 5,731,372</u>	<u>\$ 3,906,875</u>	<u>\$ 3,725,842</u>	<u>\$ 1,490,337</u>	<u>\$ 40,778,621</u>

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

Debt service requirements on long-term debt at June 30, 2022, 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
2023	\$ 348,527	\$ 180,452	\$ 80,491	\$ 3,224	\$ 754,138	\$ 53,742	\$ 42,687	\$ 419,668
2024	372,607	166,971	140,600	-	775,783	36,246	238,661	112,400
2025	396,302	152,864	115,000	-	786,532	18,248	455,989	1,170,792
2026	419,599	137,927	115,000	-	-	-	692,623	405,105
2027	442,487	122,171	115,000	-	-	-	705,369	390,335
2028-2032	1,728,796	377,910	575,000	-	-	-	3,625,043	1,722,242
2033-2037	1,649,367	146,925	575,000	-	-	-	3,797,283	1,359,089
2038-2042	-	-	575,000	-	-	-	4,179,778	976,594
2043-2047	-	-	37,964	-	-	-	3,257,827	611,084
2048-2052	-	-	-	-	-	-	3,415,578	310,264
2053-2057	-	-	-	-	-	-	1,456,452	33,885
	<u>\$ 5,357,685</u>	<u>\$ 1,285,220</u>	<u>\$ 2,329,055</u>	<u>\$ 3,224</u>	<u>\$ 2,316,453</u>	<u>\$ 108,236</u>	<u>\$ 21,867,290</u>	<u>\$ 7,511,458</u>

The government's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,329,055 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 \$21,867,290 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
2023	\$ 429,018	\$ 183,676	\$ 796,825	\$ 473,410	\$ 1,225,843	\$ 657,086
2024	513,207	166,971	1,014,444	148,646	1,527,651	315,617
2025	511,302	152,864	1,242,521	1,189,040	1,753,823	1,341,904
2026	534,599	137,927	692,623	405,105	1,227,222	543,032
2027	557,487	122,171	705,369	390,335	1,262,856	512,506
2028-2032	2,303,796	377,910	3,625,043	1,722,242	5,928,839	2,100,152
2033-2037	2,224,367	146,925	3,797,283	1,359,089	6,021,650	1,506,014
2038-2042	575,000	-	4,179,778	976,594	4,754,778	976,594
2043-2047	37,964	-	3,257,827	611,084	3,295,791	611,084
2048-2052	-	-	3,415,578	310,264	3,415,578	310,264
2053-2057	-	-	1,456,452	33,885	1,456,452	33,885
	<u>\$ 7,686,740</u>	<u>\$ 1,288,444</u>	<u>\$ 24,183,743</u>	<u>\$ 7,619,694</u>	<u>\$ 31,870,483</u>	<u>\$ 8,908,138</u>

The government also has an unused line of credit in the amount of \$29,304,534 related to the 2020 Clean Water State Revolving Loan.

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

J. Fund balance

Fund Balance as of June 30, 2022 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	\$ 41,474	\$ -	\$ -	\$ -	\$ -	\$ 41,474
Restricted:						
Capital projects	-	52,022	-	-	-	52,022
Forefeiture	67,049	-	-	-	-	67,049
DOJ Equitable Sharing	-	-	-	-	75,191	75,191
System Development	179,645	-	-	-	-	179,645
Debt Service	-	-	-	-	42,469	42,469
Urban Renewal	-	-	-	-	818	818
Committed:						
Environmental	-	-	5,395,756	-	-	5,395,756
Right-of-way	610,598	-	-	-	-	610,598
Assigned:						
Capital projects	-	-	9,914,307	10,397,606	-	20,311,913
Community programs	50,524	-	-	-	15,019	65,543
Public Access Television	25,000	-	-	-	-	25,000
Operations	-	2,958,920	-	-	355,156	3,314,076
Unassigned:						
Unassigned	16,662,801	-	-	-	(1,285,978)	15,376,823
Total Fund Balances	<u>\$ 17,637,092</u>	<u>\$ 3,010,942</u>	<u>\$ 15,310,063</u>	<u>\$ 10,397,606</u>	<u>\$ (797,325)</u>	<u>\$ 45,558,378</u>

K. Interfund receivables and payables

The composition of interfund balances as of June 30, 2022, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$ 314,381
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$ 160,000
Escrow Reserve Fund	Town Center Urban Renewal Fund	\$ 56,688
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 729,000
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 120,000

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 \$94,261 and interest of \$15,324 were paid in the current period.

An interfund capital loan in the amount of \$160,000 from the Escrow Reserve Fund to the Lakefront Urban Renewal Fund was authorized by the government’s council in November 2020. The loan was used for a grant to support the development of a hotel within the district. The loan accrues interest at 2.14% and matures in fiscal year 2030. The loan will be repaid using tax increment financing. The first payment is due June 2024.

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

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 \$10,064 and interest of \$2,670 were paid in the current period.

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 principal payment is due in fiscal year 2024. An interest only payment of \$19,902 was paid in the current period.

An interfund capital loan in the amount of \$100,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in November 2020. The loan was used for building and development fees. The loan accrues interest at 2.14% and matures in fiscal year 2031. The loan was repaid using tax increment financing. The entire principal balance of \$100,000 and interest of \$3,493 was paid in fiscal year 2022.

An interfund capital loan in the amount of \$560,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in February 2021. The loan was used for permitting and system development charges. The loan accrues interest at 2.30% and matures in fiscal year 2031. The loan will be repaid using tax increment financing. Principal of \$440,000 and interest of \$18,259 were paid in the current period.

L. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2022 is as follows:

Interfund transfers:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor Governmental Funds	\$ 56,000
Nonmajor Governmental Funds	General Fund	\$ 10,000
Escrow Reserve Fund	Wastewater Fund	\$ 310,209
Water Fund	General Fund	\$ 617,700
Water Fund	Airport Fund	\$ 374,025

In the year ended June 30, 2022, the government made the following transfers:

General Fund transferred \$56,000 to the Downtown Maintenance District for operational expenditures.

The Escrow Reserve Fund transferred \$310,209 to the Wastewater Fund for effluent operating costs.

The Water Fund transferred \$374,025 to the Airport Fund and \$617,700 to the General Fund to support operations and capital improvements for the airport, parks, and streets. Of the funds provided to the Airport Fund by the City, the City designates \$3,128/yr. of the total funds provided for the 6,950 square foot portion of Brett Way allocated to the Brett Way Extension access to the Airport.

NOTE IV – CONTINGENCIES

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

NOTE V – ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, was issued June 2017 to improve accounting and financial reporting for leases by governments. 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 updated the effective date for GASB Statement No. 87 to fiscal year ending June 30, 2022, which is when the City implemented the statement. Accordingly, the City has opted to not restate prior periods, as comparative periods are not reported.

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.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, was issued June 2022. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. GASB Statement No. 100 will be effective for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, was issued June 2022 to recognize (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The statement also amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The City implemented GASB Statement No. 101 for fiscal year ended June 30, 2022, as reflected in Note III.I.

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, 2022

Schedule A-1

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 16,712,700	\$ 16,712,700	\$ 8,519,795	\$ 8,519,795	\$ (8,192,905)
Intergovernmental	14,060,775	14,122,725	4,710,093	4,710,093	(9,412,632)
Licenses, fees and permits	387,450	387,450	175,912	175,912	(211,538)
Franchise fees	5,567,950	5,567,950	2,947,490	2,947,490	(2,620,460)
Charges for services	879,525	879,525	417,174	417,174	(462,351)
Internal charges for services	5,887,475	5,887,475	2,776,228	2,776,228	(3,111,247)
Fines and forfeits	606,550	606,550	253,920	253,920	(352,630)
Investment income (loss)	487,175	487,175	(491,561)	(491,561)	(978,736)
Miscellaneous revenue	779,050	779,050	595,290	595,290	(183,760)
Total revenues	<u>45,368,650</u>	<u>45,430,600</u>	<u>19,904,341</u>	<u>19,904,341</u>	<u>(25,526,259)</u>
EXPENDITURES					
Municipal Court	438,750	465,325	209,889	209,889	255,436
City Manager	1,942,850	2,079,925	805,855	805,855	1,274,070
Finance	1,733,875	1,800,025	733,901	733,901	1,066,124
Human Resources	631,675	674,725	268,511	268,511	406,214
Information Technology	2,106,025	2,170,550	734,339	734,339	1,436,211
Public Works Administration	1,014,275	1,108,500	459,338	459,338	649,162
Development Services	2,843,750	2,954,550	1,067,860	1,067,860	1,886,690
Police	14,715,600	15,839,825	6,686,381	6,686,381	9,153,444
Legislative	660,525	680,700	296,225	296,225	384,475
Maintenance	2,282,775	2,411,550	1,091,328	1,091,328	1,320,222
Facilities Maintenance	597,150	597,150	62,271	62,271	534,879
Parks and Recreation	5,534,100	5,640,350	1,193,947	1,193,947	4,446,403
Ella Redkey Pool	1,418,350	1,497,625	638,032	638,032	859,593
Street Maintenance	14,528,125	14,921,975	4,410,091	4,410,091	10,511,884
Vehicle Maintenance	614,975	647,525	272,553	272,553	374,972
Right-of-Way	451,600	451,600	278,242	278,242	173,358
Debt Service	583,075	583,075	291,145	291,145	291,930
Total expenditures	<u>52,097,475</u>	<u>54,524,975</u>	<u>19,499,908</u>	<u>19,499,908</u>	<u>35,025,067</u>
Excess (deficiency) of revenues over expenditures	(6,728,825)	(9,094,375)	404,433	404,433	9,498,808
OTHER FINANCING SOURCES (USES)					
Transfers out	(351,000)	(351,000)	(56,000)	(56,000)	295,000
Transfers in	1,246,050	1,246,050	627,700	627,700	(618,350)
Proceeds from sale of capital assets	-	-	21,470	21,470	21,470
Insurance recoveries	-	-	31,091	31,091	31,091
Total other financing sources (uses)	<u>895,050</u>	<u>895,050</u>	<u>624,261</u>	<u>624,261</u>	<u>(270,789)</u>
Net change in fund balance	(5,833,775)	(8,199,325)	1,028,694	1,028,694	9,228,019
Fund balance - beginning	15,247,675	16,608,400	16,608,398	16,608,398	(2)
Fund balance - ending	<u>\$ 9,413,900</u>	<u>\$ 8,409,075</u>	<u>\$ 17,637,092</u>	<u>\$ 17,637,092</u>	<u>\$ 9,228,017</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, 2022

Schedule A-2

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes Intergovernmental	\$ 574,450	\$ 574,450	\$ 293,173	\$ 293,173	\$ (281,277)
Charges for services	13,935,150	13,994,150	3,215,437	3,215,437	(10,778,713)
Investment income (loss)	1,037,025	1,037,025	451,383	451,383	(585,642)
Miscellaneous revenue	15,675	15,675	124,789	124,789	109,114
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>4,963</u>	<u>4,963</u>	<u>1,963</u>
	<u>15,565,300</u>	<u>15,624,300</u>	<u>4,089,745</u>	<u>4,089,745</u>	<u>(11,534,555)</u>
EXPENDITURES					
Airport operations	2,983,300	3,071,700	1,174,193	1,174,193	1,897,507
FAA	13,756,600	13,756,600	2,756,183	2,756,183	11,000,417
Total expenditures	<u>16,739,900</u>	<u>16,828,300</u>	<u>3,930,376</u>	<u>3,930,376</u>	<u>12,897,924</u>
Excess (deficiency) of revenues over expenditures	(1,174,600)	(1,204,000)	159,369	159,369	1,363,369
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>777,250</u>	<u>777,250</u>	<u>374,025</u>	<u>374,025</u>	<u>(403,225)</u>
Net change in fund balance	(397,350)	(426,750)	533,394	533,394	960,144
Fund balance - beginning	2,097,125	2,477,550	2,477,548	2,477,548	(2)
Fund balance - ending	<u>\$ 1,699,775</u>	<u>\$ 2,050,800</u>	<u>\$ 3,010,942</u>	<u>\$ 3,010,942</u>	<u>\$ 960,142</u>

City of Klamath Falls, Oregon
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Last Five Fiscal Years¹

Schedule A-3

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Interest	\$ 39,207	\$ 34,398	\$ 30,599	\$ 34,480	\$ 37,018
Interest	12,469	21,814	23,732	26,161	22,055
Changes of economic/demographic gains or (losses)	-	31,558	15,649	(48,962)	-
Changes of assumption	1,857	(101,620)	-	(56,255)	(36,597)
Benefit payments	(44,656)	(55,135)	(72,198)	(66,022)	(60,244)
Net change in total OPEB liability	8,877	(68,985)	(2,218)	(110,598)	(37,768)
Total OPEB liability - beginning	547,192	616,177	618,395	728,993	766,761
Total OPEB liability - ending	<u>\$ 556,069</u>	<u>\$ 547,192</u>	<u>\$ 616,177</u>	<u>\$ 618,395</u>	<u>\$ 728,993</u>
Covered-employee payroll	10,465,729	10,261,348	10,020,468	9,905,073	9,507,830
Total OPEB liability as a percentage of covered-employee payroll	5.31%	5.33%	6.00%	6.24%	7.67%

The amounts presented for each fiscal year were actuarially determined at July 1 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.

City of Klamath Falls, Oregon
 Schedule of Proportionate Share - RHIA
 Last Five 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
2021	0.08833194%	\$ (303,332)	\$ 10,465,729	-2.90%	1.84%
2020	0.08542616%	(174,065)	10,261,348	-1.70%	1.50%
2019	0.08760296%	(169,281)	10,020,468	-1.69%	1.44%
2018	0.09072752%	(101,277)	9,905,073	-1.02%	1.24%
2017	0.09196963%	(38,383)	9,507,830	-0.40%	1.09%

The amounts presented for each fiscal year were actuarially determined at July 1 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, 2021 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.20 to 6.90 percent and the inflation rate from 2.5 to 2.4 percent. In addition, the healthy healthcare participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

City of Klamath Falls, Oregon
Schedule of Contributions - RHIA
Last Six 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)
2022	\$ 2,544	\$ 2,544	\$ -	\$ 11,056,277	0.023%
2021	2,363	2,363	-	10,465,729	0.023%
2020	6,100	6,100	-	10,261,348	0.059%
2019	43,418	43,418	-	10,020,468	0.433%
2018	43,931	43,931	-	9,905,073	0.444%
2017	45,788	45,788	-	9,507,830	0.482%

The amounts presented for each fiscal year were actuarially determined at July 1 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, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair Value	Fair Value	Fair Value	Fair Value
Remaining amortization periods:	20 years	20 years	20 years	20 years
Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent

City of Klamath Falls, Oregon
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan
Last Six 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)
2022	\$ 25,056	\$ 25,056	\$ -	\$ 11,056,277	0.227%
2021	44,656	44,656	-	10,465,729	0.427%
2020	55,135	55,135	-	10,261,348	0.537%
2019	72,198	72,198	-	10,020,468	0.721%
2018	66,022	66,022	-	9,905,073	0.667%
2017	60,244	60,244	-	9,507,830	0.634%

The amounts presented for each fiscal year were actuarially determined at July 1 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, 2020	July 1, 2018
Effective:	June 30, 2020 and 2021	June 30, 2018 and 2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	7.9 years	6.8 years
Asset valuation method:	Fair value	Fair 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 Nine 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
2021	0.0870%	\$ 10,408,597	\$ 10,465,729	99.45%	87.60%
2020	0.0821%	17,907,092	10,261,348	174.51%	75.80%
2019	0.0919%	15,901,643	10,020,468	158.69%	80.20%
2018	0.0896%	13,567,551	9,905,073	136.98%	82.10%
2017	0.0894%	12,049,683	9,507,830	126.73%	83.10%
2016	0.0925%	13,883,611	9,314,418	149.06%	80.53%
2015	0.0907%	5,204,708	9,389,238	55.43%	91.90%
2014	0.0774%	(1,754,536)	9,063,997	-19.36%	103.60%
2013	0.0907%	673,613	8,897,471	7.57%	91.97%

The amounts presented for each fiscal year were actuarially determined at July 1 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.

Changes of Assumptions:

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

City of Klamath Falls, Oregon
Schedule of Pension Contributions
Last Nine 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)
2022	\$ 1,706,216	\$ 1,706,216	\$ -	\$ 11,056,277	15.43%
2021	1,612,330	1,612,330	-	10,465,729	15.41%
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 July 1 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, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair Value	Fair Value	Fair Value	Fair Value
Remaining amortization periods:	20 years	20 years	20 years	20 years
Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent

City of Klamath Falls, Oregon
Notes to Required Supplementary Information
June 30, 2022

Stewardship, Compliance, and Accountability

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

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

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

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

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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, 2022

Schedule B-1

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 460,709	\$ 37,021	\$ 497,730
Accounts receivable	10,244	-	10,244
Taxes receivable	28,004	18,250	46,254
Interest receivable	276	338	614
Restricted assets			
Cash and cash equivalents	162,835	-	162,835
Total Assets	\$ 662,068	\$ 55,609	\$ 717,677
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 61,089	\$ -	\$ 61,089
Unearned revenue	34,894	-	34,894
Advances from other funds	1,380,069	-	1,380,069
Total Liabilities	1,476,052	-	1,476,052
Deferred inflows of resources:			
Unavailable revenue - property taxes	21,015	13,140	34,155
Unavailable revenue - municipal court fines	4,505	-	4,505
Total Deferred Inflows of Resources	25,810	13,140	38,950
Total Liabilities and Deferred Inflows of Resources	1,501,862	13,140	1,515,002
Fund Balances:			
Restricted	76,009	42,469	118,478
Committed	-	-	-
Assigned	370,175	-	370,175
Unassigned	(1,285,978)	-	(1,285,978)
Total Fund Balances	(839,794)	42,469	(797,325)
Total Liabilities and Fund Balances	\$ 662,068	\$ 55,609	\$ 717,677

City of Klamath Falls, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

Schedule B-2

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 360,779	\$ 231,818	\$ 592,597
Intergovernmental	-	-	-
Licenses, fees and permits	59,594	-	59,594
Charges for services	99,481	-	99,481
Fines and forfeits	56,057	-	56,057
Investment income (loss)	7,450	1,844	9,294
Miscellaneous revenues	461	-	461
Total Revenues	583,822	233,662	817,484
EXPENDITURES			
Current:			
General government	368,269	-	368,269
Public safety	-	-	-
Highways and streets	73,897	-	73,897
Debt service:			
Principal	130,709	124,187	254,896
Interest	67,851	107,071	174,922
Total Expenditures	640,726	231,258	871,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,904)	2,404	(54,500)
OTHER FINANCING SOURCES (USES)			
Transfers in	46,000	-	46,000
Net Change in Fund Balances	(10,904)	2,404	(8,500)
Fund Balances - Beginning	(828,890)	40,065	(788,825)
Fund Balances - Ending	\$ (839,794)	\$ 42,469	\$ (797,325)

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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, 2022

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	9,088	12,065	6,851
Interest	86	160	30
Restricted assets			
Cash and cash equivalents	19,326	53,631	14,687
Total Assets	\$ 28,500	\$ 65,856	\$ 21,568
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	-
Advances from other funds	474,381	56,688	849,000
Total Liabilities	474,381	56,688	849,000
Deferred inflows of resources:			
Unavailable revenue - property taxes	6,768	8,350	5,897
Unavailable revenue - accounts receivable	-	-	-
Unavailable revenue - municipal court fines	-	-	-
Total Deferred Inflows of Resources	6,768	8,350	5,897
Total Liabilities and Deferred Inflows of Resources	481,149	65,038	854,897
Fund Balance:			
Restricted	-	818	-
Assigned	-	-	-
Unassigned	(452,649)	-	(833,329)
Total Fund Balance	(452,649)	818	(833,329)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 28,500	\$ 65,856	\$ 21,568

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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>
\$ 176,949	\$ 65,295	\$ 218,465	\$ -	\$ 460,709
7,532	2,712	-	-	10,244
-	-	-	-	28,004
-	-	-	-	276
<u>-</u>	<u>-</u>	<u>-</u>	<u>75,191</u>	<u>162,835</u>
<u>\$ 184,481</u>	<u>\$ 68,007</u>	<u>\$ 218,465</u>	<u>\$ 75,191</u>	<u>\$ 662,068</u>
\$ 768	\$ 35,075	\$ 25,246	\$ -	\$ 61,089
21,361	13,533	-	-	34,894
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380,069</u>
<u>22,129</u>	<u>48,608</u>	<u>25,246</u>	<u>-</u>	<u>1,476,052</u>
-	-	-	-	21,015
-	290	-	-	290
<u>4,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,505</u>
<u>4,505</u>	<u>290</u>	<u>-</u>	<u>-</u>	<u>25,810</u>
<u>26,634</u>	<u>48,898</u>	<u>25,246</u>	<u>-</u>	<u>1,501,862</u>
-	-	-	75,191	76,009
157,847	19,109	193,219	-	370,175
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,285,978)</u>
<u>157,847</u>	<u>19,109</u>	<u>193,219</u>	<u>75,191</u>	<u>(839,794)</u>
<u>\$ 184,481</u>	<u>\$ 68,007</u>	<u>\$ 218,465</u>	<u>\$ 75,191</u>	<u>\$ 662,068</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, 2022

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	\$ 121,933	\$ 186,268	\$ 52,578
Intergovernmental	-	-	-
Licenses, fees and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	793	1,164	2,824
Miscellaneous revenues	-	-	-
	<u>122,726</u>	<u>187,432</u>	<u>55,402</u>
Total Revenues			
Expenditures			
Current:			
General government	-	-	6,653
Public safety	-	-	-
Highways and streets	-	-	-
Debt service:			
Principal	-	130,709	-
Interest	15,324	10,873	41,654
	<u>15,324</u>	<u>141,582</u>	<u>48,307</u>
Total Expenditures	<u>15,324</u>	<u>141,582</u>	<u>48,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>107,402</u>	<u>45,850</u>	<u>7,095</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Net Change in Fund Balance	107,402	45,850	7,095
Fund Balance - Beginning	<u>(560,051)</u>	<u>(45,032)</u>	<u>(840,424)</u>
Fund Balance - Ending	<u>\$ (452,649)</u>	<u>\$ 818</u>	<u>\$ (833,329)</u>

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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>
\$ -	\$ -	\$ -	\$ -	\$ 360,779
-	-	-	-	-
59,594	-	-	-	59,594
200	86,560	12,721	-	99,481
56,057	-	-	-	56,057
917	116	1,622	14	7,450
461	-	-	-	461
<u>117,229</u>	<u>86,676</u>	<u>14,343</u>	<u>14</u>	<u>583,822</u>
-	161,166	200,450	-	368,269
-	-	-	-	-
73,897	-	-	-	73,897
-	-	-	-	130,709
-	-	-	-	67,851
<u>73,897</u>	<u>161,166</u>	<u>200,450</u>	<u>-</u>	<u>640,726</u>
<u>43,332</u>	<u>(74,490)</u>	<u>(186,107)</u>	<u>14</u>	<u>(56,904)</u>
<u>-</u>	<u>56,000</u>	<u>-</u>	<u>(10,000)</u>	<u>46,000</u>
43,332	(18,490)	(186,107)	(9,986)	(10,904)
<u>114,515</u>	<u>37,599</u>	<u>379,326</u>	<u>85,177</u>	<u>(828,890)</u>
<u>\$ 157,847</u>	<u>\$ 19,109</u>	<u>\$ 193,219</u>	<u>\$ 75,191</u>	<u>\$ (839,794)</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, 2022

Schedule C-3

	BN 2021-2023 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 718,150	\$ 718,150	\$ 121,933	\$ 121,933	\$ (596,217)
Investment income (loss)	1,300	1,300	793	793	(507)
Total revenues	<u>719,450</u>	<u>719,450</u>	<u>122,726</u>	<u>122,726</u>	<u>(596,724)</u>
EXPENDITURES					
Lakefront Urban Renewal	2,248,575	2,248,575	-	-	2,248,575
Debt service	734,850	728,050	109,585	109,585	618,465
Total expenditures	<u>2,983,425</u>	<u>2,976,625</u>	<u>109,585</u>	<u>109,585</u>	<u>2,867,040</u>
expenditures	(2,263,975)	(2,257,175)	13,141	13,141	2,270,316
OTHER FINANCING SOURCES (USES)					
Loan proceeds - interfund loan	2,248,575	2,248,575	-	-	(2,248,575)
Net change in fund balance	(15,400)	(8,600)	13,141	13,141	2,270,316
Fund balance - beginning	15,400	8,600	8,591	8,591	(9)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>21,732</u>	<u>\$ 21,732</u>	<u>\$ 2,270,307</u>
Reconciliation: Interfund loan			<u>(474,381)</u>		
Fund balance - ending (GAAP)			<u>\$ (452,649)</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, 2022

Schedule C-4

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual	Total Actual for budget	Variance
	Original	Final	FY 2021-22	period	Final Budget
REVENUES					
Taxes	\$ 434,775	\$ 434,775	\$ 186,268	\$ 186,268	\$ (248,507)
Investment income (loss)	2,600	2,600	1,164	1,164	(1,436)
Total revenues	<u>437,375</u>	<u>437,375</u>	<u>187,432</u>	<u>187,432</u>	<u>(249,943)</u>
EXPENDITURES					
Town Center Urban Renewal	688,000	688,000	-	-	688,000
Debt service	496,200	459,100	151,646	151,646	307,454
Total expenditures	<u>1,184,200</u>	<u>1,147,100</u>	<u>151,646</u>	<u>151,646</u>	<u>995,454</u>
expenditures	(746,825)	(709,725)	35,786	35,786	745,511
OTHER FINANCING SOURCES (USES)					
Loan proceeds - interfund loan	688,000	688,000	-	-	(688,000)
Net change in fund balance	(58,825)	(21,725)	35,786	35,786	57,511
Fund balance - beginning	58,825	21,725	21,720	21,720	(5)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>57,506</u>	<u>\$ 57,506</u>	<u>\$ 57,506</u>
Reconciliation: Interfund loan			<u>(56,688)</u>		
Fund balance - ending (GAAP)			<u>\$ 818</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, 2022

Schedule C-5

	BN 2021-2022 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$131,500	\$ 131,500	\$ 52,578	\$ 52,578	\$ (78,922)
Investment income (loss)	925	925	2,824	2,824	1,899
Total revenues	<u>132,425</u>	<u>132,425</u>	<u>55,402</u>	<u>55,402</u>	<u>(77,023)</u>
EXPENDITURES					
Spring Street Urban Renewal	510,000	95,325	6,653	6,653	88,672
Debt service	170,125	584,800	581,654	581,654	3,146
Total expenditures	<u>680,125</u>	<u>680,125</u>	<u>588,307</u>	<u>588,307</u>	<u>91,818</u>
Net change in fund balance	(547,700)	(547,700)	(532,905)	(532,905)	14,795
Fund balance - beginning	547,700	548,575	548,576	548,576	1
Fund balance - ending	<u>\$ -</u>	<u>\$ 875</u>	<u>15,671</u>	<u>\$ 15,671</u>	<u>\$ 14,796</u>
Reconciliation: Interfund loan			<u>(849,000)</u>		
Fund balance - ending (GAAP)			<u>\$ (833,329)</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, 2022

Schedule C-6

	BN 2021-2023 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Licenses, fees and permits	\$ 113,825	\$ 113,825	\$ 59,594	\$ 59,594	\$ (54,231)
Charges for services	400	400	200	200	(200)
Fines and forfeits	89,600	89,600	56,057	56,057	(33,543)
Investment income (loss)	1,425	1,425	917	917	(508)
Miscellaneous revenue	-	-	461	461	461
Total revenues	<u>205,250</u>	<u>205,250</u>	<u>117,229</u>	<u>117,229</u>	<u>(88,021)</u>
EXPENDITURES					
Parking	<u>303,525</u>	<u>310,850</u>	<u>73,897</u>	<u>73,897</u>	<u>236,953</u>
expenditures	(98,275)	(105,600)	43,332	43,332	148,932
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Net change in fund balance	(18,275)	(25,600)	43,332	43,332	68,932
Fund balance - beginning	23,825	114,525	114,515	114,515	(10)
Fund balance - ending	<u>\$ 5,550</u>	<u>\$ 88,925</u>	<u>\$ 157,847</u>	<u>\$ 157,847</u>	<u>\$ 68,922</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, 2022

Schedule C-7

	BN 2021-2023 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Charges for services	\$ 181,050	\$ 181,050	\$ 86,560	\$ 86,560	\$ (94,490)
Investment income (loss)	225	225	116	116	(109)
Total revenues	<u>181,275</u>	<u>181,275</u>	<u>86,676</u>	<u>86,676</u>	<u>(94,599)</u>
EXPENDITURES					
Downtown Maintenance District	<u>332,925</u>	<u>337,925</u>	<u>161,166</u>	<u>161,166</u>	<u>176,759</u>
Excess (deficiency) of revenues over expenditures	(151,650)	(156,650)	(74,490)	(74,490)	82,160
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>131,000</u>	<u>131,000</u>	<u>56,000</u>	<u>56,000</u>	<u>(75,000)</u>
Net change in fund balance	(20,650)	(25,650)	(18,490)	(18,490)	7,160
Fund balance - beginning	26,875	37,600	37,599	37,599	(1)
Fund balance - ending	<u>\$ 6,225</u>	<u>\$ 11,950</u>	<u>\$ 19,109</u>	<u>\$ 19,109</u>	<u>\$ 7,159</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, 2022

Schedule C-8

	BN 2021-2023 Biennium Budgeted		First Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2021-22		
REVENUES					
Intergovernmental	\$ -	\$ 500,000	\$ -	\$ -	\$ (500,000)
Charges for services	24,450	24,450	12,721	12,721	(11,729)
Investment income (loss)	3,725	3,725	1,622	1,622	(2,103)
Total revenues	<u>28,175</u>	<u>528,175</u>	<u>14,343</u>	<u>14,343</u>	<u>(513,832)</u>
EXPENDITURES					
Economic development/property	<u>680,300</u>	<u>1,185,300</u>	<u>200,450</u>	<u>200,450</u>	<u>984,850</u>
Excess (deficiency) of revenues over expenditures	(652,125)	(657,125)	(186,107)	(186,107)	471,018
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>365,000</u>	<u>365,000</u>	<u>-</u>	<u>-</u>	<u>(365,000)</u>
Net change in fund balance	(287,125)	(292,125)	(186,107)	(186,107)	106,018
Fund balance - beginning	287,175	379,325	379,326	379,326	1
Fund balance - ending	<u>\$ 50</u>	<u>\$ 87,200</u>	<u>\$ 193,219</u>	<u>\$ 193,219</u>	<u>\$ 106,019</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, 2022

Schedule C-9

	BN 2021-2023		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts Original	Final			
REVENUES					
Investment income (loss)	\$ 75	\$ 75	14	14	(61)
Total revenues	<u>75</u>	<u>75</u>	<u>14</u>	<u>14</u>	<u>(61)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(20,000)	(20,000)	(10,000)	(10,000)	10,000
Total other financing source (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>10,000</u>
Net change in fund balance	(19,925)	(19,925)	(9,986)	(9,986)	9,939
Fund balance - beginning	93,100	85,175	85,177	85,177	2
Fund balance - ending	<u>\$ 73,175</u>	<u>\$ 65,250</u>	<u>\$ 75,191</u>	<u>\$ 75,191</u>	<u>\$ 9,941</u>

CITY OF KLAMATH FALLS, OREGON
CAPITAL PROJECTS FUNDS

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

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

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

City of Klamath Falls, Oregon
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 2022

Schedule D-1

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Charges for services	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000	\$ -
Investment income (loss)	58,150	58,150	21,360	21,360	(36,790)
Total revenues	<u>112,150</u>	<u>112,150</u>	<u>75,360</u>	<u>75,360</u>	<u>(36,790)</u>
Net change in fund balance	112,150	112,150	75,360	75,360	(36,790)
Fund balance - beginning	15,231,825	15,234,700	15,234,703	15,234,703	3
Fund balance - ending	<u>\$ 15,343,975</u>	<u>\$ 15,346,850</u>	<u>\$ 15,310,063</u>	<u>\$ 15,310,063</u>	<u>\$ (36,787)</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, 2022

Schedule D-2

	BN 2021-2023		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Charges for services	\$ 1,208,300	\$ 1,208,300	\$ 609,127	\$ 609,127	\$ (599,173)
Investment income (loss)	325,425	325,425	(141,544)	(141,544)	(466,969)
Total revenues	<u>1,533,725</u>	<u>1,533,725</u>	<u>467,583</u>	<u>467,583</u>	<u>(1,066,142)</u>
EXPENDITURES					
Escrow reserve	-	500	275	275	225
Total expenditures	<u>-</u>	<u>500</u>	<u>275</u>	<u>275</u>	<u>225</u>
Excess (deficiency) of revenues over expenditures	1,533,725	1,533,225	467,308	467,308	(1,066,367)
OTHER FINANCING SOURCES (USES)					
Transfers out	(845,225)	(845,225)	(310,209)	(310,209)	535,016
Interfund loan	(2,936,575)	(2,936,575)	-	-	2,936,575
Interfund loan repayment	574,650	574,650	644,325	644,325	69,675
Total other financing sources (uses)	<u>(3,207,150)</u>	<u>(3,207,150)</u>	<u>334,116</u>	<u>334,116</u>	<u>3,541,266</u>
Net change in fund balance	(1,673,425)	(1,673,925)	801,424	801,424	2,474,899
Fund balance - beginning	8,240,250	8,216,100	8,216,112	8,216,112	12
Fund balance - ending	<u>\$ 6,566,825</u>	<u>\$ 6,542,175</u>	<u>9,017,536</u>	<u>\$ 9,017,536</u>	<u>\$ 2,474,911</u>
Reconciliation: Interfund loan			<u>1,380,070</u>		
Fund balance - ending (GAAP)			<u>\$ 10,397,606</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.

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, 2022

Schedule E-1

	BN 2021-2023		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 459,325	\$ 459,325	\$ 231,818	\$ 231,818	\$ (227,507)
Investment income (loss)	3,925	3,925	1,844	1,844	(2,081)
Total revenues	<u>463,250</u>	<u>463,250</u>	<u>233,662</u>	<u>233,662</u>	<u>(229,588)</u>
EXPENDITURES					
Debt service	<u>468,375</u>	<u>468,375</u>	<u>231,258</u>	<u>231,258</u>	<u>237,117</u>
Net change in fund balance	(5,125)	(5,125)	2,404	2,404	7,529
Fund balance - beginning	40,975	40,075	40,065	40,065	(10)
Fund balance - ending	<u>\$ 35,850</u>	<u>\$ 34,950</u>	<u>\$ 42,469</u>	<u>\$ 42,469</u>	<u>\$ 7,519</u>

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, 2022

Schedule F-1

	BN 2021-2023		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Intergovernmental	\$ -	\$ 12,750	\$ 762,135	\$ 762,135	\$ 749,385
Charges for services	14,605,975	14,605,975	8,393,903	8,393,903	(6,212,072)
Investment income (loss)	316,975	316,975	(379,061)	(379,061)	(696,036)
System development charges	688,925	688,925	354,957	354,957	(333,968)
Miscellaneous revenue	4,000	4,000	11,441	11,441	7,441
Total revenues	<u>15,615,875</u>	<u>15,628,625</u>	<u>9,143,375</u>	<u>9,143,375</u>	<u>(6,485,250)</u>
EXPENDITURES					
Collections	7,606,000	8,966,000	3,384,736	3,384,736	5,581,264
Treatment	40,963,325	41,063,200	18,468,107	18,468,107	22,595,093
Debt service	4,661,225	4,661,225	806,970	806,970	3,854,255
Total expenditures	<u>53,230,550</u>	<u>54,690,425</u>	<u>22,659,813</u>	<u>22,659,813</u>	<u>32,030,612</u>
Excess (deficiency) of revenues over expenditures	(37,614,675)	(39,061,800)	(13,516,438)	(13,516,438)	25,545,362
OTHER FINANCING SOURCES (USES)					
Transfers in	620,225	620,225	310,209	310,209	(310,016)
Loan Proceeds	34,000,000	34,000,000	10,508,954	10,508,954	(23,491,046)
Total other financing sources (uses)	<u>34,620,225</u>	<u>34,620,225</u>	<u>10,819,163</u>	<u>10,819,163</u>	<u>(23,801,062)</u>
Net change in fund balance	(2,994,450)	(4,441,575)	(2,697,275)	(2,697,275)	1,744,300
Fund balance - beginning	14,672,075	11,530,575	11,530,577	11,530,577	2
Fund balance - ending	<u>\$ 11,677,625</u>	<u>\$ 7,089,000</u>	<u>8,833,302</u>	<u>\$ 8,833,302</u>	<u>\$ 1,744,302</u>
Reconciliation					
Prepaid items			37,132		
Notes & accounts receivable			69,940		
Capital assets, net of accumulated depreciation			57,786,923		
Net OPEB asset/(liability)			(19,318)		
OPEB deferred inflows of resources			(17,634)		
OPEB deferred outflows of resources			5,319		
Compensated absences			(73,896)		
Bond refunding deferred charge			58,574		
Accrued interest payable			(574,758)		
Bonds payable			(2,316,453)		
Loan payable			(21,445,466)		
Deferred outflows of resources - pensions			466,038		
Deferred inflows of resources - pensions			(714,481)		
Net pension liability			(795,555)		
Net position - ending (GAAP)			<u>\$ 41,299,667</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, 2022

Schedule F-2

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
REVENUES						
Intergovernmental	\$ -	\$ 9,950	\$ 8,549	\$ -	\$ 8,549	\$ (1,401)
Charges for services	18,376,925	18,376,925	8,868,287	-	8,868,287	(9,508,638)
Investment income (loss)	330,950	330,950	(460,351)	-	(460,351)	(791,301)
Internal service charges	821,800	821,800	406,825	-	406,825	(414,975)
System development charges	382,700	382,700	298,866	-	298,866	(83,834)
Miscellaneous revenue	14,775	14,775	14,877	-	14,877	102
Total revenues	<u>19,927,150</u>	<u>19,937,100</u>	<u>9,137,053</u>	<u>-</u>	<u>9,137,053</u>	<u>(10,800,047)</u>
EXPENDITURES						
Operations	15,160,100	17,094,275	4,248,564	-	4,248,564	12,845,711
Utility billing	2,754,650	2,868,425	1,353,206	-	1,353,206	1,515,219
Geothermal	930,675	930,675	220,939	-	220,939	709,736
Debt service	124,350	124,350	62,885	-	62,885	61,465
Total expenditures	<u>18,969,775</u>	<u>21,017,725</u>	<u>5,885,594</u>	<u>-</u>	<u>5,885,594</u>	<u>15,132,131</u>
Excess (deficiency) of revenues over expenditures	957,375	(1,080,625)	3,251,459	-	3,251,459	4,332,084
OTHER FINANCING SOURCES (USES)						
Transfers out	(2,003,300)	(2,003,300)	(991,725)	-	(991,725)	1,011,575
Gain on sale of capital assets	12,000	12,000	-	-	-	(12,000)
Total other financing sources (uses)	<u>(1,991,300)</u>	<u>(1,991,300)</u>	<u>(991,725)</u>	<u>-</u>	<u>(991,725)</u>	<u>999,575</u>
Net change in fund balance	(1,033,925)	(3,071,925)	2,259,734	-	2,259,734	5,331,659
Fund balance - beginning	8,098,750	8,530,400	8,530,410	-	8,530,410	10
Fund balance - ending	<u>\$ 7,064,825</u>	<u>\$ 5,458,475</u>	<u>10,790,144</u>	<u>\$ -</u>	<u>\$ 10,790,144</u>	<u>\$ 5,331,669</u>
Reconciliation						
Prepaid items			128,035			
Notes & accounts receivable			23,417			
Capital assets, net of accumulated depreciation			34,747,166			
Net OPEB asset/(liability)			(33,805)			
OPEB deferred inflows of resources			(30,859)			
OPEB deferred outflows of resources			9,309			
Compensated absences			(151,975)			
Accrued interest payable			(10,940)			
Loans payable			(421,824)			
Deferred outflows of resources - pensions			815,541			
Deferred inflows of resources - pensions			(1,250,303)			
Net pension liability			(1,392,178)			
Net position - ending (GAAP)			<u>\$ 43,221,728</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, 2022

Schedule G-1

Function and Activity	Land	Buildings	Machinery and Equipment	Intangibles	Infrastructure	Construction in Progress	Total
General Government:							
Manager	\$ 1,097,241	\$ 3,649,250	\$ 142,627	\$ -	\$ 1,227,460	\$ 5,629	\$ 6,122,207
Information Systems	-	-	319,294	590,303	-	-	909,597
Engineering	-	-	239,463	12,500	-	-	251,963
Maintenance	-	90,742	220,830	-	-	-	311,573
Economic Development	544,243	-	-	-	-	-	544,243
Total General Government	<u>1,641,484</u>	<u>3,739,992</u>	<u>922,214</u>	<u>602,803</u>	<u>1,227,460</u>	<u>5,629</u>	<u>8,139,583</u>
Airport	<u>9,193,403</u>	<u>4,073,740</u>	<u>2,844,604</u>	<u>-</u>	<u>73,541,098</u>	<u>4,939,230</u>	<u>94,592,076</u>
Culture and Recreation	<u>800,968</u>	<u>1,595,858</u>	<u>2,011,214</u>	<u>-</u>	<u>6,928,403</u>	<u>116,480</u>	<u>11,452,922</u>
Public safety	<u>399,111</u>	<u>8,152,307</u>	<u>2,578,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,129,963</u>
Highways and Streets:							
Maintenance	1,500	215,816	3,983,267	40,686	-	-	4,241,270
Street System	<u>2,143,060</u>	<u>99,186</u>	<u>871,496</u>	<u>31,920</u>	<u>137,846,846</u>	<u>2,833,448</u>	<u>143,825,956</u>
Total Highways and Streets	<u>2,144,560</u>	<u>315,002</u>	<u>4,854,763</u>	<u>72,606</u>	<u>137,846,846</u>	<u>2,833,448</u>	<u>148,067,226</u>
Total Governmental Funds Capital Assets	<u>\$ 14,179,527</u>	<u>\$ 17,876,899</u>	<u>\$ 13,211,340</u>	<u>\$ 675,409</u>	<u>\$ 219,543,807</u>	<u>\$ 7,894,787</u>	<u>\$ 273,381,769</u>

City of Klamath Falls, Oregon
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2022

Schedule G-2

Function and Activity	Governmental Funds Capital Assets July 1, 2021	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2022
General Government:				
Manager	\$ 6,128,546	\$ 18,661	\$ (25,000)	\$ 6,122,207
Information Systems	882,828	26,769	-	909,597
Engineering	251,963	-	-	251,963
Maintenance	299,917	11,655	-	311,572
Economic Development	544,243	-	-	544,243
Total General Government	<u>8,107,497</u>	<u>57,086</u>	<u>(25,000)</u>	<u>8,139,583</u>
Airport	91,886,792	2,705,284	-	94,592,076
Culture and Recreation	11,373,350	124,260	(44,688)	11,452,922
Public safety	10,995,600	327,253	(192,890)	11,129,963
Highways and streets:				
Maintenance	3,964,800	276,470	-	4,241,270
Street system	141,401,246	2,802,887	(378,177)	143,825,956
Total Highways and Streets	<u>145,366,046</u>	<u>3,079,356</u>	<u>(378,177)</u>	<u>148,067,225</u>
Total Governmental Funds Capital Assets	<u>\$ 267,729,285</u>	<u>\$ 6,293,239</u>	<u>\$ (640,755)</u>	<u>\$ 273,381,769</u>

City of Klamath Falls, Oregon

Statistical Section



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Statistical Section

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

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<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 H-9, H-10, H-11, H-12, and H-13.....	155
<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 H-14 and H-15.....	163
<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 H-16 H-17, H-18, and H-19.....	167
<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 Annual Comprehensive 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)

Schedule H-1

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities										
Net investment in capital assets	\$101,861,892	\$100,923,713	\$101,122,675	\$ 97,349,847	\$111,784,474	\$106,175,191	\$105,999,139	\$107,962,108	\$113,684,484	\$115,096,825
Restricted	417,195	5,454,546	5,254,223	4,825,481	4,420,534	3,971,607	2,582,763	1,832,112	2,324,012	2,851,180
Unrestricted	33,731,352	26,154,647	25,387,537	26,209,812	22,997,162	27,580,669	29,390,584	18,256,806	16,908,446	17,186,214
Total governmental activities net position	<u>\$136,010,439</u>	<u>\$132,532,906</u>	<u>\$131,764,435</u>	<u>\$128,385,140</u>	<u>\$139,202,170</u>	<u>\$137,727,467</u>	<u>\$137,972,486</u>	<u>\$128,051,026</u>	<u>\$132,916,942</u>	<u>\$135,134,219</u>
Business-type activities										
Net investment in capital assets	\$ 67,258,342	\$ 63,872,845	\$ 60,863,067	\$ 59,708,694	\$ 60,389,249	\$ 58,324,352	\$ 56,282,189	\$ 55,458,635	\$ 51,934,040	\$ 51,447,145
Restricted	1,853,319	1,569,712	1,417,157	1,111,993	1,104,956	1,092,164	4,633,944	5,041,272	5,402,198	9,062,712
Unrestricted	15,409,734	15,605,205	15,475,616	13,075,501	12,707,870	8,196,965	3,246,712	14,989,228	14,149,001	7,435,547
Total business-type activities net position	<u>\$ 84,521,395</u>	<u>\$ 81,047,762</u>	<u>\$ 77,755,840</u>	<u>\$ 73,896,188</u>	<u>\$ 74,202,075</u>	<u>\$ 67,613,481</u>	<u>\$ 64,162,845</u>	<u>\$ 75,489,135</u>	<u>\$ 71,485,239</u>	<u>\$ 67,945,404</u>
Primary government										
Net investment in capital assets	\$169,120,234	\$164,796,558	\$161,985,742	\$157,058,541	\$172,173,723	\$164,499,543	\$162,281,328	\$163,420,743	\$165,618,524	\$166,543,970
Restricted	2,270,514	7,024,258	6,671,380	5,937,474	5,525,490	5,063,771	7,216,707	6,873,384	7,726,210	11,913,892
Unrestricted	49,141,086	41,759,852	40,863,153	39,285,313	35,705,032	35,777,634	32,637,296	33,246,034	31,057,447	24,621,761
Total primary government net position	<u>\$220,531,834</u>	<u>\$213,580,668</u>	<u>\$209,520,275</u>	<u>\$202,281,328</u>	<u>\$213,404,245</u>	<u>\$205,340,948</u>	<u>\$202,135,331</u>	<u>\$203,540,161</u>	<u>\$204,402,181</u>	<u>\$203,079,623</u>

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

Schedule H-2

Expenses	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
General government	\$ 5,932,498	\$ 7,291,655	\$ 7,860,667	\$ 6,035,233	\$ 5,636,155	\$ 5,727,651	\$ 5,802,794	\$ 4,750,011	\$ 1,117,501	\$ 998,328
Airport	3,320,143	3,368,954	3,317,849	3,636,051	2,833,505	3,128,916	2,865,179	2,483,308	2,979,505	2,738,308
Culture and recreation	1,993,957	1,979,691	1,757,881	1,683,114	1,511,771	1,315,260	1,346,156	1,198,095	1,429,718	1,393,933
Public safety	6,521,431	7,511,047	7,758,364	6,891,162	6,783,353	6,678,984	7,827,924	4,551,499	6,392,398	6,643,034
Highways and streets	4,173,200	4,256,755	4,303,395	4,213,848	3,694,992	3,795,646	4,266,110	6,920,863	5,376,296	5,443,451
Interest on long-term debt	263,636	264,574	260,602	277,253	252,843	386,404	426,013	450,287	409,176	435,161
Total governmental activities	22,204,865	24,672,676	25,258,758	22,736,661	20,712,619	21,032,861	22,534,176	20,354,063	17,704,594	17,652,215
Business-type activities:										
Wastewater	6,973,916	6,353,230	6,448,198	6,037,473	5,862,851	5,396,231	5,474,517	4,893,634	5,045,680	4,992,855
Water	7,180,296	7,798,312	7,334,319	7,013,758	6,483,466	5,959,718	6,156,074	5,536,655	5,682,323	5,566,016
Total business-type activities	14,154,212	14,151,542	13,782,517	13,051,231	12,346,317	11,355,949	11,630,591	10,430,289	10,728,003	10,558,871
Total expenses	\$ 36,359,077	\$ 38,824,218	\$ 39,041,275	\$ 35,787,892	\$ 33,058,936	\$ 32,388,810	\$ 34,164,767	\$ 30,784,352	\$ 28,432,597	\$ 28,211,086
Program Revenues	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
Charges for services										
General government	\$ 3,990,643	\$ 4,110,212	\$ 3,866,148	\$ 3,812,814	\$ 2,933,356	\$ 2,776,556	\$ 2,855,961	\$ 2,837,399	\$ 286,623	\$ 484,091
Airport	456,346	535,737	546,060	513,813	571,764	685,469	470,645	524,083	714,909	709,978
Culture and recreation	168,403	190,645	324,830	207,757	222,568	208,900	208,900	184,357	152,142	139,322
Public safety	64,417	42,073	19,698	31,534	61,438	33,462	33,462	404,376	446,467	421,800
Highways and streets	369,263	360,016	335,381	415,264	354,625	332,301	347,832	151,678	355,562	302,871
Operating grants and contributions	133,717	666,825	330,149	272,096	231,631	353,709	247,032	108,891	117,860	278,724
Capital grants and contributions	4,300,300	3,741,228	6,899,870	1,982,334	6,959,883	3,010,978	916,336	831,469	2,236,523	986,649
Total governmental activities	9,483,089	9,646,736	12,322,136	7,235,612	11,335,265	7,401,375	5,080,168	5,042,253	4,310,086	3,323,435
Business-type activities:										
Charges for services										
Wastewater	8,804,188	8,040,137	7,870,573	7,368,960	8,174,984	7,678,873	7,354,469	7,018,141	6,714,855	6,791,552
Water	9,594,585	9,782,393	8,790,522	8,682,450	8,530,367	7,936,322	7,665,939	7,703,108	7,244,563	7,434,803
Operating grants and contributions	-	25,953	5,565	-	-	-	-	-	-	-
Capital grants and contributions	750,000	-	92,780	-	7,200	48,030	275,677	339,176	864,767	428,094
Total business-type activities	19,148,773	17,848,483	16,759,440	16,051,410	16,712,551	15,663,225	15,296,085	15,060,425	14,824,185	14,654,449
Total program revenues	\$ 28,631,862	\$ 27,495,219	\$ 29,081,576	\$ 23,287,022	\$ 28,047,816	\$ 23,064,600	\$ 20,376,253	\$ 20,102,678	\$ 19,134,271	\$ 17,977,884
Program Revenues	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net (expense)/revenue										
Governmental activities	\$ (12,721,776)	\$ (15,025,940)	\$ (12,936,622)	\$ (15,501,049)	\$ (9,377,354)	\$ (13,631,486)	\$ (17,454,008)	\$ (15,311,810)	\$ (13,394,508)	\$ (14,328,780)
Business-type activities	4,994,561	3,696,941	2,976,923	3,000,179	4,366,234	4,307,276	3,665,494	4,630,136	4,096,182	4,095,578
Total net expense (revenue)	\$ (7,727,215)	\$ (11,328,999)	\$ (9,959,699)	\$ (12,500,870)	\$ (5,011,120)	\$ (9,324,210)	\$ (13,788,514)	\$ (10,681,674)	\$ (9,298,326)	\$ (10,233,202)
General Revenues	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
Property taxes	\$ 9,390,053	\$ 8,917,808	\$ 8,514,563	\$ 7,874,191	\$ 7,430,283	\$ 7,009,508	\$ 6,901,748	\$ 6,999,271	\$ 6,801,445	\$ 7,205,147
Franchise taxes	2,947,490	2,837,869	2,762,831	2,805,417	2,490,622	2,542,802	2,444,433	2,400,513	2,338,179	2,285,109
911 excise tax	-	-	-	-	-	-	-	-	-	51,006
Motor fuel taxes	2,091,356	1,633,002	1,501,270	1,601,000	1,400,638	1,293,021	1,274,616	1,229,155	1,227,480	1,165,774
Alcoholic beverage taxes	412,525	428,561	389,885	363,917	346,268	331,238	309,573	309,693	300,889	284,182
Cigarette taxes	18,162	21,127	23,960	25,102	26,782	27,459	28,420	28,698	28,905	30,238
Transient room taxes	839,528	755,537	642,162	584,170	681,281	560,037	505,000	507,012	448,867	400,655
State revenue sharing	296,341	348,387	332,131	229,621	284,662	214,081	193,598	199,962	202,054	183,829
Federal forest receipts	-	-	175,000	400,000	-	114,654	110,195	1,103,867	-	-
Unrestricted investment earnings	(477,662)	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	199,778	178,996
Gain on sale of capital assets	-	-	-	-	-	(41,129)	12,351	2,199	111,709	-
Insurance recoveries	-	-	-	-	-	-	9,865	15,123	-	-
Transfer of capital asset	-	-	-	12,198	-	-	30,463	(1,293,837)	-	-
Transfers in / (out)	681,516	563,180	569,614	2,333,850	(2,041,525)	948,520	15,241,622	1,569,912	385,189	285,180
Total general revenues, transfers, and special items	16,199,309	15,794,411	16,022,617	17,212,592	10,963,157	13,386,467	27,405,930	13,319,360	12,044,495	12,070,116
Business-type activities:										
Unrestricted investment earnings	(839,412)	158,161	1,074,843	1,086,983	201,465	91,880	280,301	142,631	104,507	95,196
Gain on sale of capital assets	-	-	-	12,730	-	-	-	-	-	-
Transfer of capital asset	-	-	-	(12,198)	-	-	(30,463)	1,293,837	-	-
Transfers in / (out)	(681,516)	(563,180)	(569,614)	(2,333,850)	2,041,525	(948,520)	(15,241,622)	(1,569,912)	(385,189)	(285,180)
Total business-type activities	(1,520,928)	(405,019)	505,229	(1,246,335)	2,242,990	(856,640)	(14,991,784)	(133,444)	(280,682)	(189,984)
Total primary government	\$ 14,678,381	\$ 15,389,392	\$ 16,527,846	\$ 15,966,257	\$ 13,206,147	\$ 12,529,827	\$ 12,414,146	\$ 13,185,916	\$ 11,763,813	\$ 11,880,132
Change in Net Position	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities	\$ 3,477,533	\$ 768,471	\$ 3,085,995	\$ 1,711,543	\$ 1,585,803	\$ (245,019)	\$ 9,951,922	\$ (1,992,450)	\$ (1,350,013)	\$ (2,258,664)
Business-type activities	3,473,633	3,291,922	3,482,152	1,753,844	6,609,224	3,450,636	(11,326,290)	4,496,692	3,815,500	3,905,594
Total Change in Net Position	\$ 6,951,166	\$ 4,060,393	\$ 6,568,147	\$ 3,465,387	\$ 8,195,027	\$ 3,205,617	\$ (1,374,368)	\$ 2,504,242	\$ 2,465,487	\$ 1,646,930

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

Schedule H-3

	2022	2021	2020	2019	2018	2017	2016 ²	2015 ¹	2014	2013
General Fund										
Nonspendable	\$ 41,474	\$ 50,637	\$ 42,196	\$ 54,125	\$ 46,849	\$ 45,496	\$ 38,971	\$ 130,701	\$ 243,735	\$ 96,586
Restricted	246,695	274,703	368,080	302,906	278,326	144,847	133,776	80,454	65,278	56,596
Committed	610,598	-	-	-	-	-	-	-	-	-
Assigned	75,524	736,865	1,413,360	2,457,493	2,716,501	4,188,842	5,751,645	103,791	39,638	49,638
Unassigned	16,662,801	15,546,193	12,872,697	10,928,370	8,295,803	7,180,729	5,280,154	3,246,947	4,453,307	4,150,530
Total general fund	\$17,637,092	\$16,608,398	\$14,696,333	\$13,742,894	\$11,337,479	\$11,559,914	\$11,204,546	\$ 3,561,893	\$ 4,801,958	\$ 4,353,350
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,544	\$ 125,307	\$ 149,572	\$ 91,110
Restricted	170,500	5,178,673	4,886,143	4,522,575	4,142,208	3,826,760	2,448,987	1,696,307	2,166,019	2,201,094
Committed	5,395,756	-	-	-	-	-	-	-	-	-
Assigned	23,641,008	23,430,767	21,866,547	22,626,523	19,827,815	23,812,496	24,951,010	18,242,788	14,354,112	13,904,795
Unassigned	(1,285,978)	(1,445,507)	(1,306,137)	(571,480)	(641,563)	(672,379)	(902,008)	(901,147)	(796,705)	-
Total all other governmental funds	\$27,921,286	\$27,163,933	\$25,446,553	\$26,577,618	\$23,328,460	\$26,966,877	\$26,506,533	\$19,163,255	\$15,872,998	\$16,196,999

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 H-4

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Taxes	\$ 9,405,565	\$ 9,000,499	\$ 8,500,410	\$ 7,891,025	\$ 7,429,107	\$ 7,034,171	\$ 6,892,417	\$ 7,032,490	\$ 6,956,668	\$ 7,211,003
Special assessments	-	5,539	16,926	10,898	15,456	17,215	48,688	-	800	97,227
Intergovernmental	7,925,530	7,120,960	8,790,444	6,334,023	8,681,135	5,792,146	3,477,796	3,743,238	3,797,578	3,158,117
Licenses, fees and permits	235,506	255,333	326,247	192,974	179,634	153,232	163,011	178,499	183,764	194,230
Franchise fees	2,947,490	2,850,134	2,772,079	2,809,670	2,473,145	2,534,513	2,444,433	2,400,513	2,338,178	2,293,767
Charges for services	1,631,165	1,677,227	1,703,043	1,718,720	1,156,451	1,186,754	1,081,035	1,083,053	4,863,660	4,933,476
Internal charges for services	2,776,228	2,880,240	2,698,883	2,695,418	2,602,322	2,509,271	2,422,161	2,936,762	-	-
Fines and forfeitures	309,977	376,094	304,951	360,436	417,160	341,693	344,653	460,151	452,676	432,056
Investment earnings	(472,662)	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	285,013	195,184
Miscellaneous	600,714	556,607	188,823	115,121	472,493	316,809	138,949	146,519	330,967	337,110
System development charges	-	-	-	-	-	-	-	2,722	-	-
Total Revenues	<u>\$ 25,354,513</u>	<u>\$ 25,011,573</u>	<u>\$ 26,413,007</u>	<u>\$ 23,111,411</u>	<u>\$ 23,771,049</u>	<u>\$ 20,272,080</u>	<u>\$ 17,357,189</u>	<u>\$ 18,231,739</u>	<u>\$ 19,209,304</u>	<u>\$ 18,852,170</u>
Expenditures										
Current:										
General government	\$ 6,045,175	\$ 6,618,040	\$ 6,712,988	\$ 5,519,752	\$ 5,212,716	\$ 5,083,443	\$ 4,866,004	\$ 4,906,651	\$ 4,726,157	\$ 4,479,363
Airport	1,225,092	1,227,113	1,356,231	1,426,159	1,312,918	1,595,817	1,159,526	1,055,989	1,189,143	1,102,636
Culture and recreation	1,712,590	1,645,397	1,391,876	1,416,609	1,309,108	1,190,045	1,054,101	1,167,304	1,258,030	1,224,762
Public safety	6,359,128	6,141,490	6,214,809	5,767,764	5,694,881	5,486,413	5,442,424	5,243,094	5,686,252	6,202,304
Highways and streets	2,030,701	1,907,335	1,888,350	2,019,811	1,811,415	1,785,710	1,794,377	1,985,704	2,258,666	2,348,697
Debt service:										
Principal	459,896	440,220	562,328	400,200	455,866	284,923	429,187	1,545,504	878,156	1,078,192
Interest	261,067	262,005	257,660	272,319	258,004	390,994	418,248	472,719	429,641	454,509
Capital outlay:										
General government	52,886	139,318	19,496	17,487	81,097	50,727	691,549	666,569	1,268,137	98,237
Airport	2,705,284	2,197,107	6,764,036	1,071,141	6,234,882	2,714,340	670,989	294,464	1,071,748	487,536
Culture and recreation	119,389	500,499	417,271	724,636	785,602	179,520	190,611	152,894	105,539	224,123
Public safety	327,253	249,545	408,838	100,565	400,969	247,584	259,835	203,127	175,045	153,902
Highways and streets	3,004,082	649,377	1,263,743	1,178,077	2,184,881	1,396,463	658,245	1,511,680	1,103,562	283,734
Total Expenditures	<u>24,302,543</u>	<u>21,977,446</u>	<u>27,257,626</u>	<u>19,914,520</u>	<u>25,742,339</u>	<u>20,405,979</u>	<u>17,635,096</u>	<u>19,205,699</u>	<u>20,150,076</u>	<u>18,137,995</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,051,970</u>	<u>3,034,127</u>	<u>(844,619)</u>	<u>3,196,891</u>	<u>(1,971,290)</u>	<u>(133,899)</u>	<u>(277,907)</u>	<u>(973,960)</u>	<u>(940,772)</u>	<u>714,175</u>
Other financing sources (uses)										
Sale of general capital assets	21,470	28,880	86,154	78,473	81,414	1,000	12,351	70,771	187,706	23,718
Transfers in	1,047,725	1,474,925	1,372,375	3,080,625	1,395,856	1,847,312	22,172,729	3,777,366	1,504,581	2,814,408
Transfers out	(366,209)	(911,745)	(802,761)	(746,775)	(3,437,381)	(898,792)	(6,931,107)	(2,207,454)	(1,041,629)	(2,529,228)
General long-term debt issued	-	-	-	-	58,950	-	-	1,417,262	414,721	600,000
Insurance recoveries	31,091	3,258	11,225	45,359	11,599	91	9,865	15,123	-	-
Total Other Financing Sources (Uses)	<u>734,077</u>	<u>595,318</u>	<u>666,993</u>	<u>2,457,682</u>	<u>(1,889,562)</u>	<u>949,611</u>	<u>15,263,838</u>	<u>3,073,068</u>	<u>1,065,379</u>	<u>908,898</u>
Net change in fund balances	<u>\$ 1,786,047</u>	<u>\$ 3,629,445</u>	<u>\$ (177,626)</u>	<u>\$ 5,654,573</u>	<u>\$ (3,860,852)</u>	<u>\$ 815,712</u>	<u>\$ 14,985,931</u>	<u>\$ 2,099,108</u>	<u>\$ 124,607</u>	<u>\$ 1,623,073</u>
Debt service as a percentage of noncapital expenditures	3.98%	3.85%	4.46%	4.00%	4.45%	4.27%	5.59%	12.32%	7.96%	9.07%

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 H-5

Fiscal Year	Real Property		Personal Property		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value ¹	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value ¹	Assessed Value	Estimated Actual Value ¹				
2022	\$ 1,588,865	\$ 2,618,808	\$ 61,310	\$ 61,310	\$ 1,650,175	\$ 5.16	\$ 2,680,117	61.6%
2021	1,574,873	2,326,117	55,340	55,340	1,630,213	5.16	2,381,457	68.5%
2020	1,476,641	2,263,305	59,207	59,207	1,535,847	5.14	2,322,512	66.1%
2019	1,420,291	2,057,817	50,700	50,700	1,470,991	5.19	2,108,517	69.8%
2018	1,363,797	2,116,041	52,366	52,366	1,416,163	5.23	2,168,407	65.3%
2017	1,309,448	1,777,953	51,454	51,454	1,360,902	5.25	1,829,407	74.4%
2016	1,305,308	1,900,989	50,033	50,033	1,355,341	5.24	1,951,022	69.5%
2015	1,287,767	1,828,863	49,080	49,080	1,336,847	5.43	1,877,943	71.2%
2014	1,240,897	1,769,715	52,113	52,113	1,293,010	5.67	1,821,828	71.0%
2013	1,240,906	1,806,891	52,113	52,113	1,293,019	5.74	1,859,004	69.6%

Source: Klamath County Assessors Office.

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

¹ Includes Urban Renewal Districts.

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

Schedule H-6

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

¹ Millage rates are reported after compression

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

Source: Klamath County Assessor and Klamath County Budget Officer.

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

Schedule H-7

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value
Jeld Wen, Inc. - Wood products manufacturing	\$ 50,431	1	3.06%	\$ 51,695	1	4.00%
Avista Corporation - Natural Gas Utility	26,781	2	1.62	11,566	7	0.89
Wal Mart - Retail Department store	19,709	3	1.19	15,595	2	1.21
Charter Communications - Telecommunications	19,253	4	1.17	12,515	5	0.97
Fred Meyer Stores, Inc. - Retail Department Store	16,621	5	1.01	13,786	4	1.07
Lumen Technologies - utility	13,213	6	0.80	-		-
Klamath Falls MSL LLC	12,529	7	0.76	-		-
Sky Lakes Medical Center, Inc.	12,374	8	0.75	-		-
Pacificorp - Electric utility	12,372	9	0.75	11,833	6	0.92
Lithia Real Estate Inc	10,008	10	0.61	-		-
Argo K Falls LLC - Towncenter Commercial Site	-		-	14,177	3	1.10
Aqua Glass Western, Inc.	-		-	9,348	9	0.72
Klamath Falls Partners LLC - Residential Development	-		-	9,283	10	0.72
Klamath Publishing, LLC	-		-	10,735	8	0.83
	<u>\$ 193,291</u>		<u>11.71%</u>	<u>\$ 108,838</u>		<u>8.42%</u>

Source: Klamath County Assessor's Office

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

Schedule H-8

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2022	\$ 9,148	\$ 8,058	88.08%	-	8,058	88.08%
2021	9,016	8,065	89.45%	277	8,342	92.52%
2020	8,473	7,792	91.96%	356	8,148	96.17%
2019	7,947	7,382	92.89%	337	7,719	97.13%
2018	7,540	6,953	92.21%	342	7,295	96.75%
2017	7,216	6,355	88.07%	368	6,723	93.17%
2016	7,128	6,548	91.86%	368	6,916	97.03%
2015	7,160	6,590	92.04%	343	6,933	96.83%
2014	7,157	6,522	91.13%	373	6,895	96.34%
2013	7,405	6,788	91.67%	397	7,185	97.02%

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 H-9

Governmental Activities						
Fiscal Year	General Obligation Bonds ¹	Full Faith & Credit Bonds ¹	SPWF & Other Loans	Revenue Bonds	Line of Credit Loans	Total
2022	\$ 3,633	\$ 1,736	\$ 2,249	\$ -	\$ 80	7,698
2021	3,757	1,942	2,249	-	211	8,159
2020	3,871	2,144	2,249	-	337	8,601
2019	3,971	2,335	2,249	-	610	9,165
2018	4,066	2,522	2,249	-	730	9,567
2017	4,022	2,698	2,249	-	848	9,817
2016	4,023	2,870	2,249	-	963	10,105
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

Business-Type Activities						
Fiscal Year	Water SPWF Loans	Water Revenue Bonds	Wastewater State Revolving Loan	Wastewater Revenue Bonds	Water Fund Water Project	Total
2022	\$ 422	\$ -	\$ 20,695	\$ 2,316	\$ 750	24,183
2021	464	-	10,937	3,053	-	14,454
2020	506	-	4,550	3,777	-	8,833
2019	548	-	3,630	4,480	-	8,658
2018	585	-	-	5,172	-	5,757
2017	621	-	-	5,842	-	6,463
2016	657	-	-	6,499	-	7,156
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

Fiscal Year	Total Outstanding Debt	% of Personal Income ²	Population ³	Debt Per Capita
2022	31,881	6.70%	22,062	1,445
2021	22,613	4.75%	21,813	1,037
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

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 H-10

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Available in Debt Service Fund ²	Total	Percentage of Estimated Actual Taxable Value of Property ³	Per Capita ⁴
2022	\$ 3,633	\$ 42	\$ 3,591	0.22%	163
2021	3,757	40	3,717	0.23%	170
2020	3,871	42	3,829	0.25%	174
2019	3,971	30	3,941	0.27%	180
2018	4,066	(51)	4,117	0.29%	188
2017	4,022	8	4,014	0.29%	184
2016	4,023	30	3,993	0.29%	185
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

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

¹ This is the general bonded debt of governmental activities, net of original issuance discounts and premiums. ²

This is the amount restricted for debt service principal payments.

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

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

City of Klamath Falls, Oregon
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022
(amounts expressed in thousands)

Schedule H-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	\$ 4,569	31.01%	\$ 1,417
Klamath County Emergency Comm	770	28.49%	219
Klamath County Fire District #1	1,465	49.52%	725
Klamath County School Distirct	37,075	8.92%	3,307
Klamath City School District	29,988	67.21%	20,155
Subtotal, overlapping debt			25,824
City of Klamath Falls direct debt ¹			7,698
Total direct and overlapping debt			<u>\$ 33,522</u>

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

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

¹ City of Klamath Falls direct debt includes \$3,633 general obligation, \$1,736 full faith and credit bonds, and \$2,329 in Urban Renewal loans.

City of Klamath Falls, Oregon
Legal Debt Margin Information
June 30, 2022
(amounts expressed in thousands)

Schedule H-12

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a % of Estimated Actual Value	Estimated Actual Taxable Value
2022	\$ 1,650,175	61.57%	\$ 2,680,117
2021	1,630,213	68.45%	2,381,457
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
Total Five Years Valuation			<u>\$ 11,661,010</u>
Five Year Average Full Valuation of Taxable Real Property			<u>\$ 2,332,202</u>
Constitutional Debt Limit (3% of total assessed value)			<u>\$ 49,505</u>
Outstanding General Obligation Indebtedness as of June 30, 2022			
Governmental Activities - General Obligation Debt			\$ 7,698
Governmental Activities - Short-term Debt - Current Portion of Lines of Credit			80
Net indebtedness subject to debt limit			<u>\$ 7,778</u>
Net debt contracting margin			\$ 41,727
Percentage of net debt contracting margin available			<u>84.29%</u>
Percentage of net debt contracting power exhausted			<u>15.71%</u>

Last Ten Fiscal Years

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2022	\$ 49,505	\$ 7,778	84.29%
2021	48,906	8,289	83.05%
2020	46,075	8,726	81.06%
2019	44,130	9,289	78.95%
2018	42,485	9,688	77.20%
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%
2015	40,105	10,661	73.42%
2014	38,790	10,667	72.50%
2013	38,791	8,865	77.15%

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

Schedule H-13

Wastewater Revenue Bonds							
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2022	\$ 8,776	\$ 5,022	3,754	\$ 737	\$ 70	4.65	
2021	7,730	4,783	2,947	724	88	3.63	
2020	7,632	4,846	2,786	703	103	3.46	
2019	7,710	4,556	3,154	692	119	3.89	
2018	7,849	4,495	3,354	670	135	4.17	
2017	7,655	4,085	3,570	657	151	4.42	
2016	7,372	4,249	3,123	673	136	3.86	
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	

Water Revenue Bonds ¹							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2022	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2021	-	-	-	-	-	-	
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	

Airport Revenue Bonds ²							
Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2022	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2021	-	-	-	-	-	-	
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	

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 H-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
2022	22,062	37.0	25,383	Unavailable	Unavailable	2,706	5.9%
2021	21,813	39.8	24,534	Unavailable	Unavailable	2,799	7.7%
2020	22,002	35.4	23,260	475,777	Unavailable	2,959	7.3%
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%

Data Sources:

¹ Portland State University, Population Research Center (2021 Certified Population Estimates, July 1)

² U.S. Census Bureau (2019: 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 H-15

Employer	2022				2013	
	Employees ¹	Rank	Percentage of Total City Employment ³	Percentage of Total County Employment ³	Employees ¹	Rank
Sky Lakes Medical Center	1,454	1	13.89%	6.51%	1,127	1
Klamath County School District	845	2	8.08%	3.78%	732	3
Kingsley Field Oregon Air National Guard	712	3	6.80%	3.19%	562	5
Jeld-Wen Inc. Wood Products	620	4	5.92%	2.77%	1,006	2
Wal-Mart	357	5	3.41%	1.60%	427	7
Klamath County	350	6	3.34%	1.57%	484	6
Columbia Forest Products ²	350	7	3.34%	1.57%	255	10
Klamath Falls City Schools	348	8	3.33%	1.56%	421	8
Oregon Institute of Technology	327	9	3.12%	1.46%	322	9
Fred Meyer	312	10	2.98%	1.40%	-	-
N.E.W Customer Service Companies	-	-	-	-	680	4
	5,675		54.23%	9.15%	6,016	
Total Employment ³			10,466	22,350		

¹ Numbers of employees furnished by employer.

² 2013 data represents County statistics. This employer is 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

Schedule H-16

Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
City Manager	5.00	5.00	5.00	5.00	4.00	4.70	5.00	5.00	3.75	3.75
Legal	-	-	-	-	-	1.00	1.70	1.70	1.75	1.75
Municipal Court	2.10	2.10	2.10	2.15	2.40	2.40	2.40	3.30	3.25	3.25
Developmental Services	8.00	8.00	8.00	9.00	8.50	8.00	8.50	-	-	-
Public Works Engineering	-	-	-	-	-	-	-	5.50	6.50	6.50
Public Works Administration	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Planning	-	-	-	-	-	-	-	2.00	4.50	4.67
Legislative	1.50	1.00	1.00	1.00	0.70	-	-	-	-	-
Maintenance	9.00	9.00	9.00	10.00	9.00	9.00	10.00	10.00	10.50	10.00
Support Services										
Finance	6.50	6.50	6.50	6.50	6.00	6.00	6.00	6.50	6.00	7.00
Human Resources/Risk	2.00	3.00	3.00	2.50	2.50	2.00	2.00	2.00	2.00	2.00
Information Systems	5.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Culture and Recreation	6.00	6.00	6.00	5.00	5.00	6.00	6.00	6.30	6.75	8.25
Ella Redkey Pool ¹	9.90	8.15	6.55	6.40	6.25	6.60	4.25	3.20	5.00	-
Airport	6.00	5.00	5.00	6.00	6.00	6.00	6.00	5.00	6.00	6.00
Public Safety										
Police	39.00	41.00	38.00	37.00	36.00	40.00	41.00	39.00	40.00	41.00
Code enforcement	3.00	-	-	-	2.00	2.00	2.00	2.00	2.00	2.33
Off-street Parking	-	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	10.00	10.00	9.00	10.00	10.00	10.00	10.00
Vehicle Maintenance	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Water ²	22.00	24.00	24.00	24.00	23.00	19.50	19.28	19.25	21.10	21.10
Geothermal	-	-	-	-	-	-	0.25	0.25	0.75	0.75
Wastewater ²	14.00	13.00	14.00	13.00	14.00	17.00	14.97	15.00	16.65	16.65
Total	154.00	151.75	147.15	146.55	144.35	147.20	147.35	144.00	154.50	153.00

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

Schedule H-17

Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Police department personnel	43	42	43	39	36	40	41	39	40	41
Physical arrests	893	944	2,088	1,972	2,101	2,157	2,318	2,319	2,489	2,423
Parking violations	1,460	1,775	1,547	1,797	2,198	2,039	2,445	2,323	2,275	2,632
Traffic violations	883	1,312	1,397	1,486	1,955	1,529	2,082	2,403	2,882	2,691
Airport										
Takeoffs and landings	37,331	37,346	40,291	42,127	43,358	47,564	53,246	51,732	44,194	38,095
Gallons of Fuel Pumped	683,145	652,294	499,035	251,466	591,160	426,988	385,638	487,672	376,789	467,854
lbs of Freight Offloaded	1,505,088	1,231,861	1,025,160	863,685	1,072,145	1,001,983	989,419	871,078	870,034	790,506
Highways and streets										
Street resurfacing (<i>linear feet</i>)	19,960	42,550	57,289	49,282	93,729	73,361	26,826	17,262	12,157	4,135
Potholes (<i>tons of asphalt</i>)	22	43	99	83	55	75	138	36	34	27
Culture and recreation										
Park reservations	113	59	34	92	112	122	113	116	153	94
Municipal pool admissions ²	34,414	28,197	21,455	27,867	23,495	21,522	20,986	20,001	19,282	12,881
Water										
New connections	50	46	67	49	39	40	47	43	36	36
Total connections	16,352	16,280	16,277	16,177	15,852	16,128	16,009	16,346	15,732	16,020
Average daily production (<i>thousands of gallons</i>)	7,448	7,529	6,669	7,048	6,734	6,859	6,817	7,180	6,899	6,790
Wastewater										
New connections	13	19	24	15	36	17	10	7	17	25
Total connections	8,246	8,375	8,417	8,287	8,273	7,520	8,133	7,443	7,680	7,668
Average daily sewage treatment (<i>thousands of gallons</i>)	1,460	1,959	2,274	2,515	2,247	3,448	2,840	2,760	2,650	2,963
Average daily reclaimed water produced (<i>thousands of gallons</i>)	2,200	1,889	2,014	2,058	2,276	2,166	2,640	2,370	2,350	2,280

Source: Various city departments.

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

Schedule H-18

Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	38	32	40	33	31	33	32	36	40	37
Airport										
Miles of runways & taxiways ²	8.75	8.75	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	3,004	2,984	2,979	2,979	2,966	2,966	2,636	3,116	3,114	3,104
Traffic signals	37	37	37	37	36	36	36	36	34	31
Culture and recreation										
Park acreage										
Developed	151	151	151	151	119	119	119	119	119	119
Natural areas	457	457	457	457	514	514	514	514	514	514
Undeveloped		-	0	0	50	50	50	50	50	50
Parks	27	27	27	27	25	25	24	23	23	23
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playground equipment areas	9	9	9	9	8	8	8	8	8	8
Water										
Water mains (<i>miles</i>)	266	266	266	266	266	266	265	263	240	240
Fire hydrants	1,258	1,254	1,239	1,212	1,176	1,175	1,166	1,157	1,186	1,176
Maximum daily capacity (<i>thousands of gallons</i>)	15,193	15,755	14,029	14,930	14,739	13,952	13,669	13,918	15,107	13,204
Wastewater										
Sanitary sewer (<i>miles</i>)	156	156	156	156	156	156	156	156	156	155
Storm sewers (<i>miles</i>)	110	110	110	40	40	40	40	40	40	40
Manholes	2,940	2,940	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 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, 2022

Schedule H-19

<u>Water Customers</u>	<u>Billed</u>	<u>Percent of Total Charges</u>	<u>Wastewater Customers</u>	<u>Billed</u>	<u>Percent of Total Charges</u>
City of Klamath Falls	\$ 754,907	8.98 %	OIT (Oregon Institute of Technology)	\$ 891,631	10.62 %
Klamath County	112,223	1.34	Oregon Water Utilities	393,435	4.69
Kingsley Field	101,682	1.21	Klamath Co-Gen	353,325	4.21
Sky Lakes	93,817	1.12	Sky Lakes Medical Center	351,422	4.19
Jeld-Wen	91,976	1.09	Klamath County	226,430	2.70
Klamath County School District	90,756	1.08	Falcon Heights Condo	120,178	1.43
Klamath Co-Gen	89,565	1.07	Kingsley Field	90,913	1.08
Klamath Falls City Schools	70,309	0.84	Argo	67,110	0.80
Klamath Community College	42,036	0.50	Fred Meyer	64,098	0.76
Madison Village	35,197	0.42	TH7	63,822	0.76
Total Top Ten	<u>\$ 1,482,468</u>	<u>17.64 %</u>	Total Top Ten	<u>\$ 2,622,363</u>	<u>11.72 %</u>
 Total Billed Fiscal Year 21/22		<u>\$ 8,402,396</u>	 Total Billed Fiscal Year 21/22		<u>\$ 8,393,222</u>
 Total Water Service Connections		16,352	 Total Wastewater Service Connections		8,246

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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 REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited the basic financial statements of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 29, 2022. 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 of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

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

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive style with a long horizontal stroke at the end.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2022

BOND COMPLIANCE

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**INDEPENDENT ACCOUNTANT'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

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 (the specified requirements) during the year ended June 30, 2022. The City's management 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 with the specified requirements, in all material respects. 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 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination of the City's compliance with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2022.

In our opinion, the City complied with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2022, in all material respects.



Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2022

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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, 2022

Gross Revenues		
Operating revenues		\$ 8,405,344
Other revenues		
Interest earned on investments	\$ (379,061)	
Miscellaneous revenue	1,148,844	
Less: SDC Improvement fee	<u>(398,844)</u>	<u>370,939</u>
Total Gross Revenues		8,776,283
Total operating expense	6,560,023	
Less: depreciation and amortization expense	<u>(1,537,747)</u>	<u>5,022,276</u>
Net Revenues		3,754,007

Wastewater Fund debt service for the fiscal year ended June 30, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015 Wastewater Revenue Refunding	<u>\$ 736,696</u>	<u>\$ 70,274</u>	<u>\$ 806,970</u>	
Total	<u><u>\$ 736,696</u></u>	<u><u>\$ 70,274</u></u>	<u><u>\$ 806,970</u></u>	<u>806,970</u>
1.25 Compliance				4.65
Net Revenue after senior debt				<u><u>\$ 2,947,037</u></u>

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UNIFORM GUIDANCE

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

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive, flowing style.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2022

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

Honorable Mayor and City Council
City of Klamath Falls, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Klamath Falls, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section in the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Donald F. Ewalt". The signature is written in a cursive style with a long horizontal flourish at the end.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 29, 2022

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CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

GRANTS					
<u>Program Title</u>	<u>Pass through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass through Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub Recipients</u>
U.S. Department of Transportation					
Airport Improvement Program		20.106		\$ 2,317,309	\$ -
COVID-19 – Airport Rescue Grant Program		20.106		59,000	-
Highway Planning and Construction Cluster	Oregon Department of Transportation *	20.205	28481	433	-
	Oregon Department of Transportation *	20.205	30859	1,327,887	-
Total Highway Planning and Construction Cluster				<u>1,328,320</u>	<u>-</u>
Total Department of Transportation				<u>3,704,629</u>	<u>-</u>
U.S. Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds	Oregon DEQ	* 66.458	R52605	8,203,276	-
Total Environmental Protection Agency				<u>8,203,276</u>	<u>-</u>
U.S. Department of Treasury					
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds		21.027		29,822	-
Total Department of Treasury				<u>29,822</u>	<u>-</u>
U.S. Department of Defense					
COVID-19 – Office of Economic Adjustment Land Use Study		12.604		14,360	-
Total Department of Defense				<u>14,360</u>	<u>-</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$ 11,952,087</u>	<u>\$ -</u>

* Major Programs

Note: Expenditures on this schedule are prepared on the accrual basis of accounting. Receipts are reported on the cash basis.

CITY OF KLAMATH FALLS, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS For the Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Klamath Falls, Oregon (the City) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE 3 – INDIRECT COST RATE:

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

NOTE 4 – SUBRECIPIENTS:

There were no amounts paid to subrecipients by the City from federal funds for the year ended June 30, 2022.

**CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#20.205	Highway Planning and Construction Cluster
#66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes No

**CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**SECTION IV – SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED
COSTS FOR THE YEAR ENDED JUNE 30, 2021**

None