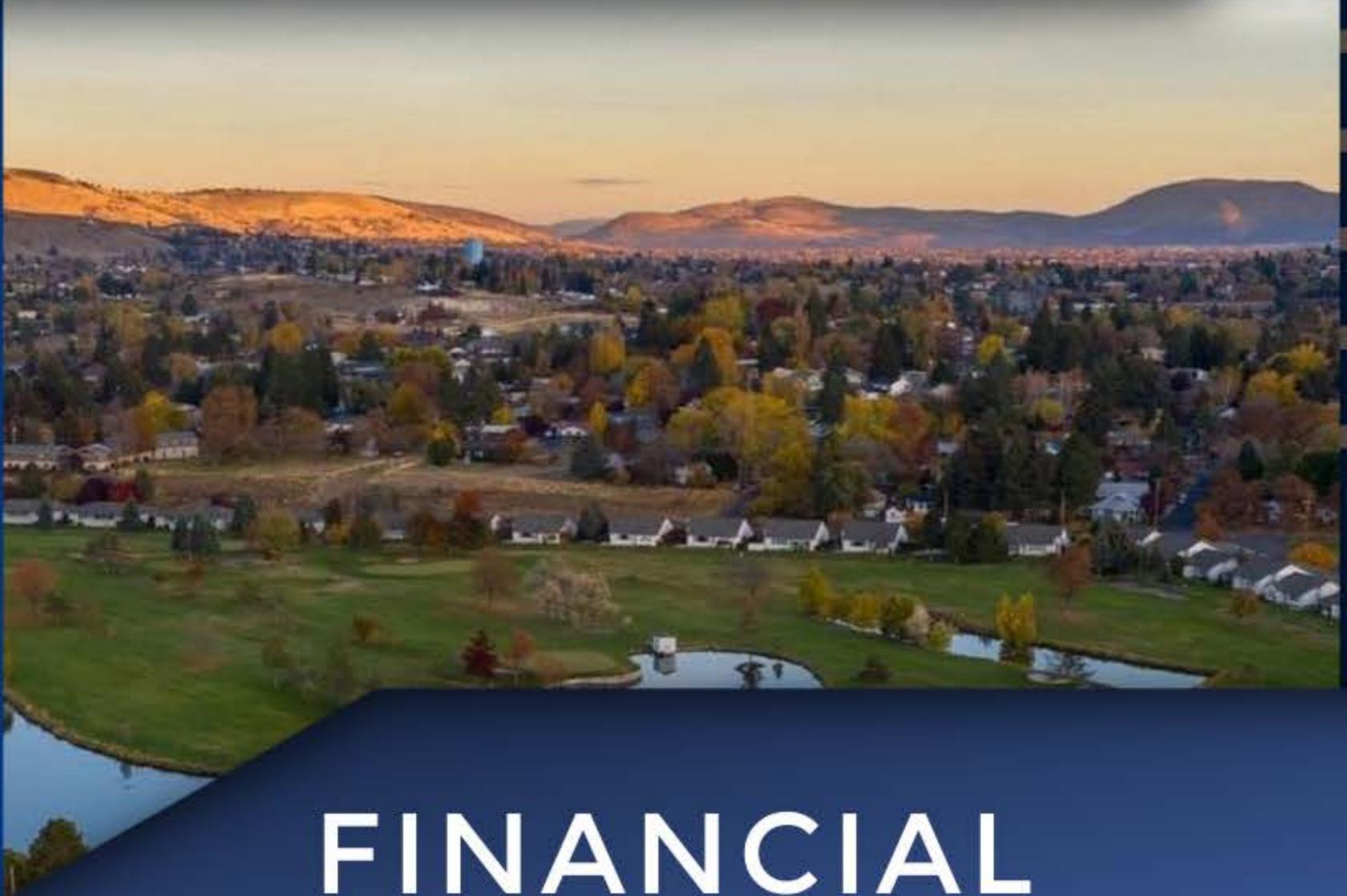




**URBAN RENEWAL AGENCY
KLAMATH FALLS, OR**



FINANCIAL STATEMENTS



**FISCAL YEAR ENDED
JUNE 30, 2021**

This page intentionally left blank.

Klamath Falls Urban Renewal Agency

A component unit of the
City of Klamath Falls, Oregon

Financial Statements

For the Fiscal Year Ended
June 30, 2021



This page intentionally left blank.

Klamath Falls Urban Renewal Agency
Financial Statements
June 30, 2021
Table of Contents

Introductory Section	1
List of Principal Officials and Staff	3
Financial Section	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
Required Supplementary Information	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
Audit Comments and Disclosures Section	45
Independent Auditor's Report Required by Oregon State Regulations.....	47

This page intentionally left blank.

Klamath Falls Urban Renewal Agency

Introductory Section



This page intentionally left blank.

Klamath Falls Urban Renewal Agency
List of Principal Officials and Staff
As of June 30, 2021



Carol Westfall
Mayor
4.5 years



Phil Studenberg
Ward I
4.5 years



Mika Blain
Ward II
0.5 years



Matt Dodson
Ward III
9 years



Dan Tofell
Ward IV
10.5 years



Todd Andres
Ward V
2.5 years



Nathan Cherpeski
City Manager
8.5 years



Michael Swanson
City Attorney
3 years



Nathan Ratliff
Judge
16.5 years



Mark Willrett
Public Works Director
15 years



John Barsalou
Airport Director
6 years



Rob Dentinger
Chief of Police
2 months



Scott Souders
Development Services Director
1 year 2 months



Jessica Lindsay
**Finance & Business
Services Director**
1 year 2 months

This page intentionally left blank.

Klamath Falls Urban Renewal Agency

Financial Section



This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

To Agency Officials
Klamath Falls Urban Renewal Agency
Klamath Falls, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Klamath Falls Urban Renewal Agency (the Agency), a component unit of the City of Klamath Falls, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis 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 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated January 28, 2022 on our consideration of 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 162-010-0000 through 162-010-0320 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
January 28, 2022

Management's Discussion and Analysis

This page intentionally left blank.

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, 2021 and June 30, 2020. 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 \$3,888,071 which created a negative net position. This created an increase in the deficit of \$11,531 from the prior fiscal year as additional debt was assumed. At the close of the current fiscal year, the Agency's three governmental funds reported combined fund balances of \$578,887, an increase of \$540,955 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 \$3,888,071, 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 \$4,484,158, 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 decreased \$11,531 from the prior fiscal year, which as noted above, is due to additional debt.

Statement of Net Position at June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Cash and investments	\$ 572,039	\$ 31,234
Other assets	27,894	30,302
Capital assets	-	-
Total assets	<u>599,933</u>	<u>61,536</u>
Other liabilities	246,495	249,117
Long-term liabilities	<u>4,241,509</u>	<u>3,688,959</u>
Total liabilities	<u>4,488,004</u>	<u>3,938,076</u>
Net position:		
Unrestricted (deficit)	<u>(3,888,071)</u>	<u>(3,876,540)</u>
Total net position	<u>\$ (3,888,071)</u>	<u>\$ (3,876,540)</u>

Statement of Activities for fiscal years ending June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
General revenues		
Property taxes	\$ 346,445	\$ 281,254
Interest	3,800	5,283
Total revenues	<u>350,245</u>	<u>286,537</u>
Expenses		
General government	307,578	724,741
Interest on debt	<u>54,198</u>	<u>39,155</u>
Total expenses	<u>361,776</u>	<u>763,896</u>
Change in net position	(11,531)	(477,359)
Beginning net position (deficit)	<u>(3,876,540)</u>	<u>(3,399,181)</u>
Ending net position (deficit)	<u>\$ (3,888,071)</u>	<u>\$ (3,876,540)</u>

Property tax revenues increased 23.2% due to property taxes being collected for the Lakefront and Spring Street Urban Renewals. Expenses decreased due to prior year development activity for Spring Street Urban Renewal. 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, 2021, the Agency's governmental funds reported combined fund balances of \$578,887, an increase of \$540,955 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 \$578,887.

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 \$4,484,158. Of this amount, \$211,200 is a loan with Washington Federal to be paid back over ten years; \$2,024,394 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 increased by \$554,702 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

This page intentionally left blank.

Klamath Falls Urban Renewal Agency
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Current assets:	
Taxes receivable	\$ 27,491
Interest receivable	403
Restricted assets:	
Cash and cash equivalents	572,039
Total assets	\$ 599,933
 LIABILITIES	
Current liabilities:	
Accrued interest payable	\$ 3,846
Current liabilities (<i>payable from restricted assets</i>):	
Leases / loans payable	242,649
Total current liabilities	246,495
Noncurrent liabilities:	
Leases / loans / contracts payable	4,241,509
Total liabilities	4,488,004
 NET POSITION	
Unrestricted	(3,888,071)
Total net position	\$ (3,888,071)

Klamath Falls Urban Renewal Agency
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Net (expense) revenue and change in net position
Governmental activities:		
General government	\$ 307,578	\$ (307,578)
Interest on long-term debt	54,198	(54,198)
	\$ 361,776	(361,776)
General revenues:		
Property taxes		346,445
Unrestricted investment earnings		3,800
		350,245
Change in net position		(11,531)
Net position - beginning		(3,876,540)
Net position - ending		\$ (3,888,071)

Klamath Falls Urban Renewal Agency
Balance Sheet
Governmental Funds
June 30, 2021

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund	Total Governmental Funds
ASSETS				
Receivables:				
Taxes	\$ 8,575	\$ 13,912	\$ 5,004	\$ 27,491
Interest	117	263	23	403
Restricted assets:				
Cash and cash equivalents	6,432	17,607	548,000	572,039
Total assets	\$ 15,124	\$ 31,782	\$ 553,027	\$ 599,933
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 6,533	\$ 10,062	\$ 4,451	\$ 21,046
Fund Balances:				
Restricted	8,591	21,720	548,576	578,887
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,124	\$ 31,782	\$ 553,027	

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.	21,046
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,488,004)
Net position of governmental activities	\$ (3,888,071)

Klamath Falls Urban Renewal Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renwal Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 114,805	\$ 197,204	\$ 34,546	\$ 346,555
Investment income	848	1,348	1,604	3,800
Total revenues	<u>115,653</u>	<u>198,552</u>	<u>36,150</u>	<u>350,355</u>
EXPENDITURES				
Current:				
General government	160,000	-	147,578	307,578
Debt service:				
Principal	90,854	165,845	8,600	265,299
Interest	18,731	17,567	20,225	56,523
Total expenditures	<u>269,585</u>	<u>183,412</u>	<u>176,403</u>	<u>629,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,932)</u>	<u>15,140</u>	<u>(140,253)</u>	<u>(279,045)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	<u>160,000</u>	<u>-</u>	<u>660,000</u>	<u>820,000</u>
Net change in fund balances	6,068	15,140	519,747	540,955
Fund balances - beginning	<u>2,523</u>	<u>6,580</u>	<u>28,829</u>	<u>37,932</u>
Fund balances - ending	<u>\$ 8,591</u>	<u>\$ 21,720</u>	<u>\$ 548,576</u>	<u>\$ 578,887</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, 2021

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

Net changes in fund balances	\$ 540,955
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(110)
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.	(554,701)
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>2,325</u>
Changes in net position	<u><u>\$ (11,531)</u></u>

This page intentionally left blank.

Klamath Falls Urban Renewal Agency

Notes to the Financial Statements



This page intentionally left blank.

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2021

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, 2021

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, 2021 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 capital 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, 2021

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, 2021

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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of 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 position 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, 2021

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, 2021

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 four supplemental budgets during the year-ended June 30, 2021 to increase property taxes and debt service in Lakefront Urban Renewal; increase fees and reallocate excess budgeted funds in Towncenter Urban Renewal; and two increases to inter-fund loans for Spring Street Urban Renewal.

Note III – Detailed notes on all activities and funds

A. Cash, cash equivalents and investments

At June 30, 2021, the Agency’s cash, cash equivalents and investments were comprised of the following:

Investments:

Oregon State Treasurer’s Local Investment Pool	\$ 552,681
Escrow	19,358
	\$ 572,039

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, 2021, 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, 2021

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

The Agency's investment portfolio as of June 30, 2021 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 \$114,805, respectively. Total principal remaining on the loan at June 30, 2021 is \$408,642.

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2021

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, 2021) 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 \$197,204, 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 \$44,500. Total principal remaining on the loan at June 30, 2021 is \$66,752.

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

An interfund capital loan in the amount of \$20,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government's council in June 2019. The loan was used for engineering and construction administration services. The loan accrues interest at 3.75% and matured in fiscal year 2021. The loan was repaid using tax increment financing. Principal of \$8,600 and interest of \$323 paid in the current fiscal year satisfied the requirements of the debt.

An interfund capital loan in the amount of \$729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government's council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. The first interest only payment of \$19,902 was paid in December 2020.

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 first payment is due June 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. The first interest only payment is due June 2022.

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2021

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

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Lakefront Urban Renewal					
Timbermill Shores	\$ 2,248,564	\$ -	\$ -	\$ 2,248,564	\$ -
City of Klamath Falls	499,496	-	90,854	408,642	94,261
City of Klamath Falls	-	160,000	-	160,000	-
Town Center Urban Renewal					
Washington Federal	336,824	-	125,624	211,200	130,454
City of Klamath Falls	106,973	-	40,221	66,752	10,064
Spring Street Urban Renewal					
City of Klamath Falls	8,600	-	8,600	-	-
City of Klamath Falls	729,000	-	-	729,000	-
City of Klamath Falls	-	100,000	-	100,000	7,870
City of Klamath Falls	-	560,000	-	560,000	-
Governmental activities total	\$ 3,929,457	\$ 820,000	\$ 265,299	\$ 4,484,158	\$ 242,649

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

	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	Total
Lakefront Urban Renewal										
Timbermill Shores										
Principal	\$ -	\$ -	\$ 140,600	\$ 115,000	\$ 115,000	\$ 575,000	\$ 575,000	\$ 575,000	\$ 152,964	\$ 2,248,564
City of Klamath Falls										
Principal	94,261	314,381	-	-	-	-	-	-	-	408,642
Interest	15,324	11,789	-	-	-	-	-	-	-	27,113
City of Klamath Falls										
Principal	-	-	13,521	23,139	23,634	99,706	-	-	-	160,000
Interest	-	-	12,753	3,135	2,639	5,391	-	-	-	23,917
Town Center Urban Renewal										
Washington Federal										
Principal	130,454	80,746	-	-	-	-	-	-	-	211,200
Interest	8,458	3,234	-	-	-	-	-	-	-	11,692
City of Klamath Falls										
Principal	10,064	10,466	10,885	11,320	11,773	12,244	-	-	-	66,752
Interest	2,670	2,267	1,849	1,413	961	376	-	-	-	9,536
Spring Street Urban Renewal										
City of Klamath Falls										
Principal	-	-	95,920	98,538	101,228	433,314	-	-	-	729,000
Interest	19,902	19,902	19,902	17,283	14,593	29,972	-	-	-	121,553
City of Klamath Falls										
Principal	7,870	9,391	9,592	9,798	10,007	53,342	-	-	-	100,000
Interest	3,493	1,972	1,771	1,565	1,356	3,473	-	-	-	13,630
City of Klamath Falls										
Principal	-	-	-	74,647	76,364	408,989	-	-	-	560,000
Interest	18,259	12,880	12,880	12,880	11,163	28,648	-	-	-	96,710
Total other long-term liabilities	\$ 310,755	\$ 467,027	\$ 319,672	\$ 368,718	\$ 368,718	\$ 1,650,454	\$ 575,000	\$ 575,000	\$ 152,964	\$ 4,788,309

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2021

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 \$211,200 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, 2020	Increases	Decreases	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities					
Notes from direct borrowings	\$ 336,824	\$ -	\$ 125,624	\$ 211,200	\$ 130,454
Total	<u>\$ 336,824</u>	<u>\$ -</u>	<u>\$ 125,624</u>	<u>\$ 211,200</u>	<u>\$ 130,454</u>

Year Ending June 30,	Governmental Activities	
	Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 130,454	\$ 8,458
2023	80,746	3,234
	<u>\$ 211,200</u>	<u>\$ 11,692</u>

E. Related party transactions

Transactions with the Agency and the City of Klamath Falls for the year ended June 30, 2021 are as follows:

Expenses:

Debt service	\$ 182,910
Total expenses	<u>\$ 182,910</u>

One new interfund loan with Lakefront Urban Renewal and two new interfund loans with Spring Street Urban Renewal are described in section III.D.

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, 2021

Note IV – New pronouncements

GASB Statement No. 84, *Fiduciary Activities*, was issued January 2017 to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 was implemented by the City for fiscal year ended June 30, 2021.

GASB Statement No. 87, *Leases*, was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation Guide No. 2019-3 updates the effective date for GASB Statement No. 87 to fiscal year ending June 30, 2022.

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

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued October 2021 to establish the term *Annual Comprehensive Financial Report (ACFR)* to replace the previously used description of *Comprehensive Annual Financial Report (CAFR)*. GASB Statement No. 98 was implemented by the City for fiscal year ended June 30, 2021.

This page intentionally left blank.

Klamath Falls Urban Renewal Agency

Required Supplementary Information



This page intentionally left blank.

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, 2021

Schedule A-1

	BN 2019-2021		First Year Actual FY 2019-20	Second Year Actual FY 2020-21	Total Actual for budget period	Variance with Final Budget
	Original	Final				
REVENUES						
Taxes	\$ 136,600	\$ 177,575	\$ 68,738	\$ 114,805	\$ 183,543	\$ 5,968
Investment income	2,525	2,525	1,148	848	1,996	(529)
Total revenues	<u>139,125</u>	<u>180,100</u>	<u>69,886</u>	<u>115,653</u>	<u>185,539</u>	<u>5,439</u>
EXPENDITURES						
Lakefront Urban Renewal	160,000	160,000	-	160,000	160,000	-
Debt service	139,125	180,100	70,500	109,585	180,085	15
Total expenditures	<u>299,125</u>	<u>340,100</u>	<u>70,500</u>	<u>269,585</u>	<u>340,085</u>	<u>15</u>
Excess (deficiency) of revenues over expenditures	(160,000)	(160,000)	(614)	(153,932)	(154,546)	5,454
OTHER FINANCING SOURCES (USES)						
Loan proceeds - interfund loan	160,000	160,000	-	160,000	160,000	-
Net change in fund balance	-	-	(614)	6,068	5,454	5,454
Fund balance - beginning	-	3,125	3,137	2,523	3,137	12
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,125</u>	<u>\$ 2,523</u>	<u>\$ 8,591</u>	<u>\$ 8,591</u>	<u>\$ 5,466</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, 2021

Schedule A-2

	BN 2019-2021 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2019-20	FY 2020-21		
REVENUES						
Taxes	\$ 366,025	\$ 366,025	\$ 196,968	\$ 197,204	\$ 394,172	\$ 28,147
Investment income	10,925	10,925	3,035	1,348	4,383	(6,542)
Total revenues	<u>376,950</u>	<u>376,950</u>	<u>200,003</u>	<u>198,552</u>	<u>398,555</u>	<u>21,605</u>
EXPENDITURES						
Debt service	<u>494,600</u>	<u>486,325</u>	<u>302,825</u>	<u>183,412</u>	<u>486,237</u>	<u>88</u>
Net change in fund balance	(117,650)	(109,400)	(102,822)	15,140	(87,682)	21,718
Fund balance - beginning	<u>117,650</u>	<u>109,400</u>	<u>109,402</u>	<u>6,580</u>	<u>109,402</u>	<u>2</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,580</u>	<u>\$ 21,720</u>	<u>\$ 21,720</u>	<u>\$ 21,720</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, 2021

Schedule A-3

	BN 2019-2021 Biennium Budgeted		First Year Actual FY 2019-20	Second Year Actual FY 2020-21	Total Actual for budget period	Variance with Final Budget
	Original	Final				
REVENUES						
Taxes	\$ 73,000	\$ 60,900	\$ 15,530	\$ 34,546	\$ 50,076	\$ (10,824)
Investment income	-	-	1,100	1,604	2,704	2,704
Total revenues	<u>73,000</u>	<u>60,900</u>	<u>16,630</u>	<u>36,150</u>	<u>52,780</u>	<u>(8,120)</u>
EXPENDITURES						
Spring Street Urban Renewal	700,000	1,391,600	707,254	147,578	854,832	536,768
Debt service	63,725	51,625	12,150	28,825	40,975	10,650
Total expenditures	<u>763,725</u>	<u>1,443,225</u>	<u>719,404</u>	<u>176,403</u>	<u>895,807</u>	<u>547,418</u>
Excess (deficiency) of revenues over expenditures	(690,725)	(1,382,325)	(702,774)	(140,253)	(843,027)	539,298
OTHER FINANCING SOURCES (USES)						
Loan proceeds - interfund loan	<u>700,000</u>	<u>1,389,000</u>	<u>729,000</u>	<u>660,000</u>	<u>1,389,000</u>	<u>-</u>
Net change in fund balance	9,275	6,675	26,226	519,747	545,973	539,298
Fund balance - beginning	-	2,600	2,603	28,829	2,603	3
Fund balance - ending	<u>\$ 9,275</u>	<u>\$ 9,275</u>	<u>\$ 28,829</u>	<u>\$ 548,576</u>	<u>\$ 548,576</u>	<u>\$ 539,301</u>

This page intentionally left blank.

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



This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To Agency Officials
Klamath Falls Urban Renewal Agency
Klamath Falls, Oregon

We have audited the basic financial statements of Klamath Falls Urban Renewal Agency (the Agency), a component unit of the City of Klamath Falls, Oregon, as of and for the year ended June 30, 2021, and have issued our report thereon dated January 28, 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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 an 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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-010-0230 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.

Restriction 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 style with a long horizontal stroke at the end.

Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
January 28, 2022