



**Fiscal Year  
Ended  
June 30, 2022**

**FINANCIAL  
STATEMENTS**



**URBAN RENEWAL AGENCY  
KLAMATH FALLS, OR**

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# Klamath Falls Urban Renewal Agency

A component unit of the  
City of Klamath Falls, Oregon

## **Financial Statements**

For the Fiscal Year Ended  
June 30, 2022

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Klamath Falls Urban Renewal Agency  
Financial Statements  
June 30, 2022  
**Table of Contents**

<b>Introductory Section</b> .....	1
List of Principal Officials and Staff .....	3
<b>Financial Section</b> .....	5
Independent Auditor’s Report.....	7
Management’s Discussion and Analysis .....	11
Basic Financial Statements .....	17
Statement of Net Position .....	19
Statement of Activities.....	20
Balance Sheet.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	23
Notes to the Financial Statements.....	25
<b>Required Supplementary Information</b> .....	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Lakefront Urban Renewal Fund (A-1).....	41
Town Center Urban Renewal Fund (A-2) .....	42
Spring Street Urban Renewal Fund (A-3) .....	43
<b>Audit Comments and Disclosures Section</b> .....	45
Independent Auditor's Report Required by Oregon State Regulations.....	47

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Klamath Falls Urban Renewal Agency

# **Introductory Section**

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Klamath Falls Urban Renewal Agency  
 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

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Klamath Falls Urban Renewal Agency

# **Financial Section**

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# **INDEPENDENT AUDITOR'S REPORT**

## **INDEPENDENT AUDITOR'S REPORT**

Agency Officials  
Klamath Falls Urban Renewal Agency  
Klamath Falls, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Klamath Falls Urban renewal Agency (the Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency'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 and each major fund of the Agency, as of June 30, 2022, and the respective changes in financial position 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). 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 Agency 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 Agency'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 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:

- 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 Agency'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 Agency'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 and budgetary comparison information 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. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

The budgetary comparison information, as listed in the Table of Contents, 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. 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 budgetary comparison information as listed in the Table of Contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section 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 Oregon State Regulations**

In accordance with Oregon State Regulations, we have also issued our report dated December 29, 2022 on our consideration of the Agency'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.



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 Klamath Falls Urban Renewal Agency (the Agency), a component unit of the City of Klamath Falls (City), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal years ended June 30, 2022 and June 30, 2021. The analysis focuses on significant financial issues, major financial activities, resulting changes in financial position, budget changes and variances from the budget and specific issues related to funds and the economic factors affecting the Agency. The Agency is composed of three urban renewal districts, Lakefront, Town Center, and Spring Street. The organization as a whole is referred to as the Agency. Individual districts are referred to as "the District" or the Fund.

### Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$3,594,764 which created a negative net position. A decrease in the deficit of \$293,307 from the prior fiscal year resulted as additional debt was paid down. At the close of the current fiscal year, the Agency's three governmental funds reported combined fund balances of \$94,909, a decrease of \$483,978 in comparison with the prior year. This amount is restricted for urban renewal capital projects and debt service.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

The *statement of net position* presents information on all of the Agency's assets and liabilities 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 Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency'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).

The Agency is principally supported by property taxes. The purpose of an urban renewal agency is to improve specific areas of a city that are poorly developed or underdeveloped. These areas can have old deteriorated buildings, bad streets and utilities or the areas can lack streets and utilities altogether.

The government-wide financial statements include three legally separate districts for which the City is financially accountable. The 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 in addition to being reported separately in these statements.

The government-wide financial statements can be found on the pages immediately following this management 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 Agency, 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 Agency are governmental 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 Agency maintains three funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances of each fund, which are considered to be major funds. All of the districts are funded by property taxes collected on the incremental value of properties located within each of the districts. The value of the properties in a district are "frozen" at the time the district is formed, and taxes assessed on the increased value of the properties over time are distributed to the district to implement the Urban Renewal Plan by funding projects identified in the plan. As property values increase or decrease, revenues to the districts will adjust accordingly.

The Agency adopts a biennial appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund in the required 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.

**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.

## **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 Agency, liabilities exceeded assets by \$3,594,764, at the close of the most recent fiscal year.

## **Klamath Falls Urban Renewal Agency's Net Position**

The capital assets built or acquired in the Lakefront, Town Center, and Spring Street Urban Renewal Districts are either contributed to the City or remain property of the developer when projects are complete, and any debt related to those assets is not included in net investment in capital assets.

At the end of the current fiscal year, the Agency reported negative net position as unrestricted net position. The Lakefront, Town Center, and Spring Street Urban Renewal Districts have outstanding debt of \$3,709,125, which exceeds or is unrelated to any assets the districts own (primarily due to contributing assets to the primary government and developer). This causes a deficit that will continue unless debt is paid off. The same held true for the prior fiscal year.

The Agency's overall net position increased \$293,307 from the prior fiscal year, which as noted above, is due to decreasing debt.

**Statement of Net Position at June 30, 2022 and 2021**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 87,644	\$ 572,039
Other assets	28,280	27,894
Capital assets	-	-
Total assets	<u>115,924</u>	<u>599,933</u>
Other liabilities	406,901	246,495
Long-term liabilities	<u>3,303,787</u>	<u>4,241,509</u>
Total liabilities	<u>3,710,688</u>	<u>4,488,004</u>
Net position:		
Unrestricted (deficit)	<u>(3,594,764)</u>	<u>(3,888,071)</u>
Total net position	<u>\$ (3,594,764)</u>	<u>\$ (3,888,071)</u>

**Statement of Activities for fiscal years ending June 30, 2022 and 2021**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
General revenues		
Property taxes	\$ 360,748	\$ 346,445
Interest	<u>4,781</u>	<u>3,800</u>
Total revenues	<u>365,529</u>	<u>350,245</u>
Expenses		
General government	6,653	307,578
Interest on debt	<u>65,569</u>	<u>54,198</u>
Total expenses	<u>72,222</u>	<u>361,776</u>
Change in net position	293,307	(11,531)
Beginning net position (deficit)	<u>(3,888,071)</u>	<u>(3,876,540)</u>
Ending net position (deficit)	<u>\$ (3,594,764)</u>	<u>\$ (3,888,071)</u>

Property tax revenues increased 4.1%. Expenses decreased due to prior year development activity for Lakefront and Spring Street Urban Renewals. 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.

**Financial Analysis of the Government's Funds**

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

## **Governmental funds**

The focus of the Agency'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 Agency's financing requirements.

At June 30, 2022, the Agency's governmental funds reported combined fund balances of \$94,909, a decrease of \$483,978 in comparison with the prior year. Because the Agency is comprised of urban renewal districts, there are legal restrictions on how the funds are spent. Unlike other local governments that have *unassigned fund balance*, which is available for spending at the government's discretion, the most important aspect of the Agency is how much is restricted for capital projects and debt service within the districts. Restricted fund balance for the Agency for the current year was \$94,909.

## **Budgetary Highlights**

### *Original budget compared to amended budget*

Changes to the original budget were in regard to increases in inter-fund loans to the Lakefront and Spring Street Urban Renewals.

## **Long-term debt**

At the end of the current fiscal year, the Agency had outstanding debt totaling \$3,709,125. Of this amount, \$80,491 is a loan with Washington Federal to be paid back over ten years; \$1,380,070 are loans from the City to be paid back over ten years; and \$2,248,564 is a contract payable to Timbermill Shores after the loan from the City is paid off.

The Agency's total long-term debt decreased by \$775,033 during the current fiscal year.

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

## **Economic Factors**

The following economic factors currently affect the Klamath Falls Urban Renewal Agency:

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 and People's Bank have recently been completed in the district and Department of Human Services building in under construction. 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.

## **Requests for Information**

This financial report is designed to provide a general overview of Agency finances for all those with an interest. 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. The City's financial statements are also available upon request.

# **Basic Financial Statements**

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Klamath Falls Urban Renewal Agency  
Statement of Net Position  
June 30, 2022

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Taxes receivable	\$ 28,004
Interest receivable	276
Restricted assets:	
Cash and cash equivalents	87,644
Total assets	\$ 115,924
 <b>LIABILITIES</b>	
Current liabilities:	
Accrued interest payable	\$ 1,563
Current liabilities ( <i>payable from restricted assets</i> ):	
Leases / loans payable	405,338
Total current liabilities	406,901
Noncurrent liabilities:	
Leases / loans / contracts payable	3,303,787
Total liabilities	3,710,688
 <b>NET POSITION</b>	
Unrestricted	(3,594,764)
Total net position	\$ (3,594,764)

Klamath Falls Urban Renewal Agency  
Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Net (expense) revenue and change in net position
Governmental activities:		
General government	\$ 6,653	\$ (6,653)
Interest on long-term debt	65,568	(65,568)
	\$ 72,221	(72,221)
General revenues:		
Property taxes		360,747
Investment income (loss)		4,781
		365,528
Change in net position		293,307
Net position - beginning		(3,888,071)
		\$ (3,594,764)
		\$ (3,594,764)

Klamath Falls Urban Renewal Agency  
Balance Sheet  
Governmental Funds  
June 30, 2022

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund	Total Governmental Funds
<b>ASSETS</b>				
Receivables:				
Taxes	\$ 9,088	\$ 12,065	\$ 6,851	\$ 28,004
Interest	86	160	30	276
Restricted assets:				
Cash and cash equivalents	19,326	53,631	14,687	87,644
Total assets	\$ 28,500	\$ 65,856	\$ 21,568	\$ 115,924
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 6,768	\$ 8,350	\$ 5,897	\$ 21,015
Fund Balances:				
Restricted	21,732	57,506	15,671	94,909
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,500	\$ 65,856	\$ 21,568	

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	21,015
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,710,688)
Net position of governmental activities	\$ (3,594,764)

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

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renwal Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 121,933	\$ 186,268	\$ 52,578	\$ 360,779
Investment income	793	1,164	2,824	4,781
Total revenues	<u>122,726</u>	<u>187,432</u>	<u>55,402</u>	<u>365,560</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	6,653	6,653
Debt service:				
Principal	94,261	140,773	540,000	775,034
Interest	15,324	10,873	41,654	67,851
Total expenditures	<u>109,585</u>	<u>151,646</u>	<u>588,307</u>	<u>849,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,141</u>	<u>35,786</u>	<u>(532,905)</u>	<u>(483,978)</u>
Net change in fund balances	13,141	35,786	(532,905)	(483,978)
Fund balances - beginning	<u>8,591</u>	<u>21,720</u>	<u>548,576</u>	<u>578,887</u>
Fund balances - ending	<u><u>\$ 21,732</u></u>	<u><u>\$ 57,506</u></u>	<u><u>\$ 15,671</u></u>	<u><u>\$ 94,909</u></u>

Klamath Falls Urban Renewal Agency  
 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 changes in fund balances	\$ (483,978)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(32)
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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 assets. Also, governmental funds report the effect of issuance costs, 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.	775,034
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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.	<u>2,283</u>
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Changes in net position	<u><u>\$ 293,307</u></u>
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Klamath Falls Urban Renewal Agency

# **Notes to the Financial Statements**

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**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**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 activities of the primary Agency and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**B. Reporting entity**

The Klamath Falls Urban Renewal Agency (Agency) was organized in 1989 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Klamath Falls, Oregon (City), responsible for implementing various public improvement projects as identified in the revitalization plan of the City.

The “tax increment financing” method is being used to provide funds for the Agency. Under this method, a base year value within the urban renewal area is established for the duration of the urban renewal program. Any increase in the assessed value over the base year cannot be used by the assessor to compute tax rates for the local taxing bodies. The assessor computes the tax rate on the base year value of the area then applies that rate to the increase in assessed value. The tax on the increased value can be used by the Agency only to pay indebtedness incurred to finance the urban renewal projects.

The Agency has been determined under accounting standards generally accepted in the United States of America (GAAP) to be a blended component unit of the City, as the Agency is governed by a board comprised of the members of the City Council and the 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. As a result, the Agency’s financial statements are blended with those of the City by including them in the appropriate statements and schedules of the City’s Comprehensive Annual Financial Report. Copies of which may be obtained from the City’s Finance Director, City of Klamath Falls, 500 Klamath Avenue, Klamath Falls, OR 97601.

**C. Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. All activities of the Agency are categorized as governmental activities.

The government-wide financial statements display information about the Agency as a whole. The focus is on its sustainability. As such, the reporting presents the change in the aggregate financial position of the Agency, resulting from the activities of the fiscal period. These aggregate statements consist of the statement of net position and the statement of activities.

The statement of net position demonstrates the entity’s financial position by displaying the difference between its total assets and total liabilities. The net position is further subdivided into two categories: net investment in capital assets and unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses and revenues* are clearly identifiable with a specific function or segment. The majority of costs are supported by general revenues which include property taxes and interest earnings.

There is no interfund activity within the Agency.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note I – Summary of significant accounting policies** *(continued)*

**D. Basis of presentation – fund financial statements**

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary and fiduciary activities. As of June 30, 2022, the Agency has only governmental fund types.

The emphasis of the fund financial statements is on the major governmental funds, each displayed in a separate column. There are no nonmajor funds in the Agency.

The Agency reports the following major governmental funds:

The *Lakefront Urban Renewal Fund* accounts for public improvement projects in a district encompassing the old Modoc Mill site and future Timber Mill Shores development.

The *Town Center Urban Renewal Fund* accounts for public improvement projects in a district encompassing the old Klamath Mall site and future Town Center development.

The *Spring Street Urban Renewal Fund* accounts for public improvement projects in a district encompassing the older industrial part of the greater downtown area and the northeastern part of the downtown.

The Agency is responsible for certain indirect expenses, which include support services and administrative costs the City incurs while managing the Agency.

**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.

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 Agency 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 are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under leases are reported as other financing sources.

Property taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note I – Summary of significant accounting policies** *(continued)*

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

**1. Cash and cash equivalents**

The Agency participates in the City's cash and investment pool.

The Agency'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**

Investments for the Agency are reported at fair value. The Agency 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 and its fair value approximates its amortized cost basis. 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' portion of the pool's fair value are presented as "Cash and Cash Equivalents" in the basic financial statements as these are demand deposits.

**3. Receivables**

All trade and property tax receivables are shown at full value as there is no need for an allowance for uncollectibles.

**4. Restricted assets**

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

**5. Capital assets**

Capital assets include land, construction in progress, buildings and system, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life extending beyond a single reporting period. The Agency reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

The reported value excludes normal maintenance and repairs which are essentially 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.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note I – Summary of significant accounting policies** *(continued)*

Land and construction in progress are not depreciated. Buildings and their improvements and infrastructure of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	25
Public domain infrastructure	25-50

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

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

**7. *Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. *Net position flow assumption***

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**9. *Fund balance flow assumptions***

Sometimes the Agency 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 Agency’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.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note I – Summary of significant accounting policies** *(continued)*

**10. Fund balance policies**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Agency 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 Agency through formal action of the highest level of decision-making authority (ordinance) and does not lapse at year-end.
- 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 which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

**G. Revenues and expenditures/expenses**

**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 three percent is allowed if full payment is made by November 15; a two 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.

**H. Use of Estimates**

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

**Note II – Stewardship, compliance, and accountability**

**A. Budgetary information**

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

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

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note II – Stewardship, compliance, and accountability** *(continued)*

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The Agency had one supplemental budget during the year-ended June 30, 2022 in the Spring Street Urban Renewal. An interfund loan had been taken out for system development charges but the funds were not needed in the current fiscal year so the loan was paid down accordingly.

**Note III – Detailed notes on all activities and funds**

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

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

Investments:	
Oregon State Treasurer’s Local Investment Pool	\$ 74,782
Escrow	12,862
	\$ 87,644

**Custodial credit risk-deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. The Agency’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 Agency’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 Agency’s deposits were fully insured.

**Interest Rate Risk.** In accordance with its investment policy, the Agency 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 eighteen 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 Agency has adopted the policies as described in Oregon Revised Statutes, Chapter 294, as it pertains to credit risk. Oregon Revised Statutes, Chapter 294, authorizes the Agency 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 (LGIP), certain high grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note III – Detailed notes on all activities and funds** *(continued)*

The Agency's investment portfolio as of June 30, 2022 is representative of the types of investments made throughout the year. The Agency's investments in the State of Oregon Local Government Investment Pool (LGIP) 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.

**Concentration of credit risk.** The Agency 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 Agency's total investments.

**Custodial credit risk.** For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Agency's investments are subject to custodial credit risk.

**B. Construction and other significant commitments**

The Lakefront Urban Renewal District has an active development agreement with Timbermill Shores for development of the lakefront of Lake Ewauna. \$2,248,564 remains payable to Timbermill Shores for work done in prior years. The Town Center Urban Renewal District has an active development agreement with Argo Klamath Two, LLC.

**C. Risk management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Agency is covered under the City's insurance policies. The City carries commercial insurance for all risks of loss described. Settlements have not exceeded coverage for each of the past three fiscal years.

**D. Long-Term Liabilities**

The Agency does not sell receivables or future revenues. The Agency does, however, pledge revenues to collateralize debt until the debt is fully repaid. The following information discloses the Agency's pledged revenues:

**Timbermill Shores – Lakefront Urban Renewal**

The Agency 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 reimbursement to the developer. The district will begin making payments once the \$900,000 loan with the City of Klamath Falls is paid in full.

**City of Klamath Falls, Escrow Reserve Fund – Lakefront Urban Renewal**

The Agency has pledged future tax increment revenues to repay a \$900,000 loan with the City of Klamath Falls, Escrow Reserve Fund. The loan originated in fiscal year 2014 and was used to reimburse Timbermill Shores for work done on the lakefront of Lake Ewauna. The interest rate is 3.75%. Payments will be made over ten years. For the current year, principal and interest paid and total incremental property tax revenues were \$109,585 and \$121,933, respectively. Total principal remaining on the loan at June 30, 2022 is \$314,381.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note III – Detailed notes on all activities and funds (continued)**

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.

**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% (3.95% as of June 30, 2022) 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.

**City of Klamath Falls, Escrow Reserve Fund – Town Center Urban Renewal**

The Agency has pledged future tax increment revenues to repay a \$140,000 loan with the City of Klamath Falls, Escrow Reserve Fund. The loan originated in fiscal year 2017 and was used to reimburse costs for Project Milestone 2 of the developer agreement. The interest rate is 4.00%. Payments will be made over ten years. For the current year, principal and interest paid was \$12,734. Total principal remaining on the loan at June 30, 2022 is \$56,688.

**City of Klamath Falls, Escrow Reserve Fund – Spring Street Urban Renewal**

An interfund capital loan in the amount of \$729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government's council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. For the current year an interest only payment and total incremental property tax revenues were \$19,902 and \$52,578, respectively. Total principal remaining on the loan at June 30, 2022 is \$729,000.

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 will be repaid using tax increment financing. The loan was satisfied in the current fiscal year with a principal and interest payment of \$103,493.

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.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note III – Detailed notes on all activities and funds (continued)**

Long-term debt activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
<b>Lakefront Urban Renewal</b>					
Timbermill Shores	\$ 2,248,564	\$ -	\$ -	\$ 2,248,564	\$ -
City of Klamath Falls	408,642	-	94,261	314,381	314,381
City of Klamath Falls	160,000	-	-	160,000	-
<b>Town Center Urban Renewal</b>					
Washington Federal	211,200	-	130,709	80,491	80,491
City of Klamath Falls	66,752	-	10,064	56,688	10,466
<b>Spring Street Urban Renewal</b>					
City of Klamath Falls	729,000	-	-	729,000	-
City of Klamath Falls	100,000	-	100,000	-	-
City of Klamath Falls	560,000	-	440,000	120,000	-
<b>Governmental activities total</b>	<b>\$ 4,484,158</b>	<b>\$ -</b>	<b>\$ 775,033</b>	<b>\$ 3,709,125</b>	<b>\$ 405,338</b>

Other long-term liabilities debt service requirements to maturity are as follows:

	2023	2024	2025	2026	2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
<b>Lakefront Urban Renewal</b>										
Timbermill Shores										
Principal	\$ -	\$ 140,600	\$ 115,000	\$ 115,000	\$ 115,000	\$ 575,000	\$ 575,000	\$ 575,000	\$ 37,964	\$ 2,248,564
City of Klamath Falls										
Principal	314,381	-	-	-	-	-	-	-	-	314,381
Interest	11,789	-	-	-	-	-	-	-	-	11,789
City of Klamath Falls										
Principal	-	13,521	23,139	23,634	24,140	75,566	-	-	-	160,000
Interest	-	12,753	3,135	2,639	2,133	3,257	-	-	-	23,917
<b>Town Center Urban Renewal</b>										
Washington Federal										
Principal	80,491	-	-	-	-	-	-	-	-	80,491
Interest	3,224	-	-	-	-	-	-	-	-	3,224
City of Klamath Falls										
Principal	10,466	10,885	11,320	11,773	12,244	-	-	-	-	56,688
Interest	2,267	1,849	1,413	961	376	-	-	-	-	6,866
<b>Spring Street Urban Renewal</b>										
City of Klamath Falls										
Principal	-	95,920	98,538	101,228	103,992	329,322	-	-	-	729,000
Interest	19,902	19,902	17,283	14,593	11,829	18,142	-	-	-	101,650
City of Klamath Falls										
Principal	-	-	15,996	16,364	16,740	70,900	-	-	-	120,000
Interest	2,760	2,760	2,760	2,392	2,016	4,123	-	-	-	16,811
<b>Total other long-term liabilities</b>	<b>\$ 445,280</b>	<b>\$ 298,189</b>	<b>\$ 288,584</b>	<b>\$ 288,584</b>	<b>\$ 288,470</b>	<b>\$ 1,076,310</b>	<b>\$ 575,000</b>	<b>\$ 575,000</b>	<b>\$ 37,964</b>	<b>\$ 3,873,382</b>

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note III – Detailed notes on all activities and funds (continued)**

The government’s outstanding notes from direct borrowings and direct placements related to governmental activities of \$80,491 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities					
Notes from direct borrowings	\$ 211,200	\$ -	\$ 130,709	\$ 80,491	\$ 80,491
Total	<u>\$ 211,200</u>	<u>\$ -</u>	<u>\$ 130,709</u>	<u>\$ 80,491</u>	<u>\$ 80,491</u>

Year Ending June 30, 2023	Governmental Activities	
	Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
	\$ 80,491	\$ 3,224
	<u>\$ 80,491</u>	<u>\$ 3,224</u>

**E. Related party transactions**

Transactions with the Agency and the City of Klamath Falls for the year ended June 30, 2022 are as follows:

Expenses:

Debt service	\$ 703,973
Total expenses	<u>\$ 703,973</u>

**F. Net Position**

Unrestricted net position is negative due to outstanding long-term debt.

**Klamath Falls Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note IV – New 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.

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.

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Klamath Falls Urban Renewal Agency

# **Required Supplementary Information**

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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 A-1

	BN 2021-2023		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts				
	Original	Final			
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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>
Excess (deficiency) of revenues over expenditures	(2,263,975)	(2,257,175)	13,141	13,141	2,270,316
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds - interfund loan	<u>2,248,575</u>	<u>2,248,575</u>	-	-	<u>(2,248,575)</u>
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>

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 A-2

	BN 2021-2023 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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>
Excess (deficiency) of revenues over expenditures	(746,825)	(709,725)	35,786	35,786	745,511
<b>OTHER FINANCING SOURCES (USES)</b>					
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>

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 A-3

	BN 2021-2022 Biennium Budgeted		First Year Actual FY 2021-22	Total Actual for budget period	Variance with Final Budget
	Original	Final			
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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	<u>547,700</u>	<u>548,575</u>	<u>548,576</u>	<u>548,576</u>	<u>1</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 875</u>	<u>\$ 15,671</u>	<u>\$ 15,671</u>	<u>\$ 14,796</u>

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Klamath Falls Urban Renewal Agency  
**Audit Comments and  
Disclosures Section**

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

Agency Officials  
Klamath Falls Urban Renewal Agency  
Klamath Falls, Oregon

We have audited the basic financial statements of the Klamath Falls Urban Renewal Agency (the Agency) 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.

### Compliance

As part of obtaining reasonable assurance about whether the Agency'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.
- 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 Agency 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

### **Restrictions on Use**

This report is intended solely for the information and use of Agency officials, Management of the Agency 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 Ewalt". The signature is written in a cursive, slightly slanted style.

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