



KLAMATH FALLS, OR



ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED
JUNE 30, 2021

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City of Klamath Falls, Oregon

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2021



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Annual Comprehensive Financial Report
June 30, 2021
Table of Contents

Introductory Section	1
Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting.....	7
Organizational Chart	9
List of Principal Officials and Staff.....	10
Financial Section	11
Independent Auditor’s Report	13
Management’s Discussion and Analysis	19
Basic Financial Statements	33
Government-wide Financial Statements	
Statement of Net Position	36
Statement of Activities	38
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	40
Reconciliation of the Balance Sheet to the Statement of Net Position	40
Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	42
Proprietary Fund Financial Statements	
Statement of Net Position	44
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	46
Statement of Cash Flows	47
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position.....	51
Statement of Changes in Fiduciary Net Position.....	52
Notes to the Financial Statements	53
Required Supplementary Information	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
General Fund (A-1).....	97
Airport Fund (A-2)	98
Schedule of Changes in Total OPEB Liability and Related Ratios (A-3)	99
Schedule of Proportionate Share – Retirement Health Insurance Account (A-4).....	100

Annual Comprehensive Financial Report

June 30, 2021

Table of Contents *Continued*

Schedule of Contributions - Retirement Health Insurance Account (A-5)	101
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan (A-6)	102
Schedule of Proportionate Share of Net Pension Liability (A-7).....	103
Schedule of Pension Contributions (A-8)	104
Notes to the Required Supplementary Information	105
Other Supplementary Information	107
Nonmajor Governmental Funds Combining Statements	
Combining Balance Sheet (B-1)	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (B-2).....	111
Nonmajor Special Revenue Funds	
Combining Balance Sheet (C-1).....	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (C-2).....	116
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Lakefront Urban Renewal Fund (C-3)	118
Town Center Urban Renewal Fund (C-4)	119
Spring Street Urban Renewal Fund (C-5)	120
Parking Fund (C-6).....	121
Downtown Maintenance District (C-7).....	122
Economic Development/Property Fund (C-8).....	123
BINET Fund (C-9)	124
Capital Projects Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Capital Projects Fund (D-1).....	126
Escrow Reserve Fund (D-2)	127
Debt Service Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Debt Service Fund (E-1).....	130
Enterprise Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Net Position – Budget and Actual	
Wastewater Fund (F-1).....	132
Water Fund (F-2).....	133

Annual Comprehensive Financial Report

June 30, 2021

Table of Contents *Continued*

Other Supplementary Schedules	
Capital Assets Used in the Operation of Government Funds	
Schedule by Function and Activity (G-1)	137
Schedule of Changes by Function and Activity (G-2)	138
Statistical Section	139
Financial Trends	143
Net Position (H-1).....	145
Changes in Net Position (H-2).....	146
Fund Balances (H-3).....	147
Changes in Fund Balances (H-4).....	148
Revenue Capacity	149
Revenue Base (H-5).....	151
Direct Rate (H-6).....	152
Principal Revenue Payers (H-7)	153
Property Taxes (H-8)	154
Debt Capacity	155
Ratios of Outstanding Debt by Type (H-9)	157
Ratios of General Bonded Debt Outstanding (H-10).....	158
Direct and Overlapping Debt (H-11).....	159
Legal Debt Margin (H-12).....	160
Pledged Revenue Coverage (H-13)	161
Demographic and Economic Information	163
Demographic and Economic Statistics (H-14)	165
Principal Employers (H-15).....	166
Operating Information	167
Full-Time Equivalent City Governmental Employees by Function (H-16)	168
Operating Indicators by Function (H-17)	169
Capital Asset Statistics by Function (H-18)	170
Top Ten Water & Wastewater Customers (H-19).....	171

Annual Comprehensive Financial Report
June 30, 2021
Table of Contents *Continued*

Compliance Section	173
State of Oregon Compliance	175
Independent Auditor’s Report Required by Oregon State Regulations.....	177
Bond Compliance	179
Independent Accountant’s Report on Compliance for Schedule of Compliance with the Rate and Revenue Covenants of the Wastewater Revenue Refunding Bonds, Series 2015.....	181
Schedule of Compliance with the Rate Covenants of the Wastewater Revenue Refunding Bonds, Series 2015	183
Uniform Guidance	185
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	187
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.....	189
Schedule of Expenditures of Federal Awards.....	191
Notes to the Schedule of Expenditures of Federal Awards	192
Schedule of Findings and Questioned Costs.....	193

City of Klamath Falls, Oregon

Introductory Section



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CITY OF KLAMATH FALLS

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

January 28, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report for the City of Klamath Falls for the fiscal year ended June 30, 2021. State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements.

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

KDP, LLP, a firm of licensed certified public accountants, has issued an unmodified (clean) opinion on the City's financial statements for the year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

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

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

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

The City of Klamath Falls has a permanent tax rate of \$5.4423 per \$1,000 of assessed valuation. Property values increased at a 3% per year level until the recession when they declined and are now beginning to recover. This revised value is called the “real value”. Taxes are assessed on the real value. The City is subject to compression, which limits the combined total of all taxes assessed on a property to \$10 per \$1,000, as established by Ballot Measure 5, which was passed in 1990. The rate received in fiscal year 2021 was approximately \$5.225 per \$1,000 of assessed value. The City of Klamath Falls collected about \$403,245 more in property taxes than the prior year, including delinquent taxes, which represents approximately a 5% increase during the 2021 fiscal year.

The City provides a full range of services, including police protection, code enforcement, municipal court, airport, the construction and maintenance of streets and other infrastructure; as well as a pool and parks facilities. Wastewater, water, geothermal, and street lighting services are also provided by the City of Klamath Falls on a fee-for-services basis.

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

The Council is required to adopt a budget for two fiscal years no later than June 30 of every odd year preceding the fiscal year beginning July 1. This biennial budget serves as the foundation for the City’s financial planning and control. The budget is adopted by fund and department/division, or category (e.g., debt service or transfers out).

Local economy

Although economic growth for the City of Klamath Falls is beginning to slowly recover, it has not recovered as quickly as other cities in the nation. The base economic elements of the City of Klamath Falls are agriculture, transportation, tourism, manufacturing, wood products, medical, military, and other services. The progressive nature of planned economic development within the City reflects a continued effort to diversify these elements.

Due to the City’s location in a region with a limited economic base, the unemployment rate has traditionally exceeded that of the state and the nation. The rate was 6.7 percent in 2007, jumped to 13.4 percent in 2010 during the Great Recession, then continued to decline until it hit a new high of 15.6% in April 2020 due to COVID-19. As of June 30, 2021, our unemployment rate was approximately 7.2% percent, which is 1.3% percent higher than the national average.

The Klamath Basin prides itself on its use of alternative energy sources. With the sun shining a majority of the year, there are several solar facilities in the Basin. Additionally, our geothermal heating system has been highlighted as one of the most impressive in the country. The sidewalks downtown have a geothermal snowmelt system installed and many of the downtown buildings are heated by geothermal energy.

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

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

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

Long-term financial planning and major initiatives

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

Council's Goals and Objectives include citizen safety, customer service, economic viability, integrity of infrastructure to ensure the City can meet long-term stability, and efficiency in delivery of services. It is up to staff to ensure the goals and objectives are met. The City recently completed a strategic plan to identify short and long-term goals. In order to meet the goal of customer service and service efficiency, the City continues to leverage opportunities with technology. The City recently completed improvements to municipal court services, by providing citizens with the opportunity to make online payments, access account information, and provide enhanced communication. During the pandemic, municipal court started offering telecourt services, which has been very successful. The City also continues to evaluate the use of citizen access portals in other divisions as a way to improve the manner in which a majority of transactions are conducted by citizens with the City. The City is in the process of implementing a 311 program which will allow citizens to report and interact with the City and Council through an app.

During fiscal year 2021, the Airport completed the reconstruction of Taxiway D and the rehabilitation of Taxiway B1 with a majority of funding, \$4.2 million, coming from discretionary Federal Aviation Administration (FAA) grants. Design work has begun on the next FAA funded construction project which will reconstruct the airport's secondary runway – Runway 7/25, that will be renumbered during the project to Runway 8/26. The secondary runway reconstruction project is estimated to cost over \$11 million, mostly funded by the FAA. The Oregon Air Guard's 173rd Fighter Wing, located on the airport, continues its transition to the new F-15Ex which will allow them to continue their training mission into the future.

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 is 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.

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

Additionally, the City receives grant funding for Parks projects, including the Lake Ewauna Trail Project. Major development has occurred at the Kit Carson Park, with the installation of a new off-leash dog area and landscape improvements. Development of trails within the Park is on-going. In partnership with Sky Lakes Medical Center and other partners, Klamath Commons has been completed in the downtown core. Klamath Commons provides additional natural open space and trees for citizens to enjoy throughout the year. The City Parks Division is also responsible for the Ella Redkey Pool. This outdoor swimming pool is geothermally heated and open to the public year-round. The pool offers a variety of aquatic programming for children and adults, open swim and private pool rentals.

The City is continuing a major overhaul to the Wastewater Treatment Plant to replace facilities and equipment that are in excess of 50 years old. The nature of this work is complex in that there are several options for constructing the improvements and the existing plant must remain operational while construction moves forward. The City is utilizing an alternative delivery process known as progressive design build. Construction is underway for the front end of the plant which includes the influent pump station and headworks. The City also received our National Pollution Discharge Elimination System (NPDES) permit and one of the difficult requirements to meet is temperature. As a result, the City is evaluating getting out of the river and sending water to an irrigation district. Once the City decides if this is feasible or not, we will continue with the remaining design and construction. We estimate concluding the project late in 2023.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Klamath Falls for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the twenty-sixth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Jessica Lindsay, City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Klamath Falls
Oregon**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

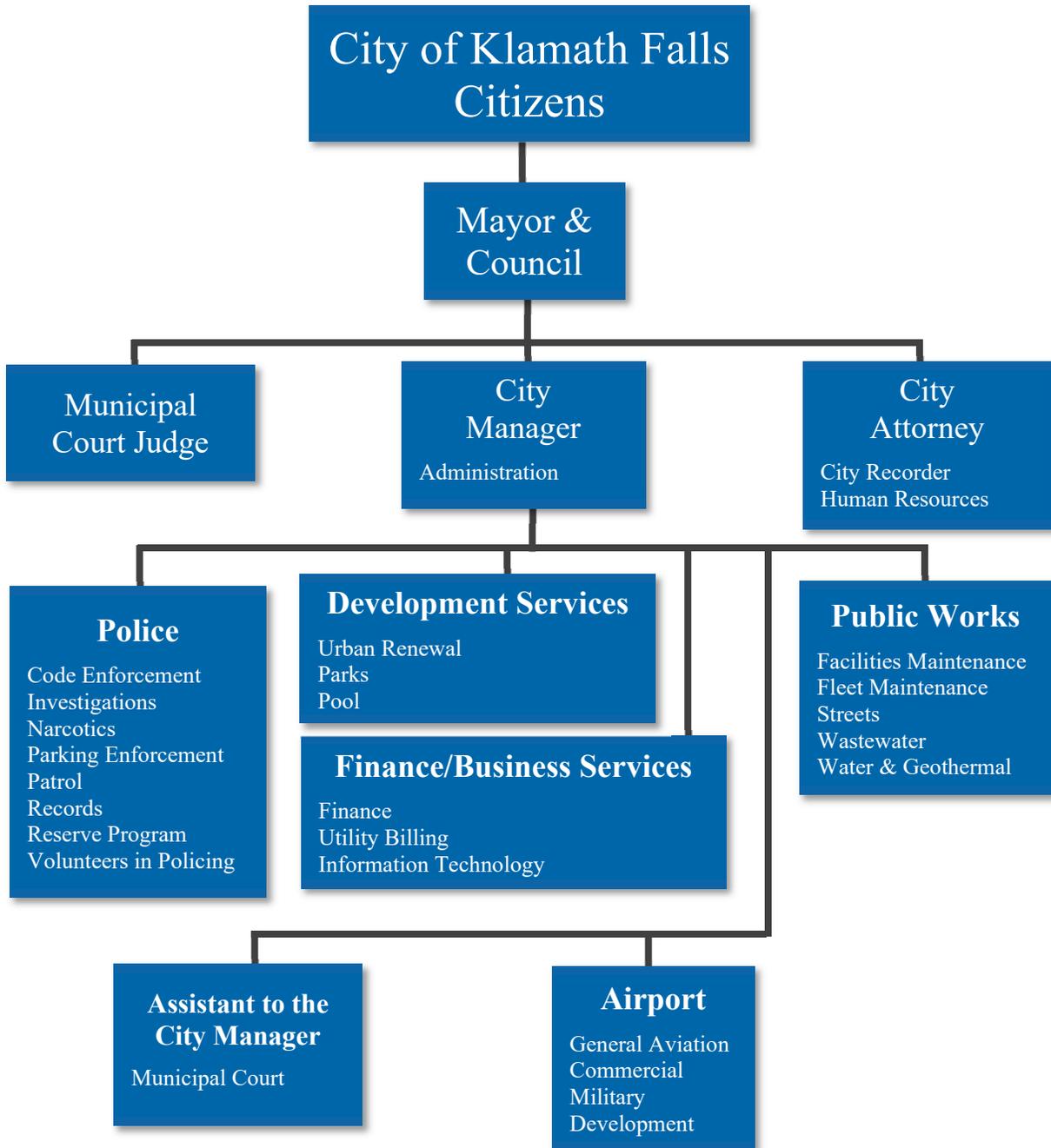
Christopher P. Morill

Executive Director/CEO

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City of Klamath Falls, Oregon

Organization Chart



City of Klamath Falls, Oregon
List of Principal Officials and Staff
As of June 30, 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

City of Klamath Falls, Oregon

Financial Section



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INDEPENDENT
AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Klamath Falls, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, certain other postemployment benefit schedules, certain pension schedules, and the general fund and major special revenue governmental fund budgetary comparison schedules as listed in the table of contents 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, certain other postemployment schedules, and certain pension schedules as listed in the table of contents in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and major special revenue governmental fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and major special revenue governmental fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, the schedule of expenditures of federal awards, and the schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents, the schedule of expenditures of federal awards, and the schedule of compliance with the rate covenants of the wastewater revenue refunding bonds, series 2015 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated January 28, 2022, on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-00-0000 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
January 28, 2022

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Klamath Falls (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended June 30, 2021 and June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$213,580,668 (*net position*). Of this amount, \$41,759,852 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,060,393.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$43,772,331, an increase of \$3,629,445 in comparison with the prior year. Approximately 32% of this amount, \$14,100,686, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,546,193, or approximately 91% of total General Fund expenditures.
- The City's total outstanding long-term debt increased by \$5,178,891 during the current fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, airport, culture and recreation, public safety, and highways and streets. The business-type activities of the City include wastewater, water, and geothermal operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also three legally separate districts for which the City is financially accountable. The Klamath Falls Urban Renewal Agency, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on the pages immediately following this Management's Discussion and Analysis in the Basic Financial Statements of the Financial Section.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds (plus three funds for the Klamath Falls Urban Renewal Agency). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund, Escrow Reserve Fund, and Capital Projects Fund, which are considered to be major funds. The Airport Fund accounts for the operation of the Crater Lake-Klamath Regional Airport and receives property taxes, rental revenue, landing fees, and Federal Aviation Administration (FAA) grants. The Escrow Reserve Fund is a major capital project fund whose primary source of revenue is proceeds from the sale of the Cogeneration Plant. Expenditures include projects outside the scope of normal business approved by City Council. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts a biennial appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund and Airport Fund in the required supplementary information. All other budgetary comparisons have been included in the other supplementary information to demonstrate compliance with this budget.

The basic governmental fund financial statements follow the government-wide financial statements in the financial section of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water and geothermal operations.

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

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

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

The City maintains one type of fiduciary fund. The *Agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements follow the proprietary fund statements.

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

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

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$213,580,668, at the close of the most recent fiscal year.

City of Klamath Falls' Net Position

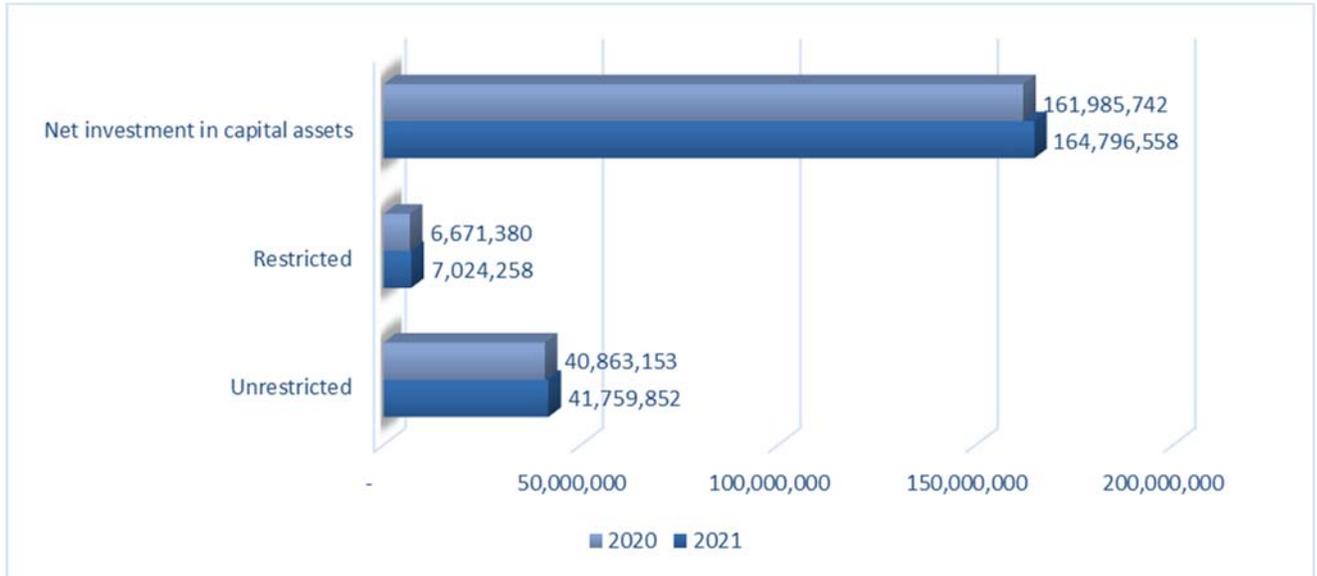
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 47,778,220	\$ 45,829,724	\$ 22,406,781	\$ 21,316,506	\$ 70,185,001	\$ 67,146,230
Capital assets	108,162,394	108,665,435	78,687,533	69,609,477	186,849,927	178,274,912
Total assets	155,940,614	154,495,159	101,094,314	90,925,983	257,034,928	245,421,142
Deferred outflow of resources	4,726,206	4,062,954	1,233,839	1,069,990	5,960,045	5,132,944
Long-term liabilities outstanding	22,954,958	21,909,214	17,489,013	11,474,065	40,443,971	33,383,279
Other liabilities	3,405,527	3,818,297	3,346,652	2,502,955	6,752,179	6,321,252
Total liabilities	26,360,485	25,727,511	20,835,665	13,977,020	47,196,150	39,704,531
Deferred inflows of resources	1,773,429	1,066,167	444,726	263,113	2,218,155	1,329,280
Net position:						
Net investment in capital assets	100,923,713	101,122,675	63,872,845	60,863,067	164,796,558	161,985,742
Restricted	5,454,546	5,254,223	1,569,712	1,417,157	7,024,258	6,671,380
Unrestricted	26,154,647	25,387,537	15,605,205	15,475,616	41,759,852	40,863,153
Total net position	<u>\$ 132,532,906</u>	<u>\$ 131,764,435</u>	<u>\$ 81,047,762</u>	<u>\$ 77,755,840</u>	<u>\$ 213,580,668</u>	<u>\$ 209,520,275</u>

By far, the largest portion of the City's net position (77.2%) reflects its investment in capital assets (e.g., land, construction in progress, intangible assets, buildings and system, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$41,759,852 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

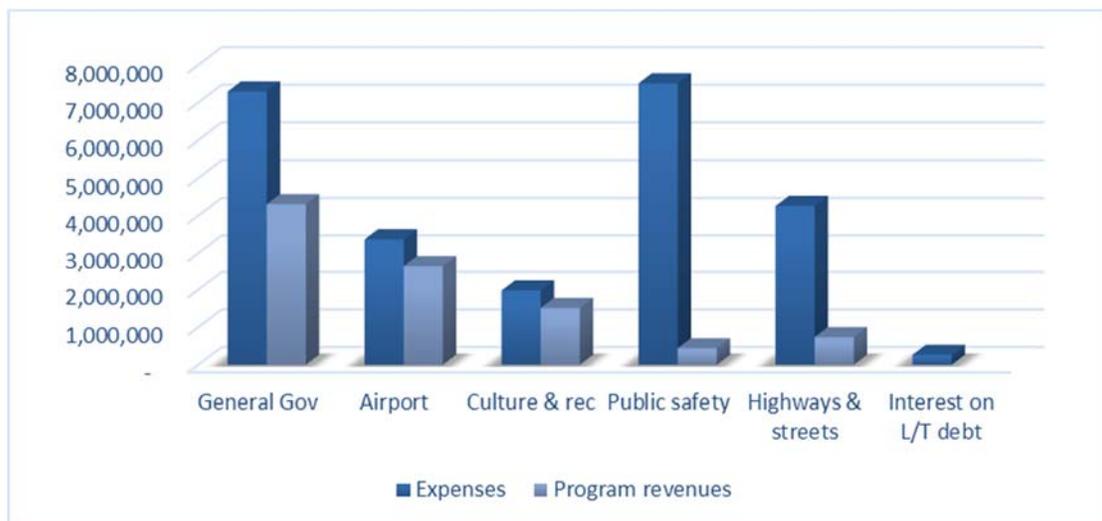
City of Klamath Falls' Net Position June 30, 2020 and 2021



The City’s overall net position increased \$4,060,393 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$768,471. As net position increased for governmental activities, governmental expenses have decreased \$586,082 from the prior year mainly due to a decrease in capital expenditures. Program revenues decreased \$2,675,400 due to a decrease in grant revenue for the Airport. General revenues decreased by \$221,772 due to a decrease in investment income. The City’s main source of revenue for governmental activities, property taxes, increased \$403,245 which is a 4.7 percent increase over the prior fiscal year. \$60,924 of this increase came from surplus property sales. The City uses a ten-year forecasting model which helps to ensure a positive net position.

Expenses and Program Revenues - Governmental Activities



Business-type Activities. For the City’s business-type activities, the results for the current fiscal year show an increase in the overall net position. The net position increased to an ending balance of \$81,047,762. The total increase in net position for business-type activities (Wastewater and Water Funds) was \$3,291,922 or 4.2% from the prior fiscal year. The primary reason for the increase was an increase in operating revenues. Current and other assets increased \$1,090,275. Each year, there is a rate increase in water and wastewater in accordance with a designated consumer price index (CPI). This allows a predictable \$1.5 million increase to net position annually. In addition, rates were raised several years ago in the Wastewater Fund in anticipation of building a treatment plant and complying with environmental regulations. Construction began in fiscal year 2019 and is estimated to be completed in 2023. There will still likely be offsite improvements to construct related to disposal of the treated effluent. Efforts to quantify what those improvements are, determine cost, and eventually construct are currently underway. Water rates were also designed to keep up with capital maintenance and allow for an increase of approximately \$2.2 - \$2.5 million annually.

City of Klamath Falls’ Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 5,238,683	\$ 5,092,117	\$ 17,822,530	\$ 16,661,095	\$ 23,061,213	\$ 21,753,212
Operating grants & contributions	666,825	330,149	25,953	5,565	692,778	335,714
Capital grants & contributions	3,741,228	6,899,870	-	92,780	3,741,228	6,992,650
General revenues:						
Property taxes	8,917,808	8,514,563	-	-	8,917,808	8,514,563
Other taxes	6,024,483	5,827,239	-	-	6,024,483	5,827,239
Other	288,940	1,111,201	158,161	1,074,843	447,101	2,186,044
Total revenues	24,877,967	27,775,139	18,006,644	17,834,283	42,884,611	45,609,422
Expenses:						
General government	7,291,655	7,860,667	-	-	7,291,655	7,860,667
Airport	3,368,954	3,317,849	-	-	3,368,954	3,317,849
Culture & recreation	1,979,691	1,757,881	-	-	1,979,691	1,757,881
Public safety	7,511,047	7,758,364	-	-	7,511,047	7,758,364
Highways & streets	4,256,755	4,303,395	-	-	4,256,755	4,303,395
Interest on long-term debt	264,574	260,602	-	-	264,574	260,602
Wastewater	-	-	6,353,230	6,448,198	6,353,230	6,448,198
Water	-	-	7,798,312	7,334,319	7,798,312	7,334,319
Total expenses	24,672,676	25,258,758	14,151,542	13,782,517	38,824,218	39,041,275
Increase (decrease) in net position before transfers & other sources	205,291	2,516,381	3,855,102	4,051,766	4,060,393	6,568,147
Special & extraordinary items	-	-	-	-	-	-
Transfers	563,180	569,614	(563,180)	(569,614)	-	-
Increase (decrease) in net position	768,471	3,085,995	3,291,922	3,482,152	4,060,393	6,568,147
Net position - beginning	131,764,435	128,385,140	77,755,840	73,896,188	209,520,275	202,281,328
Restatement	-	293,300	-	377,500	-	670,800
Net position - ending	\$ 132,532,906	\$ 131,764,435	\$ 81,047,762	\$ 77,755,840	\$ 213,580,668	\$ 209,520,275

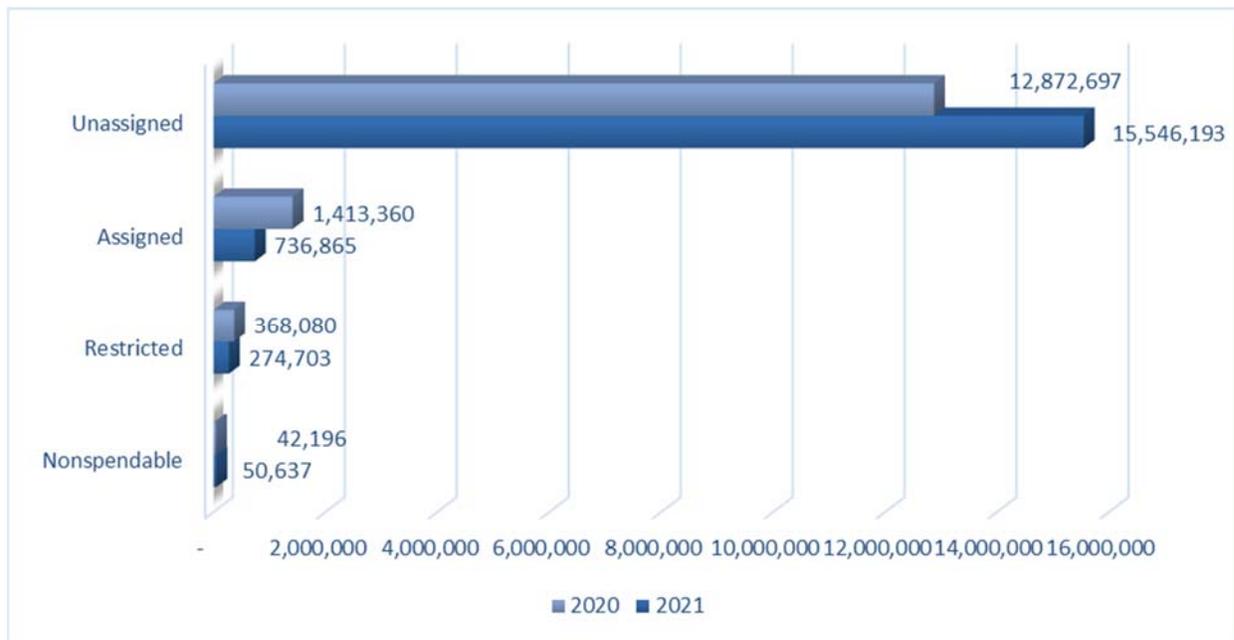
Financial Analysis of the Government’s Funds

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

Governmental Funds. The focus of the City’s *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City’s Council.

At June 30, 2021, the City’s governmental funds reported combined fund balances of \$43,772,331 an increase of \$3,629,445 in comparison with the prior year. Approximately 32% of this amount, \$14,100,686, constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable, restricted, or assigned* to indicate that it is 1) not in spendable form (\$50,637), 2) legally required to be maintained intact or restricted for particular purposes (\$5,453,376), or 3) assigned for particular purposes (\$24,167,632).

**General Fund - Components of Fund Balance
June 30, 2020 and 2021**

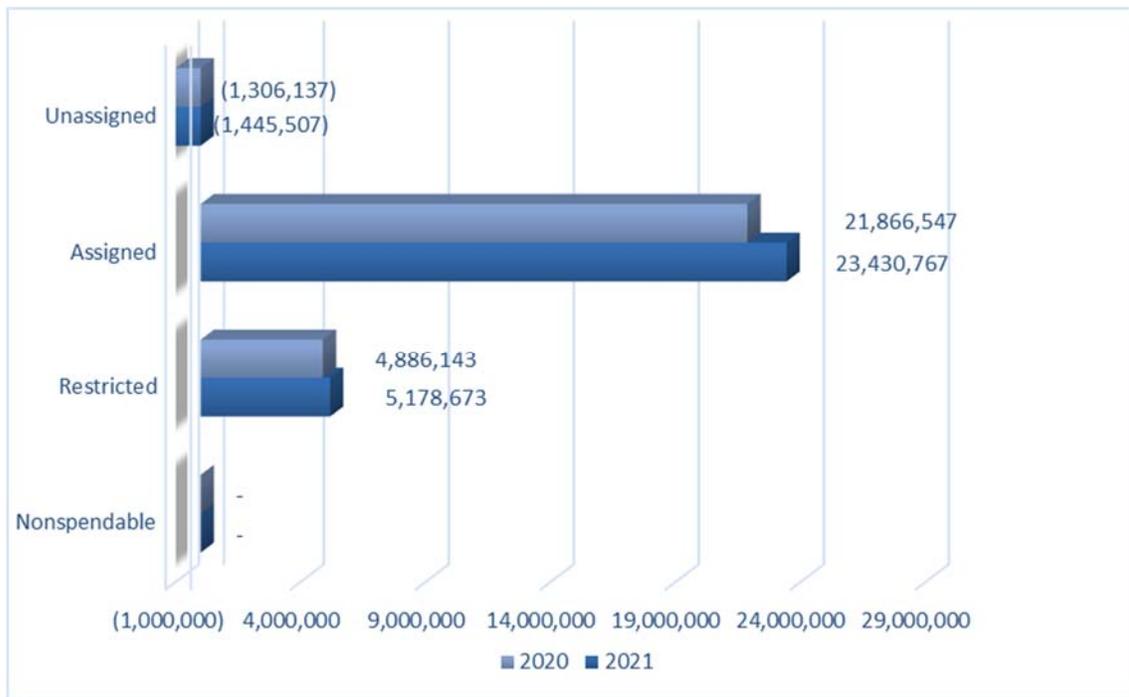


The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,546,193, while total fund balance increased to \$16,608,398. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 90.5% of total General Fund expenditures, while total fund balance represents approximately 96.7% of that same amount. The City’s fund balance policies are in the notes to the financial statements.

The fund balance of the City’s General Fund increased by \$1,912,065 during the current fiscal year. Revenues increased \$712,724 from the prior reporting period. Direct taxes, the General Fund’s primary revenue source, increased \$486,395 which is a six percent (6%) increase. Intergovernmental revenue increased \$213,281. Expenditures were \$90,468 lower in the current year compared to the

prior year. Overall revenues exceeded expenditures by \$1,441,802 before transfers and asset sales. Transfer activity is detailed in the interfund transfers section of the notes to the financial statements.

**Other Governmental Funds - Components of Fund Balance
June 30, 2020 and 2021**



The Airport Fund, a major fund, had an increase in fund balance of \$1,682,359. Revenues decreased \$2,011,897 from the prior fiscal year primarily due to timing of FAA grant funds. Charges for services decreased \$20,186. Expenditures decreased from the prior fiscal year \$4,696,047 which again was primarily due to FAA projects. Overall expenditures exceeded revenues by \$1,271,709.

The Capital Projects Fund serves as a savings account for major capital projects to be built in future years. Its fund balance increased slightly by \$86,386 due to rent and investment income.

The final major governmental fund, the Escrow Reserve Fund, had an increase in fund balance of \$364.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Wastewater and Water Funds are both major funds.

Unrestricted net position of the Wastewater Fund at the end of the year was \$9,732,989. Total net position increased \$2,223,507. Operating revenues increased \$513,710 from the prior fiscal year. Operating expenses had a decrease of \$116,295.

Unrestricted net position of the Water Fund at the end of the year was \$5,872,216. Total net position increased \$1,068,415. Operating revenues increased \$1,086,627 due to a rate increase of 1.4% on January 1, 2021. Operating expenses had an increase of \$469,028.

General Fund Budgetary Highlights

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

Below are authorized changes in the General Fund:

- Increase in Intergovernmental revenues from Coronavirus Relief Funds of \$449,425
- Increase in Intergovernmental revenues from Business Oregon technical assistance grant of \$31,875 and Klamath County portion of grant match of \$2,825
- Municipal Court: \$10,000 increase for personnel retirements
- Legislative: \$39,575 for Council chambers audio/video equipment; \$7,700 increase for insurance changes
- Police Department: \$6,000 increase for additional cleaning services due to Covid-19
- Ella Redkey Pool: \$5,425 increase for unemployment claims; \$1,325 increase in safety supplies due to Covid-19
- Streets: \$37,500 increase for infrastructure master planning
- Transfer to Downtown Maintenance District of \$25,075 for waived fees
- Parks: \$10,000 transfer in and offsetting materials & services increase for Kiger Stadium OIT grant match

Below are significant variances between budgeted and actual line items in the General Fund:

- Intergovernmental revenue & Street Maintenance expenditures: \$6,000,000 in grant funding was not requested as the Washburn Way and Campus and Daggett roundabout projects were reallocated to the next biennium.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$186,849,927 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, construction in progress, buildings and system, machinery and equipment, and infrastructure. The total increase in capital assets after disposals and depreciation for the current fiscal year was approximately 4.8%.

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

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 14,137,414	\$ 14,007,394	\$ 1,941,099	\$ 1,941,099	\$ 16,078,513	\$ 15,948,493
Intangible assets	437,851	465,469	141,002	142,112	578,853	607,581
Construction in progress	5,028,662	9,423,193	19,182,491	8,133,848	24,211,153	17,557,041
Buildings & system	9,935,558	10,468,017	2,878,218	3,004,973	12,813,776	13,472,990
Machinery & equipment	3,584,335	3,495,925	6,601,644	7,225,559	10,185,979	10,721,484
Infrastructure	75,038,574	70,805,437	47,943,079	49,161,886	122,981,653	119,967,323
Total	\$ 108,162,394	\$ 108,665,435	\$ 78,687,533	\$ 69,609,477	\$ 186,849,927	\$ 178,274,912

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

- Streets Campus & Daggett Roundabout \$258,000
- Airport airfield improvements \$2,072,735
- Wastewater Lincoln and Bartlett main replacement \$237,055
- Wastewater Pacific Terrace Pipe Lining \$159,675
- Wastewater Link River Submersible Pump \$208,650
- Wastewater Treatment Plant \$9,884,175
- Water Cleveland & Emerald main replacement \$365,975
- Geothermal main replacement \$295,000

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

Long-term Debt. At the end of the current fiscal year, the City had outstanding debt totaling \$22,612,748. Of this amount, \$3,053,149 is bonded debt secured by revenue from the City's applicable funds, \$3,756,872 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$1,942,245 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. There are \$2,459,764 of loans for economic growth that is secured by the revenues derived from that growth and another \$11,400,718 are loans for acquisition of capital assets which are secured by the revenues of the applicable funds owning those assets.

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

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Leases/loans payable	\$ 2,459,764	\$ 2,585,388	\$ 11,400,718	\$ 5,056,504	\$ 13,860,482	\$ 7,641,892
General obligation bonds	3,756,872	3,871,469	-	-	3,756,872	3,871,469
Full faith and credit bond	1,942,245	2,143,792	-	-	1,942,245	2,143,792
Revenue bonds	-	-	3,053,149	3,776,704	3,053,149	3,776,704
Total	<u>\$ 8,158,881</u>	<u>\$ 8,600,649</u>	<u>\$ 14,453,867</u>	<u>\$ 8,833,208</u>	<u>\$ 22,612,748</u>	<u>\$ 17,433,857</u>

The City's total debt increased \$5,178,891 or 29.7% during the current fiscal year. The City drew funds from the DEQ State Revolving Loan agreement for financing the Wastewater treatment plant upgrades. See the notes to the financial statements for more information.

State statutes limit the amount of general obligation debt a government entity may issue up to 3% of its total assessed valuation. The current debt limitation for the City is approximately \$46,150,000 which is significantly in excess of the City's outstanding general obligation debt of \$3,756,872.

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

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City and were considered in developing the biennial 2021-2023 budget.

- The unemployment rate for Klamath County at June 30, 2021 was 7.2 percent, a decrease from one year ago. The rate is higher than the national average of 5.9 percent.
- On January 1, 2021, sewer and water rates increased by the CPI 1.4 percent.
- The City continued to invest \$33,182,208 in diversified bonds and the state pool intermediate fund in fiscal year 2021.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE
FINANCIAL STATEMENTS

City of Klamath Falls, Oregon
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 16,579,360	\$ 10,193,714	\$ 26,773,074
Accounts receivable (<i>net of uncollectibles</i>)	3,036,578	2,745,884	5,782,462
Taxes receivable	706,053	-	706,053
Special assessments receivable	86,430	43,085	129,515
Interest receivable	73,386	59,935	133,321
Inventories	50,637	313,203	363,840
Prepaid items	323,677	56,292	379,969
Restricted assets			
Cash and cash equivalents	985,192	1,569,712	2,554,904
	<u>21,841,313</u>	<u>14,981,825</u>	<u>36,823,138</u>
Total Current Assets			
Noncurrent Assets:			
Investments	20,751,928	7,390,057	28,141,985
Prepaid bond insurance	5,590	-	5,590
Net OPEB asset	139,166	34,899	174,065
Restricted assets			
Investments	5,040,223	-	5,040,223
Capital assets not being depreciated			
Land	14,137,414	1,941,099	16,078,513
Intangible assets	116,771	137,489	254,260
Construction in progress	5,028,662	19,182,491	24,211,153
Capital assets (<i>net of accumulated depreciation</i>)			
Buildings and system	9,935,558	2,878,218	12,813,776
Intangible assets	321,080	3,513	324,593
Machinery, equipment and vehicles	3,584,335	6,601,644	10,185,979
Infrastructure	75,038,574	47,943,079	122,981,653
	<u>134,099,301</u>	<u>86,112,489</u>	<u>220,211,790</u>
Total Noncurrent Assets			
	<u>155,940,614</u>	<u>101,094,314</u>	<u>257,034,928</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	119,506	78,610	198,116
Deferred outflow of resources - OPEB related	86,961	21,807	108,768
Deferred outflow of resources - pension related	4,519,739	1,133,422	5,653,161
	<u>4,726,206</u>	<u>1,233,839</u>	<u>5,960,045</u>
Total Deferred Outflows of Resources			

City of Klamath Falls, Oregon
Statement of Net Position *Continued*
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities (<i>payable from unrestricted assets</i>):			
Accounts payable	2,175,190	1,311,166	3,486,356
Retainage payable	4,601	439,431	444,032
Accrued interest payable	19,948	-	19,948
Accrued payroll payable	89,344	65,473	154,817
Compensated Absences	501,401	114,260	615,661
Customer deposits	111,007	222,552	333,559
Unearned revenues	44,394	151,557	195,951
Leases / loans payable	130,454	-	130,454
Bonds payable	329,188	-	329,188
Current Liabilities (<i>payable from restricted assets</i>):			
Accrued interest payable	-	263,135	263,135
Leases / loans payable	-	42,382	42,382
Bonds payable	-	736,696	736,696
Total Current Liabilities	<u>3,405,527</u>	<u>3,346,652</u>	<u>6,752,179</u>
Noncurrent Liabilities:			
Compensated absences	501,400	114,259	615,659
Leases / Loans / Contracts payable	2,329,310	11,358,336	13,687,646
Bonds payable (<i>net of unamortized discounts and premiums</i>)	5,369,929	2,316,453	7,686,382
Total OPEB liability	437,483	109,709	547,192
Net pension liability	14,316,836	3,590,256	17,907,092
Total Noncurrent Liabilities	<u>22,954,958</u>	<u>17,489,013</u>	<u>40,443,971</u>
Total Liabilities	<u>26,360,485</u>	<u>20,835,665</u>	<u>47,196,150</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	159,748	40,060	199,808
Deferred inflows of resources - pension related	1,613,681	404,666	2,018,347
Total Deferred Inflows of Resources	<u>1,773,429</u>	<u>444,726</u>	<u>2,218,155</u>
NET POSITION			
Net investment in capital assets	100,923,713	63,872,845	164,796,558
Restricted for:			
Outside legal authority	180,700	-	180,700
System development	180,350	693,009	873,359
Capital outlay	53,273	-	53,273
Debt service	-	876,703	876,703
Environmental	5,040,223	-	5,040,223
Unrestricted	26,154,647	15,605,205	41,759,852
Total Net Position	<u>\$ 132,532,906</u>	<u>\$ 81,047,762</u>	<u>\$ 213,580,668</u>

City of Klamath Falls, Oregon
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 7,291,655	\$ 4,110,212	\$ 194,758	\$ -	\$ (2,986,685)	\$ -	\$ (2,986,685)
Airport	3,368,954	535,737	24,649	2,093,450	(715,118)	-	(715,118)
Culture and recreation	1,979,691	190,645	23,766	1,297,778	(467,502)	-	(467,502)
Public safety	7,511,047	42,073	397,438	-	(7,071,536)	-	(7,071,536)
Highways and streets	4,256,755	360,016	26,214	350,000	(3,520,525)	-	(3,520,525)
Interest on long-term debt	264,574	-	-	-	(264,574)	-	(264,574)
Total Government Activities	24,672,676	5,238,683	666,825	3,741,228	(15,025,940)	-	(15,025,940)
Business-Type Activities:							
Wastewater	6,353,230	8,040,137	16,391	-	-	1,703,298	1,703,298
Water	7,798,312	9,782,393	9,562	-	-	1,993,643	1,993,643
Total Business-Type Activities	14,151,542	17,822,530	25,953	-	-	3,696,941	3,696,941
Total	\$ 38,824,218	\$ 23,061,213	\$ 692,778	\$ 3,741,228	(15,025,940)	3,696,941	(11,328,999)
General Revenues:							
Property taxes					8,917,808	-	8,917,808
Franchise taxes					2,837,869	-	2,837,869
Motor fuel taxes					1,633,002	-	1,633,002
Alcoholic beverage taxes					428,561	-	428,561
Cigarette taxes					21,127	-	21,127
Transient room taxes					755,537	-	755,537
State revenue sharing					348,387	-	348,387
Unrestricted investment earnings					288,940	158,161	447,101
Transfers					563,180	(563,180)	-
Total General Revenues and Transfers					15,794,411	(405,019)	15,389,392
Change in Net Position					768,471	3,291,922	4,060,393
Net Position - Beginning					131,764,435	77,755,840	209,520,275
Net Position - Ending					<u>\$ 132,532,906</u>	<u>\$ 81,047,762</u>	<u>\$ 213,580,668</u>

FUND FINANCIAL
STATEMENTS

City of Klamath Falls, Oregon
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,047,626	\$ 1,873,854	\$ 3,744,358	\$ 2,293,058	\$ 620,464	\$ 16,579,360
Accounts receivable	934,476	2,092,161	-	-	9,941	3,036,578
Taxes receivable	636,942	23,102	-	-	46,009	706,053
Special assessments receivable	86,430	-	-	-	-	86,430
Interest receivable	50,857	443	-	21,315	771	73,386
Advances to other funds	-	-	-	2,024,394	-	2,024,394
Inventories	50,637	-	-	-	-	50,637
Restricted assets						
Cash and cash equivalents	274,703	53,273	-	-	657,216	985,192
Long-term assets						
Investments	8,400,066	-	6,450,122	5,901,740	-	20,751,928
Restricted investments	-	-	5,040,223	-	-	5,040,223
Total Assets	\$ 18,481,737	\$ 4,042,833	\$ 15,234,703	\$ 10,240,507	\$ 1,334,401	\$ 49,334,181
LIABILITIES						
Liabilities:						
Accounts payable	\$ 882,201	\$ 1,245,926	\$ -	\$ -	\$ 38,706	\$ 2,166,833
Payroll payable	82,084	7,260	-	-	-	89,344
Retainage payable	4,601	-	-	-	-	4,601
Advances from other funds	-	-	-	-	2,024,394	2,024,394
Deposits payable	102,977	8,030	-	-	-	111,007
Unearned revenue	17,476	3,275	-	-	23,643	44,394
Total Liabilities	1,089,339	1,264,491	-	-	2,086,743	4,440,573
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	474,733	17,218	-	-	34,764	526,715
Unavailable revenue - grant	23,318	91,704	-	-	-	115,022
Unavailable revenue - intergovernmental	60,462	181,384	-	-	-	241,846
Unavailable revenue - special assessment debt receivable	86,430	-	-	-	-	86,430
Unavailable revenue - accounts receivable	15,487	10,488	-	-	-	25,975
Unavailable revenue - municipal court fines	118,058	-	-	-	-	118,058
Unavailable revenue - parking fines	-	-	-	-	1,719	1,719
Unavailable revenue - code enforcement fines	5,512	-	-	-	-	5,512
Total Deferred Inflows of Resources	784,000	300,794	-	-	36,483	1,121,277
Total Liabilities and Deferred Inflows of Resources	1,873,339	1,565,285	-	-	2,123,226	5,561,850
FUND BALANCES (DEFICITS)						
Nonspendable	50,637	-	-	-	-	50,637
Restricted	274,703	53,273	5,040,223	-	85,177	5,453,376
Assigned	736,865	2,424,275	10,194,480	10,240,507	571,505	24,167,632
Unassigned	15,546,193	-	-	-	(1,445,507)	14,100,686
Total Fund Balances	16,608,398	2,477,548	15,234,703	10,240,507	(788,825)	43,772,331
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,481,737	\$ 4,042,833	\$ 15,234,703	\$ 10,240,507	\$ 1,334,401	

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

Prepaid assets are not reported in the funds.	323,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	108,162,394
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	1,121,277
Pension related liability and deferred outflows and inflows of resources.	(11,410,778)
Other post employment benefits related liability and deferred outflows and inflows of resources.	(371,104)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds. In addition, governmental funds report the effect of prepaid insurance when debt is first issued, whereas, these amounts are amortized and shown net of the amortization in the statement of net position.

Long-term debt	(8,158,881)
Deferred charge on refunding	119,506
Prepaid bond insurance	5,590
Accrued interest	(19,948)
Accounts payable	(8,357)
Compensated absences	(1,002,801)
	<u>(9,064,891)</u>

Total Net Position - Governmental Activities \$ 132,532,906

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

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,152,605	\$ 280,559	\$ -	\$ -	\$ 567,335	\$ 9,000,499
Special assessments	5,539	-	-	-	-	5,539
Intergovernmental	3,084,393	3,878,258	-	-	158,309	7,120,960
Licenses, fees and permits	202,690	-	-	-	52,643	255,333
Franchise fees	2,850,134	-	-	-	-	2,850,134
Charges for services	407,754	522,511	54,000	592,431	100,531	1,677,227
Internal charges for services	2,880,240	-	-	-	-	2,880,240
Fines and forfeits	321,460	-	-	-	54,634	376,094
Investment income	152,257	12,875	32,386	81,940	9,482	288,940
Miscellaneous revenues	554,352	1,726	-	-	529	556,607
Total Revenues	18,611,424	4,695,929	86,386	674,371	943,463	25,011,573
EXPENDITURES						
Current:						
General government	5,724,174	-	-	337	893,529	6,618,040
Airport	-	1,227,113	-	-	-	1,227,113
Culture and recreation	1,645,397	-	-	-	-	1,645,397
Public safety	6,132,279	-	-	-	9,211	6,141,490
Highways and streets	1,833,888	-	-	-	73,447	1,907,335
Debt service:						
Principal	200,000	-	-	-	240,220	440,220
Interest	95,145	-	-	-	166,860	262,005
Capital outlay:						
General government	139,318	-	-	-	-	139,318
Airport	-	2,197,107	-	-	-	2,197,107
Culture and recreation	500,499	-	-	-	-	500,499
Public safety	249,545	-	-	-	-	249,545
Highways and streets	649,377	-	-	-	-	649,377
Total Expenditures	17,169,622	3,424,220	-	337	1,383,267	21,977,446
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,441,802	1,271,709	86,386	674,034	(439,804)	3,034,127
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	17,380	11,500	-	-	-	28,880
Transfers in	687,700	399,150	-	-	388,075	1,474,925
Transfers out	(238,075)	-	-	(673,670)	-	(911,745)
Insurance recoveries	3,258	-	-	-	-	3,258
Total Other Financing Sources (Uses)	470,263	410,650	-	(673,670)	388,075	595,318
Net Change in Fund Balance	1,912,065	1,682,359	86,386	364	(51,729)	3,629,445
Fund Balance - Beginning	14,696,333	795,189	15,148,317	10,240,143	(737,096)	40,142,886
Fund Balance - Ending	<u>\$ 16,608,398</u>	<u>\$ 2,477,548</u>	<u>\$ 15,234,703</u>	<u>\$ 10,240,507</u>	<u>\$ (788,825)</u>	<u>\$ 43,772,331</u>

City of Klamath Falls, Oregon
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	3,629,445
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Expenditures for capital assets	\$ 3,735,846	
Less current year depreciation	<u>(5,470,502)</u>	(1,734,656)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>		
Contributions from outside parties		1,231,615
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(82,691)	
Special assessments against benefiting properties	(5,277)	
Grant receivable - non-current portion	(1,116,080)	
Franchise Fees - non-current portion	(12,265)	
Accounts receivable - non-current portion	(32,460)	
Fines and forfeitures - non current portion	<u>27,090</u>	(1,221,683)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments	440,220	
Amortization of deferred charge on refunding	(7,464)	
Amortization of bond premium	1,548	
Amortization of bond insurance	<u>(706)</u>	433,598
The net effect of various pension related transactions		(1,573,246)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Prepaid expenses	(31,686)	
Accrued interest on long-term obligations	3,347	
Compensated absences	(2,367)	
Other postemployment benefits	<u>34,104</u>	<u>3,398</u>
Change in net position of governmental activities	\$	<u><u>768,471</u></u>

PROPRIETARY
FUNDS

City of Klamath Falls, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities		
	Wastewater	Water	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,089,985	\$ 4,103,729	\$ 10,193,714
Accounts receivable <i>(net of uncollectibles)</i>	1,051,233	1,694,651	2,745,884
Loans receivable	26,053	17,032	43,085
Interest receivable	26,771	33,164	59,935
Inventories	31,656	281,547	313,203
Prepaid items	22,340	33,952	56,292
Restricted assets			
Cash and cash equivalents	955,131	614,581	1,569,712
Total Current Assets	8,203,169	6,778,656	14,981,825
Long-term Assets:			
Investments	4,922,846	2,467,211	7,390,057
Capital assets <i>(net of accumulated depreciation)</i>			
Land	1,322,899	618,200	1,941,099
Intangible assets	3,513	137,489	141,002
Construction in progress	17,226,439	1,956,052	19,182,491
Buildings and system	2,140,345	737,873	2,878,218
Machinery and equipment	3,582,847	3,018,797	6,601,644
Infrastructure	18,174,566	29,768,513	47,943,079
Total Capital Assets (net)	42,450,609	36,236,924	101,059,415
Net OPEB asset	11,827	23,072	34,899
Total Noncurrent Assets	47,385,282	38,727,207	86,112,489
Total Assets	55,588,451	45,505,863	101,094,314
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	78,610	-	78,610
Deferred outflow of resources - OPEB related	7,390	14,417	21,807
Deferred outflow of resources - pension related	384,101	749,321	1,133,422
Total Deferred Outflows of resources	470,101	763,738	1,233,839
Total Assets & Deferred Outflows of Resources	\$ 56,058,552	\$ 46,269,601	\$ 102,328,153

City of Klamath Falls, Oregon
Statement of Net Position *Continued*
Proprietary Funds
June 30, 2021

	Business-Type Activities		
	Wastewater	Water	Totals
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,070,257	\$ 240,909	\$ 1,311,166
Retainage payable	439,431	-	439,431
Accrued payroll	25,221	40,252	65,473
Compensated absences	44,990	69,270	114,260
Customer deposits	-	222,552	222,552
Unearned revenue	-	151,557	151,557
Current Liabilities (payable from restricted assets):			
Accrued interest payable	251,175	11,960	263,135
Loans/leases payable	-	42,382	42,382
Revenue bonds payable	736,696	-	736,696
Total Current Liabilities	2,567,770	778,882	3,346,652
Long-term Liabilities:			
Compensated absences	44,990	69,269	114,259
Loans/Leases payable	10,936,512	421,824	11,358,336
Revenue bonds payable (net of unamortized discounts and premiums)	2,316,453	-	2,316,453
Total OPEB liability	37,179	72,530	109,709
Net pension liability	1,216,689	2,373,567	3,590,256
Total Noncurrent Liabilities	14,551,823	2,937,190	17,489,013
Total Liabilities	17,119,593	3,716,072	20,835,665
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related	13,576	26,484	40,060
Deferred inflows of resources - pension related	137,136	267,530	404,666
Total Deferred Inflows of resources	150,712	294,014	444,726
NET POSITION			
Net investment in capital assets	28,100,127	35,772,718	63,872,845
Restricted for:			
System development	147,602	545,407	693,009
Debt Service	807,529	69,174	876,703
Unrestricted	9,732,989	5,872,216	15,605,205
Total Net Position	38,788,247	42,259,515	81,047,762
Total Liability, Deferred Inflows of Resources and Net Position	\$ 56,058,552	\$ 46,269,601	\$ 102,328,153

City of Klamath Falls, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities		Totals
	Wastewater	Water	
OPERATING REVENUES			
Charges for sales and services			
Wastewater charges (net of allowances)	\$ 7,626,928	\$ -	\$ 7,626,928
Geothermal charges (net of allowances)	-	192,021	192,021
Water charges (net of allowances)	-	9,394,006	9,394,006
	<u>7,626,928</u>	<u>9,586,027</u>	<u>17,212,955</u>
OPERATING EXPENSES			
Costs of sales and services	4,046,875	5,333,646	9,380,521
Administration	734,650	729,750	1,464,400
Depreciation and amortization	1,338,503	1,713,711	3,052,214
	<u>6,120,028</u>	<u>7,777,107</u>	<u>13,897,135</u>
Total operating expenses	<u>6,120,028</u>	<u>7,777,107</u>	<u>13,897,135</u>
Operating income (loss)	<u>1,506,900</u>	<u>1,808,920</u>	<u>3,315,820</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	17,516	10,440	27,956
Investment earnings	85,239	72,922	158,161
Interest expense	(233,202)	(21,205)	(254,407)
System development charges	412,084	195,488	607,572
	<u>281,637</u>	<u>257,645</u>	<u>539,282</u>
Total nonoperating revenue (expenses)	<u>281,637</u>	<u>257,645</u>	<u>539,282</u>
Income before contributions and transfers	1,788,537	2,066,565	3,855,102
TRANSFERS IN	434,970	875	435,845
TRANSFERS OUT	-	(999,025)	(999,025)
	<u>2,223,507</u>	<u>1,068,415</u>	<u>3,291,922</u>
Change in net position	<u>2,223,507</u>	<u>1,068,415</u>	<u>3,291,922</u>
Total net position - beginning	<u>36,564,740</u>	<u>41,191,100</u>	<u>77,755,840</u>
Total net position - ending	<u>\$ 38,788,247</u>	<u>\$ 42,259,515</u>	<u>\$ 81,047,762</u>

City of Klamath Falls, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities		
	Wastewater	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 7,553,954	\$ 9,112,732	\$ 16,666,686
Receipts from interfund services provided	52,069	225,470	277,539
Payments to suppliers	(1,405,865)	(2,954,936)	(4,360,801)
Payments to employees	(1,177,944)	(1,811,186)	(2,989,130)
Payments for interfund services used	(1,611,216)	(1,153,187)	(2,764,403)
Net cash provided by operating activities	<u>3,410,998</u>	<u>3,418,893</u>	<u>6,829,891</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants	17,516	10,440	27,956
Transfers in (out)	434,970	(998,150)	(563,180)
Net Cash (Used) by Noncapital Financing Activities	<u>452,486</u>	<u>(987,710)</u>	<u>(535,224)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees collected	412,084	195,488	607,572
Purchases and construction of capital assets	(10,561,289)	(1,141,399)	(11,702,688)
Loan Proceeds	6,386,312	-	6,386,312
Principal paid on capital debt	(723,555)	(42,098)	(765,653)
Interest paid on capital debt	(107,747)	(22,187)	(129,934)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,594,195)</u>	<u>(1,010,196)</u>	<u>(5,604,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(14,101)	(37,383)	(51,484)
Interest and dividends received	88,834	77,376	166,210
Net Cash Provided (Used) by Investing Activities	<u>74,733</u>	<u>39,993</u>	<u>114,726</u>
Net Change in Cash and Cash Equivalents	(655,978)	1,460,980	805,002
Cash and Cash Equivalents - Beginning of Year	<u>7,701,094</u>	<u>3,257,330</u>	<u>10,958,424</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,045,116</u>	<u>\$ 4,718,310</u>	<u>\$ 11,763,426</u>
Cash and Cash Equivalents - Unrestricted	\$ 6,089,985	\$ 4,103,729	\$ 10,193,714
Cash and Cash Equivalents - Restricted	<u>955,131</u>	<u>614,581</u>	<u>1,569,712</u>
Total Cash and Cash Equivalents	<u>\$ 7,045,116</u>	<u>\$ 4,718,310</u>	<u>\$ 11,763,426</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,506,900	\$ 1,808,920	\$ 3,315,820
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,338,503	1,713,711	3,052,214
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	(20,905)	(252,633)	(273,538)
Inventories	(1,371)	(7,857)	(9,228)
Prepaid items	12,731	29,589	42,320
Net OPEB asset	434	(1,826)	(1,392)
Deferred charges on refunding	20,037	-	20,037
Deferred outflows related to other post employment benefits	(1,833)	(4,787)	(6,620)
Deferred outflows related to pensions	(34,224)	(143,042)	(177,266)
Increases (decrease) in liabilities			
Accounts payable	473,953	(187,113)	286,840
Payroll liabilities	5,393	3,937	9,330
Compensated absences	(550)	(44,973)	(45,523)
Customer deposits	-	(16,345)	(16,345)
Unearned revenue	-	21,153	21,153
Other post employment benefits	(7,450)	(4,805)	(12,255)
Net pension liability	64,946	377,785	442,731
Deferred inflows related to other post employment benefits	3,796	9,536	13,332
Deferred inflows related to pensions	50,638	117,643	168,281
Total Adjustments	<u>1,904,098</u>	<u>1,609,973</u>	<u>3,514,071</u>
Net cash provided by operating activities	<u>\$ 3,410,998</u>	<u>\$ 3,418,893</u>	<u>\$ 6,829,891</u>

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FIDUCIARY FUNDS

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City of Klamath Falls, Oregon
Statement of Fiduciary Net Position
Veterans Memorial Agency Fund
June 30, 2021

	<u>Veterans Memorial Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 166,152</u>
Total Assets	<u><u>\$ 166,152</u></u>
LIABILITIES	
Due to Veterans Associations	<u>\$ 166,152</u>
Total Liabilities	<u><u>\$ 166,152</u></u>

City of Klamath Falls, Oregon
Veterans Memorial Agency Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
ASSETS				
Cash and cash equivalents	\$ 163,663	\$ 4,085	\$ 1,596	\$ 166,152
	\$ 163,663	\$ 4,085	\$ 1,596	\$ 166,152
LIABILITIES				
Due to Veterans Associations	\$ 163,663	\$ 4,085	\$ 1,596	\$ 166,152
	\$ 163,663	\$ 4,085	\$ 1,596	\$ 166,152

City of Klamath Falls, Oregon

Notes to the Financial Statements



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NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

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

B. Reporting entity

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

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

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

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, grants, state and county shared revenues, and administrative services from other funds. Primary expenditures are for general government, police, streets, and culture and recreation.

The *Airport Fund* is a special revenue fund whose primary source of revenue is intergovernmental grants for capital construction and improvements to the airport runways and facilities. Other revenues consist of property taxes, transient room taxes, rental revenue, landing fees and passenger facility charges. Expenditures are assigned or restricted for airport operations and capital.

The *Capital Projects Fund* accounts for the funds received for major projects and acquisitions. Revenues consist of lease payments for the finance/utility billing building and investment income. Capital projects may be completed and expensed within the Capital Projects Fund or funds may be transferred out to the originating fund once the projects begin.

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

The government reports the following major enterprise funds:

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

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

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

Additionally, government reports the following custodial fund:

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The government had appropriation transfers and supplemental budgets during the fiscal year ending June 30, 2021. Appropriations lapse at the end of the biennium budget period.

2. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2021, there were no funds that exceeded budget at the legal level of appropriation.

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

1. Cash and cash equivalents

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

2. Investments

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

3. Inventories and prepaid items

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. *Capital assets*

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

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

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

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

Land, construction in progress, and certain intangible assets are not depreciated. Property, plant, and equipment of the government are depreciated using the "straight line" method.

The estimated useful lives of capital assets are:

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

5. *Deferred outflows/inflows of resources*

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Net position flow assumption

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

7. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

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

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

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

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

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

H. Revenues and expenditures/expenses

1. *Program revenues*

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

2. *Property taxes*

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

The government participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the government and others by other local governments and state agencies. There were no material taxes abated for the year ended June 30, 2021.

3. *Compensated absences*

Vacation

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

Sick Leave

The government's policy permits employees to accumulate earned but unused sick leave benefits. When AFSCME and Teamsters employees, hired before July 1, 2011, leave the government's employment, sick leave is paid at a graduated scale based on years employed, not to exceed 25% of 960 hours. AFSCME and Teamsters employees hired after July 1, 2011, no longer qualify for a sick leave payout upon leaving the government. Exempt employees may have two sick leave banks. All sick leave accumulated prior to July 1, 2011 is tracked as "frozen sick leave". Amounts remaining on the books

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

upon termination are paid at a graduated scale based on years employed but not to exceed 25% of 960 hours. Leave amounts accrued after July 1, 2011 are tracked as current sick leave, which is no longer subject to a payout upon termination. Instead, the government will convert up to 32 hours of accrued current sick leave to cash and contribute the balance to a Voluntary Employee's Beneficiary Account (VEBA) on July 1st of each year for non-represented employees hired before July 1, 2015. The liability for sick leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Compensatory Time Leave

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

4. Proprietary fund operating and nonoperating revenues and expenses

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

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Revenue diversion

The government was in compliance with the *Policies and Procedures Concerning the Generation and Use of Airport Revenue*, issued February 16, 1999 (64 CFR 7695), which requires that all airport revenues generated by a public airport will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport, and are directly and substantially related to the actual air transportation of passengers or property.

B. Violations of legal or contractual provisions

There were no violations of legal or contractual provisions for the year ended June 30, 2021.

C. Deficit fund equity

At June 30, 2021, the Lakefront Urban Renewal Fund has a deficit fund balance of \$560,051, the Town Center Urban Renewal Fund has a deficit fund balance of \$45,032, and the Spring Street Urban Renewal Fund has a deficit fund balance of \$840,424. The reason for the deficits are interfund loans. The interfund loans are reported as a fund liability on the Governmental Funds balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balance). This deficit will be eliminated as the scheduled principal payments on the loans are made.

NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash, cash equivalents and investments

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

Cash on hand	\$	1,050
Deposits with financial institutions		1,134,440
Investments:		
Oregon State Treasurer’s Local Government Investment Pool		28,192,488
Oregon State Treasurer’s Local Government Intermediate Fund		9,823,190
U.S. agency and municipal obligations		16,446,087
Commercial paper and corporate bonds		6,912,931
Total cash and investments	<u>\$</u>	<u>62,510,186</u>

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

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 17,564,552	\$11,763,426	\$29,327,978
Investments	25,792,151	7,390,057	33,182,208
	<u>\$43,356,703</u>	<u>\$19,153,483</u>	<u>\$62,510,186</u>

Custodial credit risk-deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. The government’s deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The government’s deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by compliance with ORS 295. As of June 30, 2021, the government’s bank balances were \$1,687,241.

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

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

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

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant valuation drivers are unobservable.

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

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

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

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

As of June 30, 2021, the government’s investments in U.S. Treasury Securities are classified as Level 1. All other securities, excluding the Local Government Investment Pool, which is valued at amortized cost and is not in the leveling hierarchy, are classified as Level 2.

As of June 30, 2021, the government had the following investments:

Investment Type	Fair Value	% of Investment Portfolio	Weighted Average Maturity (Years)	
Local Government Investment Pool	\$ 38,015,678	61.9%	0.61	0.3801268
U.S. Agency Securities	11,317,626	18.4%	3.36	0.6198944
U.S. Treasury Securities	461,766	0.8%	3.62	0.0272091
Municipal Commercial Paper	4,666,695	7.6%	3.08	0.2345663
Corporate Commercial Paper and Bonds	6,912,931	11.3%	2.64	0.2971709
Total	\$ 61,374,696	100.0%		1.5589675

The earnings on investments reported in the Capital Projects Fund are assigned to and treated as direct revenue of the contributing funds.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the duration of its investments for operating purposes to eighteen months. Reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the City Council, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

Credit risk. The government has adopted the policies as described in the Oregon Revised Statutes, Chapter 294, as it pertains to credit risk. Oregon Revised Statutes, Chapter 294, authorizes the government to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers’ acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others.

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

The government’s investment portfolio as of June 30, 2021, is representative of the types of investments made throughout the year. The government’s investments in guaranteed investment contracts and the state treasurer’s investment pool are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7 like external investment pool and is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same amount as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

At June 30, 2021, the government’s investments were rated by Standard & Poors as follows:

	Commercial Paper and Corporate Bonds	Municipal Corporations	US Agency Corporations	US Treasury Notes (1)	Local Government Investment Pool
AAA	\$ 1,012,910	\$ 907,451	\$ -	\$ -	\$ -
AA+	265,762	959,350	8,296,837	461,766	-
AA	-	524,910	-	-	-
AA-	538,286	1,028,440	-	-	-
A+	240,351	-	-	-	-
A	4,178,652	-	-	-	-
A-	676,970	-	-	-	-
Unrated	-	1,246,544	3,020,789	-	38,015,678
	<u>\$ 6,912,931</u>	<u>\$ 4,666,695</u>	<u>\$ 11,317,626</u>	<u>\$ 461,766</u>	<u>\$ 38,015,678</u>

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

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

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

B. Receivables

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

Governmental Activities

<u>General Fund</u>	<u>Municipal Court</u>	<u>Code Enforcement</u>	<u>Other</u>	<u>Total General Fund</u>
Gross Accounts Receivable	\$ 2,589,657	\$ 133,357	\$ 769,218	\$ 3,492,232
Uncollectibles	(2,429,855)	(126,898)	(1,003)	(2,557,756)
Net Accounts Receivable	<u>\$ 159,802</u>	<u>\$ 6,459</u>	<u>\$ 768,215</u>	<u>\$ 934,476</u>

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

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Gross Accounts Receivable	\$ 3,492,232	\$ 2,092,161	\$ 52,377	\$ 5,636,770
Uncollectibles	<u>(2,557,756)</u>	<u>-</u>	<u>(42,436)</u>	<u>(2,600,192)</u>
Net Accounts Receivable	<u>\$ 934,476</u>	<u>\$ 2,092,161</u>	<u>\$ 9,941</u>	<u>\$ 3,036,578</u>

Business-type Activities

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Gross Accounts Receivable	\$ 1,073,761	\$ 1,730,422	\$ 2,804,183
Uncollectibles	<u>(22,528)</u>	<u>(35,771)</u>	<u>(58,299)</u>
Net Accounts Receivable	<u>\$ 1,051,233</u>	<u>\$ 1,694,651</u>	<u>\$ 2,745,884</u>

C. Lease receivables

The government leases land and buildings under non-cancellable operating leases to other parties. The cost of the leased assets was \$42,561,045 and the carrying value was \$27,658,992. Payments received in the current year were \$524,790.

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

2022	\$ 483,045
2023	391,005
2024	376,029
2025	351,413
2026	291,308
2027-2031	1,346,945
2032-2036	1,147,990
2037-2041	970,544
2042-2046	388,970
2047-2051	<u>355,180</u>
Total	<u>\$ 6,102,429</u>

Minimum future rentals do not include contingent rentals that may be received under certain leases of land and buildings, because payments are based upon usage, a percentage of sales, or increases based upon changes in the consumer price index.

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

D. Capital Assets

Capital assets activity for the year ended June 30, 2021, was as follows:

Governmental Activities:

	Balance July 1, 2020	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 14,007,394	\$ 130,020	\$ -	\$ -	\$ 14,137,414
Construction in progress	9,423,193	2,641,016	-	(7,035,547)	5,028,662
Intangible assets	116,771	-	-	-	116,771
Total capital assets, not being depreciated	23,547,358	2,771,036	-	(7,035,547)	19,282,847
Capital assets, being depreciated:					
Buildings	17,713,896	7,778	-	37,955	17,759,629
Intangible assets	558,638	-	-	-	558,638
Machinery, equipment, and vehicles	12,305,920	756,838	(229,164)	832	12,834,426
Infrastructure	208,865,176	1,431,809	-	6,996,760	217,293,745
Total capital assets being depreciated	239,443,630	2,196,425	(229,164)	7,035,547	248,446,438
Less accumulated depreciation for:					
Buildings	(7,245,879)	(578,192)	-	-	(7,824,071)
Intangible assets	(209,940)	(27,618)	-	-	(237,558)
Machinery, equipment, and vehicles	(8,809,995)	(669,260)	229,164	-	(9,250,091)
Infrastructure	(138,059,739)	(4,195,432)	-	-	(142,255,171)
Total accumulated depreciation	(154,325,553)	(5,470,502)	229,164	-	(159,566,891)
Total capital assets, being depreciated, net	85,118,077	(3,274,077)	-	7,035,547	88,879,547
Government activities capital assets, net	\$ 108,665,435	\$ (503,041)	\$ -	\$ -	\$ 108,162,394

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

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

Governmental activities:	
General government	\$ 198,491
Public safety	562,078
Highways and streets	2,235,414
Culture and recreation	256,788
Airport	2,217,731
Total depreciation expense - governmental activities	\$ 5,470,502

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

Business-type Activities:

	Balance July 1, 2020	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 1,941,099	\$ -	\$ -	\$ -	\$ 1,941,099
Construction in progress	8,133,848	11,937,647	-	(889,004)	19,182,491
Intangible assets	137,489	-	-	-	137,489
Total capital assets, not being depreciated	10,212,436	11,937,647	-	(889,004)	21,261,079
Capital assets, being depreciated:					
Buildings	7,499,076	-	-	-	7,499,076
Intangible assets	7,500	-	-	-	7,500
Machinery and equipment	21,227,085	192,623	(16,828)	-	21,402,880
Infrastructure	89,000,527	-	-	889,004	89,889,531
Total capital assets being depreciated	117,734,187	192,623	(16,828)	889,004	118,798,987
Less accumulated depreciation for:					
Buildings	(4,494,103)	(126,755)	-	-	(4,620,858)
Intangible assets	(2,877)	(1,109)	-	-	(3,987)
Machinery and equipment	(14,001,525)	(816,539)	16,828	-	(14,801,236)
Infrastructure	(39,838,641)	(2,107,811)	-	-	(41,946,452)
Total accumulated depreciation	(58,337,146)	(3,052,214)	16,828	-	(61,372,533)
Total capital assets, being depreciated, net	59,397,041	(2,859,591)	-	889,004	57,426,454
Business-type activities capital assets, net	\$ 69,609,477	\$ 9,078,056	\$ -	\$ -	\$ 78,687,533

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

Business-type activities:	
Water	\$ 1,713,711
Wastewater	1,338,503
Total depreciation expense - business-type activities	\$ 3,052,214

E. Pension obligations

Oregon Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

Benefit Changes After Retirement. After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted through cost-of-living changes (COLA). The COLA is capped at 2.0%.

2. OPSRP Defined Benefit Pension Program (OPSRP DB)

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

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

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

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

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

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

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

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

3. OPSRP Individual Account Program (OPSRP IAP)

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

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

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

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

Employer Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2017. Employer contributions for the year ended June 30, 2021, were \$1,612,330, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2021, were 20.54 percent for Tier One/Tier Two members, 11.41 percent for OPSRP Pension Program General Service Members, and 16.04 percent for OPSRP Pension Program Police Members.

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

Actuarial assumptions. The employer contribution rates effective July 1, 2020 through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of: (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of: (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

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

Long-term expected rate of return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2019, the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>			<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>			
Debt Securities	15.0%	25.0%	20.0%	Core Fixed Income	9.60%	4.07%
Public Equity	27.5%	37.5%	32.5%	Short-Term Bonds	9.60%	3.68%
Real Estate	9.5%	15.5%	12.5%	Bank/Leveraged Loans	3.60%	5.19%
Private Equity	14.0%	21.0%	17.5%	High Yield Bonds	1.20%	5.74%
Alternative Equity	7.5%	17.5%	15.0%	Large/Mid Cap US Equities	16.17%	6.30%
Opportunity Portfolio	0.0%	3.0%	0.0%	Small Cap US Equities	1.34%	6.68%
Risk Parity	0.0%	2.5%	2.5%	Micro Cap US Equities	1.34%	6.79%
Total			<u>100.0%</u>	Developed Foreign Equities	13.48%	6.91%
				Emerging Foreign Equities	4.22%	7.69%
				Non-US Small Cap Equities	1.93%	7.25%
				Private Equities	17.50%	8.33%
				Real Estate (Property)	10.00%	5.55%
				Real Estate (REITS)	2.50%	6.69%
				Hedge Fund of Funds - Diversified	1.50%	4.06%
				Hedge Fund - Event-Driven	0.38%	5.59%
				Timber	1.13%	5.61%
				Farmland	1.13%	6.12%
				Infrastructure	2.25%	6.67%
				Commodities	1.13%	3.79%
				Total	<u>100.00%</u>	
				Assumed Inflation - Mean		2.50%

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

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.

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

- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

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

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

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

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 26,590,553	\$ 17,907,092	\$ 10,625,608

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

Changes in plan provisions subsequent to measurement date. On October 1, 2021, the PERS Board voted to adopt an assumed rate of return of 6.90%, down from the assumed rate of return of 7.20% used as of the Measurement Date. This assumed rate will be effective beginning January 1, 2022. While the decrease is not as high as a full 1% decrease as reflected in the sensitivity table above, the impact of a lower assumption rate will likely increase the pension liability significantly.

F. Other Postemployment Benefits (OPEB)

City County Insurance Services (CIS)

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

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

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

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

Employees covered by benefit terms. At June 30, 2021 the following employees were covered by the benefit terms:

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

OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2021, the government reported an OPEB liability of \$547,192. Total OPEB liability is determined using the entry age normal actuarial cost allocation method. In addition, GASB 75 requires that the allocation of costs for accounting purposes be made as a level percentage of employees' projected pay, including future anticipated pay increases. This measurement is based on the July 1, 2020 valuation date and a June 30, 2020 measurement date.

	Total OPEB Liability
Balance as of June 30, 2020	<u>\$ 616,177</u>
Changes for the year:	
Service cost	34,398
Interest on Total OPEB Liability	21,814
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	31,558
Effect of assumptions changes or inputs	(101,620)
Benefit payments	<u>(55,135)</u>
Balance as of June 30, 2021	<u><u>\$ 547,192</u></u>

For the year ended June 30, 2021, the government's recognized OPEB expense (income) was \$31,543. At June 30, 2021, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	<u>\$ 27,563</u>	<u>\$ 30,368</u>
Changes of assumptions	<u>11,687</u>	<u>142,394</u>
Total (prior to post-MD contributions)	<u>39,250</u>	<u>172,762</u>
Contributions subsequent to the MD	<u>44,656</u>	<u>-</u>
Total	<u><u>\$ 83,906</u></u>	<u><u>\$ 172,762</u></u>

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

\$44,656 reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (24,669)
2023	(24,669)
2024	(24,669)
2025	(24,669)
2026	(19,764)
Thereafter	<u>(15,072)</u>
Total	<u>\$ (133,512)</u>

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

In the July 1, 2020 actuarial valuation, the entry age normal cost method was used. Demographic assumptions regarding retirement, mortality, and turnover are based on Oregon PERS valuation assumptions as of December 31, 2019.

Valuation Date	July 1, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Discount Rate	3.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	40% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	Health retirees and beneficiaries: Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees. Healthcare cost trend rate: Medical and vision: 3.75 percent increasing to 4.00 percent. Dental: -1.25% for 2020, 4.00% per year thereafter

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

Discount rate. Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions reflect the Bond Buyer 20-Year General Obligation Bond Index. The discount rate in effect for the June 30, 2021 reporting date is 2.21 percent. The previous year discount rate was 3.50 percent.

Sensitivity of the government's proportionate share of the total OPEB liability. The following presents the total OPEB liability of the Plan, calculated using the discount rate of 2.21%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 583,182	\$ 547,192	\$ 512,640

Healthcare Cost Trend:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 494,421	\$ 547,192	\$ 608,727

The government's Teamsters-represented employees are provided OPEB through Oregon Teamsters Employers Trust which is administered by William C. Earhart Co., Inc. This is a cost-sharing OPEB plan that meets the requirements of GASB 85, as it is not a state or local governmental OPEB plan, provides benefits to employees of both government and non-government employers, and has no predominant government employer. The financial statements for the plan are not publicly available. As of June 30, 2021, there were 34 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2018 and ending June 30, 2021, the government will provide retirees the opportunity to purchase medical, dental, and vision insurance through the existing group health plan for Teamsters-covered employees, provided this coverage is available through the carrier of record. If Teamster-retired employees choose the retiree insurance, they will pay \$1,555 per month, but the government does not have any obligation to pay for the insurance.

Retirement Health Insurance Account (RHIA)

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

Benefits provided. ORS requires that an amount equal to \$60, or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the

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

premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS, or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2018 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2017. Employer RHIA contributions for the year ended June 30, 2021 were \$2,363. The City’s contribution rates in effect for the period were .06 percent for Tier One/Tier Two members and .00 percent for OPSRP Pension Program Members.

RHIA OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources. At June 30, 2021 the government reported an asset of \$174,065 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. The government’s proportion of the net OPEB asset was based on a projection of the government’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2020, the government’s proportion was .0854 percent, which was a decrease of .0022 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the government’s recognized OPEB expense (income) was (\$26,231). As of June 30, 2021, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,794
Changes of assumptions	-	9,252
Net difference between projected and actual earnings on investments	19,357	-
Changes in proportionate share	3,142	-
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>22,499</u>	<u>27,046</u>
Contributions subsequent to the MD	<u>2,363</u>	<u>-</u>
Total	<u>\$ 24,862</u>	<u>\$ 27,046</u>

\$2,363 reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2022.

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

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

<u>Year ended June 30:</u>	
2022	\$ (15,347)
2023	(2,461)
2024	7,156
2025	6,105
Total	<u>\$ (4,547)</u>

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

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

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Total OPEB Liability	\$ (140,528)	\$ (174,065)	\$ (202,740)

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

OPEB expense (income) for the year ended June 30, 2021 was \$31,543 for CIS and (\$26,231) for RHIA for a total aggregate OPEB expense of \$5,312.

Defined Contribution Plans

Plan Description. The government sponsors three defined contribution plans; a Section 457 Plan, a Section 457 Roth Plan and a Section 401(k) Plan. Variable Annuity Life Insurance Company and Ameritas (formerly The Union Central Life Insurance) are fund providers for the City of Klamath Falls Deferred Compensation Plan which is adopted and amended by the City Council. ICMA-RC is an administrator and fund provider for plans that use their individual company plans. These entities have authority to change their plans per the City of Klamath Falls Deferred Compensation Plan as adopted by the City Council. ICMA-RC is also the administrator and the fund provider for the government's Section 401(k) Plan which uses ICMA-RC's standard plan.

Funding Policy. Under the plans, employees may make elective contributions and the authority to change the contributions remains with the employee. The government does not make any matching contributions to the plans and the plan assets are not included in the financial statements. Employees elected to contribute \$315,640, \$21,983 and \$23,993 to the Section 457, Section 457 Roth and the Section 401(k) plans respectively, in 2021.

G. Construction and other significant commitments

The government has active construction and professional service contracts as of June 30, 2021. General Fund commitments include a Moore Park bicycle course, Ella Redkey Pool Pavilion, Portland Street Quiet Zone, and

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

Campus Drive & Daggett Roundabout. Airport contracts are for Taxiway B1 & D. Wastewater professional contracts are for Washington & Angle Streets sewer main replacements and a Reclaimed Wastewater Feasibility Study. Wastewater construction is Phase One of the treatment plant. The Water professional service contract is for Canby & East Streets water main replacement. At year-end, the government’s contract commitments were as follows:

Project	Cost to date	Commitment
General Fund professional service contracts	\$ 315,943	\$ 128,504
General Fund construction contracts	-	53,965
Airport professional service contracts	189,456	317,833
Airport construction contracts	1,607,572	1,789,682
Wastewater professional services contract	849,281	1,390,304
Wastewater construction contracts	13,535,383	19,301,081
Water professional services contract	19,827	12,083
Total	<u>\$ 16,517,462</u>	<u>\$ 22,993,451</u>

H. Risk management

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

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

	Year Ended June 30, 2021	Year Ended June 30, 2020
Unpaid claims, beginning	\$ -	\$ -
Incurred claims (including IBNRs)	8,873	11,993
Claims paid	8,873	11,993
Unpaid claims, ending	\$ -	\$ -

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

	Year Ended June 30, 2021	Year Ended June 30, 2020
Unpaid claims, beginning	\$ -	\$ -
Incurred claims (including IBNRs)	4,259	3,610
Claims paid	(4,259)	(3,610)
Unpaid claims, ending	\$ -	\$ -

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

I. Lease obligations

1. Operating lease

The government has operating lease agreements for building space, land lease, copier/printer lease, letter opener lease, and one postage machine lease. Lease payments of \$39,370 were made during the year ended June 30, 2021.

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

2022	\$ 37,583
2023	23,539
2024	23,582
2025	23,627
2026	<u>12,644</u>
Total	<u>\$ 120,975</u>

J. Long-Term Liabilities

Compensated Absences

Compensated absences are comprised of vacation leave and compensatory time earned by the government’s employees for services already rendered and paid when taken or upon termination, and a portion of the employee’s balance of unused sick leave that is payable upon termination. Any and all funds directly responsible for the payment of the employee’s services while still in the government’s employment are also responsible for the liquidation of the compensated absence liability upon termination of the employee.

Pledged Revenues

The government does not sell receivables or future revenues. However, the government does pledge revenues to collateralize debt until the debt is fully repaid.

The government issues a variety of debt types for the purposes of carrying out its capital financing activities. The various types of debt are discussed below, and each debt type reports the range of maturities for each of its outstanding debt issues.

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

The government has pledged general non-restricted revenues and other funds that are lawfully available to repay \$4,188,535 in General Obligation Refunding Bonds issued in September of 2017. Proceeds from the bonds provided funds to pay off the government’s 2008 General Obligation Bonds in September 2017. The bonds are to be paid from ad valorem taxes levied on all taxable property within the City boundaries. The taxes imposed are not subject to the limits of Sections 11 and 11b, Article XI of the Oregon Constitution. Principal and interest paid in the current year and taxes received were \$224,933 and \$220,780, respectively.

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

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

The government has pledged general non-restricted revenues and other funds that are lawfully available to repay \$3,995,000 in Full Faith and Credit Obligations issued in September of 2008. Proceeds of the bonds financed a portion of the costs of capital construction and capital improvements of the new City Police station facilities and equipment. The source for the repayment of the bonds are the ad valorem property taxes levied under the government's permanent rate limitations under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the government in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted, or obligated by law or contract to an inconsistent expenditure or use. Interest rates range from 3.5% to 5.0%. The bonds are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of the total non-restricted property taxes collected in any given fiscal year. Principal and interest paid in the current year and total non-restricted property taxes collected were \$295,145 and \$7,680,530 respectively.

Timbermill Shores – Lakefront Urban Renewal

The government has pledged future tax increment revenues to repay \$2,248,564 for reimbursement of infrastructure constructed by Timbermill Shores on the lakefront of Lake Ewauna. There is no interest associated with this liability as it is strictly a reimbursement to the developer. The district will begin making payments once the \$900,000 interfund loan with the Escrow Reserve Fund is paid in full.

Washington Federal – Town Center Urban Renewal

The government has pledged future tax increment revenues to repay a \$1,117,262 loan with Washington Federal as of May 20, 2015. This loan refinanced the outstanding long-term and short-term loans with Washington Federal which were for improvements to the Town Center Urban Renewal District. The loan is termed out over nine annual payments of \$138,912. The loan includes a variable interest of prime minus .800% (currently 3.95%) with a floor of 2.275% based on the lender's Prime Rate (the "Index") which will not change more than daily. Interest rate changes will not occur more often than each sixty months and the last rate change occurred in February 2020. The government uses increment property taxes to pay the loan. For the current year, principal and interest paid and total incremental property tax revenues were \$138,912 and \$197,204, respectively.

Special Public Works Fund (Water Line Service Extension) – Water Fund

The government's Water Fund has pledged future customer revenues, net of specified operating expenses, to repay a \$976,000 Special Public Works Fund (SPWF) loan received in November 2004. The funds were used to install 6,500 feet of 12" pipe, increase 620 feet of 4" pipe to 6" pipe, and connect the Sturdicraft facility to the water system. Payments are due annually at 4.16% interest. The SPWF loan is payable solely from water customer net revenues and is payable through fiscal year 2030. Annual principal and interest payments on the loan are expected to require 2.0% of net revenues. Principal and interest paid in the current year and total customer net revenues were \$64,285 and \$3,603,940, respectively.

Wastewater Revenue Refunding Bonds, Series 2015

The government's Wastewater Fund has pledged future customer revenues, net of specific operating expenses, to repay \$7,171,770 in wastewater revenue refunding bonds issued in August 2015. Proceeds from the bonds provided funds to pay off the government's 2005 wastewater revenue bonds in September 2015. The 2015 refunding bonds are payable solely from wastewater customer net revenues which are payable through Fiscal Year 2025. The interest rate is 2.32%. Annual principal and interest payments on the loan are expected to require 26% of revenue. Principal and interest paid in the current year and total customer net revenues were \$811,265 and 2,947,106, respectively.

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

Oregon Department of Environmental Quality – Wastewater Fund

In May of 2011, and amended July 2018 and June 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$4,550,200 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. An interest only payment of \$400,913 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees will be made for 20 years after the completion date or the estimated completion date, whichever date is earlier. An annual fee of 0.5% of the outstanding loan amount is due during the repayment period commencing with the second payment date and thereafter. The interest rate is 2.12% per annum. There is a loan reserve requirement of \$143,527.

Oregon Department of Environmental Quality – Wastewater Fund

In June of 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$45,449,800 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. An interest only payment of \$1,410,615 will be required within six months after the estimated project completion date, and thereafter, semi-annual payments of principal and interest and fees will be made for 20 years after the completion date or the estimated completion date, whichever date is earlier. An annual fee of 0.5% of the outstanding loan amount is due during the repayment period commencing with the second payment date and thereafter. The interest rate is 1.88% per annum. There is a loan reserve requirement of \$1,335,133.

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

In November of 2020, the government entered into a revenue secured loan with the Oregon Infrastructure Finance Authority of the Business Development Department (OBDD) for \$750,000 for wastewater treatment facility upgrade. The government has pledged wastewater net operating revenues to repay the loan. The interest rate is 1.00% per annum. The government has not drawn down on these funds.

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

Long-term liability activity for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General Obligation Bonds, Series 2017	\$ 3,871,469	\$ -	\$ 114,597	\$ 3,756,872	\$ 124,188
Full Faith and Credit Bonds, Series 2008	2,130,000	-	200,000	1,930,000	205,000
Plus: Bond issuance premium	13,792	-	1,547	12,245	-
Long-term bonded debt obligations	<u>6,015,261</u>	<u>-</u>	<u>316,144</u>	<u>5,699,117</u>	<u>329,188</u>
Direct borrowings:					
Washington Federal	336,824	-	125,624	211,200	130,454
Timbermill Shores	2,248,564	-	-	2,248,564	-
Direct borrowings	<u>2,585,388</u>	<u>-</u>	<u>125,624</u>	<u>2,459,764</u>	<u>130,454</u>
Compensated Absences	1,000,434	1,228,972	1,226,605	1,002,801	501,401
Total OPEB Liability	494,213	-	56,730	437,483	-
Net Pension Liability	12,754,118	1,562,718	-	14,316,836	-
Total other liabilities	<u>14,248,765</u>	<u>2,791,690</u>	<u>1,283,335</u>	<u>15,757,120</u>	<u>501,401</u>
Total governmental activities	<u>\$ 22,849,414</u>	<u>\$ 2,791,690</u>	<u>\$ 1,725,103</u>	<u>\$ 23,916,001</u>	<u>\$ 961,043</u>
Business-type activities:					
Revenue Bonds:					
Wastewater Revenue Refunding Bonds, Series 2015	\$ 3,776,704	\$ -	\$ 723,555	\$ 3,053,149	\$ 736,696
Direct borrowings:					
Clean Water State Revolving Loan	4,550,200	-	-	4,550,200	-
Clean Water State Revolving Loan	-	6,386,312	-	6,386,312	-
Special Public Works Fund	506,304	-	42,098	464,206	42,382
Direct borrowings	<u>5,056,504</u>	<u>6,386,312</u>	<u>42,098</u>	<u>11,400,718</u>	<u>42,382</u>
Compensated Absences	274,042	353,322	398,845	228,519	114,260
Total OPEB Liability	121,964	-	12,255	109,709	-
Net Pension Liability	3,147,525	442,731	-	3,590,256	-
Total other liabilities	<u>3,543,531</u>	<u>796,053</u>	<u>411,100</u>	<u>3,928,484</u>	<u>114,260</u>
Total business-type activities	<u>\$ 12,376,739</u>	<u>\$ 7,182,365</u>	<u>\$ 1,176,753</u>	<u>\$ 18,382,351</u>	<u>\$ 893,338</u>
Total long-term debt obligations					
Bonds	\$ 9,778,173	\$ -	\$ 1,038,152	\$ 8,740,021	\$ 1,065,884
Bond issuance premiums	13,792	-	1,547	12,245	-
Direct borrowings	7,641,892	6,386,312	167,722	13,860,482	172,836
Compensated Absences	1,274,476	1,582,294	1,625,450	1,231,320	615,661
Other Post Employment Benefits	616,177	-	68,985	547,192	-
Net Pension Liability	<u>15,901,643</u>	<u>2,005,449</u>	<u>-</u>	<u>17,907,092</u>	<u>-</u>
Total long-term obligations	<u>\$ 35,226,153</u>	<u>\$ 9,974,055</u>	<u>\$ 2,901,856</u>	<u>\$ 42,298,352</u>	<u>\$ 1,854,381</u>

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

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

Revenue Bonds

The government issues revenue bonds where the government pledges income derived from the acquired or the constructed assets to pay debt service. All amounts outstanding at the end of the current fiscal year are related to bonds issued in prior years.

Revenue bond debt service requirements to maturity are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Wastewater Refunding Bonds, Series 2015				
Principal	\$ 736,696	\$ 754,138	\$ 775,783	\$ 786,532
Interest	<u>70,833</u>	<u>53,742</u>	<u>36,246</u>	<u>18,248</u>
Total Revenue Bonds	<u>\$ 807,529</u>	<u>\$ 807,880</u>	<u>\$ 812,029</u>	<u>\$ 804,780</u>

General Obligation Bonds

General obligation bonds are a voted indebtedness and are the direct obligation of the tax payers. The government issued general obligation bonds to finance capital projects as approved by City Council. General obligation bond debt service requirements to maturity are as follows:

General Obligation Bonds, Series 2017				
Principal	\$ 124,188	\$ 133,527	\$ 147,607	\$ 161,302
Interest	<u>107,071</u>	<u>103,532</u>	<u>99,726</u>	<u>95,519</u>
Total General Obligation Bonds	<u>\$ 231,259</u>	<u>\$ 237,059</u>	<u>\$ 247,333</u>	<u>\$ 256,821</u>

Full Faith and Credit Bonds

Full faith and credit bonds were issued for the government's capital projects as approved by City Council. They are a direct obligation and pledge of the full faith and credit of the government. Full faith and credit bond debt service requirements to maturity are as follows:

Full Faith and Credit Obligations, Series 2008				
Principal	\$ 205,000	\$ 215,000	\$ 225,000	\$ 235,000
Interest	<u>86,145</u>	<u>76,920</u>	<u>67,245</u>	<u>57,345</u>
Total Full Faith and Credit Bonds	<u>\$ 291,145</u>	<u>\$ 291,920</u>	<u>\$ 292,245</u>	<u>\$ 292,345</u>

Other Long-term Liabilities

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

Special Public Works Fund				
Principal	\$ 42,382	\$ 42,687	\$ 48,014	\$ 48,364
Interest	20,503	18,755	16,941	14,840
Timbermill Shores				
Principal	-	-	140,600	115,000
Washington Fed - Town Center Urban Renewal				
Principal	130,454	80,746	-	-
Interest	8,458	3,234	-	-
Clean Water State Revolving Loan				
Principal	-	-	190,647	194,710
Interest	-	400,913	95,459	91,396
Clean Water State Revolving Loan				
Principal	-	-	287,522	291,503
Interest	-	198,884	87,143	83,161
Total other long-term liabilities	<u>\$ 201,797</u>	<u>\$ 745,219</u>	<u>\$ 866,326</u>	<u>\$ 838,974</u>
Total Long-term Liabilities	<u>\$ 1,531,730</u>	<u>\$ 2,082,078</u>	<u>\$ 2,217,933</u>	<u>\$ 2,192,920</u>

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

<u>2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>2037-2041</u>	<u>2042-2046</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,053,149
-	-	-	-	-	179,069
<u>\$ -</u>	<u>\$ 3,232,218</u>				
\$ 174,599	\$ 1,096,884	\$ 1,547,087	\$ 371,678	\$ -	\$ 3,756,872
90,922	371,821	191,017	10,593	-	1,070,201
<u>\$ 265,521</u>	<u>\$ 1,468,705</u>	<u>\$ 1,738,104</u>	<u>\$ 382,271</u>	<u>\$ -</u>	<u>\$ 4,827,073</u>
\$ 245,000	\$ 805,000	\$ -	\$ -	\$ -	\$ 1,930,000
47,005	73,575	-	-	-	408,235
<u>\$ 292,005</u>	<u>\$ 878,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,338,235</u>
\$ 53,730	\$ 229,029	\$ -	\$ -	\$ -	\$ 464,206
12,724	26,312	-	-	-	110,075
115,000	575,000	575,000	575,000	152,964	2,248,564
-	-	-	-	-	211,200
-	-	-	-	-	11,692
198,860	1,059,706	1,177,548	1,308,494	420,235	4,550,200
87,246	370,824	252,982	122,036	8,940	1,429,796
295,540	1,540,234	1,649,871	1,767,313	554,329	6,386,312
79,124	333,089	223,452	106,010	7,667	1,118,530
<u>\$ 842,224</u>	<u>\$ 4,134,194</u>	<u>\$ 3,878,853</u>	<u>\$ 3,878,853</u>	<u>\$ 1,144,135</u>	<u>\$ 16,530,575</u>
<u>\$ 1,399,750</u>	<u>\$ 6,481,474</u>	<u>\$ 5,616,957</u>	<u>\$ 4,261,124</u>	<u>\$ 1,144,135</u>	<u>\$ 26,928,101</u>

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

Debt service requirements on long-term debt at June 30, 2021, are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements		Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 329,188	\$ 193,216	\$ 130,454	\$ 8,458	\$ 736,696	\$ 70,833	\$ 42,382	\$ 20,503
2023	348,527	180,452	80,746	3,234	754,138	53,742	42,687	618,552
2024	372,607	166,971	140,600	-	775,783	36,246	526,183	199,543
2025	396,302	152,864	115,000	-	786,532	18,248	534,577	189,397
2026	419,599	137,927	115,000	-	-	-	548,130	179,094
2027-2031	1,901,884	445,396	575,000	-	-	-	2,828,969	730,225
2032-2036	1,547,087	191,017	575,000	-	-	-	2,827,419	476,434
2037-2041	371,678	10,593	575,000	-	-	-	3,075,807	228,046
2042-2046	-	-	152,964	-	-	-	974,564	16,607
	<u>\$ 5,686,872</u>	<u>\$ 1,478,436</u>	<u>\$ 2,459,764</u>	<u>\$ 11,692</u>	<u>\$ 3,053,149</u>	<u>\$ 179,069</u>	<u>\$ 11,400,718</u>	<u>\$ 2,658,401</u>

The government's outstanding notes from direct borrowings and direct placements related to governmental activities of \$2,459,764 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

The government's outstanding notes from direct borrowings related to business-type activities of \$11,400,718 contain a provision that in an event of default, outstanding amounts become immediately due if the government is unable to make payment.

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 459,642	\$ 201,674	\$ 779,078	\$ 91,336	\$ 1,238,720	\$ 293,010
2023	429,273	183,686	796,825	672,294	1,226,098	855,980
2024	513,207	166,971	1,301,966	235,789	1,815,173	402,760
2025	511,302	152,864	1,321,109	207,645	1,832,411	360,509
2026	534,599	137,927	548,130	179,094	1,082,729	317,021
2027-2031	2,476,884	445,396	2,828,969	730,225	5,305,853	1,175,621
2032-2036	2,122,087	191,017	2,827,419	476,434	4,949,506	667,451
2037-2041	946,678	10,593	3,075,807	228,046	4,022,485	238,639
2042-2046	152,964	-	974,564	16,607	1,127,528	16,607
	<u>\$ 8,146,636</u>	<u>\$ 1,490,128</u>	<u>\$ 14,453,867</u>	<u>\$ 2,837,470</u>	<u>\$ 22,600,503</u>	<u>\$ 4,327,598</u>

The government also has an unused line of credit in the amount of \$39,813,488.

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

K. Fund balance

Fund Balance as of June 30, 2021 is detailed as follows:

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Capital Projects Fund</u>	<u>Escrow Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 50,637	\$ -	\$ -	\$ -	\$ -	\$ 50,637
Restricted for:						
Capital projects	-	53,273	-	-	-	53,273
Civil Seizure	94,353	-	-	-	-	94,353
DOJ Equitable Sharing	-	-	-	-	85,177	85,177
System Development	180,350	-	-	-	-	180,350
Environmental	-	-	5,040,223	-	-	5,040,223
Assigned for:						
Capital projects	-	-	10,194,480	10,240,507	-	20,434,987
Community programs	67,510	-	-	-	-	67,510
Public Access Television	25,000	-	-	-	-	25,000
Debt Service	-	-	-	-	40,065	40,065
Operations	644,355	2,424,275	-	-	531,440	3,600,070
Unassigned:						
Unassigned	15,546,193	-	-	-	(1,445,507)	14,100,686
Total Fund Balances	<u>\$ 16,608,398</u>	<u>\$ 2,477,548</u>	<u>\$ 15,234,703</u>	<u>\$ 10,240,507</u>	<u>\$ (788,825)</u>	<u>\$ 43,772,331</u>

L. Interfund receivables and payables

The composition of interfund balances as of June 30, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$ 408,642
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$ 160,000
Escrow Reserve Fund	Town Center Urban Renewal Fund	\$ 66,752
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 729,000
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 100,000
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 560,000

An interfund capital loan in the amount of \$900,000 from the Escrow Reserve Fund to the Lakefront Urban Renewal Fund was authorized by the government’s council in October 2013. The loan was used to reimburse the developer, Timbermill Shores, for work done on the lakefront of Lake Ewauna. The loan accrues interest at 3.75% and matures in 2023. The loan will be repaid using tax increment financing. Principal of \$90,854 and interest of \$18,731 were paid in the current period.

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

An interfund capital loan in the amount of \$140,000 from the Escrow Reserve Fund to the Town Center Urban Renewal Fund was authorized by the government’s council in April 2017. The loan was used to reimburse costs for Project Milestone 2 of the developer agreement. The loan accrues interest at 4% and matures in 2027. Principal of \$40,221 and interest of \$4,279 were paid in the current period.

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

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

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

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

M. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Interfund transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 238,075
Escrow Reserve Fund	General Fund	\$ 87,825
Escrow Reserve Fund	Wastewater Fund	\$ 434,970
Escrow Reserve Fund	Water Fund	\$ 875
Escrow Reserve Fund	Nonmajor Governmental Funds	\$ 150,000
Water Fund	General Fund	\$ 599,875
Water Fund	Airport Fund	\$ 399,150

In the year ended June 30, 2021, the government made the following transfers:

The General Fund transferred \$8,000 to the Parking District, \$70,075 to the Downtown Maintenance District, \$150,000 to Economic Development and \$10,000 to BINET for operational expenditures.

The Escrow Reserve Fund transferred \$87,825 to the General Fund, \$150,000 to the Economic Development Fund for community development programs, \$434,970 to the Wastewater Fund, and \$875 to the Water Fund.

The Water Fund transferred \$399,150 to the Airport Fund and \$599,875 to the General Fund to support operations and capital improvements for the airport, parks, and streets. Of the funds provided to the Airport Fund by the City, the City designates \$3,128/yr. of the total funds provided for the 6,950 square foot portion of Brett Way allocated to the Brett Way Extension access to the Airport.

NOTE IV – CONTINGENCIES

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

NOTE V – ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 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.

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City of Klamath Falls, Oregon

Required Supplementary Information



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CITY OF KLAMATH FALLS, OREGON
MAJOR GOVERNMENTAL FUNDS

The General Fund is the chief operating fund of the City and accounts for all financial resources except those required to be accounted for in another fund.

The Airport Fund is a special revenue fund that accounts for the operations of the Crater Lake Klamath Regional Airport. Revenues consist of property taxes, rental revenue, landing fees, FAA grants and other intergovernmental revenues. Expenditures are assigned for maintenance, repairs and capital improvements to the City's Airport facilities.

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City of Klamath Falls, Oregon
 General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 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
	Biennium Budgeted Amounts					
	Original	Final				
REVENUES						
Taxes	\$ 14,513,675	\$ 14,513,675	\$ 7,666,210	\$ 8,152,605	\$ 15,818,815	\$ 1,305,140
Special assessments	-	-	16,926	5,539	22,465	22,465
Intergovernmental	12,003,725	12,487,850	2,871,112	3,084,393	5,955,505	(6,532,345)
Licenses, fees and permits	329,600	329,600	279,208	202,690	481,898	152,298
Franchise fees	5,860,225	5,860,225	2,772,079	2,850,134	5,622,213	(238,012)
Charges for services	902,050	902,050	421,172	407,754	828,926	(73,124)
Internal charges for services	5,637,750	5,694,025	2,698,883	2,880,240	5,579,123	(114,902)
Fines and forfeits	634,950	634,950	269,074	321,460	590,534	(44,416)
Investment income	485,550	485,550	718,949	152,257	871,206	385,656
Miscellaneous revenue	783,575	783,575	185,087	554,352	739,439	(44,136)
Total revenues	<u>41,151,100</u>	<u>41,691,500</u>	<u>17,898,700</u>	<u>18,611,424</u>	<u>36,510,124</u>	<u>(5,181,376)</u>
EXPENDITURES						
Municipal Court	467,625	477,625	209,441	234,439	443,880	33,745
City Manager	1,551,925	1,559,225	668,199	687,578	1,355,777	203,448
Finance	1,658,050	1,718,050	795,642	851,153	1,646,795	71,255
Human Resources	978,075	846,350	340,715	375,169	715,884	130,466
Information Technology	1,439,725	1,571,450	632,995	794,380	1,427,375	144,075
Public Works Administration	924,225	924,225	431,216	439,523	870,739	53,486
Development Services	2,432,225	2,432,225	1,035,303	1,092,205	2,127,508	304,717
Police	13,896,125	14,100,950	6,612,065	6,381,824	12,993,889	1,107,061
Legislative	496,675	543,950	213,542	241,091	454,633	89,317
Maintenance	2,135,625	2,135,625	953,136	1,024,799	1,977,935	157,690
Facilities Maintenance	480,600	480,600	185,256	123,155	308,411	172,189
Parks and Recreation	3,415,250	3,430,050	1,371,987	1,609,449	2,981,436	448,614
Parks Ella Redkey Pool	1,118,025	1,149,775	437,160	536,447	973,607	176,168
Street Maintenance	12,039,525	12,127,025	2,635,355	2,037,438	4,672,793	7,454,232
Street Vehicle Maintenance	551,550	551,550	237,110	263,027	500,137	51,413
Street Lighting	406,725	406,725	207,723	182,800	390,523	16,202
Debt Service	588,400	588,400	293,245	295,145	588,390	10
Total expenditures	<u>44,580,350</u>	<u>45,043,800</u>	<u>17,260,090</u>	<u>17,169,622</u>	<u>34,429,712</u>	<u>10,614,088</u>
Excess (deficiency) of revenues over expenditures	(3,429,250)	(3,352,300)	638,610	1,441,802	2,080,412	5,432,712
OTHER FINANCING SOURCES (USES)						
Transfers out	(568,000)	(598,650)	(360,575)	(238,075)	(598,650)	-
Transfers in	1,242,625	1,265,725	578,025	687,700	1,265,725	-
Proceeds from sale of capital assets	-	-	86,154	17,380	103,534	103,534
Insurance recoveries	-	4,300	11,225	3,258	14,483	10,183
Total other financing sources (uses)	<u>674,625</u>	<u>671,375</u>	<u>314,829</u>	<u>470,263</u>	<u>785,092</u>	<u>113,717</u>
Net change in fund balance	(2,754,625)	(2,680,925)	953,439	1,912,065	2,865,504	5,546,429
Fund balance - beginning	12,487,900	13,742,900	13,742,894	14,696,333	13,742,894	(6)
Fund balance - ending	<u>\$ 9,733,275</u>	<u>\$ 11,061,975</u>	<u>\$ 14,696,333</u>	<u>\$ 16,608,398</u>	<u>\$ 16,608,398</u>	<u>\$ 5,546,423</u>

City of Klamath Falls, Oregon
 Airport Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 2021

Schedule A-2

	BN 2019-2021		First Year Actual FY 2019-20	Second Year Actual FY 2020-21	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
REVENUES						
Taxes	\$ 560,375	\$ 560,375	\$ 330,956	\$ 280,559	\$ 611,515	\$ 51,140
Intergovernmental	11,028,250	11,101,850	5,795,964	3,878,258	9,674,222	(1,427,628)
Charges for services	1,014,700	1,014,700	542,697	522,511	1,065,208	50,508
Investment income	22,775	22,775	34,846	12,875	47,721	24,946
Miscellaneous revenue	-	-	3,363	1,726	5,089	5,089
Total revenues	<u>12,626,100</u>	<u>12,699,700</u>	<u>6,707,826</u>	<u>4,695,929</u>	<u>11,403,755</u>	<u>(1,295,945)</u>
EXPENDITURES						
Airport operations	3,012,500	3,012,500	1,352,546	1,321,402	2,673,948	338,552
FAA grants	<u>10,391,675</u>	<u>10,391,675</u>	<u>6,767,721</u>	<u>2,102,818</u>	<u>8,870,539</u>	<u>1,521,136</u>
Total expenditures	<u>13,404,175</u>	<u>13,404,175</u>	<u>8,120,267</u>	<u>3,424,220</u>	<u>11,544,487</u>	<u>1,859,688</u>
Excess (deficiency) of revenues over expenditures	(778,075)	(704,475)	(1,412,441)	1,271,709	(140,732)	563,743
OTHER FINANCING SOURCES (USES)						
Transfers in	1,023,200	1,031,925	382,775	399,150	781,925	(250,000)
Proceeds from sale of capital assets	-	-	-	11,500	11,500	11,500
Total other financing sources (uses)	<u>1,023,200</u>	<u>1,031,925</u>	<u>382,775</u>	<u>410,650</u>	<u>793,425</u>	<u>(238,500)</u>
Net change in fund balance	245,125	327,450	(1,029,666)	1,682,359	652,693	325,243
Fund balance - beginning	<u>1,840,750</u>	<u>1,824,850</u>	<u>1,824,855</u>	<u>795,189</u>	<u>1,824,855</u>	<u>5</u>
Fund balance - ending	<u>\$ 2,085,875</u>	<u>\$ 2,152,300</u>	<u>\$ 795,189</u>	<u>\$ 2,477,548</u>	<u>\$ 2,477,548</u>	<u>\$ 325,248</u>

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

Schedule A-3

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

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

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

Schedule A-4

Measurement Date June 30,	Proportion of the net OPEB liability (asset) (a)	Proportionate share of the net OPEB liability (asset) (b)	Covered payroll (c)	Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.08542616%	\$ (174,065)	\$ 10,261,348	-1.70%	150.10%
2019	0.08760296%	(169,281)	10,020,468	-1.69%	144.40%
2018	0.09072752%	(101,277)	9,905,073	-1.02%	124.00%
2017	0.09196963%	(38,383)	9,507,830	-0.40%	108.90%

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

NOTES TO SCHEDULE

Changes of Assumptions:

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 and June 30, 2019 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.50 to 7.20 percent. In addition, healthy retiree participation and healthy mortality assumptions were changes to reflect an updated trends and mortality improvement scale for all groups.

City of Klamath Falls, Oregon
Schedule of Contributions - RHIA
Last Five Fiscal Years¹

Schedule A-5

Year Ended June 30,	Contractually determined contribution (a)	Contributions in relation to the actuarially required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2021	\$ 2,363	\$ 2,363	\$ -	\$ 10,465,729	0.02%
2020	6,100	6,100	-	10,261,348	0.06%
2019	43,418	43,418	-	10,020,468	0.43%
2018	43,931	43,931	-	9,905,073	0.44%
2017	45,788	45,788	-	9,507,830	0.48%

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	FairValue	FairValue	FairValue
Remaining amortization periods:	20 years	20 years	20 years
Actuarial assumptions			
Inflation rate	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	7.20 percent	7.50 percent	7.75 percent

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

Schedule A-6

Year Ended June 30,	Actuarially determined contribution (a)	Contributions in relation to the actuarially required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2021	\$ 44,656	\$ 44,656	\$ -	\$ 10,465,729	0.43%
2020	55,135	55,135	-	10,261,348	0.54%
2019	72,198	72,198	-	10,020,468	0.72%
2018	66,022	66,022	-	9,905,073	0.67%
2017	60,244	60,244	-	9,507,830	0.63%

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	July 1, 2020	July 1, 2018
Effective:	June 30, 2020 and 2021	June 30, 2018 and 2019
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	7.9 years	6.8 years
Asset valuation method:	Fair value	Fair value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50 percent	2.50 percent
Projected salary increases	3.50 percent	3.50 percent

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

Schedule A-7

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2020	0.08205440%	\$ 17,907,092	\$ 10,261,348	174.51%	75.80%
2019	0.09192974%	15,901,643	10,020,468	158.69%	80.20%
2018	0.08956258%	13,567,551	9,905,073	136.98%	82.10%
2017	0.08938908%	12,049,683	9,507,830	126.73%	83.12%
2016	0.09248144%	13,883,611	9,314,418	149.06%	80.53%
2015	0.09065128%	5,204,708	9,389,238	55.43%	91.90%
2014	0.07740436%	(1,754,536)	9,063,997	-19.36%	103.60%
2013	0.09065128%	673,613	8,897,471	7.57%	91.97%

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

NOTES TO SCHEDULE

Changes in Benefit Terms:

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

Changes of Assumptions:

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

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

Schedule A-8

Year Ended June 30,	Statutorily required contribution (a)	Contributions in relation to the statutorily required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2021	\$ 1,612,330	\$ 1,612,330	\$ -	\$ 10,465,729	15.41%
2020	1,509,744	1,509,744	-	10,261,348	14.71%
2019	1,066,031	1,066,031	-	10,020,468	10.64%
2018	1,080,324	1,080,324	-	9,905,073	10.91%
2017	762,604	762,604	-	9,507,830	8.02%
2016	756,647	756,647	-	9,314,418	8.12%
2015	733,439	733,439	-	9,389,238	7.81%
2014	764,158	764,158	-	9,063,997	8.43%

The amounts presented for each fiscal year were actuarially determined at July 1 and rolled forward to the measurement date.

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

NOTES TO SCHEDULE

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Asset valuation method:	Fair Value	Fair Value	Fair Value
Remaining amortization periods:	20 years	20 years	20 years
Actuarial assumptions			
Inflation rate	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	7.20 percent	7.50 percent	7.75 percent

City of Klamath Falls, Oregon
Notes to Required Supplementary Information
June 30, 2021

Stewardship, Compliance, and Accountability

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

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City had supplemental budgets during the year-ended June 30, 2021. Appropriations lapse as of year-end.

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City of Klamath Falls, Oregon

Other Supplementary Information



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NONMAJOR
GOVERNMENTAL
FUNDS COMBINING
STATEMENTS

City of Klamath Falls, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

Schedule B-1

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 585,567	\$ 34,897	\$ 620,464
Accounts receivable	9,941	-	9,941
Taxes receivable	27,491	18,518	46,009
Interest receivable	403	368	771
Restricted assets			
Cash and cash equivalents	657,216	-	657,216
Total Assets	\$ 1,280,618	\$ 53,783	\$ 1,334,401
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 38,706	\$ -	\$ 38,706
Unearned revenue	23,643	-	23,643
Advances from other funds	2,024,394	-	2,024,394
Total Liabilities	2,086,743	-	2,086,743
Deferred inflows of resources:			
Unavailable revenue - property taxes	21,046	13,718	34,764
Unavailable revenue - municipal court fines	1,719	-	1,719
Total Deferred Inflows of Resources	22,765	13,718	36,483
Total Liabilities and Deferred Inflows of Resources	2,109,508	13,718	2,123,226
Fund Balances:			
Restricted	85,177	-	85,177
Assigned	531,440	40,065	571,505
Unassigned	(1,445,507)	-	(1,445,507)
Total Fund Balances	(828,890)	40,065	(788,825)
Total Liabilities and Fund Balances	\$ 1,280,618	\$ 53,783	\$ 1,334,401

City of Klamath Falls, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

Schedule B-2

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 346,555	\$ 220,780	\$ 567,335
Intergovernmental	158,309	-	158,309
Licenses, fees and permits	52,643	-	52,643
Charges for services	100,531	-	100,531
Fines and forfeits	54,634	-	54,634
Investment income	7,317	2,165	9,482
Miscellaneous revenues	529	-	529
	<u>720,518</u>	<u>222,945</u>	<u>943,463</u>
EXPENDITURES			
Current:			
General government	893,529	-	893,529
Public safety	9,211	-	9,211
Highways and streets	73,447	-	73,447
Debt service:			
Principal	125,624	114,596	240,220
Interest	56,523	110,337	166,860
	<u>1,158,334</u>	<u>224,933</u>	<u>1,383,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(437,816)</u>	<u>(1,988)</u>	<u>(439,804)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>388,075</u>	<u>-</u>	<u>388,075</u>
Net Change in Fund Balances	(49,741)	(1,988)	(51,729)
Fund Balances - Beginning	<u>(779,149)</u>	<u>42,053</u>	<u>(737,096)</u>
Fund Balances - Ending	<u>\$ (828,890)</u>	<u>\$ 40,065</u>	<u>\$ (788,825)</u>

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CITY OF KLAMATH FALLS, OREGON
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

City of Klamath Falls, Oregon
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

Schedule C-1

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables			
Accounts	-	-	-
Taxes	8,575	13,912	5,004
Interest	117	263	23
Restricted assets			
Cash and cash equivalents	6,432	17,607	548,000
Total Assets	\$ 15,124	\$ 31,782	\$ 553,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	-
Advances from other funds	568,642	66,752	1,389,000
Total Liabilities	568,642	66,752	1,389,000
Deferred inflows of resources:			
Unavailable revenue - property taxes	6,533	10,062	4,451
Unavailable revenue - municipal court fines	-	-	-
Total Deferred Inflows of Resources	6,533	10,062	4,451
Total Liabilities and Deferred Inflows of Resources	575,175	76,814	1,393,451
Fund Balance:			
Restricted	-	-	-
Assigned	-	-	-
Unassigned	(560,051)	(45,032)	(840,424)
Total Fund Balance	(560,051)	(45,032)	(840,424)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 15,124	\$ 31,782	\$ 553,027

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Schedule C-1 *continued*

Parking Fund	Downtown Maintenance District Fund	Economic Development/ Property Fund	BINET Fund	Total
\$ 152,152	\$ 49,794	\$ 383,621	\$ -	\$ 585,567
5,884	4,057	-	-	9,941
-	-	-	-	27,491
-	-	-	-	403
-	-	-	85,177	657,216
<u>\$ 158,036</u>	<u>\$ 53,851</u>	<u>\$ 383,621</u>	<u>\$ 85,177</u>	<u>\$ 1,280,618</u>
\$ 18,545	\$ 15,866	\$ 4,295	\$ -	\$ 38,706
23,257	386	-	-	23,643
-	-	-	-	2,024,394
41,802	16,252	4,295	-	2,086,743
-	-	-	-	21,046
1,719	-	-	-	1,719
1,719	-	-	-	22,765
43,521	16,252	4,295	-	2,109,508
-	-	-	85,177	85,177
114,515	37,599	379,326	-	531,440
-	-	-	-	(1,445,507)
114,515	37,599	379,326	85,177	(828,890)
<u>\$ 158,036</u>	<u>\$ 53,851</u>	<u>\$ 383,621</u>	<u>\$ 85,177</u>	<u>\$ 1,280,618</u>

City of Klamath Falls, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021

Schedule C-2

	<u>Lakefront Urban Renewal Fund</u>	<u>Town Center Urban Renewal Fund</u>	<u>Spring Street Urban Renewal Fund</u>
Revenues			
Taxes	\$ 114,805	\$ 197,204	\$ 34,546
Intergovernmental	-	-	-
Licenses, fees and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income	848	1,348	1,604
Miscellaneous revenues	-	-	-
	<u>115,653</u>	<u>198,552</u>	<u>36,150</u>
Expenditures			
Current:			
General government	160,000	-	147,578
Public safety	-	-	-
Highways and streets	-	-	-
Debt service:			
Principal	-	125,624	-
Interest	18,731	17,567	20,225
	<u>178,731</u>	<u>143,191</u>	<u>167,803</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(63,078)</u>	<u>55,361</u>	<u>(131,653)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Net Change in Fund Balance	(63,078)	55,361	(131,653)
Fund Balance - Beginning	<u>(496,973)</u>	<u>(100,393)</u>	<u>(708,771)</u>
Fund Balance - Ending	<u><u>\$ (560,051)</u></u>	<u><u>\$ (45,032)</u></u>	<u><u>\$ (840,424)</u></u>

Continued on next page

Schedule C-2 *continued*

<u>Parking Fund</u>	<u>Downtown Maintenance District Fund</u>	<u>Economic Development/ Property Fund</u>	<u>BINET Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 346,555
-	5,715	151,433	1,161	158,309
52,643	-	-	-	52,643
200	87,884	12,447	-	100,531
54,634	-	-	-	54,634
905	200	2,390	22	7,317
199	-	-	330	529
<u>108,581</u>	<u>93,799</u>	<u>166,270</u>	<u>1,513</u>	<u>720,518</u>
-	143,177	442,774	-	893,529
-	-	-	9,211	9,211
73,447	-	-	-	73,447
-	-	-	-	125,624
-	-	-	-	56,523
<u>73,447</u>	<u>143,177</u>	<u>442,774</u>	<u>9,211</u>	<u>1,158,334</u>
<u>35,134</u>	<u>(49,378)</u>	<u>(276,504)</u>	<u>(7,698)</u>	<u>(437,816)</u>
<u>8,000</u>	<u>70,075</u>	<u>300,000</u>	<u>10,000</u>	<u>388,075</u>
43,134	20,697	23,496	2,302	(49,741)
<u>71,381</u>	<u>16,902</u>	<u>355,830</u>	<u>82,875</u>	<u>(779,149)</u>
<u>\$ 114,515</u>	<u>\$ 37,599</u>	<u>\$ 379,326</u>	<u>\$ 85,177</u>	<u>\$ (828,890)</u>

City of Klamath Falls, Oregon
Lakefront Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule C-3

	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	\$ 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>
Reconciliation: Interfund loan				<u>(568,642)</u>		
Fund balance - ending (GAAP)				<u><u>\$ (560,051)</u></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 C-4

	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						
Town Center Urban Renewal	-	25	-	-	-	25
Debt service	494,600	486,325	302,825	183,412	486,237	88
Net change in fund balance	(117,650)	(109,400)	(102,822)	15,140	(87,682)	21,718
Fund balance - beginning	117,650	109,400	109,402	6,580	109,402	2
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,580</u>	21,720	<u>\$ 21,720</u>	<u>\$ 21,720</u>
Reconciliation: Interfund loan				(66,752)		
Fund balance - ending (GAAP)				<u>\$ (45,032)</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 C-5

	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	\$ 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	<u>63,725</u>	<u>51,625</u>	<u>12,150</u>	<u>28,825</u>	<u>40,975</u>	<u>10,650</u>
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>
Reconciliation: Interfund loan				<u>(1,389,000)</u>		
Fund balance - ending (GAAP)				<u>\$ (840,424)</u>		

City of Klamath Falls, Oregon
 Parking Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 2021

Schedule C-6

	BN 2019-2021		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted					
	Original	Final	FY 2019-20	FY 2020-21		
REVENUES						
Licenses, fees and permits	\$ 86,025	\$ 86,025	\$ 47,039	\$ 52,643	\$ 99,682	\$ 13,657
Charges for services	-	-	-	200	200	200
Fines and forfeits	92,125	92,125	35,877	54,634	90,511	(1,614)
Investment income	2,300	2,300	1,703	905	2,608	308
Miscellaneous revenue	-	-	373	199	572	572
Total revenues	<u>180,450</u>	<u>180,450</u>	<u>84,992</u>	<u>108,581</u>	<u>193,573</u>	<u>13,123</u>
EXPENDITURES						
Parking	<u>243,000</u>	<u>243,000</u>	<u>71,905</u>	<u>73,447</u>	<u>145,352</u>	<u>97,648</u>
Excess (deficiency) of revenues over expenditures	(62,550)	(62,550)	13,087	35,134	48,221	110,771
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>43,000</u>	<u>43,000</u>	<u>35,000</u>	<u>8,000</u>	<u>43,000</u>	<u>-</u>
Net change in fund balance	(19,550)	(19,550)	48,087	43,134	91,221	110,771
Fund balance - beginning	<u>29,300</u>	<u>23,300</u>	<u>23,294</u>	<u>71,381</u>	<u>23,294</u>	<u>(6)</u>
Fund balance - ending	<u>\$ 9,750</u>	<u>\$ 3,750</u>	<u>\$ 71,381</u>	<u>\$ 114,515</u>	<u>\$ 114,515</u>	<u>\$ 110,765</u>

City of Klamath Falls, Oregon
Downtown Maintenance District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule C-7

	BN 2019-2021		First Year	Second Year	Total Actual	Variance with
	Biennium Budgeted					
	Original	Final	FY 2019-20	FY 2020-21	period	
REVENUES						
Intergovernmental	\$ -	\$ 6,275	\$ 550	\$ 5,715	\$ 6,265	\$ (10)
Charges for services	186,550	180,425	88,403	87,884	176,287	(4,138)
Investment income	2,300	2,300	1,009	200	1,209	(1,091)
Total revenues	<u>188,850</u>	<u>189,000</u>	<u>89,962</u>	<u>93,799</u>	<u>183,761</u>	<u>(5,239)</u>
EXPENDITURES						
Downtown Maintenance District	<u>291,025</u>	<u>308,375</u>	<u>142,730</u>	<u>143,177</u>	<u>285,907</u>	<u>22,468</u>
Excess (deficiency) of revenues over expenditures	(102,175)	(119,375)	(52,768)	(49,378)	(102,146)	17,229
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>85,000</u>	<u>115,650</u>	<u>45,575</u>	<u>70,075</u>	<u>115,650</u>	<u>-</u>
Net change in fund balance	(17,175)	(3,725)	(7,193)	20,697	13,504	17,229
Fund balance - beginning	18,100	24,100	24,095	16,902	24,095	(5)
Fund balance - ending	<u>\$ 925</u>	<u>\$ 20,375</u>	<u>\$ 16,902</u>	<u>\$ 37,599</u>	<u>\$ 37,599</u>	<u>\$ 17,224</u>

City of Klamath Falls, Oregon
Economic Development/Property Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule C-8

	BN 2019-2021		First Year	Second Year	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts		Actual	Actual		
	Original	Final	FY 2019-20	FY 2020-21		
REVENUES						
Intergovernmental	\$ 50,000	\$ 265,175	\$ 109,264	\$ 151,433	\$ 260,697	\$ (4,478)
Charges for services	24,350	24,350	12,206	12,447	24,653	303
Investment income	6,000	6,000	9,407	2,390	11,797	5,797
Total revenues	<u>80,350</u>	<u>295,525</u>	<u>130,877</u>	<u>166,270</u>	<u>297,147</u>	<u>1,622</u>
EXPENDITURES						
Economic development/property	<u>860,800</u>	<u>1,213,975</u>	<u>416,671</u>	<u>442,774</u>	<u>859,445</u>	<u>354,530</u>
Excess (deficiency) of revenues over expenditures	(780,450)	(918,450)	(285,794)	(276,504)	(562,298)	356,152
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>595,000</u>	<u>681,000</u>	<u>321,000</u>	<u>300,000</u>	<u>621,000</u>	<u>(60,000)</u>
Net change in fund balance	(185,450)	(237,450)	35,206	23,496	58,702	296,152
Fund balance - beginning	<u>219,125</u>	<u>320,625</u>	<u>320,624</u>	<u>355,830</u>	<u>320,624</u>	<u>(1)</u>
Fund balance - ending	<u>\$ 33,675</u>	<u>\$ 83,175</u>	<u>\$ 355,830</u>	<u>\$ 379,326</u>	<u>\$ 379,326</u>	<u>\$ 296,151</u>

City of Klamath Falls, Oregon
BINET Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule C-9

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Second Year Actual FY 2020-21	Total Actual for budget period	Variance with Final Budget
	Original	Final				
REVENUES						
Intergovernmental	\$ 6,000	\$ 6,000	\$ 13,554	\$ 1,161	\$ 14,715	\$ 8,715
Investment Income	-	-	-	22	22	-
Miscellaneous revenue	-	-	-	330	330	-
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>13,554</u>	<u>1,513</u>	<u>15,067</u>	<u>8,715</u>
EXPENDITURES						
BINET	<u>36,000</u>	<u>36,000</u>	<u>11,582</u>	<u>9,211</u>	<u>20,793</u>	<u>15,207</u>
Excess (deficiency) of revenues over expenditures	(30,000)	(30,000)	1,972	(7,698)	(5,726)	23,922
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	(10,000)	(10,000)	11,972	2,302	14,274	23,922
Fund balance - beginning	71,425	70,900	70,903	82,875	70,903	3
Fund balance - ending	<u>\$ 61,425</u>	<u>\$ 60,900</u>	<u>\$ 82,875</u>	<u>\$ 85,177</u>	<u>\$ 85,177</u>	<u>\$ 23,925</u>

CITY OF KLAMATH FALLS, OREGON
CAPITAL PROJECTS FUNDS

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

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

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

City of Klamath Falls, Oregon
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 2021

Schedule D-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
	Biennium Budgeted Amounts					
	Original	Final				
REVENUES						
Charges for services	\$ 108,000	\$ 108,000	\$ 54,000	\$ 54,000	\$ 108,000	\$ -
Investment income	32,000	32,000	53,989	32,386	86,375	54,375
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>107,989</u>	<u>86,386</u>	<u>194,375</u>	<u>54,375</u>
Excess (deficiency) of revenues over expenditures	140,000	140,000	107,989	86,386	194,375	54,375
OTHER FINANCING SOURCES (USES)						
Transfers out	(4,000,000)	(4,000,000)	-	-	-	4,000,000
Total other financing source (uses)	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
Net change in fund balance	(3,860,000)	(3,860,000)	107,989	86,386	194,375	4,054,375
Fund balance - beginning	15,036,075	15,040,325	15,040,328	15,148,317	15,040,328	3
Fund balance - ending	<u>\$ 11,176,075</u>	<u>\$ 11,180,325</u>	<u>\$ 15,148,317</u>	<u>\$ 15,234,703</u>	<u>\$ 15,234,703</u>	<u>\$ 4,054,378</u>

City of Klamath Falls, Oregon
Escrow Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule D-2

	BN 2019-2021 Biennium Budgeted Amounts		First Year Actual FY 2019-20	Second Year Actual FY 2020-21	Total Actual for budget period	Variance with Final Budget
	Original	Final				
REVENUES						
Charges for services	\$ 1,154,625	\$ 1,154,625	\$ 584,565	\$ 592,431	\$ 1,176,996	\$ 22,371
Investment income	134,250	134,250	282,687	81,940	364,627	230,377
Total revenues	<u>1,288,875</u>	<u>1,288,875</u>	<u>867,252</u>	<u>674,371</u>	<u>1,541,623</u>	<u>252,748</u>
EXPENDITURES						
Escrow reserve	-	1,000	384	337	721	279
Total expenditures	<u>-</u>	<u>1,000</u>	<u>384</u>	<u>337</u>	<u>721</u>	<u>616</u>
Excess (deficiency) of revenues over expenditures	1,288,875	1,287,875	866,868	674,034	1,540,902	252,132
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,335,250)	(1,186,075)	(442,186)	(673,670)	(1,115,856)	70,219
Interfund loan	(700,000)	(1,639,000)	(729,000)	(820,000)	(1,549,000)	90,000
Interfund loan repayment	244,550	232,450	71,553	139,675	211,228	(21,222)
Total other financing sources (uses)	<u>(1,790,700)</u>	<u>(2,592,625)</u>	<u>(1,099,633)</u>	<u>(1,353,995)</u>	<u>(2,453,628)</u>	<u>138,997</u>
Net change in fund balance	(501,825)	(1,304,750)	(232,765)	(679,961)	(912,726)	391,129
Fund balance - beginning	9,068,475	9,128,850	9,128,839	8,896,074	9,128,839	(11)
Fund balance - ending	<u>\$ 8,566,650</u>	<u>\$ 7,824,100</u>	<u>\$ 8,896,074</u>	<u>8,216,113</u>	<u>\$ 8,216,113</u>	<u>\$ 391,118</u>
Reconciliation: Interfund loan				2,024,394		
Fund balance - ending (GAAP)				<u>\$ 10,240,507</u>		

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CITY OF KLAMATH FALLS, OREGON
NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

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

City of Klamath Falls, Oregon
 Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 For the Year Ended June 30, 2021

Schedule E-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
	Biennium Original	Budgeted Final				
REVENUES						
Taxes	\$ 435,525	\$ 435,525	\$ 222,008	\$ 220,780	\$ 442,788	\$ 7,263
Investment income	5,625	5,625	3,328	2,165	5,493	(132)
Total revenues	<u>441,150</u>	<u>441,150</u>	<u>225,336</u>	<u>222,945</u>	<u>448,281</u>	<u>7,131</u>
EXPENDITURES						
Debt service	<u>437,775</u>	<u>437,775</u>	<u>212,821</u>	<u>224,933</u>	<u>437,754</u>	<u>21</u>
Net change in fund balance	3,375	3,375	12,515	(1,988)	10,527	232,085
Fund balance - beginning	125	29,550	29,538	42,053	29,538	(12)
Fund balance - ending	<u>\$ 3,500</u>	<u>\$ 32,925</u>	<u>\$ 42,053</u>	<u>\$ 40,065</u>	<u>\$ 40,065</u>	<u>\$ 232,073</u>

CITY OF KLAMATH FALLS, OREGON
PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used for activities which are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City of Klamath Falls Enterprise Funds consist of the following:

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

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

City of Klamath Falls, Oregon
Wastewater Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule F-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
	Biennium Budgeted Amounts					
	Original	Final				
REVENUES						
Intergovernmental	\$ -	\$ 20,325	\$ 2,202	\$ 5,381	\$ 7,583	\$ (12,742)
Charges for services	14,456,825	14,456,825	7,105,977	7,615,563	14,721,540	264,715
Investment income	429,975	429,975	516,405	85,239	601,644	171,669
System development charges	250,000	250,000	606,346	538,669	1,145,015	895,015
Miscellaneous revenue	-	-	7,241	11,365	18,606	18,606
Total revenues	<u>15,136,800</u>	<u>15,157,125</u>	<u>8,238,171</u>	<u>8,256,217</u>	<u>16,494,388</u>	<u>1,337,263</u>
EXPENDITURES						
Collections	7,646,950	8,212,475	2,723,557	3,346,925	6,070,482	2,141,993
Treatment	48,957,850	48,957,850	3,362,115	12,334,983	15,697,098	33,260,752
Debt service	4,339,600	4,339,600	806,714	811,265	1,617,979	2,721,621
Total expenditures	<u>60,944,400</u>	<u>61,509,925</u>	<u>6,892,386</u>	<u>16,493,173</u>	<u>23,385,559</u>	<u>38,124,366</u>
Excess (deficiency) of revenues over expenditures	(45,807,600)	(46,352,800)	1,345,785	(8,236,956)	(6,891,171)	39,461,629
OTHER FINANCING SOURCES (USES)						
Transfers in	4,835,250	4,836,375	391,186	434,970	826,156	(4,010,219)
Loan Proceeds	38,000,000	38,000,000	919,857	6,386,312	7,306,169	(30,693,831)
Total other financing sources (uses)	<u>42,835,250</u>	<u>42,836,375</u>	<u>1,311,043</u>	<u>6,821,282</u>	<u>8,132,325</u>	<u>(34,704,050)</u>
Net change in fund balance	(2,972,350)	(3,516,425)	2,656,828	(1,415,674)	1,241,154	4,757,579
Fund balance - beginning	10,482,050	10,289,425	10,289,423	12,946,251	10,289,423	(2)
Fund balance - ending	<u>\$ 7,509,700</u>	<u>\$ 6,773,000</u>	<u>\$ 12,946,251</u>	11,530,577	<u>\$ 11,530,577</u>	<u>\$ 4,757,577</u>
Reconciliation						
Prepaid items				22,341		
Notes & Accounts Receivable				38,189		
Capital assets, net of accumulated depreciation				42,450,609		
Net OPEB asset/(liability)				(25,352)		
OPEB deferred inflows of resources				(13,576)		
OPEB deferred outflows of resources				7,390		
Compensated absences				(89,981)		
Bond refunding deferred charge				78,610		
Accrued interest payable				(251,175)		
Bonds payable				(3,053,149)		
Loan payable				(10,936,512)		
Deferred outflows of resources - pensions				384,101		
Deferred inflows of resources - pensions				(137,136)		
Net pension liability				(1,216,689)		
Net position - ending (GAAP)				<u>\$ 38,788,247</u>		

City of Klamath Falls, Oregon
Water Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

Schedule F-2

	BN 2019-2021		First Year	Second Year	Total Actual	Variance with Final Budget
	Biennium Budgeted Amounts		Actual	Actual	for budget	
	Original	Final	FY 2019-20	FY 2020-21	period	
REVENUES						
Intergovernmental	\$ -	\$ 15,200	\$ 3,363	\$ 1,891	\$ 5,254	\$ (9,946)
Charges for services	15,931,575	15,931,575	8,092,124	9,185,337	17,277,461	1,345,886
Investment income	465,550	465,550	558,438	72,922	631,360	165,810
Internal service charges	805,675	805,675	395,875	394,000	789,875	(15,800)
System development charges	204,875	204,875	259,583	222,025	481,608	276,733
Miscellaneous revenue	19,125	19,125	7,843	11,753	19,596	471
Total revenues	<u>17,426,800</u>	<u>17,442,000</u>	<u>9,317,226</u>	<u>9,887,928</u>	<u>19,205,154</u>	<u>1,763,154</u>
EXPENDITURES						
Operations	13,451,625	14,457,350	5,597,438	5,077,684	10,675,122	3,782,228
Utility billing	2,596,675	2,596,675	1,193,539	1,297,029	2,490,568	106,107
Geothermal	1,368,175	1,581,175	999,793	494,961	1,494,754	86,421
Debt service	130,000	130,000	65,685	64,285	129,970	30
Total expenditures	<u>17,546,475</u>	<u>18,765,200</u>	<u>7,856,455</u>	<u>6,933,959</u>	<u>14,790,414</u>	<u>3,974,786</u>
Excess (deficiency) of revenues over expenditures	(119,675)	(1,323,200)	1,460,771	2,953,969	4,414,740	5,737,940
OTHER FINANCING SOURCES (USES)						
Transfers in	-	875	-	875	875	-
Transfers out	(1,940,825)	(1,959,825)	(960,800)	(999,025)	(1,959,825)	-
Total other financing sources (uses)	<u>(1,940,825)</u>	<u>(1,958,950)</u>	<u>(960,800)</u>	<u>(998,150)</u>	<u>(1,958,950)</u>	<u>-</u>
Net change in fund balance	(2,060,500)	(3,282,150)	499,971	1,955,819	2,455,790	5,737,940
Fund balance - beginning	<u>5,471,825</u>	<u>6,074,625</u>	<u>6,074,620</u>	<u>6,574,591</u>	<u>6,074,620</u>	<u>(5)</u>
Fund balance - ending	<u>\$ 3,411,325</u>	<u>\$ 2,792,475</u>	<u>\$ 6,574,591</u>	<u>8,530,410</u>	<u>\$ 8,530,410</u>	<u>\$ 5,737,935</u>
Reconciliation						
Prepaid items				33,951		
Notes & Accounts Receivable				26,235		
Capital assets, net of accumulated depreciation				36,236,924		
Net OPEB asset/(liability)				(49,458)		
OPEB deferred inflows of resources				(26,484)		
OPEB deferred outflows of resources				14,417		
Compensated absences				(138,538)		
Accrued interest payable				(11,960)		
Loans payable				(464,206)		
Deferred outflows of resources - pensions				749,321		
Deferred inflows of resources - pensions				(267,530)		
Net pension liability				<u>(2,373,567)</u>		
Net position - ending (GAAP)				<u>\$ 42,259,515</u>		

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OTHER SUPPLEMENTARY
SCHEDULES

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City of Klamath Falls, Oregon
 Capital Assets Used in the Operation of Governmental Funds
 Schedule By Function and Activity
 June 30, 2021

Schedule G-1

Function and Activity	Land	Buildings	Machinery and Equipment	Intangibles	Infrastructure	Construction in Progress	Total
General Government:							
Manager	\$ 1,097,241	\$ 3,649,250	\$ 142,627	\$ -	\$ 1,214,428	\$ 25,000	\$ 6,128,546
Information Systems	-	-	292,525	590,303	-	-	882,828
Engineering	-	-	239,463	12,500	-	-	251,963
Maintenance	-	79,087	220,830	-	-	-	299,917
Economic Development	544,243	-	-	-	-	-	544,243
Total General Government	<u>1,641,484</u>	<u>3,728,337</u>	<u>895,445</u>	<u>602,803</u>	<u>1,214,428</u>	<u>25,000</u>	<u>8,107,497</u>
Airport	<u>9,193,403</u>	<u>4,073,740</u>	<u>2,844,604</u>	<u>-</u>	<u>72,854,142</u>	<u>2,920,902</u>	<u>91,886,792</u>
Culture and Recreation	<u>800,968</u>	<u>1,490,243</u>	<u>2,071,902</u>	<u>-</u>	<u>5,325,161</u>	<u>1,685,076</u>	<u>11,373,350</u>
Public safety	<u>399,111</u>	<u>8,152,307</u>	<u>2,444,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,995,600</u>
Highways and Streets:							
Maintenance	1,500	215,816	3,706,797	40,686	-	-	3,964,800
Street System	<u>2,100,947</u>	<u>99,186</u>	<u>871,496</u>	<u>31,920</u>	<u>137,900,014</u>	<u>397,683</u>	<u>141,401,246</u>
Total Highways and Streets	<u>2,102,447</u>	<u>315,002</u>	<u>4,578,293</u>	<u>72,606</u>	<u>137,900,014</u>	<u>397,683</u>	<u>145,366,046</u>
Total Governmental Funds Capital Assets	<u>\$ 14,137,414</u>	<u>\$ 17,759,629</u>	<u>\$ 12,834,426</u>	<u>\$ 675,409</u>	<u>\$ 217,293,745</u>	<u>\$ 5,028,662</u>	<u>\$ 267,729,285</u>

City of Klamath Falls, Oregon
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Fiscal Year Ended June 30, 2021

Schedule G-2

Function and Activity	Governmental Funds Capital Assets July 1, 2020	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2021
General Government:				
Manager	\$ 6,103,546	\$ 25,000	\$ -	\$ 6,128,546
Information Systems	751,682	114,318	16,828	882,828
Engineering	251,963	-	-	251,963
Maintenance	316,293	-	(16,376)	299,917
Economic Development	544,243	-	-	544,243
Total General Government	<u>7,967,727</u>	<u>139,318</u>	<u>452</u>	<u>8,107,497</u>
Airport	89,718,962	2,197,106	(29,276)	91,886,792
Culture and Recreation	9,641,235	1,732,115	-	11,373,350
Public safety	10,946,395	249,545	(200,340)	10,995,600
Highways and streets:				
Maintenance	3,807,862	156,938	-	3,964,800
Street system	140,908,807	492,439	-	141,401,246
Total Highways and Streets	<u>144,716,669</u>	<u>649,377</u>	<u>-</u>	<u>145,366,046</u>
Total Governmental Funds Capital Assets	<u>\$ 262,990,988</u>	<u>\$ 4,967,461</u>	<u>\$ (229,164)</u>	<u>\$ 267,729,285</u>

City of Klamath Falls, Oregon

Statistical Section



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Statistical Section

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

Contents

Financial Trends – Schedules H-1, H-2, H-3, and H-4.....	143
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity – Schedules H-5, H-6, H-7, and H-8.....	149
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity – Schedules H-9, H-10, H-11, H-12, and H-13.....	155
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information – Schedules H-14 and H-15.....	163
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which government's financial activities take place.</i>	
Operating Information – Schedules H-16 H-17, H-18, and H-19.....	167
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.

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Financial Trends

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

Schedule H-1

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities										
Net investment in capital assets	\$ 100,923,713	\$ 101,122,675	\$ 97,349,847	\$ 111,784,474	\$ 106,175,191	\$ 105,999,139	\$ 107,962,108	\$ 113,684,484	\$ 115,096,825	\$ 119,231,089
Restricted	5,454,546	5,254,223	4,825,481	4,420,534	3,971,607	2,582,763	1,832,112	2,324,012	2,851,180	3,800,188
Unrestricted	26,154,647	25,387,537	26,209,812	22,997,162	27,580,669	29,390,584	18,256,806	16,908,446	17,186,214	14,361,606
Total governmental activities net position	<u>\$ 132,532,906</u>	<u>\$ 131,764,435</u>	<u>\$ 128,385,140</u>	<u>\$ 139,202,170</u>	<u>\$ 137,727,467</u>	<u>\$ 137,972,486</u>	<u>\$ 128,051,026</u>	<u>\$ 132,916,942</u>	<u>\$ 135,134,219</u>	<u>\$ 137,392,883</u>
Business-type activities										
Net investment in capital assets	\$ 63,872,845	\$ 60,863,067	\$ 59,708,694	\$ 60,389,249	\$ 58,324,352	\$ 56,282,189	\$ 55,458,635	\$ 51,934,040	\$ 51,447,145	\$ 49,262,631
Restricted	1,569,712	1,417,157	1,111,993	1,104,956	1,092,164	4,633,944	5,041,272	5,402,198	9,062,712	7,691,035
Unrestricted	15,605,205	15,475,616	13,075,501	12,707,870	8,196,965	3,246,712	14,989,228	14,149,001	7,435,547	7,086,144
Total business-type activities net position	<u>\$ 81,047,762</u>	<u>\$ 77,755,840</u>	<u>\$ 73,896,188</u>	<u>\$ 74,202,075</u>	<u>\$ 67,613,481</u>	<u>\$ 64,162,845</u>	<u>\$ 75,489,135</u>	<u>\$ 71,485,239</u>	<u>\$ 67,945,404</u>	<u>\$ 64,039,810</u>
Primary government										
Net investment in capital assets	\$ 164,796,558	\$ 161,985,742	\$ 157,058,541	\$ 172,173,723	\$ 164,499,543	\$ 162,281,328	\$ 163,420,743	\$ 165,618,524	\$ 166,543,970	\$ 168,493,720
Restricted	7,024,258	6,671,380	5,937,474	5,525,490	5,063,771	7,216,707	6,873,384	7,726,210	11,913,892	11,491,223
Unrestricted	41,759,852	40,863,153	39,285,313	35,705,032	35,777,634	32,637,296	33,246,034	31,057,447	24,621,761	21,447,750
Total primary government net position	<u>\$ 213,580,668</u>	<u>\$ 209,520,275</u>	<u>\$ 202,281,328</u>	<u>\$ 213,404,245</u>	<u>\$ 205,340,948</u>	<u>\$ 202,135,331</u>	<u>\$ 203,540,161</u>	<u>\$ 204,402,181</u>	<u>\$ 203,079,623</u>	<u>\$ 201,432,693</u>

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

Schedule H-2

Expenses	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
General government	\$ 7,291,655	\$ 7,860,667	\$ 6,035,233	\$ 5,636,155	\$ 5,727,651	\$ 5,802,794	\$ 4,750,011	\$ 1,117,501	\$ 998,328	\$ 916,736
Airport	3,368,954	3,317,849	3,636,051	2,833,505	3,128,916	2,865,179	2,483,308	2,979,505	2,738,308	3,056,676
Culture and recreation	1,979,691	1,757,881	1,683,114	1,511,771	1,315,260	1,346,156	1,198,095	1,429,718	1,393,933	1,315,332
Public safety	7,511,047	7,758,364	6,891,162	6,783,353	6,678,984	7,827,924	4,551,499	6,392,398	6,643,034	6,592,397
Highways and streets	4,256,755	4,303,395	4,213,848	3,694,992	3,795,646	4,266,110	6,920,863	5,376,296	5,443,451	6,069,358
Interest on long-term debt	264,574	260,602	277,253	252,843	386,404	426,013	450,287	409,176	435,161	468,537
Total governmental activities	24,672,676	25,258,758	22,736,661	20,712,619	21,032,861	22,534,176	20,354,063	17,704,594	17,652,215	18,419,036
Business-type activities:										
Wastewater	6,353,230	6,448,198	6,037,473	5,862,851	5,396,231	5,474,517	4,893,634	5,045,680	4,992,855	4,914,640
Water	7,798,312	7,334,319	7,013,758	6,483,466	5,959,718	6,156,074	5,536,655	5,682,323	5,566,016	5,588,110
Total business-type activities	14,151,542	13,782,517	13,051,231	12,346,317	11,355,949	11,630,591	10,430,289	10,728,003	10,558,871	10,502,750
Total expenses	\$ 38,824,218	\$ 39,041,275	\$ 35,787,892	\$33,058,936	\$ 32,388,810	\$ 34,164,767	\$ 30,784,352	\$ 28,432,597	\$ 28,211,086	\$ 28,921,786
Program Revenues	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
Charges for services										
General government	\$ 4,110,212	\$ 3,866,148	\$ 3,812,814	\$ 2,933,356	\$ 2,776,556	\$ 2,855,961	\$ 2,837,399	\$ 286,623	\$ 484,091	\$ 375,711
Airport	535,737	546,060	513,813	571,764	685,469	470,645	524,083	714,909	709,978	690,670
Culture and recreation	190,645	324,830	207,757	222,568	208,900	208,900	184,357	152,142	139,322	32,895
Public safety	42,073	19,698	31,534	61,438	33,462	33,462	404,376	446,467	421,800	511,539
Highways and streets	360,016	335,381	415,264	354,625	332,301	347,832	151,678	355,562	302,871	310,576
Operating grants and contributions	666,825	330,149	272,096	231,631	353,709	247,032	108,891	117,860	278,724	408,138
Capital grants and contributions	3,741,228	6,899,870	1,982,334	6,959,883	3,010,978	916,336	831,469	2,236,523	986,649	1,824,829
Total governmental activities	9,646,736	12,322,136	7,235,612	11,335,265	7,401,375	5,080,168	5,042,253	4,310,086	3,323,435	4,154,358
Business-type activities:										
Charges for services										
Wastewater	8,040,137	7,870,573	7,368,960	8,174,984	7,678,873	7,354,469	7,018,141	6,714,855	6,791,552	6,223,467
Water	9,782,393	8,790,522	8,682,450	8,530,367	7,936,322	7,665,939	7,703,108	7,244,563	7,434,803	6,732,455
Operating grants and contributions	25,953	5,565	-	-	-	-	-	-	-	1,989
Capital grants and contributions	-	92,780	-	7,200	48,030	275,677	339,176	864,767	428,094	43,543
Total business-type activities	17,848,483	16,759,440	16,051,410	16,712,551	15,663,225	15,296,085	15,060,425	14,824,185	14,654,449	13,001,454
Total program revenues	\$ 27,495,219	\$ 29,081,576	\$ 23,287,022	\$28,047,816	\$ 23,064,600	\$ 20,376,253	\$ 20,102,678	\$ 19,134,271	\$ 17,977,884	\$ 17,155,812
Program Revenues	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net (expense)/revenue										
Governmental activities	\$ (15,025,940)	\$ (12,936,622)	\$ (15,501,049)	\$ (9,377,354)	\$ (13,631,486)	\$ (17,454,008)	\$ (15,311,810)	\$ (13,394,508)	\$ (14,328,780)	\$ (14,264,678)
Business-type activities	3,696,941	2,976,923	3,000,179	4,366,234	4,307,276	3,665,494	4,630,136	4,096,182	4,095,578	2,498,704
Total net expense (revenue)	\$ (11,328,999)	\$ (9,959,699)	\$ (12,500,870)	\$ (5,011,120)	\$ (9,324,210)	\$ (13,788,514)	\$ (10,681,674)	\$ (9,298,326)	\$ (10,233,202)	\$ (11,765,974)
General Revenues	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
Property taxes	\$ 8,917,808	\$ 8,514,563	\$ 7,874,191	\$ 7,430,283	\$ 7,009,508	\$ 6,901,748	\$ 6,999,271	\$ 6,801,445	\$ 7,205,147	\$ 7,443,904
Franchise taxes	2,837,869	2,762,831	2,805,417	2,490,622	2,542,802	2,444,433	2,400,513	2,338,179	2,285,109	2,112,940
911 excise tax	-	-	-	-	-	-	-	-	51,006	102,784
Motor fuel taxes	1,633,002	1,501,270	1,601,000	1,400,638	1,293,021	1,274,616	1,229,155	1,227,480	1,165,774	1,145,033
Alcoholic beverage taxes	428,561	389,885	363,917	346,268	331,238	309,573	309,693	300,889	284,182	268,841
Cigarette taxes	21,127	23,960	25,102	26,782	27,459	28,420	28,698	28,905	30,238	30,699
Transient room taxes	755,537	642,162	584,170	681,281	560,037	505,000	507,012	448,867	400,655	470,879
State revenue sharing	348,387	332,131	229,621	284,662	214,081	193,598	199,962	202,054	183,829	177,232
Federal forest receipts	-	175,000	400,000	-	114,654	110,195	1,103,867	-	-	-
Unrestricted investment earnings	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	199,778	178,996	227,402
Gain on sale of capital assets	-	-	-	-	(41,129)	12,351	2,199	111,709	-	750
Special and extraordinary items	-	-	-	-	-	-	-	-	-	1,133,000
Insurance recoveries	-	-	-	-	-	9,865	15,123	-	-	-
Transfer of capital asset	-	-	12,198	-	-	30,463	(1,293,837)	-	-	-
Transfers in / (out)	563,180	569,614	2,333,850	(2,041,525)	948,520	15,241,622	1,569,912	385,189	285,180	238,653
Total general revenues, transfers, and special items	15,794,411	16,022,617	17,212,592	10,963,157	13,386,467	27,405,930	13,319,360	12,044,495	12,070,116	13,352,117
Business-type activities:										
Unrestricted investment earnings	158,161	1,074,843	1,086,983	201,465	91,880	280,301	142,631	104,507	95,196	80,863
Gain on sale of capital assets	-	-	12,730	-	-	-	-	-	-	-
Transfer of capital asset	-	-	(12,198)	-	-	(30,463)	1,293,837	-	-	-
Transfers in / (out)	(563,180)	(569,614)	(2,333,850)	2,041,525	(948,520)	(15,241,622)	(1,569,912)	(385,189)	(285,180)	(238,653)
Total business-type activities	(405,019)	505,229	(1,246,335)	2,242,990	(856,640)	(14,991,784)	(133,444)	(280,682)	(189,984)	(157,790)
Total primary government	\$ 15,389,392	\$ 16,527,846	\$ 15,966,257	\$13,206,147	\$ 12,529,827	\$ 12,414,146	\$ 13,185,916	\$ 11,763,813	\$ 11,880,132	\$ 13,194,327
Change in Net Position	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities	\$ 768,471	\$ 3,085,995	\$ 1,711,543	\$ 1,585,803	\$ (245,019)	\$ 9,951,922	\$ (1,992,450)	\$ (1,350,013)	\$ (2,258,664)	\$ (912,561)
Business-type activities	3,291,922	3,482,152	1,753,844	6,609,224	3,450,636	(11,326,290)	4,496,692	3,815,500	3,905,594	2,340,914
Total Change in Net Position	\$ 4,060,393	\$ 6,568,147	\$ 3,465,387	\$ 8,195,027	\$ 3,205,617	\$ (1,374,368)	\$ 2,504,242	\$ 2,465,487	\$ 1,646,930	\$ 1,428,353

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

Schedule H-3

	2021	2020	2019	2018	2017	2016 ²	2015 ¹	2014	2013	2012
General Fund										
Nondisposable	\$ 50,637	\$ 42,196	\$ 54,125	\$ 46,849	\$ 45,496	\$ 38,971	\$ 130,701	\$ 243,735	\$ 96,586	\$ 94,654
Restricted	274,703	368,080	302,906	278,326	144,847	133,776	80,454	65,278	56,596	-
Assigned	736,865	1,413,360	2,457,493	2,716,501	4,188,842	5,751,645	103,791	39,638	49,638	521,743
Unassigned	15,546,193	12,872,697	10,928,370	8,295,803	7,180,729	5,280,154	3,246,947	4,453,307	4,150,530	3,887,663
Total general fund	<u>\$ 16,608,398</u>	<u>\$ 14,696,333</u>	<u>\$ 13,742,894</u>	<u>\$ 11,337,479</u>	<u>\$ 11,559,914</u>	<u>\$ 11,204,546</u>	<u>\$ 3,561,893</u>	<u>\$ 4,801,958</u>	<u>\$ 4,353,350</u>	<u>\$ 4,504,060</u>
All other governmental funds										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,544	\$ 125,307	\$ 149,572	\$ 91,110	\$ 75,919
Restricted	5,178,673	4,886,143	4,522,575	4,142,208	3,826,760	2,448,987	1,696,307	2,166,019	2,201,094	3,432,013
Assigned	23,430,767	21,866,547	22,626,523	19,827,815	23,812,496	24,951,010	18,242,788	14,354,112	13,904,795	10,915,284
Unassigned	(1,445,507)	(1,306,137)	(571,480)	(641,563)	(672,379)	(902,008)	(901,147)	(796,705)	-	-
Total all other governmental funds	<u>\$ 27,163,933</u>	<u>\$ 25,446,553</u>	<u>\$ 26,577,618</u>	<u>\$ 23,328,460</u>	<u>\$ 26,966,877</u>	<u>\$ 26,506,533</u>	<u>\$ 19,163,255</u>	<u>\$ 15,872,998</u>	<u>\$ 16,196,999</u>	<u>\$ 14,423,216</u>

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

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

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

Schedule II-4

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Taxes	\$ 9,000,499	\$ 8,500,410	\$ 7,891,025	\$ 7,429,107	\$ 7,034,171	\$ 6,892,417	\$ 7,032,490	\$ 6,956,668	\$ 7,211,003	\$ 7,507,727
Special assessments	5,539	16,926	10,898	15,456	17,215	48,688	-	800	97,227	2,479
Intergovernmental	7,120,960	8,790,444	6,334,023	8,681,135	5,792,146	3,477,796	3,743,238	3,797,578	3,158,117	4,984,594
Licenses, fees and permits	255,333	326,247	192,974	179,634	153,232	163,011	178,499	183,764	194,230	224,155
Franchise fees	2,850,134	2,772,079	2,809,670	2,473,145	2,534,513	2,444,433	2,400,513	2,338,178	2,293,767	2,120,371
Charges for services	1,677,227	1,703,043	1,718,720	1,156,451	1,186,754	1,081,035	1,083,053	4,863,660	4,933,476	5,134,894
Internal charges for services	2,880,240	2,698,883	2,695,418	2,602,322	2,509,271	2,422,161	2,936,762	-	-	-
Fines and forfeitures	376,094	304,951	360,436	417,160	341,693	344,653	460,151	452,676	432,056	471,487
Investment earnings	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	285,013	195,184	251,546
Miscellaneous	556,607	188,823	115,121	472,493	316,809	138,949	146,519	330,967	337,110	860,705
System development charges	-	-	-	-	-	-	2,722	-	-	-
Total Revenues	\$25,011,573	\$26,413,007	\$23,111,411	\$23,771,049	\$20,272,080	\$17,357,189	\$18,231,739	\$19,209,304	\$18,852,170	\$21,557,958
Expenditures										
Current:										
General government	\$ 6,618,040	\$ 6,712,988	\$ 5,519,752	\$ 5,212,716	\$ 5,083,443	\$ 4,866,004	\$ 4,906,651	\$ 4,726,157	\$ 4,479,363	\$ 4,566,723
Airport	1,227,113	1,356,231	1,426,159	1,312,918	1,595,817	1,159,526	1,055,989	1,189,143	1,102,636	1,483,526
Culture and recreation	1,645,397	1,391,876	1,416,609	1,309,108	1,190,045	1,054,101	1,167,304	1,258,030	1,224,762	1,158,806
Public safety	6,141,490	6,214,809	5,767,764	5,694,881	5,486,413	5,442,424	5,243,094	5,686,252	6,202,304	6,270,405
Highways and streets	1,907,335	1,888,350	2,019,811	1,811,415	1,785,710	1,794,377	1,985,704	2,258,666	2,348,697	3,003,832
Debt service:										
Principal	440,220	562,328	400,200	455,866	284,923	429,187	1,545,504	878,156	1,078,192	1,246,208
Interest	262,005	257,660	272,319	258,004	390,994	418,248	472,719	429,641	454,509	482,696
Capital outlay:										
General government	139,318	19,496	17,487	81,097	50,727	691,549	666,569	1,268,137	98,237	1,243,738
Airport	2,197,107	6,764,036	1,071,141	6,234,882	2,714,340	670,989	294,464	1,071,748	487,536	204,245
Culture and recreation	500,499	417,271	724,636	785,602	179,520	190,611	152,894	105,539	224,123	343,890
Public safety	249,545	408,838	100,565	400,969	247,584	259,835	203,127	175,045	153,902	90,723
Highways and streets	649,377	1,263,743	1,178,077	2,184,881	1,396,463	658,245	1,511,680	1,103,562	283,734	1,537,863
Total Expenditures	21,977,446	27,257,626	19,914,520	25,742,339	20,405,979	17,635,096	19,205,699	20,150,076	18,137,995	21,632,655
Excess (Deficiency) of Revenues over Expenditures	3,034,127	(844,619)	3,196,891	(1,971,290)	(133,899)	(277,907)	(973,960)	(940,772)	714,175	(74,697)
Other financing sources (uses)										
Transfers in	1,474,925	1,372,375	3,080,625	1,395,856	1,847,312	22,172,729	3,777,366	1,504,581	2,814,408	2,836,477
Transfers out	(911,745)	(802,761)	(746,775)	(3,437,381)	(898,792)	(6,931,107)	(2,207,454)	(1,041,629)	(2,529,228)	(2,597,824)
General long-term debt issued	-	-	-	58,950	-	-	1,417,262	414,721	600,000	350,000
Insurance recoveries	3,258	11,225	45,359	11,599	91	9,865	15,123	-	-	-
Sale of general capital assets	28,880	86,154	78,473	81,414	1,000	12,351	70,771	187,706	23,718	-
Total Other Financing Sources (Uses)	595,318	666,993	2,457,682	(1,889,562)	949,611	15,263,838	3,073,068	1,065,379	908,898	588,653
Net change in fund balances before extraordinary item	3,629,445	(177,626)	5,654,573	(3,860,852)	815,712	14,985,931	2,099,108	124,607	1,623,073	513,956
Extraordinary item	-	-	-	-	-	-	-	-	-	500,000
Net change in fund balances	\$ 3,629,445	\$ (177,626)	\$ 5,654,573	\$ (3,860,852)	\$ 815,712	\$ 14,985,931	\$ 2,099,108	\$ 124,607	\$ 1,623,073	\$ 1,013,956
Debt service as a percentage of noncapital expenditures	3.85%	4.46%	4.00%	4.45%	4.27%	5.59%	12.32%	7.96%	9.07%	9.49%

Revenue Capacity

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City of Klamath Falls, Oregon
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Schedule H-5

Fiscal Year	Real Property		Personal Property		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value ¹	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value ¹	Assessed Value	Estimated Actual Value ¹				
2021	\$ 1,574,873	2,326,117	\$ 55,340	55,340	1,630,213	\$ 5.16	2,381,457	68.5%
2020	1,476,641	2,263,305	59,207	59,207	1,535,847	5.14	2,322,512	66.1%
2019	1,420,291	2,057,817	50,700	50,700	1,470,991	5.19	2,108,517	69.8%
2018	1,363,797	2,116,041	52,366	52,366	1,416,163	5.23	2,168,407	65.3%
2017	1,309,448	1,777,953	51,454	51,454	1,360,902	5.25	1,829,407	74.4%
2016	1,305,308	1,900,989	50,033	50,033	1,355,341	5.24	1,951,022	69.5%
2015	1,287,767	1,828,863	49,080	49,080	1,336,847	5.43	1,877,943	71.2%
2014	1,240,897	1,769,715	52,113	52,113	1,293,010	5.67	1,821,828	71.0%
2013	1,240,906	1,806,891	52,113	52,113	1,293,019	5.74	1,859,004	69.6%
2012	1,239,596	1,941,724	52,576	52,576	1,292,172	5.93	1,994,300	64.8%

Source: Klamath County Assessors Office.

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

¹ Includes Urban Renewal Districts.

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

Schedule H-6

Fiscal Year	City of Klamath Falls ²			Overlapping Rates					Total Direct and Overlapping
	Operating Millage	Debt Service Millage	Total City Millage	School District Operating Millage	Other	Operating Millage	Debt Service Millage	Total County Millage	
2021	\$ 5.02	\$ 0.14	5.16	\$ 4.01	\$ 3.65	\$ 1.71	\$ 1.51	3.21	16.03
2020	4.99	0.15	5.14	4.02	3.66	1.71	1.57	3.28	16.10
2019	5.04	0.15	5.19	4.02	3.65	1.71	1.59	3.30	16.16
2018	5.10	0.13	5.23	4.11	3.66	1.71	1.56	3.27	16.27
2017	5.11	0.14	5.25	4.10	3.66	1.71	1.57	3.28	16.29
2016	5.11	0.13	5.24	4.10	3.99	1.62	1.02	2.64	15.97
2015	5.28	0.15	5.43	4.08	4.13	1.68	0.61	2.29	15.93
2014	5.51	0.16	5.67	4.73	3.59	1.73	-	1.73	15.72
2013	5.57	0.17	5.74	4.12	3.37	1.56	-	1.56	14.79
2012	5.75	0.18	5.93	4.10	2.98	1.66	-	1.66	14.67
2011	5.83	0.18	6.01	4.06	3.01	1.66	0.35	2.01	15.09

¹ Millage rates are reported after compression

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

Source: Klamath County Assessor and Klamath County Budget Officer.

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

Schedule H-7

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value
Sky Lakes Medical Center, Inc.	\$ 57,320	1	3.52%			
Jeld Wen, Inc. - Wood products manufacturing	51,403	2	3.15	\$ 53,890	1	4.43%
Avista Corporation - Natural Gas Utility	24,567	3	1.51	10,156	9	0.01
Wal Mart - Retail Department store	19,133	4	1.17	15,141	2	0.01
Charter Communications - Telecommunications	19,511	5	1.20	10,590	8	0.01
Fred Meyer Stores, Inc. - Retail Department Store	16,137	6	0.99	13,115	4	0.01
CenturyLink - Telecommunications	14,050	7	0.86			
Klamath Falls MSL LLC	12,616	8	0.77			
Pacificorp - Electric utility	13,091	9	0.80	12,005	5	0.01
Lithia Real Estate Inc	9,725	10	0.60			
Qwest Corporation- Communications				11,672	7	0.01
Aqua Glass Western, Inc.				9,712	10	0.01
Evergreen Environmental Dev Corp- Shopping Center				14,094	3	0.01
Klamath Publishing, LLC				11,907	6	0.01
	<u>\$ 237,553</u>		<u>14.57%</u>	<u>\$ 162,282</u>		<u>13.34%</u>

Source: Klamath County Assessor's Office

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

Schedule H-8

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2021	\$ 8,996	\$ 8,065	89.65%	-	8,065	89.65%
2020	8,473	7,792	91.96%	266	8,058	95.10%
2019	7,947	7,382	92.89%	279	7,661	96.40%
2018	7,540	6,953	92.21%	308	7,261	96.30%
2017	7,216	6,355	88.07%	362	6,717	93.09%
2016	7,128	6,548	91.86%	366	6,914	96.99%
2015	7,160	6,590	92.04%	336	6,926	96.74%
2014	7,157	6,522	91.13%	373	6,895	96.34%
2013	7,405	6,788	91.67%	397	7,185	97.02%
2012	7,658	6,955	90.82%	465	7,420	96.89%

Source: Klamath County Assessor's Office

Debt Capacity

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City of Klamath Falls, Oregon
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Schedule H-9

Governmental Activities						
Fiscal Year	General Obligation Bonds ¹	Full Faith & Credit Bonds ¹	SPWF & Other Loans	Revenue Bonds	Line of Credit Loans	Total
2021	\$ 3,757	\$ 1,942	\$ 2,249	\$ -	\$ 211	8,159
2020	3,871	2,144	2,249	-	337	8,601
2019	3,971	2,335	2,249	-	610	9,165
2018	4,066	2,522	2,249	-	730	9,567
2017	4,022	2,698	2,249	-	848	9,817
2016	4,023	2,870	2,249	-	963	10,105
2015	4,024	3,037	2,249	140	1,087	10,537
2014	4,025	3,188	2,262	270	922	10,667
2013	4,026	3,340	20	395	1,104	8,885
2012	4,027	3,486	34	515	1,304	9,366

Business-Type Activities						
Fiscal Year	Water SPWF Loans	Water Revenue Bonds	Wastewater State Revolving Loan	Wastewater Revenue Bonds	Wastewater SPWF Loans	Total
2021	\$ 464	\$ -	\$ 10,937	\$ 3,053	\$ -	14,454
2020	506	-	4,550	3,777	-	8,833
2019	548	-	3,630	4,480	-	8,658
2018	585	-	-	5,172	-	5,757
2017	621	-	-	5,842	-	6,463
2016	657	-	-	6,499	-	7,156
2015	693	455	-	7,181	-	8,329
2014	1,463	1,600	-	7,548	-	10,611
2013	1,498	1,613	-	8,109	-	11,220
2012	1,574	2,281	-	8,650	50	12,555

Fiscal Year	Total Outstanding Debt	% of Personal Income ²	Population ³	Debt Per Capita
2021	22,613	4.75%	21,813	1,037
2020	17,434	3.66%	22,002	792
2019	17,823	4.19%	21,890	814
2018	15,324	3.60%	21,890	700
2017	16,280	3.82%	21,770	748
2016	17,261	4.05%	21,640	798
2015	18,866	4.43%	21,580	874
2014	21,278	5.00%	21,500	990
2013	20,105	4.72%	21,495	935
2012	21,921	5.35%	21,465	1,021

¹ Presented net of original issuance discounts and premiums.

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

³ Schedule I-14- Portland State University

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

(amounts expressed in thousands, except per capita amount)

Schedule H-10

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Available in Debt Service Fund ²	Total	Percentage of Estimated Actual Taxable Value of Property ³	Per Capita ⁴
2021	\$ 3,757	\$ 40	\$ 3,717	0.23%	170
2020	3,871	42	3,829	0.25%	174
2019	3,971	30	3,941	0.27%	180
2018	4,066	(51)	4,117	0.29%	188
2017	4,022	8	4,014	0.29%	184
2016	4,023	30	3,993	0.29%	185
2015	4,024	57	3,967	0.30%	184
2014	4,025	53	3,972	0.31%	185
2013	4,026	52	3,974	0.31%	185
2012	4,027	40	3,987	0.31%	186

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

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

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

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

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

City of Klamath Falls, Oregon
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021
(amounts expressed in thousands)

Schedule H-11

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable</u>	<u>Amount Applicable to the City of Klamath Falls</u>
Klamath Community College	\$ 5,137	31.01%	\$ 1,593
Klamath County Emergency Comm	825	28.49%	235
Klamath County Fire District #1	75	49.52%	37
Klamath County School Distirct	37,191	8.92%	3,317
Klamath City School District	32,291	67.21%	21,703
Subtotal, overlapping debt			26,885
City of Klamath Falls direct debt ¹			8,159
Total direct and overlapping debt			<u>\$ 35,044</u>

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

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

¹ City of Klamath Falls direct debt includes \$3,757 general obligation, \$1,942 full faith and credit bonds, and \$2,460 in Urban Renewal loans.

City of Klamath Falls, Oregon
Legal Debt Margin Information
June 30, 2021
(amounts expressed in thousands)

Schedule H-12

Fiscal Year	Total Taxable Assessed Value	Taxable Assessed Value as a % of Estimated Actual Value	Estimated Actual Taxable Value
2021	\$ 1,630,213	68.45%	\$ 2,381,457
2020	1,535,847	66.13%	2,322,512
2019	1,470,991	69.76%	2,108,517
2018	1,416,163	65.31%	2,168,407
2017	1,360,902	74.39%	1,829,407
Total Five Years Valuation			\$ 10,810,300
Five Year Average Full Valuation of Taxable Real Property			\$ 2,162,060
Constitutional Debt Limit (3% of total assessed value)			\$ 48,906
Outstanding General Obligation Indebtedness as of June 30, 2020			
Governmental Activities - General Obligation Debt			\$ 8,159
Governmental Activities - Short-term Debt - Current Portion of Lines of Credit			130
Net indebtedness subject to debt limit			\$ 8,289
Net debt contracting margin			\$ 40,617
Percentage of net debt contracting margin available			<u>83.05%</u>
Percentage of net debt contracting power exhausted			<u>16.95%</u>

Last Ten Fiscal Years

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2021	\$ 48,906	\$ 8,289	83.05%
2020	46,075	8,726	81.06%
2019	44,130	9,289	78.95%
2018	42,485	9,688	77.20%
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%
2015	40,105	10,661	73.42%
2014	38,790	10,667	72.50%
2013	38,791	8,865	77.15%
2012	38,765	9,332	75.93%

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

Schedule H-13

Wastewater Revenue Bonds							
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2021	\$ 7,730	\$ 4,783	2,947	\$ 724	\$ 88	3.63	
2020	7,632	4,846	2,786	703	103	3.46	
2019	7,710	4,556	3,154	692	119	3.89	
2018	7,849	4,495	3,354	670	135	4.17	
2017	7,655	4,085	3,570	657	151	4.42	
2016	7,372	4,249	3,123	673	136	3.86	
2015	7,022	3,506	3,516	590	300	3.95	
2014	6,686	3,661	3,025	570	323	3.39	
2013	6,691	3,586	3,105	550	338	3.50	
2012	6,223	3,445	2,778	530	359	3.12	

Water Revenue Bonds ¹							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2021	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2020	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2016	7,449	4,578	2,871	455	25	5.98	
2015	7,422	4,020	3,402	1,120	54	2.90	
2014	7,025	4,110	2,915	685	87	3.78	
2013	7,225	3,979	3,246	655	115	4.22	
2012	6,463	3,992	2,471	625	147	3.20	

Airport Revenue Bonds ²							
Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2021	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2020	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2016	1,127	1,152	(25)	165	20	(0.13)	
2015	1,273	1,056	217	155	29	1.18	
2014	1,379	1,075	304	150	37	1.63	
2013	1,482	1,080	402	145	45	2.12	
2012	1,379	1,132	247	135	51	1.33	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings but not SDC improvement fees. Operating expenses do not include interest, depreciation and inter-fund transfers.

¹ Water Revenue Bonds were paid off in FY 2016.

² Airport Revenue Bonds were paid off in FY 2016.

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Demographic and Economic Information

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City of Klamath Falls, Oregon
Klamath County, Oregon
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule H-14

Fiscal Year	City Population ¹	City Median Age ²	City Per Capita Personal Income ³	City Aggregate Income ³ <i>(amounts expressed in thousands)</i>	City Education Level in Years of Formal Schooling ³	City Public School Enrollment ⁴	County Unemployment Rate ⁵
2021	21,813	39.8	24,534	Unavailable	Unavailable	2,799	7.8%
2020	22,002	35.4	23,260	475,777	Unavailable	2,959	7.3%
2019	21,890	34.9	21,898	Unavailable	Unavailable	2,988	6.4%
2018	21,890	34.9	21,898	Unavailable	Unavailable	3,034	6.1%
2017	21,770	34.9	21,898	Unavailable	Unavailable	2,986	6.2%
2016	21,640	34.9	21,898	Unavailable	Unavailable	3,225	7.4%
2015	21,580	34.9	20,685	Unavailable	Unavailable	3,257	8.5%
2014	21,500	35.9	20,495	Unavailable	Unavailable	3,198	10.1%
2013	21,495	35.6	19,947	425,718	12.8	3,302	11.4%
2012	21,465	35.0	19,557	409,642	12.8	3,271	12.0%

Data Sources:

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

² U.S. Census Bureau (2019: ACS 5-Year Estimate)

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

⁴ Oregon Department of Education

⁵ Oregon State Employment Department, Quality Information, Economic Data

**City of Klamath Falls
Klamath County, Oregon
Principal Employers
Current Year and Ten Years Prior**

Schedule H-15

Employer	2021				2012	
	Employees ¹	Rank	Percentage of Total <u>City</u> Employment ³	Percentage of Total <u>County</u> Employment ³	Employees ¹	Rank
Sky Lakes Medical Center	1,481	1	14.15%	6.63%	1,107	2
Kingsley Field Oregon Air National Guard	1,200	2	11.47%	5.37%	883	3
Oregon Institute of Technology	1,195	3	11.42%	5.35%	311	9
Klamath County School District	765	4	7.31%	3.42%	757	4
Jeld-Wen Inc. Wood Products	749	5	7.16%	3.35%	1,137	1
Klamath County	365	6	3.49%	1.63%	502	6
Klamath Falls City Schools	357	7	3.41%	1.60%	422	8
Fred Meyer	320	8	3.06%	1.43%	419	
Wal-Mart	300	9	2.87%	1.34%	427	7
Columbia Forest Products ²	250	10	2.39%	1.12%	212	10
iQor (Assurion)- Previously N.E.W					617	5
	6,982		66.71%	10.47%	6,794	
Total Employment ³			10,466	22,350		

¹ Numbers of employees furnished by employer.

² 2012 data represents County statistics. This employer is not within City limits.

³ Total employment source: US Census Bureau

Operating Information

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

Function	Schedule H-16									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
City Manager	5.00	5.00	5.00	4.00	4.70	5.00	5.00	3.75	3.75	4.50
Legal	-	-	-	-	1.00	1.70	1.70	1.75	1.75	2.00
Municipal Court	2.10	2.10	2.15	2.40	2.40	2.40	3.30	3.25	3.25	3.00
Developmental Services	8.00	8.00	9.00	8.50	8.00	8.50	-	-	-	-
Public Works Engineering	-	-	-	-	-	-	5.50	6.50	6.50	7.50
Public Works Administration	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning	-	-	-	-	-	-	2.00	4.50	4.67	4.92
Legislative	1.00	1.00	1.00	0.70	-	-	-	-	-	-
Maintenance	9.00	9.00	10.00	9.00	9.00	10.00	10.00	10.50	10.00	10.00
Support Services										
Finance	6.50	6.50	6.50	6.00	6.00	6.00	6.50	6.00	7.00	7.00
Human Resources/Risk	3.00	3.00	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Information Systems	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Culture and Recreation	6.00	6.00	5.00	5.00	6.00	6.00	6.30	6.75	8.25	8.25
Ella Redkey Pool ¹	8.15	6.55	6.40	6.25	6.60	4.25	3.20	5.00	-	-
Airport	5.00	5.00	6.00	6.00	6.00	6.00	5.00	6.00	6.00	6.00
Public Safety										
Police	41.00	38.00	37.00	36.00	40.00	41.00	39.00	40.00	41.00	42.00
Code enforcement	-	-	-	2.00	2.00	2.00	2.00	2.00	2.33	2.33
Off-street Parking	1.00	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Highways and streets										
Streets	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	10.00	10.00
Vehicle Maintenance	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Water ²	24.00	24.00	24.00	23.00	19.50	19.28	19.25	21.10	21.10	22.10
Geothermal	-	-	-	-	-	0.25	0.25	0.75	0.75	0.75
Wastewater ²	13.00	14.00	13.00	14.00	17.00	14.97	15.00	16.65	16.65	16.65
Total	151.75	147.15	146.55	144.35	147.20	147.35	144.00	154.50	153.00	157.00

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

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

² Utility Billing is now counted under Water and no longer split for reporting

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

Function	Schedule H-17									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Police department personnel	42	43	39	36	40	41	39	40	41	42
Physical arrests	944	2,088	1,972	2,101	2,157	2,318	2,319	2,489	2,423	2,362
Parking violations	1,775	1,547	1,797	2,198	2,039	2,445	2,323	2,275	2,632	2,222
Traffic violations	1,312	1,397	1,486	1,955	1,529	2,082	2,403	2,882	2,691	2,999
Airport										
Takeoffs and landings	37,346	40,291	42,127	43,358	47,564	53,246	51,732	44,194	38,095	41,617
Passengers enplaned ¹	-	-	-	-	7,827	-	-	11,972	14,254	17,376
Total passengers	-	-	-	-	15,606	-	-	23,648	27,950	35,409
Highways and streets										
Street resurfacing (<i>linear feet</i>)	42,550	57,289	49,282	93,729	73,361	26,826	17,262	12,157	4,135	8,200
Potholes (<i>tons of asphalt</i>)	43	99	83	55	75	138	36	34	27	42
Culture and recreation										
Park reservations	59	34	92	112	122	113	116	153	94	87
Municipal pool admissions ²	28,197	21,455	27,867	23,495	21,522	20,986	20,001	19,282	12,881	-
Water										
New connections	46	67	49	39	40	47	43	36	36	24
Total connections	16,280	16,277	16,177	15,852	16,128	16,009	16,346	15,732	16,020	16,240
Average daily production (<i>thousands of gallons</i>)	7,529	6,669	7,048	6,734	6,859	6,817	7,180	6,899	6,790	6,700
Wastewater										
New connections	19	24	15	36	17	10	7	17	25	18
Total connections	8,375	8,417	8,287	8,273	7,520	8,133	7,443	7,680	7,668	7,411
Average daily sewage treatment (<i>thousands of gallons</i>)	1,959	2,274	2,515	2,247	3,448	2,840	2,760	2,650	2,963	3,080
Average daily reclaimed water produced (<i>thousands of gallons</i>)	1,889	2,014	2,058	2,276	2,166	2,640	2,370	2,350	2,280	2,340

Source: Various city departments.

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

² Municipal pool operations were taken over in full by City Parks on 4/1/13.

City of Klamath Falls, Oregon
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Schedule H-18									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	32	40	33	31	33	32	36	40	37	33
Airport										
Miles of runways & taxiways ³	8.75	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Highways and streets										
Streets (<i>lane miles</i>)	302	302	302	302	302	302	302	302	302	302
Streetlights ¹	2,894	2,979	2,979	2,966	2,966	2,636	3,116	3,114	3,104	3,080
Traffic signals	37	37	37	36	36	36	36	34	31	31
Culture and recreation										
Park acreage										
Developed	151	151	151	119	119	119	119	119	119	119
Natural areas	457	457	457	514	514	514	514	514	514	514
Undeveloped	-	0	0	50	50	50	50	50	50	50
Parks	27	27	27	25	25	24	23	23	23	23
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playground equipment areas	9	9	9	8	8	8	8	8	8	8
Cemetery										
Developed acres ²	18	18	18	18	18	18	18	18	18	18
Water										
Water mains (<i>miles</i>)	266	266	266	266	266	265	263	240	240	240
Fire hydrants	1,254	1,239	1,212	1,176	1,175	1,166	1,157	1,186	1,176	1,093
Maximum daily capacity (<i>thousands of gallons</i>)	15,755	14,029	14,930	14,739	13,952	13,669	13,918	15,107	13,204	13,700
Wastewater										
Sanitary sewer (<i>miles</i>)	156	156	156	156	156	156	156	156	155	156
Storm sewers (<i>miles</i>)	110	110	40	40	40	40	40	40	40	40
Manholes	2,940	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Maximum daily treatment capacity (<i>thousands of gallons</i>)	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Maximum daily reclaimed water capacity (<i>thousands of gallons</i>)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500

Source: Various city departments.

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

² In November 2009 Klamath Memorial Park Cemetery was sold

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

City of Klamath Falls, Oregon
Top Ten Water & Wastewater Customers
Fiscal Year Ended June 30, 2021

Schedule H-19

Water Customers	Billed	Percent of Total Charges	Wastewater Customers	Billed	Percent of Total Charges
City of Klamath Falls	\$ 444,088	5.07 %	Oregon Water Utilities	\$ 377,675	4.95 %
Klamath County	115,781	1.32	Klamath Co-Gen	353,325	4.63
Jeld-Wen	96,132	1.10	Sky Lakes Medical Center	317,059	4.16
Sky Lakes	93,495	1.07	OIT (Oregon Institute of Technology)	265,006	3.47
Klamath Co-Gen	87,623	1.00	Klamath County	212,741	2.79
Klamath County School District	80,534	0.92	Falcon Heights Condo	130,793	1.71
Kingsley Field	77,895	0.89	Kingsley Field	84,116	1.10
Klamath Falls City Schools	54,592	0.62	Pilot	71,572	0.94
Madison Village	35,020	0.40	Argo	61,207	0.80
Emerald Estates	34,608	0.39	TH7	64,542	0.85
Total Top Ten	\$ 1,119,768	12.78 %	Total Top Ten	\$ 1,938,036	11.66 %
Total Billed Fiscal Year 20/21		\$ 8,763,008	Total Billed Fiscal Year 20/21		\$ 7,630,054
Total Water Service Connections		16,280	Total Wastewater Service Connections		8,375

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City of Klamath Falls, Oregon

Compliance Section



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STATE OF OREGON
COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited the basic financial statements of the City of Klamath Falls, Oregon (the City), as of and for the year ended June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City'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.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Restriction on Use

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

A handwritten signature in black ink that reads "Donald 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

BOND COMPLIANCE

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR
SCHEDULE OF COMPLIANCE WITH THE RATE AND REVENUE COVENANTS OF
THE WASTEWATER REVENUE REFUNDING BONDS, SERIES 2015**

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have examined the City of Klamath Falls, Oregon's (the City) compliance with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 (the specified requirements) during the year ended June 30, 2021. The City's management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether complied, in all material respects. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of the City's compliance with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2021.

In our opinion, the City complied, in all material respects, with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2021.



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

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City of Klamath Falls, Oregon
Schedule of Compliance with the Rate Covenants of the
Wastewater Revenue Refunding Bonds, Series 2015
For the Year Ended June 30, 2021

Gross Revenues		
Operating revenues		\$ 7,626,928
Other revenues		
Interest earned on investments	\$ 85,239	
Miscellaneous revenue	429,600	
Less: SDC Improvement fee	<u>(412,084)</u>	<u>102,755</u>
Total Gross Revenues		7,729,683
Total operating expense	6,121,080	
Less: depreciation and amortization expense	<u>(1,338,503)</u>	<u>4,782,577</u>
Net Revenues		2,947,106

Wastewater Fund debt service for the fiscal year ended June 30, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015 Wastewater Revenue Refunding	<u>\$ 723,555</u>	<u>\$ 87,710</u>	<u>\$ 811,265</u>	
Total	<u><u>\$ 723,555</u></u>	<u><u>\$ 87,710</u></u>	<u><u>\$ 811,265</u></u>	<u>811,265</u>
1.25 Compliance				3.63
Net Revenue after senior debt				<u><u>\$ 2,135,841</u></u>

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UNIFORM GUIDANCE

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

Honorable Mayor and City Council
City of Klamath Falls, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Honorable Mayor and City Council
City of Klamath Falls, Oregon

Report on Compliance for Each Major Federal Program

We have audited the City of Klamath Falls, Oregon's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



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

CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures	Cash Basis Receipts
U.S. Department of Transportation				
Direct program				
Airport Improvement Program	20.106	Direct	\$ 2,069,279	\$ 2,306,281
Direct program				
COVID-19 – Airports Coronavirus Response Grant Program	20.106	Direct	<u>23,000</u>	<u>23,000</u>
			2,092,279	2,329,281
Pass-through program from State of Oregon				
Highway Planning and Construction	20.205	28481	<u>58,817</u>	<u>58,817</u>
Sub-Total Department of Transportation			2,151,096	2,388,098
U.S. Environmental Protection Agency				
Direct program				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Direct	20,079	28,557
Pass-through program from State of Oregon				
DEQ Clean Water State Revolving Funds	* 66.458	R52602	<u>3,233,679</u>	<u>3,233,679</u>
Sub-Total Environmental Protection Agency			3,253,758	3,262,236
U.S. General Services Administration				
Direct program				
Federal Surplus Personal Property	39.003	Direct	<u>2,627</u>	<u>2,627</u>
U.S. Department of Justice				
Direct program				
COVID-19 – Coronavirus Emergency Supplemental Funding	16.034	Direct	<u>-</u>	<u>37,874</u>
U.S. Department of Labor				
Pass-through program from State of Oregon				
COVID-19 – CARES Act Unemployment Reimbursement	17.225	0502136	<u>5,448</u>	<u>-</u>
U.S. Department of Treasury				
Pass-through program from State of Oregon				
COVID-19 – Coronavirus Relief Funds	* 21.019	1080	<u>579,223</u>	<u>646,709</u>
U.S. Department of Homeland Security				
Direct program				
Homeland Security Grant Program	97.067	Direct	<u>1,161</u>	<u>1,161</u>
Total Expenditures of Federal Awards			<u>\$ 5,993,313</u>	<u>\$ 6,338,705</u>

* Major Programs

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

CITY OF KLAMATH FALLS, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Klamath Falls, Oregon (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE 3 – INDIRECT COST RATE:

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

NOTE 4 – SUBRECIPIENTS:

There were no amounts paid to subrecipients by the City from federal funds for the year ended June 30, 2021.

**CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#21.019	Coronavirus Relief Fund
#66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as a low-risk auditee? Yes No

CITY OF KLAMATH FALLS, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

**SECTION IV – SCHEDULE OF PRIOR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE
YEAR ENDED JUNE 30, 2020**

None