



# ANNUAL COMPREHENSIVE

## FINANCIAL REPORT

City of Klamath Falls, Oregon

For Fiscal Year Ended

June 30, 2023



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City of Klamath Falls, Oregon

# Annual Comprehensive Financial Report

For the Fiscal Year Ended  
June 30, 2023



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Annual Comprehensive Financial Report  
 June 30, 2023  
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City of Klamath Falls, Oregon

# Introductory Section



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

January 31, 2024

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, 2023. 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, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

### ***Profile of the government***

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

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

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

The City of Klamath Falls has a permanent tax rate of \$5.4423 per \$1,000 of assessed valuation. The assessed value can increase up to 3% per year, but can increase more if the market value rebounds after falling below the assessed 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 City of Klamath Falls collected \$170,810 more in property tax in the General Fund and Airport Fund than the previous fiscal year, which is a 2% increase. Total property tax collected increased \$511,200 from the prior year. Most of this increase was due to development within the Lakefront Urban Renewal District which saw an increase in tax increment of \$354,415.

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

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

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

### ***Local economy***

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.

Like many other cities in the nation, the City of Klamath Falls is experiencing a housing shortage. Higher material costs and interest rates along with a shortage of builders has helped create this shortage. Klamath Community College and the local middle and high schools and have added trades classes hoping to rectify the builder shortage.

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. During the pandemic, we saw a high of 15.6% but this has been slowly decreasing. As of June 30, 2023, our unemployment rate was approximately 4.5% percent, which is .9% 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. In order to meet the goal of customer service and service efficiency, the City continues to leverage opportunities with technology. The City implemented new bidding software to try to reach contractors outside of the area for more competition. The City is going live with public records request software soon, which will streamline the process. There are two large technology projects in the works. One is new police reporting software. The City is heading the project, but the project includes other agencies such as 911 and the sheriff's office. The new software will offer greater data and reporting capabilities and connectivity with our Municipal Court software. The other large technology project is an ERP upgrade starting with financials in July 2024. We will see greater efficiencies in payroll and budgeting among other processes.

During fiscal year 2023, the Airport completed the design and awarded the construction contract for the Runway 7/25 Reconstruction Project. The majority of funding, \$10.7 million, will come from a discretionary Federal Aviation Administration (FAA) grant with an addition \$550,000 coming from a ConnectOregon grant. The project is expected to be completed in June 2024.

The Lakefront Urban Renewal District has a development agreement with Timbermill Shores who laid the infrastructure for development of several commercial lots. Due to the increase in tax increment, the district was able to take out a \$2,248,564 loan to pay off the developer for infrastructure that was completed. A Fairfield Inn, People's Bank, and Department of Human Services building have recently been completed in the District. An additional hotel is in the design phase and a restaurant has shown interest in this area. Based on tax estimates, the district will be able to pay the debt service on the new loan and have additional tax increment for other projects as authorized in the Urban Renewal Plan.

During 2016, the Town Center Urban Renewal District reached a development agreement with Argo Klamath Two, LLC. The developer \$300,000 has completed project milestones one of the development agreement which were to repair and lease certain areas of the shopping center. All areas will be occupied with a new PetSmart coming soon. The third project milestone is to complete improvements on a vacant site within the shopping center. The developer does not currently have plans for the area but there have been discussions with the District.

The City formed the Spring Street Urban Renewal area in October 2017. The area has long suffered from a lack of investment in both the public and private side. A Disposition and Development Agreement was entered into in December of 2019. The vision is for a mixed-use urban for residential and commercial development. Construction began with the demolition of the existing building in April of 2020. The land has been prepared but due to rising construction costs, the project has stalled. In July 2023, the Agency approved an amendment to the Disposition and Development Agreement that has allowed for a time extension but add more milestones to keep the project moving forward. It is anticipated that construction will begin in the spring of 2024.

The City's Parks Division takes pride in maintaining and improving our approximately 600 acres of parks, keeping them safe, well-groomed and beautiful. The Parks Division is currently working on the Moore Park Regional Playground, which is an 18,000 square foot playground accessible to persons with disabilities. The project is being funded by a State Parks and Recreation Grant that Healthy Klamath helped the City to acquire, American Rescue

Plan Act (ARPA) funding, and donation from citizens and businesses. The project design started in the fall of 2019 and the construction is expected to be completed in the summer of 2024.

There were two major streets projects that were completed in fiscal year 2023 using grant funding. A roundabout was completed by the hospital to help with increased traffic flow due to additional buildings, while also providing safety during snowy and icy winter conditions. The Parks Division added new landscaping to the median leading up to the roundabout. Washburn Way is an arterial of the City which was in need of major repair. A substantial portion of the street was repaved, and the remaining portion will be completed in fiscal year 2024. The City partnered with ODOT to put in water and sewer mains during the extension of Brett Way to prepare for future economic development.

The City is continuing a major overhaul of the Wastewater Treatment Plant to replace facilities and equipment that are in excess of 50 years old. The nature of this work is complex in that there are several options for constructing the improvements and the existing plant must remain operational while construction moves forward. The City is utilizing an alternative delivery process known as progressive design build. Construction is underway and the headworks portion of the project as well as the solids dewatering system has been completed. The City also received our National Pollution Discharge Elimination System (NPDES) permit and one of the difficult requirements to meet is temperature. As a result of the temperature issue, the City is evaluated getting out of the river and reinjecting the water indirectly back into the aquifer. Unfortunately, this did not prove feasible and the City is once again looking at discharge options to either: the river, agricultural use, or wetlands. We are unsure at this point when the water reuse piece will be completed but according to our permit, it must be completed by December 31, 2035. Another portion of our permit requires us to update our Facilities Plan which we are starting in February. This must be completed later in 2024.

### *Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the City of Klamath Falls' Annual Comprehensive Financial Report (ACFR) for fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Jonathan Teichert, City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Klamath Falls  
Oregon**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

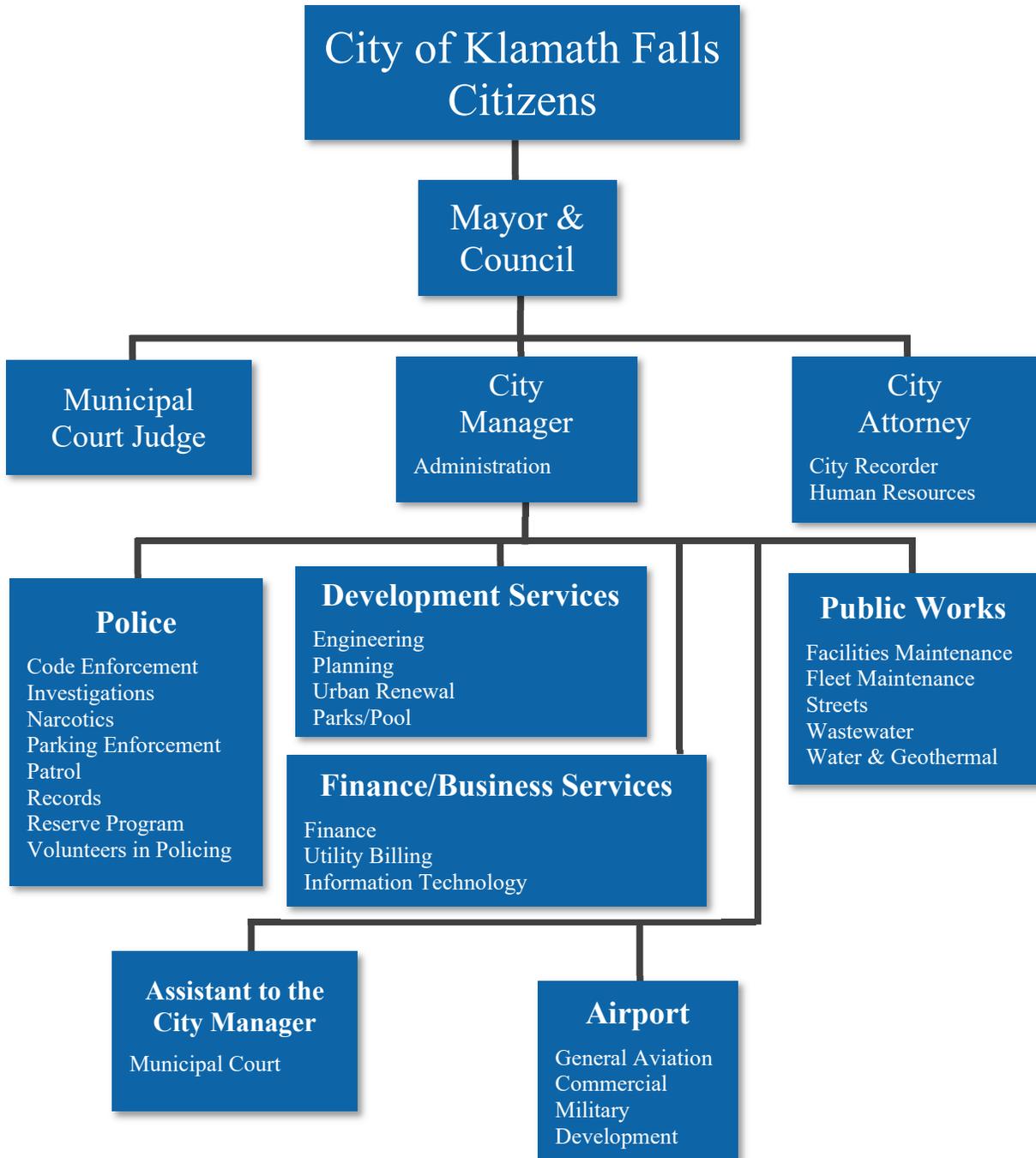
*Christopher P. Morill*

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, 2023



**Carol Westfall  
Mayor**



**Phil Studenberg  
Ward I**



**Mika Blain  
Ward II**



**Terra Russo  
Ward III**



**Abbie McClung  
Ward IV**



**Kelsey Mueller  
Wendt  
Ward V**



**Jonathan Teichert  
City Manager**



**Michael Swanson  
City Attorney**



**Nathan Ratliff  
Judge**



**Mark Willrett  
Public Works Director**



**Rob Dentinger  
Chief of Police**



**Iain Vasey  
Development Services Director**



**Jessica Lindsay  
Finance & Business  
Services Director**

City of Klamath Falls, Oregon

# Financial Section



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INDEPENDENT  
AUDITOR'S REPORT

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**Idaho Office:**  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Change in Accounting Principle**

As discussed in *Note 1* to the financial statements the City has adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* issued by Governmental Accounting Standards Board (GASB). Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund and major special revenue fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, certain pension schedules and certain other post-employment benefit schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

### **Other Reporting Required by Oregon State Regulations**

In accordance with Oregon State Regulations, we have also issued our report dated January 31, 2024 on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

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

Donald F. Ewalt, CPA  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
January 31, 2024

MANAGEMENT'S  
DISCUSSION AND ANALYSIS

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## Management's Discussion and Analysis

The Management Discussion and Analysis section of the City of Klamath Falls' Annual Comprehensive Financial Report (ACFR) provides an overview of the City's financial activities for the years ended June 30, 2023 and June 30, 2022. The purpose is to highlight significant financial issues, major financial activities and resulting changes in the financial position and economic factors affecting the City. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal, the City's financial statements and the accompanying notes following the financial information.

### 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 \$240,079,829 (*net position*). Of this amount, \$52,198,298 represents unrestricted net position, which may be used to meet the government's ongoing obligations and pay for daily operations.
- The City's total net position increased by \$19,547,995 over the prior year. The net position from governmental activities increased \$15,571,278 while the net position from business-type activities increased \$3,976,717.
- At the close of fiscal year 2023, the City's governmental funds reported combined fund balances of \$46,630,430, an increase of \$1,072,052 in comparison with the prior fiscal year. Approximately 31% of this amount, \$14,363,000, 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 \$17,376,500, or approximately 65% of total General Fund expenditures.
- Government-wide outstanding debt was \$39,417,158 at year end. The City's total outstanding debt increased by \$7,535,977 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 (including three funds for the Klamath Falls Urban Renewal Agency). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund, Escrow Reserve Fund, and Capital Projects Fund, which are considered to be major funds. The Airport Fund accounts for the operation of the Crater Lake-Klamath Regional Airport and receives property taxes, rental revenue, landing fees, and Federal Aviation Administration (FAA) grants. The Escrow Reserve Fund is a major capital project fund

whose primary source of revenue is proceeds from the sale of the Cogeneration Plant. Expenditures include projects outside the scope of normal business approved by City Council. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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

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

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

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

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

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

The fiduciary fund financial statements follow the proprietary fund statements.

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information fund budgetary comparisons and information on OPEB and pensions. Combining and individual fund statements and

schedules can be found in the financial section's other supplementary information.

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

## Government-wide Overall Financial Analysis

### Statement of Net Position

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 \$240,079,626, at the close of the most recent fiscal year.

#### City of Klamath Falls' Net Position

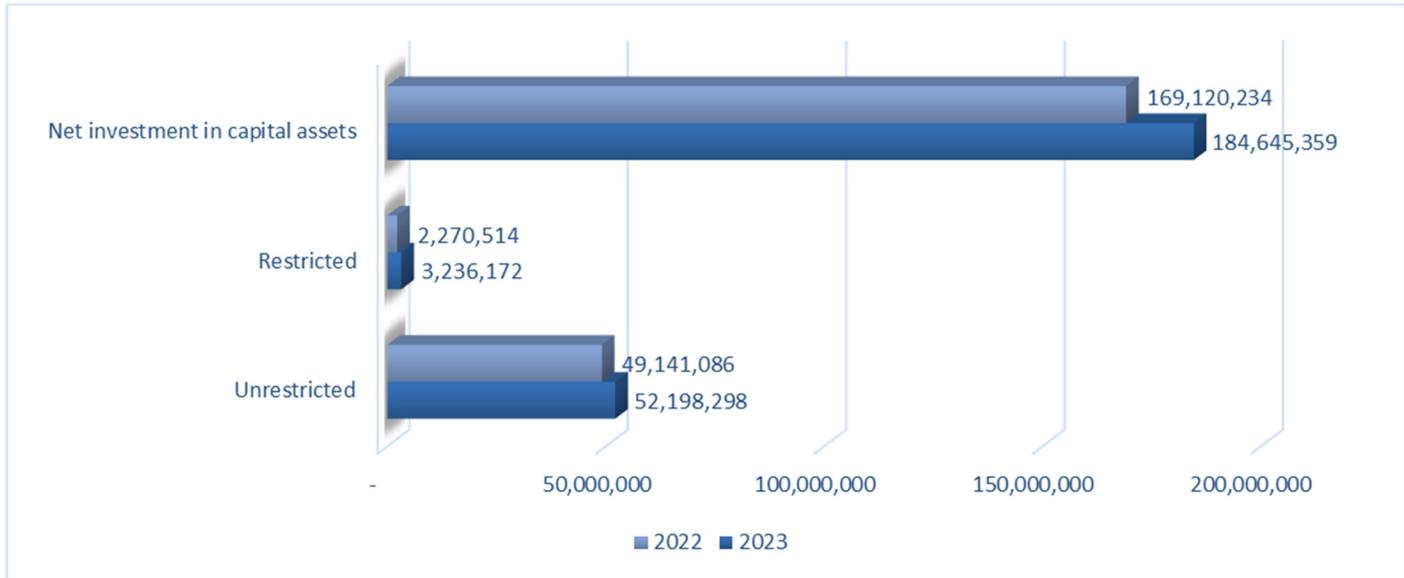
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 59,888,187	\$ 59,366,080	\$ 22,953,803	\$ 23,476,109	\$ 82,841,990	\$ 82,842,189
Capital assets	118,201,544	108,804,918	106,533,046	92,534,089	224,734,590	201,339,007
Total assets	178,089,731	168,170,998	129,486,849	116,010,198	307,576,580	284,181,196
Deferred outflow of resources	7,509,946	4,982,812	1,859,079	1,354,781	9,369,025	6,337,593
Current liabilities	7,126,811	7,509,598	4,798,062	4,441,790	11,924,873	11,951,388
Long-term liabilities	17,011,163	16,404,126	36,388,058	25,804,464	53,399,221	42,208,590
Total liabilities	24,137,974	23,913,724	41,186,120	30,246,254	65,324,094	54,159,978
Deferred inflows of resources	9,879,986	13,229,647	1,661,696	2,013,277	11,541,682	15,242,924
Net position:						
Net investment in capital assets	113,094,419	101,861,892	71,550,940	67,258,342	184,645,359	169,120,234
Restricted	997,477	417,195	2,238,695	1,853,319	3,236,172	2,270,514
Unrestricted	37,489,821	33,731,352	14,708,477	15,409,734	52,198,298	49,141,086
Total net position	\$ 151,581,717	\$ 136,010,439	\$ 88,498,112	\$ 84,521,395	\$ 240,079,829	\$ 220,531,834

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

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$52,198,298 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, 2022 and 2023**



**Changes in Net Position**

The City’s overall net position increased \$19,547,995, or 9% from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**City of Klamath Falls' Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,286,635	\$ 5,049,072	\$ 19,012,993	\$ 18,398,773	\$ 24,299,628	\$ 23,447,845
Operating grants & contributions	946,218	133,717	127,951	-	1,074,169	133,717
Capital grants & contributions	14,075,132	4,300,300	533,080	750,000	14,608,212	5,050,300
General revenues:						
Property taxes	9,883,728	9,390,053	-	-	9,883,728	9,390,053
Other taxes	8,025,307	6,605,402	-	-	8,025,307	6,605,402
Other	926,706	(477,662)	636,610	(839,412)	1,563,316	(1,317,074)
<b>Total revenues</b>	<b>39,143,726</b>	<b>25,000,882</b>	<b>20,310,634</b>	<b>18,309,361</b>	<b>59,454,360</b>	<b>43,310,243</b>
<b>Expenses:</b>						
General government	7,301,698	5,932,498	-	-	7,301,698	5,932,498
Airport	3,364,240	3,320,143	-	-	3,364,240	3,320,143
Culture & recreation	2,193,693	1,993,957	-	-	2,193,693	1,993,957
Public safety	7,359,634	6,521,431	-	-	7,359,634	6,521,431
Highways & streets	4,266,996	4,173,200	-	-	4,266,996	4,173,200
Interest on long-term debt	232,857	263,636	-	-	232,857	263,636
Wastewater	-	-	7,564,862	6,973,916	7,564,862	6,973,916
Water	-	-	7,622,385	7,180,296	7,622,385	7,180,296
<b>Total expenses</b>	<b>24,719,118</b>	<b>22,204,865</b>	<b>15,187,247</b>	<b>14,154,212</b>	<b>39,906,365</b>	<b>36,359,077</b>
Increase (decrease) in net position before transfers & other sources	14,424,608	2,796,017	5,123,387	4,155,149	19,547,995	6,951,166
Transfers	1,146,670	681,516	(1,146,670)	(681,516)	-	-
Increase (decrease) in net position	15,571,278	3,477,533	3,976,717	3,473,633	19,547,995	6,951,166
Net position - beginning	136,010,439	132,532,906	84,521,395	81,047,762	220,531,834	213,580,668
<b>Net position - ending</b>	<b>\$ 151,581,717</b>	<b>\$ 136,010,439</b>	<b>\$ 88,498,112</b>	<b>\$ 84,521,395</b>	<b>\$ 240,079,829</b>	<b>\$ 220,531,834</b>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased by \$15,571,278, or 11.5%. Key Changes from the prior year are as follows:

- Capital Assets increased by \$9.4 million primarily due to two large repaving projects for a major street and airport runway.
- Deferred outflow of resources increased \$2.5 million primarily due to a new pension side account. The City paid \$2,558,123 and received a State grant of \$639,530 toward the side account.
- Deferred inflows of resources decreased \$3.3 million primarily due to pension and the difference between projected and actual earnings on PERS investments.
- Capital grants and contributions increased \$9.8 million. The more significant grants and contributions are listed below:
  - State and Local Fiscal Recovery Funds from the American Rescue Plan Act were \$3.5 million with \$2.5 million going toward a major street repaving project.
  - CMAQ fund exchange with the state for \$2 million for a roundabout by the hospital.
  - \$6.7 million in grants for a runway rehabilitation with the majority being Federal Aviation Administration funds.
- Other taxes increased \$1.4 million primarily due to \$1.5 million in federal forest receipts received from Klamath County.
- Investment income increased \$1.4 million due to higher interest rates and more stable market conditions.

**Expenses and Program Revenues - Governmental Activities**



**Business-type Activities.** For the City’s business-type activities, the results for the current fiscal year show an increase in the overall net position. The net position increased to an ending balance of \$84,521,395. The total increase in net position for business-type activities (Wastewater and Water Funds) was \$3,976,717 or 4.7% from the prior fiscal year. Key changes from the prior year are as follows:

- Capital assets increased \$14 million. \$12 million of this was for the new wastewater treatment plant. \$1.7 million was for new water and sewer main lines due to a street extension.
- Long-term liabilities increased \$10.6 million due to loan disbursements for the wastewater treatment plant of \$11 million.
- The City’s water and sewer rates increase based on CPI. On January 1, 2023, rates increased 8.2%.
- Interest income increased \$1.5 million due to higher interest rates and more stable market conditions.
- Salaries increased due to an adjusted CPI of 5.5% and step increases.

## **Financial Analysis of the Government’s Funds**

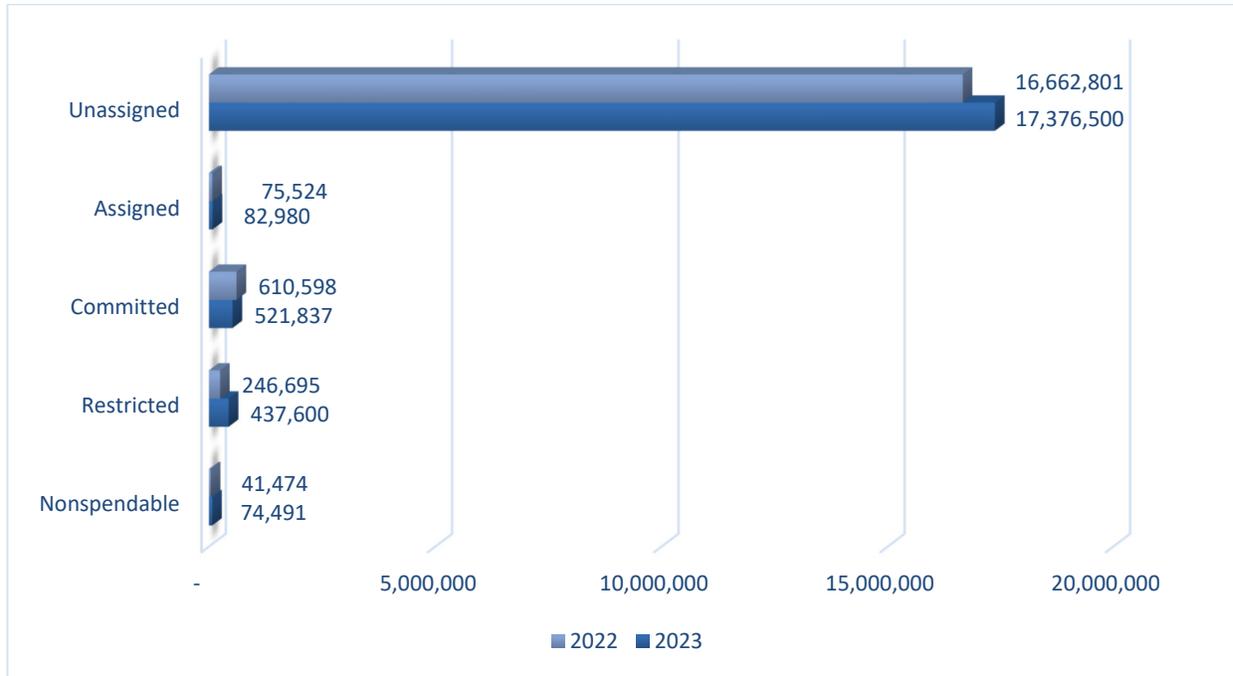
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **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, 2023, the City’s governmental funds reported combined fund balances of \$46,630,430 an increase of \$1,072,052 in comparison with the prior year. Approximately 34% of this amount, \$14,363,000, 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 (\$74,491), 2) legally required to be maintained intact or restricted for particular purposes (\$703,106), 3) committed for specific purposes (\$6,046,395), or 4) assigned for particular purposes (\$25,443,438).

**General Fund - Components of Fund Balance  
June 30, 2022 and 2023**



***Major Governmental Funds***

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$17,376,500, while total fund balance increased to \$18,493,408. 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 65% of total General Fund expenditures, while total fund balance represents approximately 69% 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 \$856,316 during the current fiscal year.

Revenues increased \$7,240,993, or 36% from the prior reporting period due to the following:

- Intergovernmental revenue increased \$5,950,748 primarily due to the grants and federal forest receipts mentioned above.
- Franchise fees increased \$236,207 due to power and gas service fee increases.
- Investment income increased \$967,716 due to interest rate increases and stability of the market.
- Miscellaneous income decreased \$406,408 as the prior year had larger capital contributions for the pool and roundabout projects.

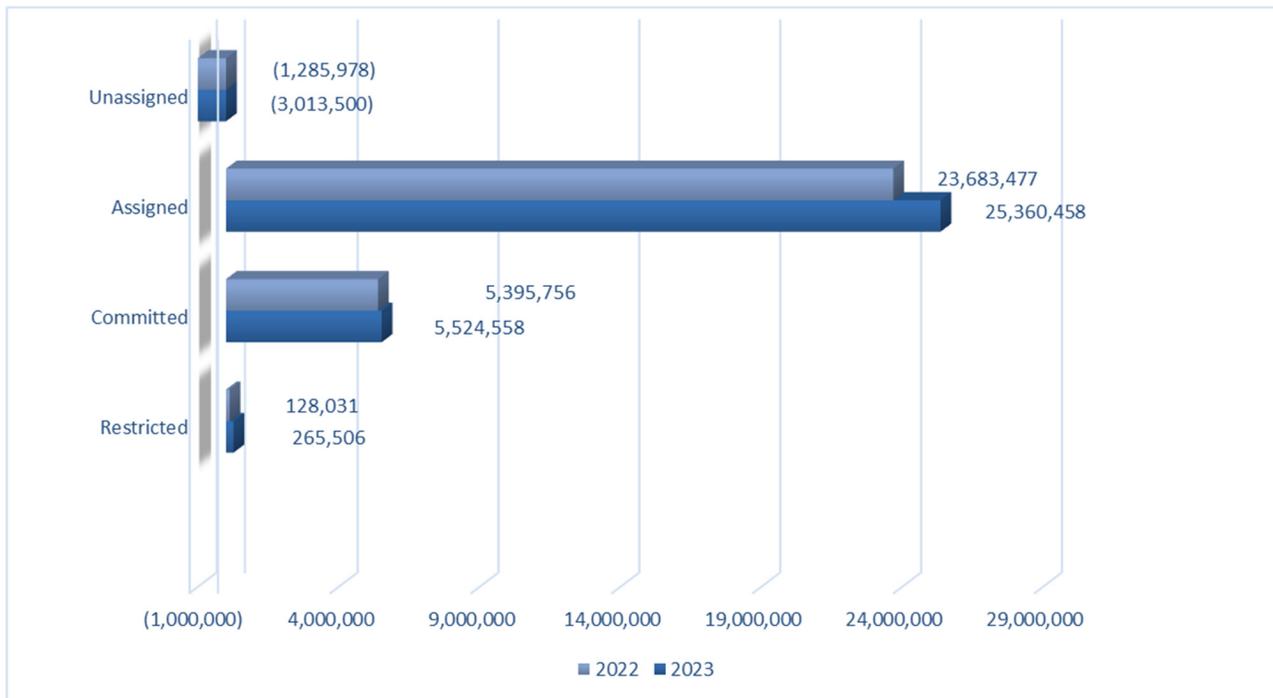
Expenditures increased \$7,233,366, or 37% from the prior reporting period due to the following:

- Salaries expense increased \$543,200, or 6.3% due to a 5.5% adjusted CPI increase for non-represented and AFSCME represented employees and a 3 % increase for Teamsters represented employees along with step increases that averaged around 4%.

- Expenditures related to funding the PERS retirement side account were \$2,438,246. Though expenses were higher this year, we should see decreased PERS rates in future years that will offset this amount.
- Capital Outlay increased \$3,848,202. Due to material shortages and increased costs, not as many projects were completed in the prior years. The City made an effort to catch up on projects in fiscal year 2023. The two largest projects were for a roundabout (\$1,757,844) and a major street repaving project (\$3,283,119).

Overall revenues exceeded expenditures by \$412,060 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, 2022 and 2023



The Airport Fund had an increase in fund balance of \$1,125,107 which is a 37% increase over the prior year fund balance. Below are the reasons for this change:

- Revenues increased \$3,983,027 from the prior fiscal year. \$3.7 million of the increase, was due to FAA grant receipts for runway 8/26. Revenue also includes a \$263,500 contribution from the Air National Guard for the runway project.
- Expenditures increased \$3,487,764 from the prior fiscal year due to an increase in infrastructure capital expense for runway 8/26. Though the Airport Fund had the same increases in personnel costs as the General Fund, it was able to offset the expense by eliminating the director position once the previous director retired.

Overall revenues exceeded expenditures by \$654,632 before transfers and asset sales.

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 \$68,584 due to investment income.

The final major governmental fund, the Escrow Reserve Fund, had an increase in fund balance of \$567,181. Investment income increased \$285,566 due to interest rate increases.

## **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 \$6,338,426. The total change in net position was \$1,964,224.

Unrestricted net position of the Water Fund at the end of the year was \$8,370,051. The total change in net position was \$2,012,493.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

The City of Klamath Falls budgets on a biennial basis. The final adopted budget for the 2021-2023 biennium includes the following significant amendments to the originally adopted budget for the General Fund:

### **Fiscal Year 2022:**

- \$30,075 increase in intergovernmental revenues and Information Technology expenditures due to State and Local Fiscal Recovery Funds (SLFRF) for a broadband extension
- \$31,875 increase in intergovernmental revenues from grant funding from Business Oregon
- Increase in personnel services for additional funding to PERS side account of \$1,950,600
- Administration: City manager recruitment and travel reimbursement of \$60,000 and \$27,000 for Community Recreation District Survey
- Development Services: \$10,000 increase for two CDO amendment mailings
- Police Department: \$22,500 increase for relocation of fire suppression system
- Parks: \$14,700 roll over of previous budget for Moore Park bike skills course
- Ella Redkey Pool: \$38,525 roll over previous budget for pavilion and \$26,000 for personnel services for coverage during FMLA leave
- Streets: \$57,000 previously budgeted plow truck and \$187,100 ADA ramp.

### **Fiscal Year 2023:**

- Intergovernmental revenue increased \$668,875 due to increased grant funding detailed below
- Personnel services increased \$235,200 due to adjusted CPI being higher than budgeted and \$32,475 for health insurance election changes.
- Development Services: \$55,000 for an economic opportunities analysis with related grant funding from the Department of Land Conservation and Development.
- Police: \$135,375 for tasers & \$181,775 for radios both funded with SLFRF
- Parks: \$270,800 for median landscaping funded with SLFRF
- Streets: \$25,925 for wheels up signage downtown funded with SLFRF

For the 2021-2023 biennium, actual General Fund revenues and expenses varied from the final amended budget as follows:

#### Revenue:

- Intergovernmental revenue was \$1.2 million more than budgeted primarily due to the federal forest receipts given to us by Klamath County. The County was previously holding the City's allocation and disbursing as projects were completed. The County decided to give the City the remaining funds that it held. The SLFRF grant was not budgeted but other grants that were budgeted were not received so it w
- Franchise fees were \$500 thousand higher than budgeted due to larger gas and power service increases than anticipated.
- Investment income was \$500 thousand less than budgeted due to large market value adjustments in fiscal year 2022.

#### Expense:

- City Administration: Multiple vacant positions were not filled due to a change in City Managers.
- Information Technology: \$468,500 budgeted for an ERP software conversion was not utilized as the project is being delayed until the next biennium.
- Development Services: Various positions were vacant over the biennium due to difficulties filling positions. \$100 thousand budgeted for the Urban Growth Boundary Comprehensive Plan will be re-budgeted in the next biennium.
- Police: Of the \$1 million budget remaining, \$500 thousand is due to vacant positions, \$200 thousand is due to availability of patrol vehicles and \$350 thousand is due to a delay in receiving body and car cameras.
- Parks and Recreation: The Moore Park regional playground project is behind schedule due to delays in supplies so the is \$558 thousand left in the budget. A \$350 thousand bicycle pump track and \$380 thousand trail project have been moved to the next biennium due to lack of grant funding. An accompanying parking lot to the pump track of \$275 thousand was moved to the next biennium also.
- Streets: The 6<sup>th</sup> Street viaduct project of \$2.7 million is on hold as prices have increased and more funding is needed. \$225 thousand budgeted for a dump truck was not used due to availability.

### **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, 2023, amounts to \$224,707,293 (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 11.6%.

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

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 14,173,027	\$ 14,179,527	\$ 1,941,099	\$ 1,941,099	\$ 16,114,126	\$ 16,120,626
Intangible assets	385,069	411,137	138,783	139,893	523,852	551,030
Subscription	27,297	-	-	-	27,297	-
Construction in progress	15,638,186	7,894,787	46,009,781	32,868,835	61,647,967	40,763,622
Buildings & system	9,180,394	9,474,294	2,632,389	2,753,999	11,812,783	12,228,293
Machinery & equipment	3,487,176	3,527,245	6,574,380	6,789,549	10,061,556	10,316,794
Infrastructure	75,310,395	73,317,928	49,236,614	48,040,714	124,547,009	121,358,642
<b>Total</b>	<b>\$ 118,201,544</b>	<b>\$ 108,804,918</b>	<b>\$ 106,533,046</b>	<b>\$ 92,534,089</b>	<b>\$ 224,734,590</b>	<b>\$ 201,339,007</b>

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

- Parks: Moore Park regional playground \$432,509
- Parks: Campus Drive landscape medians \$330,780
- Streets: Campus & Daggett Roundabout \$1,757,844
- Streets: Washburn Way rehabilitation \$3,283,119
- Airport: Runway 8/26 \$6,155,645
- Wastewater: Main extension due to Brett Way extension \$729,989
- Wastewater: Pacific Terrace pipelining \$373,661
- Wastewater: Treatment plant \$11,901,722
- Water: Main extension due to Brett Way extension \$962,071
- Water: Replace aging water main \$491,555
- Water: Main improvements due to County road extension \$478,245
- Water: SCADA radio upgrades \$434,500
- Water: Geothermal line replacement \$689,024

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 \$39,417,158. Of this amount, \$1,562,315 is bonded debt secured by revenue from the City's applicable funds, \$3,499,158 is general obligation bonded debt that will be paid from ad valorem taxes levied on all taxable property within the city boundaries, and \$1,519,151 is full faith and credit bonds that the City has pledged all general unrestricted revenues to repay. Another \$32,836,534 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	
	2023	2022	2023	2022	2023	2022
Leases/loans payable	\$ -	\$ 2,329,055	\$ 32,836,534	\$ 21,867,290	\$ 32,836,534	\$ 24,196,345
General obligation bonds	3,499,158	3,632,685	-	-	3,499,158	3,632,685
Full faith and credit bond	1,519,151	1,735,698	-	-	1,519,151	1,735,698
Revenue bonds	-	-	1,562,315	2,316,453	1,562,315	2,316,453
Total	<u>\$ 5,018,309</u>	<u>\$ 7,697,438</u>	<u>\$ 34,398,849</u>	<u>\$ 24,183,743</u>	<u>\$ 39,417,158</u>	<u>\$ 31,881,181</u>

The City's total debt increased \$7,535,977 or 23.6% during the current fiscal year. The City drew funds of \$11,011,931 from the DEQ State Revolving Loan agreement for financing the Wastewater treatment plant upgrades. As of June 30, 2023 there is \$18,292,603 that can still be drawn down.

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 \$52,449,815 which is significantly in excess of the City's outstanding general obligation debt of \$3,499,158.

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 2023-2025 budget:

- The unemployment rate for Klamath County as of June 2023 was 4.5 percent, a decrease of .80 percent from the prior year. Klamath County ranked 5<sup>th</sup> highest in the state out of 36.
- The City completed market analysis's and labor negotiations with both of their labor unions. The market analysis's and negotiations resulted in a 12% increase in salaries for fiscal year 2024 and an anticipated 5% increase for fiscal year 2025.
- The City has continued to look at areas to cut costs as inflation continues to rise. Some administration positions that weren't filled in the last biennium were removed from the next biennium's budget. Working closely with our contractors we have been able to value engineer some capital projects to keep them moving forward.
- Sewer and water rates increase 8.2% in January 2023 will increase by 3.7% in January 2024 based on CPI increases.

**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, 2023

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,436,065	\$ 9,634,151	\$ 28,070,216
Investments	27,245,071	7,301,018	34,546,089
Restricted cash and cash equivalents	1,184,425	2,166,327	3,350,752
Accounts receivable <i>(net of uncollectibles)</i>	6,024,871	2,635,713	8,660,584
Leases receivable <i>(current)</i>	284,728	18,286	303,014
Taxes receivable	735,143	-	735,143
Special assessments receivable	72,297	5,893	78,190
Interest receivable	65,631	55,687	121,318
Inventories	74,491	432,067	506,558
Prepaid items	324,694	83,620	408,314
Leases receivable	5,142,223	548,673	5,690,896
Prepaid bond insurance	4,178	-	4,178
Net OPEB asset	294,370	72,368	366,738
Capital assets not being depreciated	29,927,984	48,088,370	78,016,354
Capital assets <i>(net of accumulated depreciation)</i>	88,273,560	58,444,676	146,718,236
<b>Total Assets</b>	<b>178,089,731</b>	<b>129,486,849</b>	<b>307,576,580</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	104,578	38,537	143,115
Deferred outflow of resources - OPEB related	144,167	35,442	179,609
Deferred outflow of resources - pension related	7,261,201	1,785,100	9,046,301
<b>Total Deferred Outflows of Resources</b>	<b>7,509,946</b>	<b>1,859,079</b>	<b>9,369,025</b>
<b>LIABILITIES</b>			
Current Liabilities <i>(payable from unrestricted assets)</i> :			
Accounts payable	2,512,922	1,839,645	4,352,567
Retainage payable	166,300	621,794	788,094
Accrued interest payable	13,914	-	13,914
Accrued payroll payable	266,284	87,538	353,822
Compensated Absences	484,894	99,384	584,278
Customer deposits	77,251	211,012	288,263
Unearned revenues	3,205,545	184,029	3,389,574
Subscriptions payable	27,094	-	27,094
Bonds payable	372,607	-	372,607
Current Liabilities <i>(payable from restricted assets)</i> :			
Accrued interest payable	-	723,756	723,756
Notes and loans payable	-	255,120	255,120
Bonds payable	-	775,784	775,784
Noncurrent Liabilities:			
Compensated absences	484,894	99,384	584,278
Notes and loans payable	-	32,581,414	32,581,414
Bonds payable <i>(net of unamortized discounts and premiums)</i>	4,645,702	786,531	5,432,233
Total OPEB liability	535,969	131,763	667,732
Net pension liability	11,344,598	2,788,966	14,133,564
<b>Total Liabilities</b>	<b>24,137,974</b>	<b>41,186,120</b>	<b>65,324,094</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB related	149,081	36,650	185,731
Deferred inflows of resources - pension related	4,303,954	1,058,087	5,362,041
Deferred inflows of resources - leases	5,426,951	566,959	5,993,910
<b>Total Deferred Inflows of Resources</b>	<b>9,879,986</b>	<b>1,661,696</b>	<b>11,541,682</b>
<b>NET POSITION</b>			
Net investment in capital assets	113,094,419	71,550,940	184,645,359
Restricted for:			
Outside legal authority	347,677	-	347,677
System development	243,916	1,139,795	1,383,711
Capital outlay	69,529	-	69,529
Debt service	41,985	1,026,532	1,068,517
Net OPEB Asset	294,370	72,368	366,738
Unrestricted	37,489,821	14,708,477	52,198,298
<b>Total Net Position</b>	<b>\$ 151,581,717</b>	<b>\$ 88,498,112</b>	<b>\$ 240,079,829</b>

City of Klamath Falls, Oregon  
Statement of Activities  
For the Year Ended June 30, 2023

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
<b>Governmental Activities:</b>							
General government	\$ 7,301,698	\$ 4,267,660	\$ 524,793	\$ 40,090	\$ (2,469,155)	\$ -	\$ (2,469,155)
Airport	3,364,240	425,653	22,102	6,714,031	3,797,546	-	3,797,546
Culture and recreation	2,193,693	228,346	61,094	1,227,164	(677,089)	-	(677,089)
Public safety	7,359,634	23,606	290,819	317,125	(6,728,084)	-	(6,728,084)
Highways and streets	4,266,996	341,370	47,410	5,776,722	1,898,506	-	1,898,506
Interest on long-term debt	232,857	-	-	-	(232,857)	-	(232,857)
<b>Total Government Activities</b>	<b>24,719,118</b>	<b>5,286,635</b>	<b>946,218</b>	<b>14,075,132</b>	<b>(4,411,133)</b>	<b>-</b>	<b>(4,411,133)</b>
<b>Business-Type Activities:</b>							
Wastewater	7,564,862	8,698,676	46,820	476,333	-	1,656,967	1,656,967
Water	7,622,385	10,314,317	81,131	56,747	-	2,829,810	2,829,810
<b>Total Business-Type Activities</b>	<b>15,187,247</b>	<b>19,012,993</b>	<b>127,951</b>	<b>533,080</b>	<b>-</b>	<b>4,486,777</b>	<b>4,486,777</b>
<b>Total</b>	<b>\$ 39,906,365</b>	<b>\$ 24,299,628</b>	<b>\$ 1,074,169</b>	<b>\$ 14,608,212</b>	<b>(4,411,133)</b>	<b>4,486,777</b>	<b>75,644</b>
<b>General Revenues:</b>							
Property taxes					9,883,728	-	9,883,728
Franchise taxes					3,184,789	-	3,184,789
Motor fuel taxes					1,750,719	-	1,750,719
Alcoholic beverage taxes					438,007	-	438,007
Cigarette taxes					16,301	-	16,301
Transient room taxes					822,147	-	822,147
State revenue sharing					307,852	-	307,852
Federal forest receipts					1,505,492	-	1,505,492
Investment Income (loss)					926,706	541,355	1,468,061
Gain on sale of capital assets					-	95,255	95,255
Transfers					1,146,670	(1,146,670)	-
<b>Total General Revenues and Transfers</b>					<b>19,982,411</b>	<b>(510,060)</b>	<b>19,472,351</b>
<b>Change in Net Position</b>					<b>15,571,278</b>	<b>3,976,717</b>	<b>19,547,995</b>
<b>Net Position - Beginning</b>					<b>136,010,439</b>	<b>84,521,395</b>	<b>220,531,834</b>
<b>Net Position - Ending</b>					<b>\$ 151,581,717</b>	<b>\$ 88,498,112</b>	<b>\$ 240,079,829</b>

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FUND FINANCIAL  
STATEMENTS

City of Klamath Falls, Oregon  
Balance Sheet  
Governmental Funds  
June 30, 2023

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,047,519	\$ 3,155,198	\$ 2,995,059	\$ 982,999	\$ 1,255,290	\$ 18,436,065
Accounts receivable	3,506,005	2,509,799	-	-	9,067	6,024,871
Lease receivable	-	5,426,951	-	-	-	5,426,951
Taxes receivable	645,534	23,413	-	-	66,196	735,143
Special assessments receivable	72,297	-	-	-	-	72,297
Interest receivable	44,483	312	-	20,115	721	65,631
Advances to other funds	-	-	-	3,725,564	-	3,725,564
Inventories	74,491	-	-	-	-	74,491
Restricted assets						
Cash and cash equivalents	261,423	52,022	-	-	870,980	1,184,425
Long-term assets						
Investments	8,103,537	-	6,859,030	6,236,109	-	21,198,676
Committed investments	521,837	-	5,524,558	-	-	6,046,395
<b>Total Assets</b>	<b>\$ 23,277,126</b>	<b>\$ 11,167,695</b>	<b>\$ 15,378,647</b>	<b>\$ 10,964,787</b>	<b>\$ 2,202,254</b>	<b>\$ 62,990,509</b>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	\$ 793,744	\$ 1,426,694	\$ -	\$ -	\$ 281,434	\$ 2,501,872
Payroll payable	257,100	9,184	-	-	-	266,284
Retainage payable	166,300	-	-	-	-	166,300
Advances from other funds	-	-	-	-	3,725,564	3,725,564
Deposits payable	69,071	8,180	-	-	-	77,251
Unearned revenue	2,724,107	151	-	-	481,287	3,205,545
<b>Total Liabilities</b>	<b>4,010,322</b>	<b>1,444,209</b>	<b>-</b>	<b>-</b>	<b>4,488,285</b>	<b>9,942,816</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	493,072	17,883	-	-	49,766	560,721
Unavailable revenue - grant	34,085	112,937	-	-	-	147,022
Unavailable revenue - special assessment debt receivable	72,297	-	-	-	-	72,297
Unavailable revenue - accounts receivable	12,626	29,666	-	-	-	42,292
Unavailable revenue - municipal court fines	159,454	-	-	-	-	159,454
Unavailable revenue - parking fines	-	-	-	-	6,664	6,664
Unavailable revenue - code enforcement fines	1,862	-	-	-	-	1,862
Unavailable revenue - leases	-	5,426,951	-	-	-	5,426,951
<b>Total Deferred Inflows of Resources</b>	<b>773,396</b>	<b>5,587,437</b>	<b>-</b>	<b>-</b>	<b>56,430</b>	<b>6,417,263</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,783,718</b>	<b>7,031,646</b>	<b>-</b>	<b>-</b>	<b>4,544,715</b>	<b>16,360,079</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	74,491	-	-	-	-	74,491
Restricted	437,600	52,022	-	-	213,484	703,106
Committed	521,837	-	5,524,558	-	-	6,046,395
Assigned	82,980	4,084,027	9,854,089	10,964,787	457,555	25,443,438
Unassigned	17,376,500	-	-	-	(3,013,500)	14,363,000
<b>Total Fund Balances</b>	<b>18,493,408</b>	<b>4,136,049</b>	<b>15,378,647</b>	<b>10,964,787</b>	<b>(2,342,461)</b>	<b>46,630,430</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 23,277,126</b>	<b>\$ 11,167,695</b>	<b>\$ 15,378,647</b>	<b>\$ 10,964,787</b>	<b>\$ 2,202,254</b>	

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

Prepaid assets are not reported in the funds.	324,694
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	118,201,544
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.	990,312
Pension related liability and deferred outflows and inflows of resources.	(8,387,351)
Other post employment benefits related liability and deferred outflows and inflows of resources.	(246,513)

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	(5,018,309)	
Deferred charge on refunding	104,578	
Prepaid bond insurance	4,178	
Subscriptions payable	(27,094)	
Accrued interest	(13,914)	
Accounts payable	(11,050)	
Compensated absences	(969,788)	(5,931,399)
<b>Total Net Position - Governmental Activities</b>		<b>\$ 151,581,717</b>

City of Klamath Falls, Oregon  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2023

	General Fund	Airport Fund	Capital Projects Fund	Escrow Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 8,566,557	\$ 297,863	\$ -	\$ -	\$ 969,789	\$ 9,834,209
Special assessments	-	-	-	-	-	-
Intergovernmental	10,660,841	6,885,870	-	-	376,659	17,923,370
Licenses, fees and permits	168,309	-	-	-	59,070	227,379
Franchise fees	3,183,697	-	-	-	-	3,183,697
Charges for services	589,396	423,788	-	648,525	104,610	1,766,319
Internal charges for services	3,071,241	-	-	-	-	3,071,241
Fines and forfeits	240,256	-	-	-	21,054	261,310
Investment income (loss)	476,155	199,886	68,584	144,022	38,059	926,706
Miscellaneous revenues	188,882	265,365	-	-	164	454,411
<b>Total Revenues</b>	<b>27,145,334</b>	<b>8,072,772</b>	<b>68,584</b>	<b>792,547</b>	<b>1,569,405</b>	<b>37,648,642</b>
<b>EXPENDITURES</b>						
Current:						
General government	6,834,180	-	-	366	897,039	7,731,585
Airport	-	1,240,516	-	-	-	1,240,516
Culture and recreation	1,979,412	-	-	-	-	1,979,412
Public safety	8,018,304	-	-	-	-	8,018,304
Highways and streets	2,282,460	-	-	-	73,239	2,355,699
Debt service:						
Principal	215,000	-	-	-	2,462,582	2,677,582
Interest	76,920	-	-	-	152,706	229,626
Capital outlay:						
General government	105,702	-	-	-	5,345	111,047
Airport	-	6,177,624	-	-	-	6,177,624
Culture and recreation	1,279,967	-	-	-	-	1,279,967
Public safety	421,324	-	-	-	-	421,324
Highways and streets	5,520,005	-	-	-	33,630	5,553,635
<b>Total Expenditures</b>	<b>26,733,274</b>	<b>7,418,140</b>	<b>-</b>	<b>366</b>	<b>3,624,541</b>	<b>37,776,321</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	412,060	654,632	68,584	792,181	(2,055,136)	(127,679)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	36,481	9,000	-	-	-	45,481
Transfers in	698,625	461,475	-	-	520,000	1,680,100
Transfers out	(295,000)	-	-	(225,000)	(10,000)	(530,000)
Insurance recoveries	4,150	-	-	-	-	4,150
<b>Total Other Financing Sources (Uses)</b>	<b>444,256</b>	<b>470,475</b>	<b>-</b>	<b>(225,000)</b>	<b>510,000</b>	<b>1,199,731</b>
<b>Net Change in Fund Balance</b>	<b>856,316</b>	<b>1,125,107</b>	<b>68,584</b>	<b>567,181</b>	<b>(1,545,136)</b>	<b>1,072,052</b>
Fund Balance - Beginning	17,637,092	3,010,942	15,310,063	10,397,606	(797,325)	45,558,378
<b>Fund Balance - Ending</b>	<b>\$ 18,493,408</b>	<b>\$ 4,136,049</b>	<b>\$ 15,378,647</b>	<b>\$ 10,964,787</b>	<b>\$ (2,342,461)</b>	<b>\$ 46,630,430</b>

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, 2023

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

Net change in fund balances - total governmental funds	\$	1,072,052
<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	\$ 13,543,597	
Less current year depreciation	<u>(5,609,415)</u>	7,934,182
<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		1,407,850
<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	49,519	
Special assessments against benefiting properties	(12,922)	
Grant receivable - non-current portion	147,022	
Accounts receivable - non-current portion	(9,180)	
Fines and forfeitures - non current portion	<u>(2,947)</u>	172,584
<p>The issuance of long-term debt (e.g., bonds, loans) and the recognition of subscriptions provide 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 issues, 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	2,677,582	
Subscription principal payments	27,500	
Amortization of deferred charge on refunding	(7,464)	
Amortization of bond premium	1,547	
Amortization of bond insurance	<u>(706)</u>	2,698,459
The net effect of various pension related transactions		2,400,804
<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	(179,209)	
Accrued interest on long-term obligations	2,686	
Compensated absences	(18,488)	
Other postemployment benefits	<u>80,358</u>	<u>(114,653)</u>
Change in net position of governmental activities	\$	<u><u>15,571,278</u></u>

PROPRIETARY  
FUNDS

City of Klamath Falls, Oregon  
Statement of Net Position  
Proprietary Funds  
June 30, 2023

	Business-Type Activities		
	Wastewater	Water	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,650,828	\$ 6,983,323	\$ 9,634,151
Accounts receivable <i>(net of uncollectibles)</i>	1,070,113	1,565,600	2,635,713
Leases receivable	-	566,959	566,959
Loans receivable	-	5,893	5,893
Interest receivable	24,874	30,813	55,687
Inventories	34,262	397,805	432,067
Prepaid items	34,688	48,932	83,620
Restricted assets			
Cash and cash equivalents	1,102,684	1,063,643	2,166,327
Total Current Assets	<u>4,917,449</u>	<u>10,662,968</u>	<u>15,580,417</u>
Noncurrent Assets:			
Investments	5,009,163	2,291,855	7,301,018
Capital assets <i>(net of accumulated depreciation)</i>			
Land	1,322,899	618,200	1,941,099
Intangible assets	1,294	137,489	138,783
Construction in progress	44,672,661	1,337,122	46,009,783
Buildings and system	1,964,846	667,542	2,632,388
Machinery and equipment	3,504,486	3,069,894	6,574,380
Infrastructure	18,908,054	30,328,559	49,236,613
OPEB asset, net	29,099	43,269	72,368
Total Noncurrent Assets	<u>75,412,502</u>	<u>38,493,930</u>	<u>113,906,432</u>
Total Assets	<u>80,329,951</u>	<u>49,156,898</u>	<u>129,486,849</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	38,537	-	38,537
Deferred outflow of resources - OPEB related	14,251	21,191	35,442
Deferred outflow of resources - pension related	717,779	1,067,321	1,785,100
Total Deferred Outflows of Resources	<u>770,567</u>	<u>1,088,512</u>	<u>1,859,079</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	770,858	1,068,787	1,839,645
Retainage payable	599,383	22,411	621,794
Accrued payroll	30,375	57,163	87,538
Compensated absences	43,914	55,470	99,384
Customer deposits	-	211,012	211,012
Unearned revenue	-	184,029	184,029
Current Liabilities (payable from restricted assets):			
Accrued interest payable	713,874	9,882	723,756
Loans payable	207,106	48,014	255,120
Revenue bonds payable	775,784	-	775,784
Total Current Liabilities	<u>3,141,294</u>	<u>1,656,768</u>	<u>4,798,062</u>
Long-term Liabilities:			
Compensated absences	43,914	55,470	99,384
Loans payable	32,250,291	331,123	32,581,414
Revenue bonds payable (net of unamortized discounts and premiums)	786,531	-	786,531
Total OPEB liability	52,981	78,782	131,763
Net pension liability	1,121,428	1,667,538	2,788,966
Total Noncurrent Liabilities	<u>34,255,145</u>	<u>2,132,913</u>	<u>36,388,058</u>
Total Liabilities	<u>37,396,439</u>	<u>3,789,681</u>	<u>41,186,120</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB related	14,737	21,913	36,650
Deferred inflows of resources - pension related	425,451	632,636	1,058,087
Deferred inflows of resources - leases	-	566,959	566,959
Total Deferred Inflows of Resources	<u>440,188</u>	<u>1,221,508</u>	<u>1,661,696</u>
<b>NET POSITION</b>			
Net investment in capital assets	35,793,682	35,757,258	71,550,940
Restricted for:			
System development	147,602	992,193	1,139,795
Debt service	955,082	71,450	1,026,532
Net OPEB Asset	29,099	43,269	72,368
Unrestricted	6,338,426	8,370,051	14,708,477
Total Net Position	<u>\$ 43,263,891</u>	<u>\$ 45,234,221</u>	<u>\$ 88,498,112</u>

City of Klamath Falls, Oregon  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2023

	Business-Type Activities		
	Wastewater	Water	Totals
<b>OPERATING REVENUES</b>			
Charges for sales and services			
Wastewater charges (net of allowances)	\$ 8,559,558	\$ -	\$ 8,559,558
Geothermal charges (net of allowances)	-	221,430	221,430
Water charges (net of allowances)	-	9,793,736	9,793,736
	<hr/>	<hr/>	<hr/>
Total operating revenues	8,559,558	10,015,166	18,574,724
<b>OPERATING EXPENSES</b>			
Costs of sales and services	4,716,059	4,959,721	9,675,780
Administration	861,250	859,175	1,720,425
Depreciation and amortization	1,374,031	1,785,792	3,159,823
	<hr/>	<hr/>	<hr/>
Total operating expenses	6,951,340	7,604,688	14,556,028
	<hr/>	<hr/>	<hr/>
Operating income (loss)	1,608,218	2,410,478	4,018,696
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	54,831	81,131	135,962
Investment income (loss)	221,652	319,703	541,355
Interest expense	(613,522)	(17,697)	(631,219)
Gain on sale of capital assets	82,175	13,080	95,255
System development charges	139,118	299,151	438,269
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue (expenses)	(115,746)	695,368	579,622
	<hr/>	<hr/>	<hr/>
Income before contributions and transfers	1,492,472	3,105,846	4,598,318
<b>CAPITAL CONTRIBUTIONS</b>			
	468,322	56,747	525,069
<b>TRANSFERS IN</b>	3,430	-	3,430
<b>TRANSFERS OUT</b>	-	(1,150,100)	(1,150,100)
	<hr/>	<hr/>	<hr/>
Change in net position	1,964,224	2,012,493	3,976,717
	<hr/>	<hr/>	<hr/>
Total net position - beginning	41,299,667	43,221,728	84,521,395
	<hr/>	<hr/>	<hr/>
Total net position - ending	\$ 43,263,891	\$ 45,234,221	\$ 88,498,112
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Klamath Falls, Oregon  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2023

	Business-Type Activities		
	Wastewater	Water	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 8,598,031	\$ 9,514,670	\$ 18,112,701
Receipts from interfund services provided	54,325	350,549	404,874
Payments to suppliers	(2,435,423)	(1,542,765)	(3,978,188)
Payments to employees	(1,776,778)	(3,177,683)	(4,954,461)
Payments for interfund services used	(1,783,791)	(841,704)	(2,625,495)
Net cash provided by operating activities	<u>2,656,364</u>	<u>4,303,067</u>	<u>6,959,431</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental receipts	46,820	81,131	127,951
Transfers in (out)	3,430	(1,150,100)	(1,146,670)
Net Cash (Used) by Noncapital Financing Activities	<u>50,250</u>	<u>(1,068,969)</u>	<u>(1,018,719)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Intergovernmental receipts	8,011	-	8,011
System development fees collected	139,118	299,151	438,269
Purchases and construction of capital assets	(14,044,221)	(3,118,274)	(17,162,495)
Proceeds from sale of capital assets	82,175	13,080	95,255
Loan Proceeds	11,011,931	-	11,011,931
Interest received on capital lease	-	11,193	11,193
Principal paid on capital debt	(754,138)	(42,687)	(796,825)
Interest paid on capital debt	(474,406)	(18,755)	(493,161)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,031,530)</u>	<u>(2,856,292)</u>	<u>(6,887,822)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments	(339,168)	(257,605)	(596,773)
Investment earnings	220,655	307,276	527,931
Net Cash Provided (Used) by Investing Activities	<u>(118,513)</u>	<u>49,671</u>	<u>(68,842)</u>
Net Change in Cash and Cash Equivalents	(1,443,429)	427,477	(1,015,952)
Cash and Cash Equivalents - Beginning of Year	5,196,941	7,619,489	12,816,430
Cash and Cash Equivalents - End of Year	<u>\$ 3,753,512</u>	<u>\$ 8,046,966</u>	<u>\$ 11,800,478</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,650,828	\$ 6,983,323	\$ 9,634,151
Cash and Cash Equivalents - Restricted	1,102,684	1,063,643	2,166,327
Total Cash and Cash Equivalents	<u>\$ 3,753,512</u>	<u>\$ 8,046,966</u>	<u>\$ 11,800,478</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,608,218	\$ 2,410,478	\$ 4,018,696
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,374,031	1,785,792	3,159,823
(Increase) decrease in assets and deferred outflows of resources			
Accounts receivable	92,798	(140,250)	(47,452)
Inventories	2,987	59,795	62,782
Prepaid items	2,444	79,103	81,547
Net OPEB asset	(5,915)	(2,698)	(8,613)
Deferred charges on refunding	20,037	-	20,037
Deferred outflows related to other post employment benefits	(8,932)	(11,882)	(20,814)
Deferred outflows related to pensions	(251,741)	(251,780)	(503,521)
Increases (decrease) in liabilities			
Accounts payable	(239,704)	763,219	523,515
Payroll liabilities	3,784	8,869	12,653
Compensated absences	13,932	(41,035)	(27,103)
Customer deposits	-	(13,492)	(13,492)
Unearned revenue	-	3,795	3,795
Other post employment benefits	10,479	4,406	14,885
Net pension liability	325,873	275,360	601,233
Deferred inflows related to other post employment benefits	(2,897)	(8,946)	(11,843)
Deferred inflows related to pensions	(289,030)	(617,667)	(906,697)
Total Adjustments	<u>1,048,146</u>	<u>1,892,589</u>	<u>2,940,735</u>
Net cash provided by operating activities	<u>\$ 2,656,364</u>	<u>\$ 4,303,067</u>	<u>\$ 6,959,431</u>

## FIDUCIARY FUNDS

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City of Klamath Falls, Oregon  
Statement of Fiduciary Net Position  
Veterans Memorial Custodial Fund  
June 30, 2023

	<u>Veterans Memorial Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 173,993
Total assets	<u>173,993</u>
<b>LIABILITIES</b>	
Accounts payable	<u>284</u>
Total liabilities	<u>284</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals and organizations	<u>173,709</u>
Total net position	<u>\$ 173,709</u>

City of Klamath Falls, Oregon  
Veterans Memorial Custodial Fund  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2023

**ADDITIONS**

Contributions:

Private contributions	\$ 1,450
Total contributions	1,450

Investment earnings:

Interest	4,979
Net investment earnings	4,979

Total additions	6,429
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**DEDUCTIONS**

Memorial improvements	1,924
Total deductions	1,924

Net increase in fiduciary net position	4,505
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Net position - beginning	169,204
Net position - ending	\$ 173,709

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. The 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.

**Related organizations.** The Klamath Falls Intercommunity Hospital Authority was established by resolution adopted by the City Council of the City of Klamath Falls to provide hospital facilities. The City Council appoints the board of directors of the Authority. The board of directors manages and controls the Authority. Bonds or other obligations of the Authority are not obligations of the City of Klamath Falls.

### 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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major enterprise funds:

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

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

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

Additionally, the government reports the following custodial fund:

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

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

### **E. Measurement focus and basis of accounting**

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

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

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

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

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### F. Budgetary information

#### 1. Budgetary basis of accounting

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

The Budget Committee, which consists of the City Council and an equal number of citizens of the City, conducts public hearings for the purpose of obtaining citizens’ comments, and then approves 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, 2023. Appropriations lapse at the end of the biennium budget period.

#### 2. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2023, transfers out in the Water fund exceeded the appropriated amount by \$138,525. Transfers are based on revenue which increased more than the estimated budget. The over expenditure was funded through the available fund balance. In the Lakefront Urban Renewal Fund, the payment to developer for expenses incurred was budgeted as capital outlay, however, these expenses were previously recorded as an asset and debt in the government-wide financial statements. Due to this, the payment had to be reclassified as debt service instead of capital outlay. This caused debt service to exceed the budget by \$2,125,403.

### 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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **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.

### **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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives of capital assets are:

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

### 5. *Leases*

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

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

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

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

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

### 6. *Subscription-Based Information Technology Agreements*

The City obtains the right to use vendor's information technology software through various long-term contracts. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the applicable governmental or business-type activities column in the government-wide financial statements.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The right-to-use asset is initially measured as the initial amount of the subscription liability adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Right-to-use subscription assets' useful lives are determined by the length of the subscription period and are amortized using the straight-line method. See further discussion Note III.I.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key estimates and judgments include how the City determines the discount rate and subscription term it uses to discount the expected subscription payments to present value. The City uses the market rate of interest at the subscription's inception as the discount rate. The subscription's term includes the noncancelable period of the subscription. Subscription payments included in the measurement of the subscription payable are composed of fixed payments as outlined in the subscription.

### **7. *Deferred outflows/inflows of resources***

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

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

### **8. *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.

### **9. *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.

### **10. *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.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

### H. Revenues and expenditures/expenses

#### 1. *Program revenues*

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

#### 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, 2023.

## NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3. *Compensated absences*

#### Vacation

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

#### Sick Leave

The government's policy permits employees to accumulate earned but unused sick leave benefits. When AFSCME and Teamsters employees, hired before July 1, 2011, leave the government's employment, sick leave is paid at a graduated scale based on years employed, not to exceed 25% of 960 hours. AFSCME and Teamsters employees hired after July 1, 2011, no longer qualify for a sick leave payout upon leaving the government. Exempt employees may have two sick leave banks. All sick leave accumulated prior to July 1, 2011 is tracked as "frozen sick leave". Amounts remaining on the books upon termination are paid at a graduated scale based on years employed but not to exceed 25% of 960 hours. Leave amounts accrued after July 1, 2011, are tracked as current sick leave, which is no longer subject to a payout upon termination. Instead, the government will convert up to 32 hours of accrued current sick leave to cash and contribute the balance to a Voluntary Employee's Beneficiary Account (VEBA) on July 1<sup>st</sup> 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, 2023.

### C. Deficit fund equity

At June 30, 2023, the Lakefront Urban Renewal Fund has a deficit fund balance of \$2,234,471 and the Spring Street Urban Renewal Fund has a deficit fund balance of \$779,029. The reason for the deficits is interfund loans. The interfund loans are reported as a fund liability on the Governmental Funds balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balance). This deficit will be eliminated as the scheduled principal payments on the loans are made.

## NOTE III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash, cash equivalents and investments

At June 30, 2023, the government's cash, cash equivalents and investments were comprised of the following:

Cash and cash equivalents:

Cash on hand	\$	1,300
Deposits with financial institutions		2,697,119
State of Oregon Local Government Investment Pool		<u>28,722,549</u>
Total cash and cash equivalents		31,420,968

Investments:

Oregon State Treasurer's Local Government Intermediate Fund		9,364,415
U.S. agency and municipal obligations		17,125,767
Commercial paper and corporate bonds		<u>8,055,907</u>
Total Investments		<u>34,546,089</u>

Total cash, cash equivalents and investments	\$	<u>65,967,057</u>
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Cash, cash equivalents and investments are reflected on Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 18,436,065	\$ 9,634,151	\$ 28,070,216
Restricted cash and cash equivalents	1,184,425	2,166,327	3,350,752
Investments	21,720,513	7,301,018	29,021,531
Restricted investments	<u>5,524,558</u>	-	<u>5,524,558</u>
Total cash, cash equivalents, and investments	<u>\$ 46,865,561</u>	<u>\$ 19,101,496</u>	<u>\$ 65,967,057</u>

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

*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, 2023, the government's bank balances were \$5,376,657.

*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.

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, 2023, 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.

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

As of June 30, 2023, the government had the following investments:

Investment Type	Fair Value	% of Investment Portfolio	Weighted Average Maturity (Years)	
Local Government Investment Pool	\$ 28,722,549	45.4%	0.42	0.1890537
Local Government Intermediate Fund	9,364,415	14.8%	0.09	0.0133331
U.S. Agency Securities	10,045,194	15.9%	2.60	0.4128033
U.S. Treasury Securities	426,276	0.7%	1.62	0.0108908
Municipal Commercial Paper	6,654,297	10.5%	2.27	0.2383013
Corporate Commercial Paper and Bonds	8,055,907	12.7%	1.31	0.1667481
Total	\$ 63,268,638	100.0%		1.0311304

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.

The government's investment portfolio as of June 30, 2023, 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.

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

At June 30, 2023, 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	\$ -	\$ 816,717	\$ 1,054,258	\$ -	\$ -
AA+	239,761	2,716,061	8,184,021	426,276	-
AA	993,065	2,427,468	-	-	-
AA-	1,111,891	-	-	-	-
A+	936,248	-	-	-	-
A	4,774,942	-	-	-	-
A-	-	-	-	-	-
Unrated	-	694,051	806,915	-	38,086,964
	<u>\$ 8,055,907</u>	<u>\$ 6,654,297</u>	<u>\$ 10,045,194</u>	<u>\$ 426,276</u>	<u>\$ 38,086,964</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>Grants</u>	<u>Other</u>	<u>Total General Fund</u>
Gross Accounts Receivable	\$ 2,900,519	\$ 2,289,156	\$ 1,056,157	\$ 6,245,832
Uncollectibles	(2,701,232)	-	(38,595)	(2,739,827)
Net Accounts Receivable	<u>\$ 199,287</u>	<u>\$ 2,289,156</u>	<u>\$ 1,017,562</u>	<u>\$ 3,506,005</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	\$ 6,245,832	\$ 2,509,799	\$ 111,176	\$ 8,866,807
Uncollectibles	<u>(2,739,827)</u>	<u>-</u>	<u>(102,109)</u>	<u>(2,841,936)</u>
Net Accounts Receivable	<u>\$ 3,506,005</u>	<u>\$ 2,509,799</u>	<u>\$ 9,067</u>	<u>\$ 6,024,871</u>

Business-type Activities

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Gross Accounts Receivable	\$ 1,081,323	\$ 1,583,107	\$ 2,664,430
Uncollectibles	<u>(11,210)</u>	<u>(17,507)</u>	<u>(28,717)</u>
Net Accounts Receivable	<u>\$ 1,070,113</u>	<u>\$ 1,565,600</u>	<u>\$ 2,635,713</u>

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

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2023, was as follows:

**Governmental Activities:**

	Balance July 1, 2022	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 14,179,527	\$ -	\$ (6,500)	\$ -	\$ 14,173,027
Construction in progress	7,894,787	12,488,456	-	(4,745,057)	15,638,186
Intangible assets	116,771	-	-	-	116,771
<b>Total capital assets, not being depreciated</b>	<b>22,191,086</b>	<b>12,488,456</b>	<b>(6,500)</b>	<b>(4,745,057)</b>	<b>29,927,984</b>
Capital assets, being depreciated:					
Buildings	17,876,899	66,450	-	226,470	18,169,819
Intangible assets	558,638	-	-	-	558,638
Subscriptions	54,594	-	-	-	54,594
Machinery, equipment, and vehicles	13,211,340	623,311	(485,539)	52,500	13,401,612
Infrastructure	219,543,807	1,864,974	-	4,466,087	225,874,868
<b>Total capital assets being depreciated</b>	<b>251,245,278</b>	<b>2,554,736</b>	<b>(485,539)</b>	<b>4,745,057</b>	<b>258,059,531</b>
Less accumulated depreciation for:					
Buildings	(8,402,605)	(586,819)	-	-	(8,989,424)
Intangible assets	(264,272)	(26,068)	-	-	(290,340)
Subscriptions	-	(27,297)	-	-	(27,297)
Machinery, equipment, and vehicles	(9,684,095)	(630,635)	400,295	-	(9,914,435)
Infrastructure	(146,225,879)	(4,338,596)	-	-	(150,564,475)
<b>Total accumulated depreciation</b>	<b>(164,576,851)</b>	<b>(5,609,415)</b>	<b>400,295</b>	<b>-</b>	<b>(169,785,971)</b>
<b>Total capital assets, being depreciated, net</b>	<b>86,668,428</b>	<b>(3,054,680)</b>	<b>(85,244)</b>	<b>4,745,057</b>	<b>88,273,560</b>
<b>Government activities capital assets, net</b>	<b>\$ 108,859,512</b>	<b>\$ 9,433,776</b>	<b>\$ (91,744)</b>	<b>\$ -</b>	<b>\$ 118,201,544</b>

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 disposal 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	\$ 253,040
Public safety	525,685
Highways and streets	2,173,295
Culture and recreation	373,863
Airport	2,283,532
<b>Total depreciation expense - governmental activities</b>	<b>\$ 5,609,415</b>

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

**Business-type Activities:**

	Balance July 1, 2022	Increases	Decreases & Transfers	Placed in Service	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 1,941,099	\$ -	\$ -	\$ -	\$ 1,941,099
Construction in progress	32,868,835	16,439,687	-	(3,298,740)	46,009,781
Intangible assets	137,489	-	-	-	137,489
Total capital assets, not being depreciated	34,947,423	16,439,687	-	(3,298,740)	48,088,370
Capital assets, being depreciated:					
Buildings	7,499,076	-	-	-	7,499,076
Intangible assets	7,500	-	-	-	7,500
Machinery and equipment	21,469,695	194,569	(141,221)	455,915	21,978,958
Infrastructure	92,228,773	525,069	-	2,842,825	95,596,667
Total capital assets being depreciated	121,205,044	719,638	(141,221)	3,298,740	125,082,200
Less accumulated depreciation for:					
Buildings	(4,745,077)	(121,610)	-	-	(4,866,685)
Intangible assets	(5,096)	(1,110)	-	-	(6,206)
Machinery and equipment	(14,680,146)	(865,108)	140,676	-	(15,404,578)
Infrastructure	(44,188,059)	(2,171,994)	-	-	(46,360,053)
Total accumulated depreciation	(63,618,378)	(3,159,822)	140,676	-	(66,637,524)
Total capital assets, being depreciated, net	57,586,666	(2,440,184)	(544)	3,298,740	58,444,676
Business-type activities capital assets, net	<u>\$ 92,534,089</u>	<u>\$ 13,999,502</u>	<u>\$ (544)</u>	<u>\$ -</u>	<u>\$ 106,533,046</u>

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

Business-type activities:	
Water	\$ 1,785,791
Wastewater	1,374,031
Total depreciation expense - business-type activities	<u>\$ 3,159,822</u>

**D. Pension obligations**

**Oregon Public Employees Retirement System (OPERS)**

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

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

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

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

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

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

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

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

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

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

### 2. OPSRP Defined Benefit Pension Program (OPSRP DB)

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

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

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

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

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

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

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

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

### 3. OPSRP Individual Account Program (OPSRP IAP)

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

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

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

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

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

*Employer Contributions.* PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019, actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer contributions for the year ended June 30, 2023, were \$1,782,934, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2023, were 20.29 percent for Tier One/Tier Two members, 13.52 percent for OPSRP Pension Program General Service Members, and 17.88 percent for OPSRP Pension Program Police Members. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6.0 percent) contributions.

*Employee Contributions.* Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Starting July 1, 2020, Senate Bill 1049 required member contributions to their IAP accounts to be redirected to the Defined Benefit Fund. If the member earns more than \$2,500 a month, 0.75% for OPSRP members and 2.5% Tier One- and Two-members' salaries that were previously contributed to the member's IAP began funding the new Employee Pension Stability Accounts (EPSA) to help fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Member contributions are set by statute at 6.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. Employee contributions were \$513,738 for IAP and \$131,537 for EPSA for the year ended June 30, 2023.

*Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At June 30, 2023, the government reported a liability of \$14,133,564 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to June 30, 2022. The government's proportion of the net pension liability was based on a projection of the government's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the government's proportion was 0.0923 percent, which was an increase of .0053 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the government's recognized pension expense (reduction) was (\$3,209,788). At June 30, 2023, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 686,070	\$ 88,140
Changes of assumptions	2,217,633	20,260
Net difference between projected and actual earnings on investments	-	2,526,808
Changes in proportion	1,326,615	620,864
Differences between employer contributions and proportionate share of contributions	-	2,105,969
Total (prior to post-MD contributions)	<u>4,230,318</u>	<u>5,362,041</u>
Contributions subsequent to the MD	1,782,934	
One-time contribution to PERS side account	<u>3,033,049</u>	<u>-</u>
Total	<u>\$ 9,046,301</u>	<u>\$ 5,362,041</u>

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

In September 2019, PERS created the Employer Incentive Funds (EIF). Through an application process, approved employers could make a lump-sum payment into a side account at PERS, which will be used to reduce the employer's required contributions to the Defined Benefit Plan annually. The EIF program matched 25% of the lump-sum amounts, up to the greater of 5% of an employer's unfunded actuarial liability or \$300,000. A lump-sum payment of \$2,558,123 was made in October 2023. In turn, EIF matched that amount with a deposit of \$637,700 into the government's side account. Both the government's deposit and EIF match are shown in the government-wide financial statements as part of deferred outflows of resources from pensions and will be recognized at the measurement date of June 30, 2023.

The \$1,782,934 reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	\$ (311,352)
2025	(628,116)
2026	(1,191,854)
2027	1,071,176
2028	<u>(71,577)</u>
Total	<u>\$ (1,131,723)</u>

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

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b> 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><b>Active Members:</b> 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><b>Disabled retirees:</b> 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>

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

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

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	25.00	35.00	30.00
Real Estate	7.50	17.50	12.50
Private Equity	15.00	27.50	20.00
Risk Parity	0.00	3.50	2.50
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio *	0.00	5.00	0.00
Total			100.00 %

\* Opportunity Portfolio is an investment strategy and it may be invested up to 5% of total Fund assets.

**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 June 2021, the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>20-Year Annualized Geometric Mean</u>
Global Equity	30.62 %	5.85 %
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds - Multistrategy	1.25	5.11
Hedge Fund Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	<u>(2.50) *</u>	1.76
Total	<u>100.00 %</u>	
Assumed Inflation - Mean		2.40 %

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

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

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
City's proportionate share of the net pension liability (asset)	\$ 25,064,653	\$ 14,133,564	\$ 4,984,747

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

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

**E. Other Postemployment Benefits (OPEB)**

*City County Insurance Services (CIS)*

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

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

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

*Employees covered by benefit terms.* At June 30, 2023 the following employees were covered by the benefit terms:

Active employees	105
Eligible retirees	5
Spouses of ineligible retirees	0
Total participants	<u>110</u>

*OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources.* As of June 30, 2023, the government reported an OPEB liability of \$667,732. 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, 2022 valuation date and a June 30, 2022 measurement date.

	<b>Total OPEB</b>
	<b>Liability</b>
Balance as of June 30, 2022	<u>\$ 556,069</u>
Changes for the year:	
Service cost	40,387
Interest on Total OPEB Liability	12,614
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	32,534
Effect of assumptions changes or inputs	51,184
Benefit payments	<u>(25,056)</u>
Balance as of June 30, 2023	<u>\$ 667,732</u>

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

For the year ended June 30, 2023, the government’s recognized OPEB expense (reduction) was \$37,974. On June 30, 2023, the government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,451	\$ 17,972
Changes of assumptions	54,545	93,500
Total (prior to post-MD contributions)	102,996	111,472
Contributions subsequent to the MD	72,195	-
Total	<u>\$ 175,191</u>	<u>\$ 111,472</u>

\$72,195 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, 2024. 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>	
2024	\$ (15,027)
2025	(15,027)
2026	(10,122)
2027	2,556
2028	1,656
Thereafter	27,488
Total	<u>\$ (8,476)</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, 2022 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, 2021.

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

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.4 percent
Discount Rate	3.54 percent
Projected Salary Increases	3.40 percent overall payroll growth
Retiree Healthcare Participation	35% of eligible employees 60% of male members and 35% of female members will elect spouse coverage.
Mortality	<b>Health retirees and beneficiaries:</b> 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.
	<b>Healthcare cost trend rate:</b> Medical and vision: 6.75 percent decreasing to 3.75 percent.
	Dental: 1.75% for 2022, 4.00% per year until 2072, then 3.75 percent thereafter

*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, 2023, reporting date is 3.54 percent. The previous year’s discount rate was 2.16 percent.

*Sensitivity of the government's proportionate share of the total OPEB liability.* The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.54%, as well as what the Plan’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumptions.

Discount Rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB Liability	\$ 711,215	\$ 667,732	\$ 626,809

Healthcare Cost Trend:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 611,106	\$ 667,732	\$ 733,775

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

The government's Teamsters-represented employees are provided OPEB through Oregon Teamsters Employers Trust which is administered by William C. Earhart Co., Inc. This is a cost-sharing OPEB plan that meets the requirements of GASB 85, as it is not a state or local governmental OPEB plan, provides benefits to employees of both government and non-government employers, and has no predominant government employer. The financial statements for the plan are not publicly available. As of June 30, 2023, there were 37 of the government's employees covered. Pursuant to the collective-bargaining agreement dated July 1, 2021, and ending June 30, 2023, the government will provide retirees the opportunity to purchase medical, dental, and vision insurance through the existing group health plan for Teamsters-covered employees, provided this coverage is available through the carrier of record. If Teamster-retired employees choose retiree insurance, they will pay \$1,555 per month, but the government does not have any obligation to pay for the insurance.

#### ***Retirement Health Insurance Account (RHIA)***

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

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

*Contributions.* PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer RHIA contributions for the year ended June 30, 2023, were \$1,547. The City's contribution rates in effect for the period were .05 percent for Tier One/Tier Two members and .00 percent for OPSRP Pension Program Members.

*RHIA OPEB Assets, liabilities, expense, deferred outflows of resources and deferred inflows of resources.* At June 30, 2023 the government reported an asset of \$366,738 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. 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, 2022, the government's proportion was .1032 percent, which was an increase of .0148 percent from its proportion measured as of June 30, 2021.

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

For the year ended June 30, 2023, the government’s recognized OPEB expense (reduction) was (\$70,980). As of June 30, 2023, the government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,938
Changes of assumptions	2,871	12,224
Net difference between projected and actual earnings on investments	-	27,968
Changes in proportionate share	-	24,129
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>2,871</u>	<u>74,259</u>
Contributions subsequent to the MD	<u>1,547</u>	<u>-</u>
Total	<u>\$ 4,418</u>	<u>\$ 74,259</u>

\$1,547 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, 2024.

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>	
2024	\$ (38,115)
2025	(24,581)
2026	(17,649)
2027	8,957
2028	-
Total	<u>\$ (71,388)</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 6.90 percent, as well as what the government's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

Discount Rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Total OPEB Liability	\$ (330,534)	\$ (366,738)	\$ (397,773)

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

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

OPEB expense (reduction) for the year ended June 30, 2023 was \$37,974 for CIS and (\$70,980) for RHIA for a total aggregate OPEB expense (reduction) of (\$33,006).

***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 \$329,191, \$35,965 and \$9,600 to the Section 457, Section 457 Roth and the Section 401(k) plans respectively, in 2023.

**F. Construction and other significant commitments**

The government has active construction and professional service contracts as of June 30, 2023. General Fund commitments include police body and car cameras, regional playground, viaduct improvements, and pavement rehabilitation. Airport commitments are for Runway 8/26 and Air National Guard north ramp replacement. Wastewater commitments are for the treatment plant upgrade, pipelining, and pump station retrofit. Water commitments are for transmission main, booster station, and geothermal mainline replacement. At year-end, the government’s contract commitments were as follows:

<u>Project</u>	<u>Cost to date</u>	<u>Commitment</u>
General Fund professional service contracts	\$ 479,872	\$ 707,250
General Fund construction contracts	3,130,807	1,006,632
Airport professional service contracts	392,866	1,040,991
Airport construction contracts	5,639,018	4,554,463
Wastewater professional services contract	1,872,604	525,081
Wastewater construction contracts	40,740,680	24,068,557
Water professional services contract	659,403	19,653
Total	<u>\$ 52,915,250</u>	<u>\$ 31,922,626</u>

**G. Risk management**

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

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

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

	Year Ended June 30, 2023
Unpaid claims, beginning	\$ -
Incurred claims (including IBNRs)	16,508
Claims paid	<u>16,508</u>
Unpaid claims, ending	<u>\$ -</u>

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

	Year Ended June 30, 2023
Unpaid claims, beginning	\$ -
Incurred claims (including IBNRs)	18,855
Claims paid	<u>18,855</u>
Unpaid claims, ending	<u>\$ -</u>

**H. Leases**

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

**Lessor lease receivables**

The City has entered into 63 lease agreements as the lessor for buildings and land. The receivable related to these leases was initially recognized on July 1, 2021 with the adoption of GASB Statement No. 87. Out of these, 61 of the leases are related to land and 2 are split between land and buildings.

The majority of the land leases are used for airport hangars. The other land leases include a joint use agreement with the Air National Guard, an air tanker base with the United States Forest Service, and cell tower lease. Periods cover various ranges with the latest expiring on June 30, 2045. Interest rates for lessor leases range from 1.69% to 2.50%. Annual payments for the current year range from \$382 to \$116,148.

The land and building leases are for a hangar and fixed base operation (FBO) for fuel. The hangar lease expires August 31, 2041, has an interest rate of 1.68% and an annual payment of \$53,500. The FBO lease expires November 11, 2047, has an interest rate of 2.62% and annual payments of \$48,097.

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

Lease receivables for the year ended June 30, 2023 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Building	\$ 1,357,280	\$ -	\$ (47,529)	\$ 1,309,751
Land	4,307,050	32,516	(222,366)	4,117,200
Total governmental activities	<u>\$ 5,664,330</u>	<u>\$ 32,516</u>	<u>\$ (269,895)</u>	<u>\$ 5,426,951</u>
Business-type activities:				
Land	\$ 584,052	\$ -	\$ (17,093)	\$ 566,959
Total business-type activities	<u>\$ 584,052</u>	<u>\$ -</u>	<u>\$ (17,093)</u>	<u>\$ 566,959</u>

The net present value of lease receivables for the year ended June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 284,728	\$ 101,735	\$ 18,286	\$ 10,848
2025	289,891	97,112	19,530	10,479
2026	294,968	92,035	20,824	10,085
2027	300,152	86,851	22,170	9,665
2028	303,580	81,348	23,572	9,219
2029-2033	1,337,750	329,411	140,928	38,385
2034-2038	1,330,336	203,038	185,333	22,540
2039-2043	893,779	86,530	136,318	3,973
2044-2048	365,047	26,063	-	-
2049-2053	26,721	11,579	-	-
Total	<u>\$ 5,426,951</u>	<u>\$ 1,115,702</u>	<u>\$ 566,959</u>	<u>\$ 115,192</u>

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

**Lessor lease inflows**

Lease inflows of resources for the year ended June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities
Lease revenue	\$ 269,895	\$ 17,093
Lease interest income	107,717	11,193
Total lease inflows	<u>\$ 377,612</u>	<u>\$ 28,285</u>

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

**I. Subscription Base IT Arrangements**

In July of 2021, the government entered into an three year agreement as lessee for the use of ESRI’s Geographical Information System (GIS) mapping software. An initial lease liability was recorded in the amount of \$54,594 during the current year. As of June 30, 2023, the value of the lease liability was \$27,094. The government is required to make an annual principal and interest payment of \$27,500. The software has an estimated useful life equal to the lease term.

Subscription payables currently outstanding as of June 30, 2023, are as follows:

	Balance July 1, 2022 (as restated)	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Subscription liability	\$ 54,594	\$ -	\$ (27,500)	\$ 27,094	\$ 27,094

The future principal and interest payments of the Subscription Based IT Agreements as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 27,094	\$ 406

**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.

<b>Compensated Absences:</b>	Balance June 30, 2022	Net Change	Balance June 30, 2023	Amounts Due Within One Year
Governmental activities	\$ 951,300	\$ 18,488	\$ 969,788	\$ 484,894
Business-type activities	225,871	(27,103)	198,768	99,384
Total compensated absences	<u>\$ 1,177,171</u>	<u>\$ (8,615)</u>	<u>\$ 1,168,556</u>	<u>\$ 584,278</u>

**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.

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

### **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 \$237,059 and \$231,334, respectively.

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

The government has pledged general non-restricted revenues and other funds that are lawfully available to repay \$3,995,000 in Full Faith and Credit Obligations issued in September of 2008. Proceeds of the bonds financed a portion of the costs of capital construction and capital improvements of the new City Police station facilities and equipment. The source for the repayment of the bonds are the ad valorem property taxes levied under the government's permanent rate limitations under sections 11 and 11b, Article XI of the Oregon Constitution, and revenues derived from other taxes, if any, levied by the government in accordance with and subject to limitations and restrictions imposed under applicable law or contract, that are not dedicated, restricted, or obligated by law or contract to an inconsistent expenditure or use. Interest rates range from 3.5% to 5.0%. The bonds are payable through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of the total non-restricted property taxes collected in any given fiscal year. Principal and interest paid in the current year and total non-restricted property taxes collected were \$291,920 and \$8,510,378 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 took out an interfund loan with the Escrow Reserve Fund in fiscal year 2023 to pay off the debt.

### **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 \$83,812 and \$186,589, respectively. This was the final payment on the debt.

### **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 \$61,442 and \$4,252,332, respectively.

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

#### **Wastewater Revenue Refunding Bonds, Series 2015**

The government's Wastewater Fund has pledged future customer revenues, net of specific operating expenses, to repay \$7,171,770 in wastewater revenue refunding bonds issued in August 2015. Proceeds from the bonds provided funds to pay off the government's 2005 wastewater revenue bonds in September 2015. The 2015 refunding bonds are payable solely from wastewater customer net revenues which are payable through Fiscal Year 2025. The interest rate is 2.32%. Annual principal and interest payments on the loan are expected to require 26% of revenue. Principal and interest paid in the current year and total customer net revenues were \$807,594 and 3,100,250, respectively.

#### **Oregon Department of Environmental Quality – Wastewater Fund**

In May of 2011, and amended July 2018 and June 2020, the government entered into a revenue secured loan with the Oregon Department of Environmental Quality for \$4,550,200 for wastewater treatment facility headworks improvements. The government has pledged wastewater net operating revenues to repay the loan. Semi-annual payments of principal and interest payment of \$143,053 will be made for 20 years with an interest only payment of \$400,913 due June 1, 2023. 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. Principal and interest paid in the current year and total customer net revenues were \$400,913 and \$3,100,250 respectively.

#### **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 \$1,701,660 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.

#### **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 loan term is 30 years. Principal and interest payments of \$29,061 are due annually commencing on December 1, 2023.

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

Long-term liability activity for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General Obligation Bonds, Series 2017	\$ 3,632,685	\$ -	\$ 133,527	\$ 3,499,158	\$ 147,607
Full Faith and Credit Bonds, Series 2008	1,725,000	-	215,000	1,510,000	225,000
Plus: Bond issuance premium	10,698	-	1,547	9,151	-
Long-term bonded debt obligations	<u>5,368,383</u>	<u>-</u>	<u>350,074</u>	<u>5,018,309</u>	<u>372,607</u>
Direct borrowings:					
Washington Federal	80,491	-	80,491	-	-
Timbermill Shores	2,248,564	-	2,248,564	-	-
Direct borrowings	<u>2,329,055</u>	<u>-</u>	<u>2,329,055</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 7,697,438</u>	<u>\$ -</u>	<u>\$ 2,679,129</u>	<u>\$ 5,018,309</u>	<u>\$ 372,607</u>
<b>Business-type activities:</b>					
Revenue Bonds:					
Wastewater Revenue Refunding Bonds, Series 2015	\$ 2,316,453	\$ -	\$ 754,138	\$ 1,562,315	\$ 775,784
Direct borrowings:					
Clean Water State Revolving Loan	4,550,200	-	-	4,550,200	190,647
Clean Water State Revolving Loan	16,145,266	11,011,931	-	27,157,197	-
Water Fund Water Project	750,000	-	-	750,000	16,459
Special Public Works Fund	421,824	-	42,687	379,137	48,014
Direct borrowings	<u>21,867,290</u>	<u>11,011,931</u>	<u>42,687</u>	<u>32,836,534</u>	<u>255,120</u>
Total business-type activities	<u>\$ 24,183,743</u>	<u>\$ 11,011,931</u>	<u>\$ 796,825</u>	<u>\$ 34,398,849</u>	<u>\$ 1,030,904</u>
<b>Total long-term debt obligations</b>					
Bonds	\$ 7,674,138	\$ -	\$ 1,102,665	\$ 6,571,473	\$ 1,148,391
Bond issuance premiums	10,698	-	1,547	9,151	-
Direct borrowings	<u>24,196,345</u>	<u>11,011,931</u>	<u>2,371,742</u>	<u>32,836,534</u>	<u>255,120</u>
Total long-term obligations	<u>\$ 31,881,181</u>	<u>\$ 11,011,931</u>	<u>\$ 3,475,954</u>	<u>\$ 39,417,158</u>	<u>\$ 1,403,511</u>

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

#### Revenue Bonds

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

Revenue bond debt service requirements to maturity are as follows:

	2024	2025	2026	2027	2028
Wastewater Refunding Bonds, Series 2015					
Principal	\$ 775,784	\$ 786,531	\$ -	\$ -	\$ -
Interest	36,246	18,248	-	-	-
Total Revenue Bonds	<u>\$ 812,030</u>	<u>\$ 804,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### General Obligation Bonds

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

General Obligation Bonds, Series 2017					
Principal	\$ 147,607	\$ 161,302	\$ 174,599	\$ 187,487	\$ 204,956
Interest	99,726	95,519	90,922	85,946	80,603
Total General Obligation Bonds	<u>\$ 247,333</u>	<u>\$ 256,821</u>	<u>\$ 265,521</u>	<u>\$ 273,433</u>	<u>\$ 285,559</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	\$ 225,000	\$ 235,000	\$ 245,000	\$ 255,000	\$ 270,000
Interest	67,245	57,345	47,005	36,225	24,750
Total Full Faith and Credit Bonds	<u>\$ 292,245</u>	<u>\$ 292,345</u>	<u>\$ 292,005</u>	<u>\$ 291,225</u>	<u>\$ 294,750</u>

#### Other Long-term Liabilities

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

Special Public Works Fund					
Principal	\$ 48,014	\$ 48,364	\$ 53,730	\$ 54,123	\$ 54,533
Interest	16,941	14,840	12,724	10,306	7,871
Business Oregon Wastewater Fund					
Principal	16,459	21,726	21,943	22,162	22,384
Interest	12,602	7,335	7,118	6,899	6,677
Clean Water State Revolving Loan					
Principal	190,647	194,710	198,860	203,098	207,426
Interest	95,459	91,396	87,246	83,008	78,680
Clean Water State Revolving Loan					
Principal	-	346,496	702,795	716,069	729,595
Interest	-	1,504,060	500,753	487,479	473,953
Total other long-term liabilities	<u>\$ 380,122</u>	<u>\$ 2,228,927</u>	<u>\$ 1,585,169</u>	<u>\$ 1,583,144</u>	<u>\$ 1,581,119</u>
Total Long-term Liabilities	<u>\$ 1,731,730</u>	<u>\$ 3,582,872</u>	<u>\$ 2,142,695</u>	<u>\$ 2,147,802</u>	<u>\$ 2,161,428</u>

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

<u>2029-2033</u>	<u>2034-2038</u>	<u>2039-2043</u>	<u>2044-2048</u>	<u>2049-2053</u>	<u>2054-2058</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,562,315
-	-	-	-	-	-	54,494
<u>\$ -</u>	<u>\$ 1,616,809</u>					
\$ 1,262,791	\$ 1,360,416	\$ -	\$ -	\$ -	\$ -	\$ 3,499,158
306,964	99,918	-	-	-	-	859,598
<u>\$ 1,569,755</u>	<u>\$ 1,460,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,358,756</u>
\$ 280,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,510,000
12,600	-	-	-	-	-	245,170
<u>\$ 292,600</u>	<u>\$ -</u>	<u>\$ 1,755,170</u>				
\$ 120,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,137
8,135	-	-	-	-	-	70,817
115,323	121,205	127,388	133,886	147,524	-	750,000
29,983	24,100	17,918	11,419	4,590	-	128,641
1,105,357	1,228,276	1,221,826	-	-	-	4,550,200
325,173	202,254	65,667	-	-	-	1,028,883
3,859,966	4,238,542	4,654,248	5,110,725	5,611,972	1,186,789	27,157,197
2,157,774	1,779,198	1,363,493	907,016	405,768	16,759	9,596,253
<u>\$ 7,722,084</u>	<u>\$ 7,593,575</u>	<u>\$ 7,450,540</u>	<u>\$ 6,163,046</u>	<u>\$ 6,169,854</u>	<u>\$ 1,203,548</u>	<u>\$ 43,661,128</u>
<u>\$ 9,584,439</u>	<u>\$ 9,053,909</u>	<u>\$ 7,450,540</u>	<u>\$ 6,163,046</u>	<u>\$ 6,169,854</u>	<u>\$ 1,203,548</u>	<u>\$ 51,391,863</u>

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

Debt service requirements on long-term debt at June 30, 2023, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities			
	Bonds		Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 372,607	\$ 166,971	\$ 775,784	\$ 36,246	\$ 255,120	\$ 125,002
2025	396,302	152,864	786,531	18,248	611,296	1,617,631
2026	419,599	137,927	-	-	977,328	607,841
2027	442,487	122,171	-	-	995,452	587,692
2028	474,956	105,353	-	-	1,013,938	567,181
2029-2033	1,542,791	319,564	-	-	5,201,019	2,521,065
2034-2038	1,360,416	99,918	-	-	5,588,023	2,005,552
2039-2043	-	-	-	-	6,003,462	1,447,078
2044-2048	-	-	-	-	5,244,611	918,435
2048-2052	-	-	-	-	5,759,496	410,358
2053-2057	-	-	-	-	1,186,789	16,759
	<u>\$ 5,009,158</u>	<u>\$ 1,104,768</u>	<u>\$ 1,562,315</u>	<u>\$ 54,494</u>	<u>\$ 32,836,534</u>	<u>\$ 10,824,594</u>

The government’s outstanding notes from direct borrowings related to business-type activities of \$32,836,534 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
2024	\$ 372,607	\$ 166,971	\$ 1,030,904	\$ 161,248	\$ 1,403,511	\$ 328,219
2025	396,302	152,864	1,397,827	1,635,879	1,794,129	1,788,743
2026	419,599	137,927	977,328	607,841	1,396,927	745,768
2027	442,487	122,171	995,452	587,692	1,437,939	709,863
2028	474,956	105,353	1,013,938	567,181	1,488,894	672,534
2029-2033	1,542,791	319,564	5,201,019	2,521,065	6,743,810	2,840,629
2034-2038	1,360,416	99,918	5,588,023	2,005,552	6,948,439	2,105,470
2039-2043	-	-	6,003,462	1,447,078	6,003,462	1,447,078
2044-2048	-	-	5,244,611	918,435	5,244,611	918,435
2048-2052	-	-	5,759,496	410,358	5,759,496	410,358
2053-2057	-	-	1,186,789	16,759	1,186,789	16,759
	<u>\$ 5,009,158</u>	<u>\$ 1,104,768</u>	<u>\$ 34,398,849</u>	<u>\$ 10,879,088</u>	<u>\$ 39,408,007</u>	<u>\$ 11,983,856</u>

The government also has an unused line of credit in the amount of \$18,292,603 related to the 2020 Clean Water State Revolving Loan.

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

**K. Fund balance**

Fund Balance as of June 30, 2023 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	\$ 74,491	\$ -	\$ -	\$ -	\$ -	\$ 74,491
Restricted:						
Capital projects	17,507	52,022	-	-	-	69,529
Forefeiture	176,177	-	-	-	-	176,177
DOJ Equitable Sharing	-	-	-	-	65,199	65,199
System Development	243,916	-	-	-	-	243,916
Debt Service	-	-	-	-	41,985	41,985
Urban Renewal	-	-	-	-	106,300	106,300
Committed:						
Environmental	-	-	5,524,558	-	-	5,524,558
Right-of-way	521,837	-	-	-	-	521,837
Assigned:						
Capital projects	-	-	9,854,089	10,964,787	-	20,818,876
Community programs	57,980	-	-	-	23,000	80,980
Public Access Television	25,000	-	-	-	-	25,000
Operations	-	4,084,027	-	-	434,555	4,518,582
Unassigned:						
Unassigned	17,376,500	-	-	-	(3,013,500)	14,363,000
Total Fund Balances	<u>\$ 18,493,408</u>	<u>\$ 4,136,049</u>	<u>\$ 15,378,647</u>	<u>\$ 10,964,787</u>	<u>\$ (2,342,461)</u>	<u>\$ 46,630,430</u>

**L. Interfund receivables and payables**

The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Escrow Reserve Fund	Lakefront Urban Renewal Fund	\$ 2,248,564
Escrow Reserve Fund	Town Center Urban Renewal Fund	\$ 628,000
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 729,000
Escrow Reserve Fund	Spring Street Urban Renewal Fund	\$ 120,000

An interfund capital loan in the amount of \$2,248,564 from the Escrow Reserve Fund to the Lakefront Urban Renewal Fund was authorized by the government’s council in June 2023. The loan was used to reimburse the developer, Timbermill Shores, for work done on the lakefront of Lake Ewauna. The loan accrues interest at 8.25% and matures in 2033. The loan will be repaid using tax increment financing.

An interfund capital loan in the amount of \$628,000 from the Escrow Reserve Fund to the Town Center Urban Renewal Fund was authorized by the government’s council in June 2023. The loan will be used to reimburse the developer for Project Milestones costs as they are completed per the developer agreement. The loan accrues interest at 8.25% and matures in 2028.

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

An interfund capital loan in the amount of \$729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. The first principal payment is due in fiscal year 2024. An interest only payment of \$19,902 was paid in the current period.

An interfund capital loan in the amount of \$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. An interest only payment of \$2,760 was paid in the current period.

**M. Interfund transfers**

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

Interfund transfers:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor Governmental Funds	\$ 295,000
Nonmajor Governmental Funds	General Fund	\$ 10,000
Escrow Reserve Fund	Nonmajor Governmental Funds	\$ 225,000
Water Fund	General Fund	\$ 688,625
Water Fund	Airport Fund	\$ 461,475

In the year ended June 30, 2023, the government made the following transfers:

General Fund transferred \$56,000 to the Downtown Maintenance District and \$80,000 to the Parking Fund for operational expenditures and \$140,000 to the Economic Development/Property fund for economic development initiatives.

The BINET Fund transfers \$10,000 to the General Fund to cover expenses for the Basin Interagency Narcotics Enforcement Team.

The Escrow Reserve Fund transferred \$225,000 to the Economic Development/Property Fund for façade and security camera grants.

The Water Fund transferred \$461,475 to the Airport Fund and \$688,625 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. 94, *Public-Private and Public-Public Partnership and Available Payment Arrangements* was issued on March 2020 to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Under this Statement, a transferor is required to recognize receivables for installment payments to be submitted by the operator and a deferred inflow of resources, while an operator is required to recognize a liability for installment payments to be submitted and a deferred outflow of resources, which taken together enhance the relevance and consistency of information about governments' outsourcing of functions to external operators. The City did not have any agreements covered by GASB Statement No. 94 in the fiscal year ending June 30, 2023 and was implemented with no material impact.

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. The City implemented GASB Statement No. 96 for fiscal year ending June 30, 2023, as reflected in Note III.I.

GASB Statement No. 99, *Omnibus*, was issued April 2022 with the object to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation an application of certain GASB Statements, and accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments are effective for the City for fiscal year ending June 30, 2024.

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

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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, 2023

Schedule A-1

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Taxes	\$ 16,712,700	\$ 16,712,700	\$ 8,519,795	\$ 8,566,557	\$ 17,086,352	\$ 373,652
Intergovernmental	14,060,775	14,122,725	4,710,093	10,660,841	15,370,934	1,248,209
Licenses, fees and permits	387,450	387,450	175,912	168,309	344,221	(43,229)
Franchise fees	5,567,950	5,567,950	2,947,490	3,183,697	6,131,187	563,237
Charges for services	879,525	879,525	417,174	589,396	1,006,570	127,045
Internal charges for services	5,887,475	5,887,475	2,776,228	3,071,241	5,847,469	(40,006)
Fines and forfeits	606,550	606,550	253,920	240,256	494,176	(112,374)
Investment income (loss)	487,175	487,175	(491,561)	476,155	(15,406)	(502,581)
Miscellaneous revenue	779,050	785,950	595,290	188,882	784,172	(1,778)
Total revenues	<u>45,368,650</u>	<u>45,437,500</u>	<u>19,904,341</u>	<u>27,145,334</u>	<u>47,049,675</u>	<u>1,612,175</u>
<b>EXPENDITURES</b>						
Municipal Court	438,750	473,575	209,889	231,241	441,130	32,445
City Manager	1,942,850	2,096,700	805,855	851,547	1,657,402	439,298
Finance	1,733,875	1,824,350	733,901	891,670	1,625,571	198,779
Human Resources	631,675	682,875	268,511	346,782	615,293	67,582
Information Technology	2,106,025	2,192,725	734,339	890,071	1,624,410	568,315
Public Works Administration	1,014,275	1,123,800	459,338	597,635	1,056,973	66,827
Development Services	2,843,750	3,043,975	1,067,860	1,444,866	2,512,726	531,249
Police	14,715,600	16,206,400	6,686,381	8,439,628	15,126,009	1,080,391
Legislative	660,525	718,075	296,225	292,477	588,702	129,373
Maintenance	2,282,775	2,448,525	1,091,328	1,225,161	2,316,489	132,036
Facilities Maintenance	597,150	597,150	62,271	168,432	230,703	366,447
Parks and Recreation	5,534,100	5,931,000	1,193,947	2,581,320	3,775,267	2,155,733
Ella Redkey Pool	1,418,350	1,518,600	638,032	678,059	1,316,091	202,509
Street Maintenance	14,528,125	14,983,775	4,410,091	7,318,008	11,728,099	3,255,676
Vehicle Maintenance	614,975	654,775	272,553	327,329	599,882	54,893
Right-of-Way	451,600	451,600	278,242	157,128	435,370	16,230
Debt Service	583,075	583,075	291,145	291,920	583,065	10
Total expenditures	<u>52,097,475</u>	<u>55,530,975</u>	<u>19,499,908</u>	<u>26,733,274</u>	<u>46,233,182</u>	<u>9,297,793</u>
Excess (deficiency) of revenues over expenditures	(6,728,825)	(10,093,475)	404,433	412,060	816,493	10,909,968
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(351,000)	(351,000)	(56,000)	(295,000)	(351,000)	-
Transfers in	1,246,050	1,246,050	627,700	698,625	1,326,325	80,275
Proceeds from sale of capital assets	-	-	21,470	36,481	57,951	57,951
Insurance recoveries	-	-	31,091	4,150	35,241	35,241
Total other financing sources (uses)	<u>895,050</u>	<u>895,050</u>	<u>624,261</u>	<u>444,256</u>	<u>1,068,517</u>	<u>173,467</u>
Net change in fund balance	(5,833,775)	(9,198,425)	1,028,694	856,316	1,885,010	11,083,435
Fund balance - beginning	15,247,675	16,608,400	16,608,398	17,637,092	16,608,398	(2)
Fund balance - ending	<u>\$ 9,413,900</u>	<u>\$ 7,409,975</u>	<u>\$ 17,637,092</u>	<u>\$ 18,493,408</u>	<u>\$ 18,493,408</u>	<u>\$ 11,083,433</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, 2023

Schedule A-2

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Taxes	\$ 574,450	\$ 574,450	\$ 293,173	\$ 297,863	\$ 591,036	\$ 16,586
Intergovernmental	13,935,150	13,994,150	3,215,437	6,885,870	10,101,307	(3,892,843)
Charges for services	1,037,025	1,037,025	451,383	423,788	875,171	(161,854)
Investment income (loss)	15,675	15,675	124,789	199,886	324,675	309,000
Miscellaneous revenue	3,000	3,000	4,963	265,365	270,328	267,328
Total revenues	<u>15,565,300</u>	<u>15,624,300</u>	<u>4,089,745</u>	<u>8,072,772</u>	<u>12,162,517</u>	<u>(3,461,783)</u>
<b>EXPENDITURES</b>						
Airport operations	2,983,300	3,093,175	1,174,193	1,262,495	2,436,688	656,487
FAA	13,756,600	13,756,600	2,756,183	6,155,645	8,911,828	4,844,772
Total expenditures	<u>16,739,900</u>	<u>16,849,775</u>	<u>3,930,376</u>	<u>7,418,140</u>	<u>11,348,516</u>	<u>5,501,259</u>
Excess (deficiency) of revenues over expenditures	(1,174,600)	(1,225,475)	159,369	654,632	814,001	2,039,476
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	777,250	777,250	374,025	461,475	835,500	58,250
Proceeds from sale of capital assets	-	-	-	9,000	9,000	9,000
Total other financing sources (uses)	<u>777,250</u>	<u>777,250</u>	<u>374,025</u>	<u>470,475</u>	<u>844,500</u>	<u>67,250</u>
Net change in fund balance	(397,350)	(448,225)	533,394	1,125,107	1,658,501	2,106,726
Fund balance - beginning	2,097,125	2,477,550	2,477,548	3,010,942	2,477,548	(2)
Fund balance - ending	<u>\$ 1,699,775</u>	<u>\$ 2,029,325</u>	<u>\$ 3,010,942</u>	<u>\$ 4,136,049</u>	<u>\$ 4,136,049</u>	<u>\$ 2,106,724</u>

City of Klamath Falls, Oregon  
Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Last Six Fiscal Years<sup>1</sup>

Schedule A-3

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Interest	\$ 40,387	\$ 39,207	\$ 34,398	\$ 30,599	\$ 34,480	\$ 37,018
Interest	12,614	12,469	21,814	23,732	26,161	22,055
Differences between economic/demographic gains or losses:	32,534	-	31,558	15,649	(48,962)	-
Changes of assumptions	51,184	1,857	(101,620)	-	(56,255)	(36,597)
Benefit payment	(25,056)	(44,656)	(55,135)	(72,198)	(66,022)	(60,244)
Net change in total OPEB liability	111,663	8,877	(68,985)	(2,218)	(110,598)	(37,768)
Total OPEB liability - beginning	556,069	547,192	616,177	618,395	728,993	766,761
Total OPEB liability - ending (a)	<u>\$ 667,732</u>	<u>\$ 556,069</u>	<u>\$ 547,192</u>	<u>\$ 616,177</u>	<u>\$ 618,395</u>	<u>\$ 728,993</u>
Covered-employee payroll	\$ 11,056,277	\$ 10,465,729	\$ 10,261,348	\$ 10,020,468	\$ 9,905,073	\$ 9,507,830
Total OPEB liability as a percentage of covered-employee payroll	6.04%	5.31%	5.33%	6.15%	6.24%	7.67%

**NOTES TO SCHEDULE**

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

<sup>1</sup>This 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 Six Fiscal Years<sup>1</sup>

Schedule A-4

Measurement Date June 30,	(a) City's proportion of the net OPEB liability (asset)	(b) City's proportionate share of the net OPEB liability (asset)	(c) Covered payroll	(b/c) City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.10320904 %	\$ (366,738)	\$ 11,056,277	-3.32 %	1.946 %
2021	0.08833194	(303,332)	10,465,729	-2.90	1.839
2020	0.08542616	(174,065)	10,261,348	-1.70	1.501
2019	0.08760296	(169,281)	10,020,468	-1.69	1.444
2018	0.09072752	(101,277)	9,905,073	-1.02	1.240
2017	0.09196963	(38,383)	9,507,830	-0.40	1.089

**NOTES TO SCHEDULE**

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

<sup>1</sup>This 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.

**Changes of Assumptions:**

The PERS Board adopted assumption changes that were used to measure the June 30, 2021 total OPEB liability. The changes include the lowering of the long-term expected rate of return from 7.20 to 6.90 percent and the inflation rate from 2.5 to 2.4 percent. In addition, the healthy healthcare participation and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

City of Klamath Falls, Oregon  
 Schedule of Contributions - RHIA  
 Last Seven Fiscal Years<sup>1</sup>

Schedule A-5

Year Ended June 30,	(a) Contractually determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2023	\$ 1,547	\$ 1,547	\$ -	\$ 11,154,499	0.014 %
2022	2,544	2,544	-	11,056,277	0.023
2021	2,363	2,363	-	10,465,729	0.023
2020	6,100	6,100	-	10,261,348	0.059
2019	43,418	43,418	-	10,020,468	0.433
2018	43,931	43,931	-	9,905,073	0.444
2017	45,788	45,788	-	9,507,830	0.482

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

<sup>1</sup>This 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

	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Actuarial valuation:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Effective:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial cost method:	Level percentage of payroll			
Amortization method:	Market Value	Market Value	Market Value	Market Value
Asset valuation method:	10 Years	10 Years	20 years	20 years
Remaining amortization periods:				
Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent

City of Klamath Falls, Oregon  
Schedule of OPEB Contributions - Implicit Rate Subsidy Plan  
Last Seven Fiscal Years<sup>1</sup>

Schedule A-6

Year Ended June 30,	(a) Actuarially determined contribution	(b) Contributions in relation to the actuarially required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Contributions as a percent of covered payroll
2023	\$ 72,195	\$ 72,195	-	\$ 11,154,499	0.647 %
2022	25,056	25,056	-	11,056,277	0.227
2021	44,656	44,656	-	10,465,729	0.427
2020	55,135	55,135	-	10,261,348	0.537
2019	72,198	72,198	-	10,020,468	0.721
2018	66,022	66,022	-	9,905,073	0.667
2017	60,244	60,244	-	9,507,830	0.634

**NOTES TO SCHEDULE**

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

<sup>1</sup>This 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.

**Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions**

Actuarial valuation:	July 1, 2022	July 1, 2020
Effective:	June 30, 2023 and 2024	June 30, 2021 and 2022
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	8.9 years	7.9 years
Asset valuation method:	Market Value	Fair value
Remaining amortization periods:	10 years	20 years
Actuarial assumptions		
Inflation rate	2.40 percent	2.50 percent
Projected salary increases	3.40 percent	3.50 percent

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

Schedule A-7

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.09230380 %	\$ 14,133,564	\$ 11,056,277	127.83 %	84.50 %
2021	0.08698128	10,408,597	10,465,729	99.45	87.60
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	12,049,682	9,507,830	126.73	83.10
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 actuarial determined at December 31 and rolled forward to the measurement date.

**NOTES TO SCHEDULE**

**Changes in Benefit Terms:**

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

**Changes of Assumptions:**

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

City of Klamath Falls, Oregon  
Schedule of Pension Contributions  
For the Last Ten Fiscal Years

Schedule A-8

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2023	\$ 1,782,934	\$ 1,782,934	\$ -	\$ 11,154,499	15.98 %
2022	1,706,216	1,706,216	-	11,056,277	15.43
2021	1,612,330	1,612,330	-	10,465,729	15.41
2020	1,509,744	1,509,744	-	10,261,348	14.71
2019	1,066,031	1,066,031	-	10,020,468	10.64
2018	1,080,324	1,080,324	-	9,905,073	10.91
2017	762,604	762,604	-	9,507,830	8.02
2016	756,647	756,647	-	9,314,418	8.12
2015	733,439	733,439	-	9,389,238	7.81
2014	764,158	764,158	-	9,063,997	8.43

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

**NOTES TO SCHEDULE**

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2019	December 31, 2017	December 31, 2015	December 31, 2013
Effective:	July 2021 - June 2023	July 2019 - June 2021	July 2017 - June 2019	July 2015 - June 2017
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll			
Asset valuation method:	Fair value	Fair value	Fair value	Fair value
Remaining amortization periods:	20 years	20 years	20 years	20 years
Actuarial assumptions				
Inflation rate	2.40 percent	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	3.40 percent	3.50 percent	3.50 percent	3.75 percent
Investment rate of return	6.90 percent	7.20 percent	7.50 percent	7.75 percent

City of Klamath Falls, Oregon  
Notes to Required Supplementary Information  
June 30, 2023

**Stewardship, Compliance, and Accountability**

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

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

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

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

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City of Klamath Falls, Oregon

# Other Supplementary Information



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NONMAJOR  
GOVERNMENTAL  
FUNDS COMBINING  
STATEMENTS

City of Klamath Falls, Oregon  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

Schedule B-1

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,217,873	\$ 37,417	\$ 1,255,290
Accounts receivable	9,067	-	9,067
Taxes receivable	47,757	18,439	66,196
Interest receivable	473	248	721
Restricted assets			
Cash and cash equivalents	870,980	-	870,980
Total Assets	\$ 2,146,150	\$ 56,104	\$ 2,202,254
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 281,434	\$ -	\$ 281,434
Unearned revenue	481,287	-	481,287
Advances from other funds	3,725,564	-	3,725,564
Total Liabilities	4,488,285	-	4,488,285
Deferred inflows of resources:			
Unavailable revenue - property taxes	35,647	14,119	49,766
Unavailable revenue - municipal court fines	6,664	-	6,664
Total Deferred Inflows of Resources	42,311	14,119	56,430
Total Liabilities and Deferred Inflows of Resources	4,530,596	14,119	4,544,715
Fund Balances:			
Restricted	171,499	41,985	213,484
Assigned	457,555	-	457,555
Unassigned	(3,013,500)	-	(3,013,500)
Total Fund Balances	(2,384,446)	41,985	(2,342,461)
Total Liabilities and Fund Balances	\$ 2,146,150	\$ 56,104	\$ 2,202,254

City of Klamath Falls, Oregon  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2023

Schedule B-2

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 738,455	\$ 231,334	\$ 969,789
Intergovernmental	376,659	-	376,659
Licenses, fees and permits	59,070	-	59,070
Charges for services	104,610	-	104,610
Fines and forfeits	21,054	-	21,054
Investment income (loss)	32,818	5,241	38,059
Miscellaneous revenues	164	-	164
	<u>1,332,830</u>	<u>236,575</u>	<u>1,569,405</u>
<b>EXPENDITURES</b>			
Current:			
General government	902,384	-	902,384
Highways and streets	106,869	-	106,869
Debt service:			
Principal	2,329,055	133,527	2,462,582
Interest	49,174	103,532	152,706
	<u>3,387,482</u>	<u>237,059</u>	<u>3,624,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,054,652)</u>	<u>(484)</u>	<u>(2,055,136)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	520,000	-	520,000
Transfers out	(10,000)	-	(10,000)
	<u>(1,544,652)</u>	<u>(484)</u>	<u>(1,545,136)</u>
Net Change in Fund Balances	<u>(1,544,652)</u>	<u>(484)</u>	<u>(1,545,136)</u>
Fund Balances - Beginning	<u>(839,794)</u>	<u>42,469</u>	<u>(797,325)</u>
Fund Balances - Ending	<u>\$ (2,384,446)</u>	<u>\$ 41,985</u>	<u>\$ (2,342,461)</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, 2023

Schedule C-1

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables			
Accounts	-	-	-
Taxes	26,961	15,691	5,105
Interest	217	211	45
Restricted assets			
Cash and cash equivalents	6,551	730,541	68,689
Total Assets	\$ 33,729	\$ 746,443	\$ 73,839
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	-
Advances from other funds	2,248,564	628,000	849,000
Total Liabilities	2,248,564	628,000	849,000
Deferred inflows of resources:			
Unavailable revenue - property taxes	19,636	12,143	3,868
Unavailable revenue - municipal court fines	-	-	-
Total Deferred Inflows of Resources	19,636	12,143	3,868
Total Liabilities and Deferred Inflows of Resources	2,268,200	640,143	852,868
Fund Balance:			
Restricted	-	106,300	-
Assigned	-	-	-
Unassigned	(2,234,471)	-	(779,029)
Total Fund Balance	(2,234,471)	106,300	(779,029)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 33,729	\$ 746,443	\$ 73,839

*Continued on next page*

Schedule C-1 *continued*

Parking Fund	Downtown Maintenance District Fund	Economic Development/ Property Fund	BINET Fund	Total
\$ 251,597	\$ 83,430	\$ 882,846	\$ -	\$ 1,217,873
8,702	365	-	-	9,067
-	-	-	-	47,757
-	-	-	-	473
-	-	-	65,199	870,980
<u>\$ 260,299</u>	<u>\$ 83,795</u>	<u>\$ 882,846</u>	<u>\$ 65,199</u>	<u>\$ 2,146,150</u>
\$ 11,851	\$ 70,186	\$ 199,397	\$ -	\$ 281,434
21,869	157	459,261	-	481,287
-	-	-	-	3,725,564
33,720	70,343	658,658	-	4,488,285
-	-	-	-	35,647
6,664	-	-	-	6,664
6,664	-	-	-	42,311
40,384	70,343	658,658	-	4,530,596
-	-	-	65,199	171,499
219,915	13,452	224,188	-	457,555
-	-	-	-	(3,013,500)
219,915	13,452	224,188	65,199	(2,384,446)
<u>\$ 260,299</u>	<u>\$ 83,795</u>	<u>\$ 882,846</u>	<u>\$ 65,199</u>	<u>\$ 2,146,150</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, 2023

Schedule C-2

	<u>Lakefront Urban Renewal Fund</u>	<u>Town Center Urban Renewal Fund</u>	<u>Spring Street Urban Renewal Fund</u>
<b>Revenues</b>			
Taxes	\$ 476,348	\$ 186,589	\$ 75,518
Intergovernmental	-	-	-
Licenses, fees and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income (loss)	11,317	4,973	1,601
Miscellaneous revenues	-	-	-
	<u>487,665</u>	<u>191,562</u>	<u>77,119</u>
<b>Expenditures</b>			
Current:			
General government	-	-	157
Highways and streets	-	-	-
Debt service:			
Principal	2,248,564	80,491	-
Interest	20,923	5,589	22,662
	<u>2,269,487</u>	<u>86,080</u>	<u>22,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,781,822)</u>	<u>105,482</u>	<u>54,300</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,781,822)	105,482	54,300
Fund Balance - Beginning	<u>(452,649)</u>	<u>818</u>	<u>(833,329)</u>
Fund Balance - Ending	<u>\$ (2,234,471)</u>	<u>\$ 106,300</u>	<u>\$ (779,029)</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>
\$ -	\$ -	\$ -	\$ -	\$ 738,455
1,830	40,090	334,739	-	376,659
59,070	-	-	-	59,070
200	91,387	13,023	-	104,610
21,054	-	-	-	21,054
6,619	1,957	6,343	8	32,818
164	-	-	-	164
<u>88,937</u>	<u>133,434</u>	<u>354,105</u>	<u>8</u>	<u>1,332,830</u>
-	214,091	688,136	-	902,384
106,869	-	-	-	106,869
-	-	-	-	2,329,055
-	-	-	-	49,174
<u>106,869</u>	<u>214,091</u>	<u>688,136</u>	<u>-</u>	<u>3,387,482</u>
<u>(17,932)</u>	<u>(80,657)</u>	<u>(334,031)</u>	<u>8</u>	<u>(2,054,652)</u>
80,000	75,000	365,000	-	520,000
-	-	-	(10,000)	(10,000)
<u>80,000</u>	<u>75,000</u>	<u>365,000</u>	<u>(10,000)</u>	<u>510,000</u>
62,068	(5,657)	30,969	(9,992)	(1,544,652)
157,847	19,109	193,219	75,191	(839,794)
<u>\$ 219,915</u>	<u>\$ 13,452</u>	<u>\$ 224,188</u>	<u>\$ 65,199</u>	<u>\$ (2,384,446)</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, 2023

Schedule C-3

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts Original	Final				
<b>REVENUES</b>						
Taxes	\$ 718,150	\$ 718,150	\$ 121,933	\$ 476,348	\$ 598,281	\$ (119,869)
Investment income (loss)	1,300	1,300	793	11,317	12,110	10,810
Total revenues	<u>719,450</u>	<u>719,450</u>	<u>122,726</u>	<u>487,665</u>	<u>610,391</u>	<u>(109,059)</u>
<b>EXPENDITURES</b>						
Lakefront Urban Renewal	2,248,575	2,248,575	-	-	-	2,248,575
Debt service	<u>734,850</u>	<u>728,050</u>	<u>109,585</u>	<u>2,743,868</u>	<u>2,853,453</u>	<u>(2,125,403)</u>
Total expenditures	<u>2,983,425</u>	<u>2,976,625</u>	<u>109,585</u>	<u>2,743,868</u>	<u>2,853,453</u>	<u>123,172</u>
expenditures	(2,263,975)	(2,257,175)	13,141	(2,256,203)	(2,243,062)	14,113
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds - interfund loan	<u>2,248,575</u>	<u>2,248,575</u>	-	2,248,564	2,248,564	(11)
Net change in fund balance	(15,400)	(8,600)	13,141	(7,639)	5,502	14,113
Fund balance - beginning	15,400	8,600	8,591	21,732	8,591	(9)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>21,732</u>	<u>\$ 14,093</u>	<u>\$ 14,093</u>	<u>\$ 14,104</u>
Reconciliation: Interfund loan				<u>(2,248,564)</u>		
Fund balance - ending (GAAP)				<u>\$ (2,234,471)</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, 2023

Schedule C-4

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Taxes	\$ 434,775	\$ 434,775	\$ 186,268	\$ 186,589	\$ 372,857	\$ (61,918)
Investment income (loss)	2,600	2,600	1,164	4,973	6,137	3,537
Total revenues	<u>437,375</u>	<u>437,375</u>	<u>187,432</u>	<u>191,562</u>	<u>378,994</u>	<u>(58,381)</u>
<b>EXPENDITURES</b>						
Town Center Urban Renewal	688,000	688,000	-	-	-	688,000
Debt service	496,200	459,100	151,646	142,768	294,414	164,686
Total expenditures	<u>1,184,200</u>	<u>1,147,100</u>	<u>151,646</u>	<u>142,768</u>	<u>294,414</u>	<u>852,686</u>
expenditures	(746,825)	(709,725)	35,786	48,794	84,580	794,305
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds - interfund loan	688,000	688,000	-	628,000	628,000	(60,000)
Net change in fund balance	(58,825)	(21,725)	35,786	676,794	712,580	734,305
Fund balance - beginning	58,825	21,725	21,720	57,506	21,720	(5)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>57,506</u>	<u>\$ 734,300</u>	<u>\$ 734,300</u>	<u>\$ 734,300</u>
Reconciliation: Interfund loan				<u>(628,000)</u>		
Fund balance - ending (GAAP)				<u>\$ 106,300</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, 2023

Schedule C-5

	BN 2021-2022 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2021-22	FY 2022-23		
<b>REVENUES</b>						
Taxes	\$131,500	\$ 131,500	\$ 52,578	\$ 75,518	\$ 128,096	\$ (3,404)
Investment income (loss)	925	925	2,824	1,601	4,425	3,500
Total revenues	<u>132,425</u>	<u>132,425</u>	<u>55,402</u>	<u>77,119</u>	<u>132,521</u>	<u>96</u>
<b>EXPENDITURES</b>						
Spring Street Urban Renewal	510,000	26,525	6,653	157	6,810	19,715
Debt service	170,125	653,600	581,654	22,662	604,316	49,284
Total expenditures	<u>680,125</u>	<u>680,125</u>	<u>588,307</u>	<u>22,819</u>	<u>611,126</u>	<u>68,999</u>
Net change in fund balance	(547,700)	(547,700)	(532,905)	54,300	(478,605)	69,095
Fund balance - beginning	547,700	548,575	548,576	15,671	548,576	1
Fund balance - ending	<u>\$ -</u>	<u>\$ 875</u>	<u>15,671</u>	<u>\$ 69,971</u>	<u>\$ 69,971</u>	<u>\$ 69,096</u>
Reconciliation: Interfund loan				<u>(849,000)</u>		
Fund balance - ending (GAAP)				<u>\$ (779,029)</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, 2023

Schedule C-6

	BN 2021-2023 Biennium Budgeted		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2021-22	FY 2022-23		
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,830	\$ 1,830	\$ 1,830
Licenses, fees and permits	113,825	113,825	59,594	59,070	118,664	4,839
Charges for services	400	400	200	200	400	-
Fines and forfeits	89,600	89,600	56,057	21,054	77,111	(12,489)
Investment income (loss)	1,425	1,425	917	6,619	7,536	6,111
Miscellaneous revenue	-	-	461	164	625	625
Total revenues	<u>205,250</u>	<u>205,250</u>	<u>117,229</u>	<u>88,937</u>	<u>206,166</u>	<u>916</u>
<b>EXPENDITURES</b>						
Parking	<u>303,525</u>	<u>312,000</u>	<u>73,897</u>	<u>106,869</u>	<u>180,766</u>	<u>131,234</u>
expenditures	(98,275)	(106,750)	43,332	(17,932)	25,400	132,150
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	(18,275)	(26,750)	43,332	62,068	105,400	132,150
Fund balance - beginning	<u>23,825</u>	<u>114,525</u>	<u>114,515</u>	<u>157,847</u>	<u>114,515</u>	<u>(10)</u>
Fund balance - ending	<u>\$ 5,550</u>	<u>\$ 87,775</u>	<u>\$ 157,847</u>	<u>\$ 219,915</u>	<u>\$ 219,915</u>	<u>\$ 132,140</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, 2023

Schedule C-7

	BN 2021-2023 Biennium Budgeted		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 56,000	\$ -	\$ 40,090	\$ 40,090	\$ (15,910)
Charges for services	181,050	169,100	86,560	91,387	177,947	8,847
Investment income (loss)	225	225	116	1,957	2,073	1,848
Total revenues	<u>181,275</u>	<u>225,325</u>	<u>86,676</u>	<u>133,434</u>	<u>220,110</u>	<u>(5,215)</u>
<b>EXPENDITURES</b>						
Downtown Maintenance District	<u>332,925</u>	<u>393,925</u>	<u>161,166</u>	<u>214,091</u>	<u>375,257</u>	<u>18,668</u>
Excess (deficiency) of revenues over expenditures	(151,650)	(168,600)	(74,490)	(80,657)	(155,147)	13,453
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>131,000</u>	<u>131,000</u>	<u>56,000</u>	<u>75,000</u>	<u>131,000</u>	<u>-</u>
Net change in fund balance	(20,650)	(37,600)	(18,490)	(5,657)	(24,147)	13,453
Fund balance - beginning	<u>26,875</u>	<u>37,600</u>	<u>37,599</u>	<u>19,109</u>	<u>37,599</u>	<u>(1)</u>
Fund balance - ending	<u>\$ 6,225</u>	<u>\$ -</u>	<u>\$ 19,109</u>	<u>\$ 13,452</u>	<u>\$ 13,452</u>	<u>\$ 13,452</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, 2023

Schedule C-8

	BN 2021-2023		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final	FY 2021-22	FY 2022-23		
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 794,000	\$ -	\$ 334,739	\$ 334,739	\$ (459,261)
Charges for services	24,450	24,450	12,721	13,023	25,744	1,294
Investment income (loss)	3,725	3,725	1,622	6,343	7,965	4,240
Total revenues	<u>28,175</u>	<u>822,175</u>	<u>14,343</u>	<u>354,105</u>	<u>368,448</u>	<u>(453,727)</u>
<b>EXPENDITURES</b>						
Economic development/property	<u>680,300</u>	<u>1,524,700</u>	<u>200,450</u>	<u>688,136</u>	<u>888,586</u>	<u>636,114</u>
Excess (deficiency) of revenues over expenditures	(652,125)	(702,525)	(186,107)	(334,031)	(520,138)	182,387
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>365,000</u>	<u>365,000</u>	<u>-</u>	<u>365,000</u>	<u>365,000</u>	<u>-</u>
Net change in fund balance	(287,125)	(337,525)	(186,107)	30,969	(155,138)	182,387
Fund balance - beginning	<u>287,175</u>	<u>379,325</u>	<u>379,326</u>	<u>193,219</u>	<u>379,326</u>	<u>1</u>
Fund balance - ending	<u>\$ 50</u>	<u>\$ 41,800</u>	<u>\$ 193,219</u>	<u>\$ 224,188</u>	<u>\$ 224,188</u>	<u>\$ 182,388</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, 2023

Schedule C-9

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts Original	Final				
<b>REVENUES</b>						
Investment income (loss)	\$ 75	\$ 75	14	8	22	(61)
Total revenues	<u>75</u>	<u>75</u>	<u>14</u>	<u>8</u>	<u>22</u>	<u>(61)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(20,000)	(20,000)	(10,000)	(10,000)	(20,000)	-
Total other financing source (uses)	<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	(19,925)	(19,925)	(9,986)	(9,992)	(19,978)	(61)
Fund balance - beginning	93,100	85,175	85,177	75,191	85,177	2
Fund balance - ending	<u>\$ 73,175</u>	<u>\$ 65,250</u>	<u>\$ 75,191</u>	<u>\$ 65,199</u>	<u>\$ 65,199</u>	<u>\$ (59)</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, 2023

Schedule D-1

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual	Second Year Actual	Total Actual for budget period	Variance with Final Budget
	Original	Final	FY 2021-22	FY 2022-23		
REVENUES						
Charges for services	\$ 54,000	\$ 54,000	\$ 54,000	\$ -	\$ 54,000	\$ -
Investment income (loss)	58,150	58,150	21,360	68,584	89,944	31,794
Total revenues	<u>112,150</u>	<u>112,150</u>	<u>75,360</u>	<u>68,584</u>	<u>143,944</u>	<u>31,794</u>
Net change in fund balance	112,150	112,150	75,360	68,584	143,944	31,794
Fund balance - beginning	<u>15,231,825</u>	<u>15,234,700</u>	<u>15,234,703</u>	<u>15,310,063</u>	<u>15,234,703</u>	<u>3</u>
Fund balance - ending	<u>\$ 15,343,975</u>	<u>\$ 15,346,850</u>	<u>\$ 15,310,063</u>	<u>\$ 15,378,647</u>	<u>\$ 15,378,647</u>	<u>\$ 31,797</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, 2023

Schedule D-2

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Charges for services	\$ 1,208,300	\$ 1,208,300	\$ 609,127	\$ 648,525	\$ 1,257,652	\$ 49,352
Investment income (loss)	325,425	325,425	(141,544)	144,022	2,478	(322,947)
Total revenues	<u>1,533,725</u>	<u>1,533,725</u>	<u>467,583</u>	<u>792,547</u>	<u>1,260,130</u>	<u>(273,595)</u>
<b>EXPENDITURES</b>						
Escrow reserve	-	1,000	275	366	641	359
Total expenditures	<u>-</u>	<u>1,000</u>	<u>275</u>	<u>366</u>	<u>641</u>	<u>725</u>
Excess (deficiency) of revenues over expenditures	1,533,725	1,532,725	467,308	792,181	1,259,489	(274,320)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(845,225)	(845,225)	(310,209)	(225,000)	(535,209)	310,016
Interfund loan	(2,936,575)	(2,936,575)	-	(2,876,564)	(2,876,564)	60,011
Interfund loan repayment	574,650	574,650	644,325	531,070	1,175,395	600,745
Total other financing sources (uses)	<u>(3,207,150)</u>	<u>(3,207,150)</u>	<u>334,116</u>	<u>(2,570,494)</u>	<u>(2,236,378)</u>	<u>970,772</u>
Net change in fund balance	(1,673,425)	(1,674,425)	801,424	(1,778,313)	(976,889)	696,452
Fund balance - beginning	8,240,250	8,216,100	8,216,112	9,017,536	8,216,112	12
Fund balance - ending	<u>\$ 6,566,825</u>	<u>\$ 6,541,675</u>	<u>9,017,536</u>	<u>\$ 7,239,223</u>	<u>\$ 7,239,223</u>	<u>\$ 696,464</u>
Reconciliation: Interfund loan				3,725,564		
Fund balance - ending (GAAP)				<u>\$ 10,964,787</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, 2023

Schedule E-1

	BN 2021-2023 Biennium Budgeted Amounts		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Taxes	\$ 459,325	\$ 459,325	\$ 231,818	\$ 231,334	\$ 463,152	\$ 3,827
Investment income (loss)	3,925	3,925	1,844	5,241	7,085	3,160
Total revenues	<u>463,250</u>	<u>463,250</u>	<u>233,662</u>	<u>236,575</u>	<u>470,237</u>	<u>6,987</u>
<b>EXPENDITURES</b>						
Debt service	<u>468,375</u>	<u>468,375</u>	<u>231,258</u>	<u>237,059</u>	<u>468,317</u>	<u>58</u>
Net change in fund balance	(5,125)	(5,125)	2,404	(484)	1,920	244,104
Fund balance - beginning	40,975	40,075	40,065	42,469	40,065	(10)
Fund balance - ending	<u>\$ 35,850</u>	<u>\$ 34,950</u>	<u>\$ 42,469</u>	<u>\$ 41,985</u>	<u>\$ 41,985</u>	<u>\$ 244,094</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, 2023

Schedule F-1

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 12,750	\$ 762,135	\$ 50,812	\$ 812,947	\$ 800,197
Charges for services	14,605,975	14,605,975	8,393,903	8,558,060	16,951,963	2,345,988
Investment income (loss)	316,975	316,975	(379,061)	221,652	(157,409)	(474,384)
System development charges	688,925	688,925	354,957	209,058	564,015	(124,910)
Miscellaneous revenue	4,000	4,000	11,441	1,498	12,939	8,939
Total revenues	<u>15,615,875</u>	<u>15,628,625</u>	<u>9,143,375</u>	<u>9,041,080</u>	<u>18,184,455</u>	<u>2,555,830</u>
<b>EXPENDITURES</b>						
Collections	7,606,000	8,989,200	3,384,736	4,108,801	7,493,537	1,495,663
Treatment	40,963,325	41,089,650	18,468,107	15,163,892	33,631,999	7,457,651
Debt service	4,661,225	4,661,225	806,970	1,208,507	2,015,477	2,645,748
Total expenditures	<u>53,230,550</u>	<u>54,740,075</u>	<u>22,659,813</u>	<u>20,481,200</u>	<u>43,141,013</u>	<u>11,599,062</u>
Excess (deficiency) of revenues over expenditures	(37,614,675)	(39,111,450)	(13,516,438)	(11,440,120)	(24,956,558)	14,154,892
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	620,225	620,225	310,209	-	310,209	(310,016)
Loan Proceeds	34,000,000	34,000,000	10,508,954	11,011,931	21,520,885	(12,479,115)
Proceeds from the sale of capital assets	-	-	-	82,175	82,175	82,175
Total other financing sources (uses)	<u>34,620,225</u>	<u>34,620,225</u>	<u>10,819,163</u>	<u>11,094,106</u>	<u>21,913,269</u>	<u>(12,706,956)</u>
Net change in fund balance	(2,994,450)	(4,491,225)	(2,697,275)	(346,014)	(3,043,289)	1,447,936
Fund balance - beginning	14,672,075	11,530,575	11,530,577	8,833,302	11,530,577	2
Fund balance - ending	<u>\$ 11,677,625</u>	<u>\$ 7,039,350</u>	<u>\$ 8,833,302</u>	<u>\$ 8,487,288</u>	<u>\$ 8,487,288</u>	<u>\$ 1,447,938</u>
<b>Reconciliation</b>						
Prepaid items				34,689		
Notes & accounts receivable				4,019		
Capital assets, net of accumulated depreciation				70,374,240		
Net OPEB asset/(liability)				(23,882)		
OPEB deferred inflows of resources				(14,737)		
OPEB deferred outflows of resources				14,251		
Compensated absences				(87,828)		
Bond refunding deferred charge				38,537		
Accrued interest payable				(713,874)		
Bonds payable				(1,562,315)		
Loan payable				(32,457,397)		
Deferred outflows of resources - pensions				717,779		
Deferred inflows of resources - pensions				(425,451)		
Net pension liability				(1,121,428)		
Net position - ending (GAAP)				<u>\$ 43,263,891</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, 2023

Schedule F-2

	BN 2021-2023		First Year Actual FY 2021-22	Second Year Actual FY 2022-23	Total Actual for budget period	Variance with Final Budget
	Biennium Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 9,950	\$ 8,549	\$ 81,131	\$ 89,680	\$ 79,730
Charges for services	18,376,925	18,376,925	8,868,287	9,573,625	18,441,912	64,987
Investment income (loss)	330,950	330,950	(460,351)	319,703	(140,648)	(471,598)
Internal service charges	821,800	821,800	406,825	440,575	847,400	25,600
System development charges	382,700	382,700	298,866	301,239	600,105	217,405
Miscellaneous revenue	14,775	14,775	14,877	12,821	27,698	12,923
Total revenues	<u>19,927,150</u>	<u>19,937,100</u>	<u>9,137,053</u>	<u>10,729,094</u>	<u>19,866,147</u>	<u>(70,953)</u>
<b>EXPENDITURES</b>						
Operations	15,160,100	17,137,375	4,248,564	7,189,376	11,437,940	5,699,435
Utility billing	2,754,650	2,944,750	1,353,206	1,557,136	2,910,342	34,408
Geothermal	930,675	1,281,175	220,939	792,183	1,013,122	268,053
Debt service	124,350	124,350	62,885	61,442	124,327	23
Total expenditures	<u>18,969,775</u>	<u>21,487,650</u>	<u>5,885,594</u>	<u>9,600,137</u>	<u>15,485,731</u>	<u>6,001,919</u>
Excess (deficiency) of revenues over expenditures	957,375	(1,550,550)	3,251,459	1,128,957	4,380,416	5,930,966
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(2,003,300)	(2,003,300)	(991,725)	(1,150,100)	(2,141,825)	(138,525)
Gain on sale of capital assets	12,000	12,000	-	17,055	17,055	5,055
Insurance recoveries	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,991,300)</u>	<u>(1,991,300)</u>	<u>(991,725)</u>	<u>(1,133,045)</u>	<u>(2,124,770)</u>	<u>(133,470)</u>
Net change in fund balance	(1,033,925)	(3,541,850)	2,259,734	(4,088)	2,255,646	5,797,496
Fund balance - beginning	8,098,750	8,530,400	8,530,410	10,790,144	8,530,410	10
Fund balance - ending	<u>\$ 7,064,825</u>	<u>\$ 4,988,550</u>	<u>10,790,144</u>	<u>\$ 10,786,056</u>	<u>\$ 10,786,056</u>	<u>\$ 5,797,506</u>
<b>Reconciliation</b>						
Prepaid items				48,932		
Notes & accounts receivable				9,474		
Capital assets, net of accumulated depreciation				36,158,806		
Net OPEB asset/(liability)				(35,513)		
OPEB deferred inflows of resources				(21,913)		
OPEB deferred outflows of resources				21,191		
Compensated absences				(110,940)		
Accrued interest payable				(9,882)		
Loans payable				(379,137)		
Deferred outflows of resources - pensions				1,067,321		
Deferred inflows of resources - pensions				(632,636)		
Net pension liability				<u>(1,667,538)</u>		
Net position - ending (GAAP)				<u>\$ 45,234,221</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, 2023

Schedule G-1

Function and Activity	Land	Buildings	Machinery and Equipment	Intangibles	Subscriptions	Infrastructure	Construction in Progress	Total
General Government:								
Manager	\$ 1,090,741	\$ 3,742,556	\$ 142,627	\$ -	\$ -	\$ 1,253,358	\$ -	\$ 6,229,282
Information Systems	-	-	319,294	590,303	-	-	-	909,597
Engineering	-	-	258,438	12,500	82,500	-	-	353,438
Maintenance	-	90,742	143,959	-	-	-	-	234,701
Economic Development	544,243	-	-	-	-	-	-	544,243
Total General Government	1,634,984	3,833,298	864,318	602,803	82,500	1,253,358	-	8,271,261
Airport	9,193,403	4,073,740	2,719,490	-	-	73,541,098	11,094,874	100,622,606
Culture and Recreation	800,968	1,795,471	2,167,585	-	-	7,702,375	610,752	13,077,151
Public safety	399,111	8,152,307	2,836,899	-	-	-	48,331	11,436,648
Highways and Streets:								
Maintenance	1,500	215,816	3,941,825	40,686	-	-	-	4,199,827
Street System	2,143,060	99,186	871,496	31,920	-	143,378,037	3,884,229	150,407,928
Total Highways and Streets	2,144,560	315,002	4,813,321	72,606	-	143,378,037	3,884,229	154,607,756
Total Governmental Funds Capital Assets	\$ 14,173,027	\$ 18,169,818	\$ 13,401,613	\$ 675,409	\$ 82,500	\$ 225,874,868	\$ 15,638,186	\$ 288,015,421

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, 2023

Schedule G-2

Function and Activity	Governmental Funds Capital Assets July 1, 2022	Additions	Deductions, Transfers in & (Transfers out)	Governmental Funds Capital Assets June 30, 2023
General Government:				
Manager	\$ 6,122,207	\$ 93,023	\$ 14,052	\$ 6,229,282
Information Systems	909,597	-	-	909,597
Engineering	251,963	101,475	-	353,438
Maintenance	311,572	-	(76,871)	234,701
Economic Development	544,243	-	-	544,243
Total General Government	<u>8,139,582</u>	<u>194,498</u>	<u>(62,819)</u>	<u>8,271,261</u>
Airport	<u>94,592,076</u>	<u>6,177,624</u>	<u>(147,094)</u>	<u>100,622,606</u>
Culture and Recreation	<u>11,452,922</u>	<u>1,677,221</u>	<u>(52,992)</u>	<u>13,077,151</u>
Public safety	<u>11,129,963</u>	<u>421,324</u>	<u>(114,639)</u>	<u>11,436,648</u>
Highways and streets:				
Maintenance	4,241,270	52,500	(93,942)	4,199,828
Street system	143,825,956	6,581,972	-	150,407,928
Total Highways and Streets	<u>148,067,226</u>	<u>6,634,472</u>	<u>(93,942)</u>	<u>154,607,756</u>
Total Governmental Funds Capital Assets	<u>\$ 273,381,769</u>	<u>\$ 15,105,138</u>	<u>\$ (471,486)</u>	<u>\$ 288,015,421</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

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<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.....	153
<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.....	159
<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.....	167
<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.....	171
<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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$113,094,419	\$101,861,892	\$100,923,713	\$101,122,675	\$ 97,349,847	\$111,784,474	\$106,175,191	\$105,999,139	\$107,962,108	\$113,684,484
Restricted	997,477	417,195	5,454,546	5,254,223	4,825,481	4,420,534	3,971,607	2,582,763	1,832,112	2,324,012
Unrestricted	37,489,821	33,731,352	26,154,647	25,387,537	26,209,812	22,997,162	27,580,669	29,390,584	18,256,806	16,908,446
Total governmental activities net position	<u>\$151,581,717</u>	<u>\$136,010,439</u>	<u>\$132,532,906</u>	<u>\$131,764,435</u>	<u>\$128,385,140</u>	<u>\$139,202,170</u>	<u>\$137,727,467</u>	<u>\$137,972,486</u>	<u>\$128,051,026</u>	<u>\$132,916,942</u>
Business-type activities										
Net investment in capital assets	\$ 71,550,940	\$ 67,258,342	\$ 63,872,845	\$ 60,863,067	\$ 59,708,694	\$ 60,389,249	\$ 58,324,352	\$ 56,282,189	\$ 55,458,635	\$ 51,934,040
Restricted	2,238,695	1,853,319	1,569,712	1,417,157	1,111,993	1,104,956	1,092,164	4,633,944	5,041,272	5,402,198
Unrestricted	14,708,477	15,409,734	15,605,205	15,475,616	13,075,501	12,707,870	8,196,965	3,246,712	14,989,228	14,149,001
Total business-type activities net position	<u>\$ 88,498,112</u>	<u>\$ 84,521,395</u>	<u>\$ 81,047,762</u>	<u>\$ 77,755,840</u>	<u>\$ 73,896,188</u>	<u>\$ 74,202,075</u>	<u>\$ 67,613,481</u>	<u>\$ 64,162,845</u>	<u>\$ 75,489,135</u>	<u>\$ 71,485,239</u>
Primary government										
Net investment in capital assets	\$184,645,359	\$169,120,234	\$164,796,558	\$161,985,742	\$157,058,541	\$172,173,723	\$164,499,543	\$162,281,328	\$163,420,743	\$165,618,524
Restricted	3,236,172	2,270,514	7,024,258	6,671,380	5,937,474	5,525,490	5,063,771	7,216,707	6,873,384	7,726,210
Unrestricted	52,198,298	49,141,086	41,759,852	40,863,153	39,285,313	35,705,032	35,777,634	32,637,296	33,246,034	31,057,447
Total primary government net position	<u>\$240,079,829</u>	<u>\$220,531,834</u>	<u>\$213,580,668</u>	<u>\$209,520,275</u>	<u>\$202,281,328</u>	<u>\$213,404,245</u>	<u>\$205,340,948</u>	<u>\$202,135,331</u>	<u>\$203,540,161</u>	<u>\$204,402,181</u>

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

Schedule H-2

<b>Expenses</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities:</b>										
General government	\$ 7,301,698	\$ 5,932,498	\$ 7,291,655	\$ 7,860,667	\$ 6,035,233	\$ 5,636,155	\$ 5,727,651	\$ 5,802,794	\$ 4,750,011	\$ 1,117,501
Airport	3,364,240	3,320,143	3,368,954	3,317,849	3,636,051	2,833,505	3,128,916	2,865,179	2,483,308	2,979,505
Culture and recreation	2,193,693	1,993,957	1,979,691	1,757,881	1,683,114	1,511,771	1,315,260	1,346,156	1,198,095	1,429,718
Public safety	7,359,634	6,521,431	7,511,047	7,758,364	6,891,162	6,783,353	6,678,984	7,827,924	4,551,499	6,392,398
Highways and streets	4,266,996	4,173,200	4,256,755	4,303,395	4,213,848	3,694,992	3,795,646	4,266,110	6,920,863	5,376,296
Interest on long-term debt	232,857	263,636	264,574	260,602	277,253	252,843	386,404	426,013	450,287	409,176
<b>Total governmental activities</b>	<b>24,719,118</b>	<b>22,204,865</b>	<b>24,672,676</b>	<b>25,258,758</b>	<b>22,736,661</b>	<b>20,712,619</b>	<b>21,032,861</b>	<b>22,534,176</b>	<b>20,354,063</b>	<b>17,704,594</b>
<b>Business-type activities:</b>										
Wastewater	7,564,862	6,973,916	6,353,230	6,448,198	6,037,473	5,862,851	5,396,231	5,474,517	4,893,634	5,045,680
Water	7,622,385	7,180,296	7,798,312	7,334,319	7,013,758	6,483,466	5,959,718	6,156,074	5,536,655	5,682,323
<b>Total business-type activities</b>	<b>15,187,247</b>	<b>14,154,212</b>	<b>14,151,542</b>	<b>13,782,517</b>	<b>13,051,231</b>	<b>12,346,317</b>	<b>11,355,949</b>	<b>11,630,591</b>	<b>10,430,289</b>	<b>10,728,003</b>
<b>Total expenses</b>	<b>\$ 39,906,365</b>	<b>\$ 36,359,077</b>	<b>\$ 38,824,218</b>	<b>\$ 39,041,275</b>	<b>\$ 35,787,892</b>	<b>\$ 33,058,936</b>	<b>\$ 32,388,810</b>	<b>\$ 34,164,767</b>	<b>\$ 30,784,352</b>	<b>\$ 28,432,597</b>
<b>Program Revenues</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities:</b>										
<b>Charges for services</b>										
General government	\$ 4,267,660	\$ 3,990,643	\$ 4,110,212	\$ 3,866,148	\$ 3,812,814	\$ 2,933,356	\$ 2,776,556	\$ 2,855,961	\$ 2,837,399	\$ 286,623
Airport	425,653	456,346	535,737	546,060	513,813	571,764	685,469	470,645	524,083	714,909
Culture and recreation	228,346	168,403	190,645	324,830	207,757	222,568	208,900	208,900	184,357	152,142
Public safety	23,606	64,417	42,073	19,698	31,534	61,438	33,462	33,462	404,376	446,467
Highways and streets	341,370	369,263	360,016	335,381	415,264	354,625	332,301	347,832	151,678	355,562
Operating grants and contributions	946,218	133,717	666,825	330,149	272,096	231,631	353,709	247,032	108,891	117,860
Capital grants and contributions	14,075,132	4,300,300	3,741,228	6,899,870	1,982,334	6,959,883	3,010,978	916,336	831,469	2,236,523
<b>Total governmental activities</b>	<b>20,307,985</b>	<b>9,483,089</b>	<b>9,646,736</b>	<b>12,322,136</b>	<b>7,235,612</b>	<b>11,335,265</b>	<b>7,401,375</b>	<b>5,080,168</b>	<b>5,042,253</b>	<b>4,310,086</b>
<b>Business-type activities:</b>										
<b>Charges for services</b>										
Wastewater	8,698,676	8,804,188	8,040,137	7,870,573	7,368,960	8,174,984	7,678,873	7,354,469	7,018,141	6,714,855
Water	10,314,317	9,594,585	9,782,393	8,790,522	8,682,450	8,530,367	7,936,322	7,665,939	7,703,108	7,244,563
Operating grants and contributions	127,951	-	25,953	5,565	-	-	-	-	-	-
Capital grants and contributions	533,080	750,000	-	92,780	-	7,200	48,030	275,677	339,176	864,767
<b>Total business-type activities</b>	<b>19,674,024</b>	<b>19,148,773</b>	<b>17,848,483</b>	<b>16,759,440</b>	<b>16,051,410</b>	<b>16,712,551</b>	<b>15,663,225</b>	<b>15,296,085</b>	<b>15,060,425</b>	<b>14,824,185</b>
<b>Total program revenues</b>	<b>\$ 39,982,009</b>	<b>\$ 28,631,862</b>	<b>\$ 27,495,219</b>	<b>\$ 29,081,576</b>	<b>\$ 23,287,022</b>	<b>\$ 28,047,816</b>	<b>\$ 23,064,600</b>	<b>\$ 20,376,253</b>	<b>\$ 20,102,678</b>	<b>\$ 19,134,271</b>
<b>Net (expense)/revenue</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities</b>	<b>\$ (4,411,133)</b>	<b>\$(12,721,776)</b>	<b>\$(15,025,940)</b>	<b>\$(12,936,622)</b>	<b>\$(15,501,049)</b>	<b>\$(9,377,354)</b>	<b>\$(13,631,486)</b>	<b>\$(17,454,008)</b>	<b>\$(15,311,810)</b>	<b>\$(13,394,508)</b>
<b>Business-type activities</b>	<b>4,486,777</b>	<b>4,994,561</b>	<b>3,696,941</b>	<b>2,976,923</b>	<b>3,000,179</b>	<b>4,366,234</b>	<b>4,307,276</b>	<b>3,665,494</b>	<b>4,630,136</b>	<b>4,096,182</b>
<b>Total net expense (revenue)</b>	<b>\$ 75,644</b>	<b>\$(7,727,215)</b>	<b>\$(11,328,999)</b>	<b>\$(9,959,699)</b>	<b>\$(12,500,870)</b>	<b>\$(5,011,120)</b>	<b>\$(9,324,210)</b>	<b>\$(13,788,514)</b>	<b>\$(10,681,674)</b>	<b>\$(9,298,326)</b>
<b>General Revenues</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities:</b>										
Property taxes	\$ 9,883,728	\$ 9,390,053	\$ 8,917,808	\$ 8,514,563	\$ 7,874,191	\$ 7,430,283	\$ 7,009,508	\$ 6,901,748	\$ 6,999,271	\$ 6,801,445
Franchise taxes	3,184,789	2,947,490	2,837,869	2,762,831	2,805,417	2,490,622	2,542,802	2,444,433	2,400,513	2,338,179
911 excise tax	-	-	-	-	-	-	-	-	-	-
Motor fuel taxes	1,750,719	2,091,356	1,633,002	1,501,270	1,601,000	1,400,638	1,293,021	1,274,616	1,229,155	1,227,480
Alcoholic beverage taxes	438,007	412,525	428,561	389,885	363,917	346,268	331,238	309,573	309,693	300,889
Cigarette taxes	16,301	18,162	21,127	23,960	25,102	26,782	27,459	28,420	28,698	28,905
Transient room taxes	822,147	839,528	755,537	642,162	584,170	681,281	560,037	505,000	507,012	448,867
State revenue sharing	307,852	296,341	348,387	332,131	229,621	284,662	214,081	193,598	199,962	202,054
Federal forest receipts	1,505,492	-	-	175,000	400,000	-	114,654	110,195	1,103,867	-
Unrestricted investment earnings	926,706	(477,662)	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	199,778
Gain on sale of capital assets	-	-	-	-	-	-	(41,129)	12,351	2,199	111,709
Insurance recoveries	-	-	-	-	-	-	-	9,865	15,123	-
Transfer of capital asset	-	-	-	-	12,198	-	-	30,463	(1,293,837)	-
Transfers in / (out)	1,146,670	681,516	563,180	569,614	2,333,850	(2,041,525)	948,520	15,241,622	1,569,912	385,189
<b>Total general revenues, transfers, and special items</b>	<b>19,982,411</b>	<b>16,199,309</b>	<b>15,794,411</b>	<b>16,022,617</b>	<b>17,212,592</b>	<b>10,963,157</b>	<b>13,386,467</b>	<b>27,405,930</b>	<b>13,319,360</b>	<b>12,044,495</b>
<b>Business-type activities:</b>										
Unrestricted investment earnings	541,355	(839,412)	158,161	1,074,843	1,086,983	201,465	91,880	280,301	142,631	104,507
Gain on sale of capital assets	95,255	-	-	-	12,730	-	-	-	-	-
Transfer of capital asset	-	-	-	-	(12,198)	-	-	(30,463)	1,293,837	-
Transfers in / (out)	(1,146,670)	(681,516)	(563,180)	(569,614)	(2,333,850)	2,041,525	(948,520)	(15,241,622)	(1,569,912)	(385,189)
<b>Total business-type activities</b>	<b>(510,060)</b>	<b>(1,520,928)</b>	<b>(405,019)</b>	<b>505,229</b>	<b>(1,246,335)</b>	<b>2,242,990</b>	<b>(856,640)</b>	<b>(14,991,784)</b>	<b>(133,444)</b>	<b>(280,682)</b>
<b>Total primary government</b>	<b>\$ 19,472,351</b>	<b>\$ 14,678,381</b>	<b>\$ 15,389,392</b>	<b>\$ 16,527,846</b>	<b>\$ 15,966,257</b>	<b>\$ 13,206,147</b>	<b>\$ 12,529,827</b>	<b>\$ 12,414,146</b>	<b>\$ 13,185,916</b>	<b>\$ 11,763,813</b>
<b>Change in Net Position</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental activities</b>	<b>\$ 15,571,278</b>	<b>\$ 3,477,533</b>	<b>\$ 768,471</b>	<b>\$ 3,085,995</b>	<b>\$ 1,711,543</b>	<b>\$ 1,585,803</b>	<b>\$ (245,019)</b>	<b>\$ 9,951,922</b>	<b>\$ (1,992,450)</b>	<b>\$ (1,350,013)</b>
<b>Business-type activities</b>	<b>3,976,717</b>	<b>3,473,633</b>	<b>3,291,922</b>	<b>3,482,152</b>	<b>1,753,844</b>	<b>6,609,224</b>	<b>3,450,636</b>	<b>(11,326,290)</b>	<b>4,496,692</b>	<b>3,815,500</b>
<b>Total Change in Net Position</b>	<b>\$ 19,547,995</b>	<b>\$ 6,951,166</b>	<b>\$ 4,060,393</b>	<b>\$ 6,568,147</b>	<b>\$ 3,465,387</b>	<b>\$ 8,195,027</b>	<b>\$ 3,205,617</b>	<b>\$ (1,374,368)</b>	<b>\$ 2,504,242</b>	<b>\$ 2,465,487</b>

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

Schedule H-3

	2023	2022	2021	2020	2019	2018	2017	2016 <sup>2</sup>	2015 <sup>1</sup>	2014
<b>General Fund</b>										
Nondisposable	\$ 74,491	\$ 41,474	\$ 50,637	\$ 42,196	\$ 54,125	\$ 46,849	\$ 45,496	\$ 38,971	\$ 130,701	\$ 243,735
Restricted	437,600	246,695	274,703	368,080	302,906	278,326	144,847	133,776	80,454	65,278
Committed	521,837	610,598	-	-	-	-	-	-	-	-
Assigned	82,980	75,524	736,865	1,413,360	2,457,493	2,716,501	4,188,842	5,751,645	103,791	39,638
Unassigned	17,376,500	16,662,801	15,546,193	12,872,697	10,928,370	8,295,803	7,180,729	5,280,154	3,246,947	4,453,307
<b>Total general fund</b>	<b>\$18,493,408</b>	<b>\$17,637,092</b>	<b>\$16,608,398</b>	<b>\$14,696,333</b>	<b>\$13,742,894</b>	<b>\$11,337,479</b>	<b>\$11,559,914</b>	<b>\$11,204,546</b>	<b>\$ 3,561,893</b>	<b>\$ 4,801,958</b>
<b>All other governmental funds</b>										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,544	\$ 125,307	\$ 149,572
Restricted	265,506	170,500	5,178,673	4,886,143	4,522,575	4,142,208	3,826,760	2,448,987	1,696,307	2,166,019
Committed	5,524,558	5,395,756	-	-	-	-	-	-	-	-
Assigned	25,360,458	23,641,008	23,430,767	21,866,547	22,626,523	19,827,815	23,812,496	24,951,010	18,242,788	14,354,112
Unassigned	(3,013,500)	(1,285,978)	(1,445,507)	(1,306,137)	(571,480)	(641,563)	(672,379)	(902,008)	(901,147)	(796,705)
<b>Total all other governmental funds</b>	<b>\$28,137,022</b>	<b>\$27,921,286</b>	<b>\$27,163,933</b>	<b>\$25,446,553</b>	<b>\$26,577,618</b>	<b>\$23,328,460</b>	<b>\$26,966,877</b>	<b>\$26,506,533</b>	<b>\$19,163,255</b>	<b>\$15,872,998</b>

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

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

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

Schedule H-4

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenues</b>										
Taxes	\$ 9,834,209	\$ 9,405,565	\$ 9,000,499	\$ 8,500,410	\$ 7,891,025	\$ 7,429,107	\$ 7,034,171	\$ 6,892,417	\$ 7,032,490	\$ 6,956,668
Special assessments	-	-	5,539	16,926	10,898	15,456	17,215	48,688	-	800
Intergovernmental	17,923,370	7,925,530	7,120,960	8,790,444	6,334,023	8,681,135	5,792,146	3,477,796	3,743,238	3,797,578
Licenses, fees and permits	227,379	235,506	255,333	326,247	192,974	179,634	153,232	163,011	178,499	183,764
Franchise fees	3,183,697	2,947,490	2,850,134	2,772,079	2,809,670	2,473,145	2,534,513	2,444,433	2,400,513	2,338,178
Charges for services	1,766,319	1,631,165	1,677,227	1,703,043	1,718,720	1,156,451	1,186,754	1,081,035	1,083,053	4,863,660
Internal charges for services	3,071,241	2,776,228	2,880,240	2,698,883	2,695,418	2,602,322	2,509,271	2,422,161	2,936,762	-
Fines and forfeitures	261,310	309,977	376,094	304,951	360,436	417,160	341,693	344,653	460,151	452,676
Investment earnings	926,706	(477,662)	288,940	1,111,201	983,126	344,146	386,276	344,046	247,792	285,013
Miscellaneous	454,411	600,714	556,607	188,823	115,121	472,493	316,809	138,949	146,519	330,967
System development charges	-	-	-	-	-	-	-	-	2,722	-
<b>Total Revenues</b>	<b>\$ 37,648,642</b>	<b>\$ 25,354,513</b>	<b>\$ 25,011,573</b>	<b>\$ 26,413,007</b>	<b>\$ 23,111,411</b>	<b>\$ 23,771,049</b>	<b>\$ 20,272,080</b>	<b>\$ 17,357,189</b>	<b>\$ 18,231,739</b>	<b>\$ 19,209,304</b>
<b>Expenditures</b>										
Current:										
General government	\$ 7,731,585	\$ 6,045,175	\$ 6,618,040	\$ 6,712,988	\$ 5,519,752	\$ 5,212,716	\$ 5,083,443	\$ 4,866,004	\$ 4,906,651	\$ 4,726,157
Airport	1,240,516	1,225,092	1,227,113	1,356,231	1,426,159	1,312,918	1,595,817	1,159,526	1,055,989	1,189,143
Culture and recreation	1,979,412	1,712,590	1,645,397	1,391,876	1,416,609	1,309,108	1,190,045	1,054,101	1,167,304	1,258,030
Public safety	8,018,304	6,359,128	6,141,490	6,214,809	5,767,764	5,694,881	5,486,413	5,442,424	5,243,094	5,686,252
Highways and streets	2,355,699	2,030,701	1,907,335	1,888,350	2,019,811	1,811,415	1,785,710	1,794,377	1,985,704	2,258,666
Debt service:										
Principal	2,677,582	459,896	440,220	562,328	400,200	455,866	284,923	429,187	1,545,504	878,156
Interest	229,626	261,067	262,005	257,660	272,319	258,004	390,994	418,248	472,719	429,641
Capital outlay:										
General government	111,047	52,886	139,318	19,496	17,487	81,097	50,727	691,549	666,569	1,268,137
Airport	6,177,624	2,705,284	2,197,107	6,764,036	1,071,141	6,234,882	2,714,340	670,989	294,464	1,071,748
Culture and recreation	1,279,967	119,389	500,499	417,271	724,636	785,602	179,520	190,611	152,894	105,539
Public safety	421,324	327,253	249,545	408,838	100,565	400,969	247,584	259,835	203,127	175,045
Highways and streets	5,553,635	3,004,082	649,377	1,263,743	1,178,077	2,184,881	1,396,463	658,245	1,511,680	1,103,562
<b>Total Expenditures</b>	<b>\$ 37,776,321</b>	<b>\$ 24,302,543</b>	<b>\$ 21,977,446</b>	<b>\$ 27,257,626</b>	<b>\$ 19,914,520</b>	<b>\$ 25,742,339</b>	<b>\$ 20,405,979</b>	<b>\$ 17,635,096</b>	<b>\$ 19,205,699</b>	<b>\$ 20,150,076</b>
Excess (Deficiency) of Revenues over Expenditures	(127,679)	1,051,970	3,034,127	(844,619)	3,196,891	(1,971,290)	(133,899)	(277,907)	(973,960)	(940,772)
<b>Other financing sources (uses)</b>										
Sale of general capital assets	45,481	21,470	28,880	86,154	78,473	81,414	1,000	12,351	70,771	187,706
Transfers in	1,680,100	1,047,725	1,474,925	1,372,375	3,080,625	1,395,856	1,847,312	22,172,729	3,777,366	1,504,581
Transfers out	(530,000)	(366,209)	(911,745)	(802,761)	(746,775)	(3,437,381)	(898,792)	(6,931,107)	(2,207,454)	(1,041,629)
General long-term debt issued	-	-	-	-	-	58,950	-	-	1,417,262	414,721
Insurance recoveries	4,150	31,091	3,258	11,225	45,359	11,599	91	9,865	15,123	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,199,731</b>	<b>\$ 734,077</b>	<b>\$ 595,318</b>	<b>\$ 666,993</b>	<b>\$ 2,457,682</b>	<b>\$ (1,889,562)</b>	<b>\$ 949,611</b>	<b>\$ 15,263,838</b>	<b>\$ 3,073,068</b>	<b>\$ 1,065,379</b>
<b>Net change in fund balances</b>	<b>\$ 1,072,052</b>	<b>\$ 1,786,047</b>	<b>\$ 3,629,445</b>	<b>\$ (177,626)</b>	<b>\$ 5,654,573</b>	<b>\$ (3,860,852)</b>	<b>\$ 815,712</b>	<b>\$ 14,985,931</b>	<b>\$ 2,099,108</b>	<b>\$ 124,607</b>
Debt service as a percentage of noncapital expenditures	11.94%	3.98%	3.85%	4.46%	4.00%	4.45%	4.27%	5.59%	12.32%	7.96%

## 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 <sup>1</sup>	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value <sup>1</sup>	Assessed Value	Estimated Actual Value <sup>1</sup>				
2023	\$ 1,682,250	\$ 3,276,947	\$ 65,443	\$ 65,443	\$ 1,747,693	\$ 5.26	\$ 3,342,390	52.3%
2022	1,588,865	2,618,808	61,310	61,310	1,650,175	5.16	2,680,117	61.6%
2021	1,574,873	2,326,117	55,340	55,340	1,630,213	5.16	2,381,457	68.5%
2020	1,476,641	2,263,305	59,207	59,207	1,535,847	5.14	2,322,512	66.1%
2019	1,420,291	2,057,817	50,700	50,700	1,470,991	5.19	2,108,517	69.8%
2018	1,363,797	2,116,041	52,366	52,366	1,416,163	5.23	2,168,407	65.3%
2017	1,309,448	1,777,953	51,454	51,454	1,360,902	5.25	1,829,407	74.4%
2016	1,305,308	1,900,989	50,033	50,033	1,355,341	5.24	1,951,022	69.5%
2015	1,287,767	1,828,863	49,080	49,080	1,336,847	5.43	1,877,943	71.2%
2014	1,240,897	1,769,715	52,113	52,113	1,293,010	5.67	1,821,828	71.0%

Source: Klamath County Assessors Office.

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

<sup>1</sup> Includes Urban Renewal Districts.

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

Schedule H-6

Fiscal Year	City of Klamath Falls <sup>2</sup>			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	
2023	\$ 5.12	\$ 0.14	\$ 5.26	\$ 3.95	\$ 3.61	\$ 1.68	\$ 1.54	\$ 3.22	\$ 16.04
2022	5.02	0.14	5.16	4.01	3.64	1.71	1.36	3.06	15.87
2021	5.02	0.14	5.16	4.01	3.65	1.71	1.51	3.21	16.03
2020	4.99	0.15	5.14	4.02	3.66	1.71	1.57	3.28	16.10
2019	5.04	0.15	5.19	4.02	3.65	1.71	1.59	3.30	16.16
2018	5.10	0.13	5.23	4.11	3.66	1.71	1.56	3.27	16.27
2017	5.11	0.14	5.25	4.10	3.66	1.71	1.57	3.28	16.29
2016	5.11	0.13	5.24	4.10	3.99	1.62	1.02	2.64	15.97
2015	5.28	0.15	5.43	4.08	4.13	1.68	0.61	2.29	15.93
2014	5.51	0.16	5.67	4.73	3.59	1.73	-	1.73	15.72

<sup>1</sup> Millage rates are reported after compression

<sup>2</sup> 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	2023			2014		
	Taxable Assessed Value	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value
Jeld Wen, Inc. - Wood products manufacturing	\$ 55,981	1	3.20%	\$ 54,624	1	4.22%
Avista Corporation - Natural Gas Utility	28,177	2	1.61	12,102	5	0.94
Klamath Falls Holdings LLC	25,934	3	1.48	-		-
Charter Communications - Telecommunications	20,924	4	1.20	14,200	3	1.10
Wal Mart - Retail Department Store	18,838	5	1.08	16,063	2	1.24
Fred Meyer Stores, Inc. - Retail Department Store	17,199	6	0.98	14,184	4	1.10
Hunter Communications Inc. - Internet Service Provider	15,720	7	0.90	-		-
Sky Lakes Medical Center, Inc.	14,481	8	0.83	-		-
Lumen Technologies - utility	12,522	9	0.72	-		-
Klamath Falls MSL LLC	12,434	10	0.71	-		-
Klamath Publishing, LLC	-		-	10,484	6	0.81
Pacificorp - Electric utility	12,017		0.69	9,549	7	0.74
CenturyLink - Telecommunications	-		-	8,338	8	0.64
Argo K Falls LLC - Towncenter Commercial Site	8,576		0.49	7,716	9	0.60
Klamath - Jefferson LLC - Shopping Center	8,771		0.50	7,413	10	0.57
	<u>\$ 251,574</u>		<u>15.25%</u>	<u>\$ 154,673</u>		<u>11.96%</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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount Collected</b>	<b>Percentage of Levy</b>		<b>Amount Collected</b>	<b>Percentage of Levy</b>
2023	\$ 9,894	\$ 9,013	91.10%	\$ -	\$ 9,013	91.10%
2022	9,148	8,058	88.08%	247	8,305	90.79%
2021	9,016	8,065	89.45%	277	8,342	92.52%
2020	8,473	7,792	91.96%	356	8,148	96.17%
2019	7,947	7,382	92.89%	337	7,719	97.13%
2018	7,540	6,953	92.21%	342	7,295	96.75%
2017	7,216	6,355	88.07%	368	6,723	93.17%
2016	7,128	6,548	91.86%	368	6,916	97.03%
2015	7,160	6,590	92.04%	343	6,933	96.83%
2014	7,157	6,522	91.13%	373	6,895	96.34%

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 <sup>1</sup>	Full Faith & Credit Bonds <sup>1</sup>	SPWF & Other Loans	Revenue Bonds	Line of Credit Loans	Total
2023	\$ 3,499	\$ 1,519	\$ -	\$ -	\$ -	\$ 5,018
2022	3,633	1,736	2,249	-	80	7,698
2021	3,757	1,942	2,249	-	211	8,159
2020	3,871	2,144	2,249	-	337	8,601
2019	3,971	2,335	2,249	-	610	9,165
2018	4,066	2,522	2,249	-	730	9,567
2017	4,022	2,698	2,249	-	848	9,817
2016	4,023	2,870	2,249	-	963	10,105
2015	4,024	3,037	2,249	140	1,087	10,537
2014	4,025	3,188	2,262	270	922	10,667

Business-Type Activities						
Fiscal Year	Water SPWF Loans	Water Revenue Bonds	Wastewater State Revolving Loan	Wastewater Revenue Bonds	Water Fund Water Project	Total
2023	\$ 379	\$ -	\$ 31,707	\$ 1,562	\$ 750	\$ 34,398
2022	422	-	20,695	2,316	750	24,183
2021	464	-	10,937	3,053	-	14,454
2020	506	-	4,550	3,777	-	8,833
2019	548	-	3,630	4,480	-	8,658
2018	585	-	-	5,172	-	5,757
2017	621	-	-	5,842	-	6,463
2016	657	-	-	6,499	-	7,156
2015	693	455	-	7,181	-	8,329
2014	1,463	1,600	-	7,548	-	10,611

Fiscal Year	Total Outstanding Debt	% of Personal Income <sup>2</sup>	Population <sup>3</sup>	Debt Per Capita
2023	\$ 39,416	8.28%	22,906	\$ 1,721
2022	31,881	6.70%	22,062	1,445
2021	22,613	4.75%	21,813	1,037
2020	17,434	3.66%	22,002	792
2019	17,823	4.19%	21,890	814
2018	15,324	3.60%	21,890	700
2017	16,280	3.82%	21,770	748
2016	17,261	4.05%	21,640	798
2015	18,866	4.43%	21,580	874
2014	21,278	5.00%	21,500	990

<sup>1</sup> Presented net of original issuance discounts and premiums.

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

<sup>3</sup> 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 <sup>1</sup>	Less: Amounts Available in Debt Service Fund <sup>2</sup>	Total	Percentage of Estimated Actual Taxable Value of Property <sup>3</sup>	Per Capita <sup>4</sup>
2023	\$ 3,499	\$ 42	\$ 3,457	0.20%	\$ 151
2022	3,633	42	3,591	0.22%	163
2021	3,757	40	3,717	0.23%	170
2020	3,871	42	3,829	0.25%	174
2019	3,971	30	3,941	0.27%	180
2018	4,066	(51)	4,117	0.29%	188
2017	4,022	8	4,014	0.29%	184
2016	4,023	30	3,993	0.29%	185
2015	4,024	57	3,967	0.30%	184
2014	4,025	53	3,972	0.31%	185
2013	4,026	52	3,974	0.31%	185

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

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

<sup>2</sup> This is the amount restricted for debt service principal payments.

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

<sup>4</sup> 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, 2023**  
*(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	\$ 3,985	26.44%	\$ 1,054
Klamath County Emergency Comm	715	23.90%	171
Klamath County Fire District #1	1,310	42.73%	560
Klamath County School Distirct	34,515	5.88%	2,029
Klamath City School District	27,199	63.42%	17,250
Subtotal, overlapping debt			21,063
City of Klamath Falls direct debt <sup>1</sup>			5,018
Total direct and overlapping debt			<u>\$ 26,081</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.

<sup>1</sup> City of Klamath Falls direct debt includes \$3,499 general obligation, \$1,519 full faith and credit bonds.

**City of Klamath Falls, Oregon**  
**Legal Debt Margin Information**  
**June 30, 2023**  
*(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
2023	\$ 1,747,693	52.29%	\$ 3,342,390
2022	1,650,175	61.57%	2,680,117
2021	1,630,213	68.45%	2,381,457
2020	1,535,847	66.13%	2,322,512
2019	1,470,991	69.76%	2,108,517
Total Five Years Valuation			<u>\$ 9,492,603</u>
Five Year Average Full Valuation of Taxable Real Property			<u>\$ 1,898,521</u>
Constitutional Debt Limit (3% of total assessed value)			<u>\$ 52,431</u>
Outstanding General Obligation Indebtedness as of June 30, 2023			
Governmental Activities - General Obligation Debt			\$ 5,018
Governmental Activities - Short-term Debt - Current Portion of Lines of Credit			-
Net indebtedness subject to debt limit			<u>\$ 5,018</u>
Net debt contracting margin			\$ 47,413
Percentage of net debt contracting margin available			<u>90.43%</u>
Percentage of net debt contracting power exhausted			<u>9.57%</u>

**Last Ten Fiscal Years**

Fiscal Year	Constitutional Debt Limit	Outstanding Indebtedness June 30	% of Net Debt Contracting Margin Available
2023	\$ 52,431	\$ 5,018	90.43%
2022	49,505	7,778	84.29%
2021	48,906	8,289	83.05%
2020	46,075	8,726	81.06%
2019	44,130	9,289	78.95%
2018	42,485	9,688	77.20%
2017	40,827	9,935	75.67%
2016	40,660	10,220	74.86%
2015	40,105	10,661	73.42%
2014	38,790	10,667	72.50%

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

**Schedule H-13**

<b>Wastewater Revenue Bonds</b>							
Fiscal Year	Wastewater Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2023	\$ 8,560	\$ 4,716	\$ 3,844	\$ 754	\$ 54	4.76	
2022	8,776	5,022	3,754	737	70	4.65	
2021	7,730	4,783	2,947	724	88	3.63	
2020	7,632	4,846	2,786	703	103	3.46	
2019	7,710	4,556	3,154	692	119	3.89	
2018	7,849	4,495	3,354	670	135	4.17	
2017	7,655	4,085	3,570	657	151	4.42	
2016	7,372	4,249	3,123	673	136	3.86	
2015	7,022	3,506	3,516	590	300	3.95	
2014	6,686	3,661	3,025	570	323	3.39	

<b>Water Revenue Bonds <sup>1</sup></b>							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2023	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2022	-	-	-	-	-	-	
2021	-	-	-	-	-	-	
2020	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2016	7,449	4,578	2,871	455	25	5.98	
2015	7,422	4,020	3,402	1,120	54	2.90	
2014	7,025	4,110	2,915	685	87	3.78	

<b>Airport Revenue Bonds <sup>2</sup></b>							
Fiscal Year	Airport Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2023	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2022	-	-	-	-	-	-	
2021	-	-	-	-	-	-	
2020	-	-	-	-	-	-	
2019	-	-	-	-	-	-	
2018	-	-	-	-	-	-	
2017	-	-	-	-	-	-	
2016	1,127	1,152	(25)	165	20	(0.13)	
2015	1,273	1,056	217	155	29	1.18	
2014	1,379	1,075	304	150	37	1.63	

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.

<sup>1</sup> Water Revenue Bonds were paid off in FY 2016.

<sup>2</sup> 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**

<b>Fiscal Year</b>	<b>City Population <sup>1</sup></b>	<b>City Median Age <sup>2</sup></b>	<b>City Per Capita Personal Income <sup>3</sup></b>	<b>City Aggregate Income <sup>3</sup></b> <i>(amounts expressed in thousands)</i>	<b>City Public School Enrollment <sup>4</sup></b>	<b>County Unemployment Rate <sup>5</sup></b>
2023	22,906	35.8	26,361	Unavailable	2,591	6.3%
2022	22,062	37.0	25,383	Unavailable	2,706	5.8%
2021	21,813	39.8	24,534	Unavailable	2,799	7.6%
2020	22,002	35.4	23,260	475,777	2,959	7.6%
2019	21,890	34.9	21,898	Unavailable	2,988	6.2%
2018	21,890	34.9	21,898	Unavailable	3,034	6.0%
2017	21,770	34.9	21,898	Unavailable	2,986	6.1%
2016	21,640	34.9	21,898	Unavailable	3,225	7.2%
2015	21,580	34.9	20,685	Unavailable	3,257	8.3%
2014	21,500	35.9	20,495	Unavailable	3,198	9.9%

Data Sources:

<sup>1</sup> Portland State University, Population Research Center (2023 Certified Population Estimates, July 1)

<sup>2</sup> U.S. Census Bureau (2021: ACS 5-Year Estimate)

<sup>3</sup> U.S. Census Bureau, Quick Facts (2017-2021 Estimate)

<sup>4</sup> Oregon Department of Education

<sup>5</sup> 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

<b>Employer</b>	<b>2023</b>				<b>2014</b>	
	<b>Employees <sup>1</sup></b>	<b>Rank</b>	<b>Percentage of Total City Employment <sup>2</sup></b>	<b>Percentage of Total County Employment <sup>2</sup></b>	<b>Employees <sup>1</sup></b>	<b>Rank</b>
Sky Lakes Medical Center	1,686	1	16.73%	7.25%	1,127	1
Kingsley Field Oregon Air National Guard	1,200	2	11.91%	5.16%	562	5
Klamath County School District	987	3	9.80%	4.25%	784	3
Jeld-Wen Inc. Wood Products	630	4	6.25%	2.71%	1,108	2
Klamath Falls City Schools	543	5	5.39%	2.34%	416	8
Klamath County	480	6	4.76%	2.07%	470	6
Oregon Institute of Technology	424	7	4.21%	1.82%	332	9
Wal-Mart	333	8	3.31%	1.43%	427	7
Fred Meyer	309	9	3.07%	1.33%	265	10
City of Klamath Falls	180	10	1.79%	0.77%	-	
N.E.W Customer Service Companies	-		-	-	631	4
	<u>6,772</u>		<u>67.22%</u>	<u>9.76%</u>	<u>6,122</u>	
<b>Total Employment <sup>3</sup></b>			<b>10,075</b>	<b>23,240</b>		

<sup>1</sup> Numbers of employees furnished by employer.

<sup>2</sup> Total employment source: US Census Bureau

## Operating Information

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

Schedule H-16

<b>Function</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General Government										
City Manager	5.00	5.00	5.00	5.00	5.00	4.00	4.70	5.00	5.00	3.75
Legal	-	-	-	-	-	-	1.00	1.70	1.70	1.75
Municipal Court	2.10	2.10	2.10	2.10	2.15	2.40	2.40	2.40	3.30	3.25
Development Services	8.00	8.00	8.00	8.00	9.00	8.50	8.00	8.50	-	-
Public Works Engineering	-	-	-	-	-	-	-	-	5.50	6.50
Public Works Administration	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Planning	-	-	-	-	-	-	-	-	2.00	4.50
Legislative	1.50	1.50	1.00	1.00	1.00	0.70	-	-	-	-
Maintenance	9.00	9.00	9.00	9.00	10.00	9.00	9.00	10.00	10.00	10.50
Support Services										
Finance	6.50	6.50	6.50	6.50	6.50	6.00	6.00	6.00	6.50	6.00
Human Resources/Risk	2.00	2.00	3.00	3.00	2.50	2.50	2.00	2.00	2.00	2.00
Information Systems	5.00	5.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Culture and Recreation	6.00	6.00	6.00	6.00	5.00	5.00	6.00	6.00	6.30	6.75
Ella Redkey Pool <sup>1</sup>	8.20	9.90	8.15	6.55	6.40	6.25	6.60	4.25	3.20	5.00
Airport	5.00	6.00	5.00	5.00	6.00	6.00	6.00	6.00	5.00	6.00
Public Safety										
Police	37.00	39.00	41.00	38.00	37.00	36.00	40.00	41.00	39.00	40.00
Code enforcement	3.00	3.00	-	-	-	2.00	2.00	2.00	2.00	2.00
Off-street Parking	1.00	-	1.00	-	1.00	1.00	1.00	1.00	1.00	1.00
Highways and streets										
Streets	10.00	10.00	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00
Vehicle Maintenance	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	2.00
Water <sup>2</sup>	23.50	22.00	24.00	24.00	24.00	23.00	19.50	19.28	19.25	21.10
Geothermal	-	-	-	-	-	-	-	0.25	0.25	0.75
Wastewater <sup>2</sup>	14.50	14.00	13.00	14.00	13.00	14.00	17.00	14.97	15.00	16.65
<b>Total</b>	<b>152.30</b>	<b>154.00</b>	<b>151.75</b>	<b>147.15</b>	<b>146.55</b>	<b>144.35</b>	<b>147.20</b>	<b>147.35</b>	<b>144.00</b>	<b>154.50</b>

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

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

<sup>2</sup> Utility Billing is now counted under Water and no longer split for reporting

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

Schedule H-17

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Police</b>										
Police department personnel	41	43	42	43	39	36	40	41	39	40
Physical arrests	921	893	944	2,088	1,972	2,101	2,157	2,318	2,319	2,489
Parking violations	573	1,460	1,775	1,547	1,797	2,198	2,039	2,445	2,323	2,275
Traffic violations	874	883	1,312	1,397	1,486	1,955	1,529	2,082	2,403	2,882
<b>Airport</b>										
Takeoffs and landings	36,969	37,331	37,346	40,291	42,127	43,358	47,564	53,246	51,732	44,194
Gallons of Fuel Pumped	449,245	683,145	652,294	499,035	251,466	591,160	426,988	385,638	487,672	376,789
lbs of Freight Offloaded	1,091,719	1,505,088	1,231,861	1,025,160	863,685	1,072,145	1,001,983	989,419	871,078	870,034
<b>Highways and streets</b>										
Street resurfacing ( <i>linear feet</i> )	41,039	19,960	42,550	57,289	49,282	93,729	73,361	26,826	17,262	12,157
Potholes ( <i>tons of asphalt</i> )	27	22	43	99	83	55	75	138	36	34
<b>Culture and recreation</b>										
Park reservations	147	113	59	34	92	112	122	113	116	153
Municipal pool admissions <sup>2</sup>	38,637	34,414	28,197	21,455	27,867	23,495	21,522	20,986	20,001	19,282
<b>Water</b>										
New connections	84	50	46	67	49	39	40	47	43	36
Total connections	16,453	16,352	16,280	16,277	16,177	15,852	16,128	16,009	16,346	15,732
Average daily production ( <i>thousands of gallons</i> )	7,586	7,448	7,529	6,669	7,048	6,734	6,859	6,817	7,180	6,899
<b>Wastewater</b>										
New connections	15	13	19	24	15	36	17	10	7	17
Total connections	8,386	8,246	8,375	8,417	8,287	8,273	7,520	8,133	7,443	7,680
Average daily sewage treatment ( <i>1000's of gallons</i> )	2,767	1,460	1,959	2,274	2,515	2,247	3,448	2,840	2,760	2,650
Average daily reclaimed water produced ( <i>1000's of gallons</i> )	1,832	2,200	1,889	2,014	2,058	2,276	2,166	2,640	2,370	2,350

Source: Various city departments.

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

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

Schedule H-18

Function	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	39	38	32	40	33	31	33	32	36	40
Airport										
Miles of runways & taxiways <sup>2</sup>	8.75	8.75	8.75	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 <sup>1</sup>	3,013	3,004	2,984	2,979	2,979	2,966	2,966	2,636	3,116	3,114
Traffic signals	37	37	37	37	37	36	36	36	36	34
Culture and recreation										
Park acreage										
Developed	151	151	151	151	151	119	119	119	119	119
Natural areas	457	457	457	457	457	514	514	514	514	514
Undeveloped			-	0	0	50	50	50	50	50
Parks	27	27	27	27	27	25	25	24	23	23
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playground equipment areas	9	9	9	9	9	8	8	8	8	8
Water										
Water mains ( <i>miles</i> )	263	266	266	266	266	266	266	265	263	240
Fire hydrants	1,272	1,258	1,254	1,239	1,212	1,176	1,175	1,166	1,157	1,186
Maximum daily capacity ( <i>thousands of gallons</i> )	14,299	15,193	15,755	14,029	14,930	14,739	13,952	13,669	13,918	15,107
Wastewater										
Sanitary sewer ( <i>miles</i> )	159	156	156	156	156	156	156	156	156	156
Storm sewers ( <i>miles</i> )	110	110	110	110	40	40	40	40	40	40
Manholes	2,960	2,940	2,940	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.

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

<sup>2</sup> 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, 2023**

Schedule H-19

<b>Water Customers</b>	<b>Billed</b>	<b>Percent of Total Charges</b>	<b>Wastewater Customers</b>	<b>Billed</b>	<b>Percent of Total Charges</b>
City of Klamath Falls	\$ 655,101	7.25 %	Oregon Institute of Technology	\$ 749,776	8.76 %
Klamath County	114,548	1.27	Oregon Water Utilities	445,892	5.21
Klamath County School District	108,560	1.20	Sky Lakes	343,265	4.01
Sky Lakes	96,253	1.07	Klamath County	239,470	2.80
Klamath Falls City Schools	84,809	0.94	Klamath Cogeneration	187,300	2.19
Jeld-Wen	84,280	0.93	Kingsley Field	91,339	1.07
Kingsley Field	78,142	0.86	Klamath Falls City Schools	84,395	0.99
Klamath Cogeneration	68,933	0.76	TH7	74,580	0.87
Crestview Commons	40,896	0.45	Villawest Mobile Home Park	68,844	0.80
Klamath Housing Authority	39,633	0.44	Argo	67,972	0.79
<b>Total Top Ten</b>	<b>\$ 1,371,155</b>	<b>15.17 %</b>	<b>Total Top Ten</b>	<b>\$ 2,352,833</b>	<b>9.51 %</b>
<b>Total Billed Fiscal Year 22/23</b>		<b>\$ 9,036,352</b>	<b>Total Billed Fiscal Year 22/23</b>		<b>\$ 8,560,737</b>
<b>Total Water Service Connections</b>		<b>16,453</b>	<b>Total Wastewater Service Connections</b>		<b>8,386</b>

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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, 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 of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2024.

### Compliance

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

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

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

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes as specified in OAR 162-10-0000 through 162-10-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as disclosed in *Note 1* of the financial statements.

## **OAR 162-10-0230 Internal Control**

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

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

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

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.



Donald F. Ewalt, CPA  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
January 31, 2024

## 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, 2023. The City's management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

Our examination does not provide a legal determination of the City's compliance with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2023.

In our opinion, the City complied with the rate and revenue covenants described in the Wastewater Revenue Refunding Bonds, Series 2015 during the year ended June 30, 2023, in all material respects.



Donald F. Ewalt, CPA  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
January 31, 2024

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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, 2023

Gross Revenues		
Operating revenues		\$ 8,559,558
Other revenues		
Interest earned on investments	\$ 221,652	
Miscellaneous revenue	276,124	
Less: SDC Improvement fee	<u>(139,118)</u>	<u>358,658</u>
Total Gross Revenues		8,918,216
Total operating expense	6,951,340	
Less: depreciation and amortization expense	<u>(1,374,031)</u>	<u>5,577,309</u>
Net Revenues		3,340,907

Wastewater Fund debt service for the fiscal year ended June 30, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015 Wastewater Revenue Refunding	\$ 754,138	\$ 53,457	\$ 807,595	
Clean Water State Revolving Fund R52602	-	400,913	400,913	
Total	<u>\$ 754,138</u>	<u>\$ 454,370</u>	<u>\$ 1,208,508</u>	<u>1,208,508</u>
1.25 Compliance				2.76
Net Revenue after senior debt				<u>\$ 2,132,399</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, each major fund, and the aggregate remaining fund information of the City of Klamath Falls, Oregon (the City), which comprise the City's basic financial statements as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and have issued our report thereon dated January 31, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

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

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

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

Donald F. Ewalt, CPA  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
January 31, 2024



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

Honorable Mayor and City Council  
City of Klamath Falls, Oregon

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Klamath Falls', Oregon (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the City of Klamath Falls, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

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

Donald F. Ewalt, CPA  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
January 31, 2024

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CITY OF KLAMATH FALLS, OREGON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

<b>GRANTS</b>					
<u>Program Title</u>	<u>Pass through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass through Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Sub Recipients</u>
<b>U.S. Department of Transportation</b>					
Airport Improvement Program		* 20.106		\$ 5,770,448	\$ -
State and Community Highway Safety	Oregon Department of Transportation	20.600	SA-23-25-22 A02	34,085	-
<b>Total Department of Transportation</b>				<u>5,770,448</u>	<u>-</u>
<b>U.S. Department of Treasury</b>					
Coronavirus State and Local Fiscal Recovery Funds		* 21.027		3,872,712	-
<b>Total Department of Treasury</b>				<u>3,872,712</u>	<u>-</u>
<b>Total Grants Expended or Passed Through to Sub Recipients</b>				<u>9,643,160</u>	<u>-</u>
<b>LOANS</b>					
<u>Program Title</u>	<u>Pass through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass through Number</u>	<u>Federal Expenditures</u>	<u>Loan Balance at Beginning of Period</u>
<b>U.S. Environmental Protection Agency</b>					
Capitalization Grants for Clean Water State Revolving Fur Oregon DEQ		66.458	R52605	6,582,542	\$ 16,145,266
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>				<u>\$ 16,225,702</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, 2023**

**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, 2023. 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, 2023.

**CITY OF KLAMATH FALLS, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#20.106	Airport Improvement Program
#21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as a low-risk auditee?  Yes  No

**CITY OF KLAMATH FALLS, OREGON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – SCHEDULE OF PRIOR PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022**

None