



THE CITY OF KLAMATH FALLS OREGON

URBAN RENEWAL AGENCY
FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2024

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Klamath Falls Urban Renewal Agency

A component unit of the
City of Klamath Falls, Oregon

Financial Statements

For the Fiscal Year Ended
June 30, 2024

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Klamath Falls Urban Renewal Agency
Financial Statements
June 30, 2024
Table of Contents

Introductory Section	1
List of Principal Officials and Staff	3
Financial Section	5
Independent Auditor’s Report.....	7
Management’s Discussion and Analysis	11
Basic Financial Statements	19
Statement of Net Position	21
Statement of Activities.....	22
Balance Sheet.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	25
Notes to the Financial Statements.....	27
Required Supplementary Information	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Lakefront Urban Renewal Fund (A-1).....	41
Town Center Urban Renewal Fund (A-2)	42
Spring Street Urban Renewal Fund (A-3)	43
Audit Comments and Disclosures Section	45
Independent Auditor s Report Required by Oregon State Regulations.....	47

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Klamath Falls Urban Renewal Agency

Introductory Section

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City of Klamath Falls, Oregon
List of Principal Officials and
Staff As of June 30, 2024



**Carol Westfall
Mayor**



**Phil Studenberg
Ward I**



**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**

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Klamath Falls Urban Renewal Agency

Financial Section

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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Agency Officials
Klamath Falls Urban Renewal Agency
Klamath Falls, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Klamath Falls Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Klamath Falls Urban Renewal Agency, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS:

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

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

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Oregon State Regulations

In accordance with *Oregon State Regulations*, we have also issued our report dated December 18, 2024 on our consideration of the Agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 18, 2024

Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the Klamath Falls Urban Renewal Agency (the Agency), a component unit of the City of Klamath Falls (City), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal years ended June 30, 2024 and June 30, 2023. The analysis focuses on significant financial issues, major financial activities, resulting changes in financial position, budget changes and variances from the budget and specific issues related to funds and the economic factors affecting the Agency. The Agency is composed of three urban renewal districts, Lakefront, Town Center, and Spring Street. The organization as a whole is referred to as the Agency. Individual districts are referred to as "the District" or the Fund.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$2,217,181 which created a negative net position. A decrease in the deficit of \$654,372 from the prior fiscal year resulted as additional debt was paid down. At the close of the current fiscal year, the Agency's three governmental funds reported combined fund balances of \$1,110,039, an increase of \$291,675 in comparison with the prior year. This amount is restricted for urban renewal capital projects and debt service.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include three legally separate districts for which the City is financially accountable. The Agency, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government in addition to being reported separately in these statements.

The government-wide financial statements can be found on the pages immediately following this management discussion and analysis in the basic financial statements of the financial section.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental Funds

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

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

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

The Agency adopts a biennial appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund in the required supplementary information to demonstrate compliance with this budget.

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$2,217,181, at the close of the most recent fiscal year.

Klamath Falls Urban Renewal Agency's Net Position

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

At the end of the current fiscal year, the Agency reported negative net position as unrestricted net position. The Lakefront, Town Center, and Spring Street Urban Renewal Districts have outstanding debt of \$3,369,746, which exceeds or is unrelated to any assets the districts own (primarily due to contributing assets to the primary government and developer). This causes a deficit that will continue unless debt is paid off. The same held true for the prior fiscal year.

The Agency's overall net position increased \$654,372 from the prior fiscal year. Cash and investments increased due to debt consolidation in the previous fiscal year as well as an increase in property tax revenue received in the current fiscal year.

Statement of Net Position at June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Cash and investments	\$ 1,098,211	\$ 805,781
Other assets	54,354	48,230
Capital assets	-	-
Total assets	<u>1,152,565</u>	<u>854,011</u>
Other liabilities	395,874	355,818
Long-term liabilities	<u>2,973,872</u>	<u>3,369,746</u>
Total liabilities	<u>3,369,746</u>	<u>3,725,564</u>
Net position:		
Unrestricted (deficit)	<u>(2,217,181)</u>	<u>(2,871,553)</u>
Total net position	<u>\$ (2,217,181)</u>	<u>\$ (2,871,553)</u>

Statement of Activities for fiscal years ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
General revenues		
Property taxes	\$ 853,666	\$ 753,087
Interest	<u>64,226</u>	<u>17,891</u>
Total revenues	<u>917,892</u>	<u>770,978</u>
Expenses		
General government	3,542	157
Interest on debt	<u>259,978</u>	<u>47,610</u>
Total expenses	<u>263,520</u>	<u>47,767</u>
Change in net position	654,372	723,211
Beginning net position (deficit)	<u>(2,871,553)</u>	<u>(3,594,764)</u>
Ending net position (deficit)	<u>\$ (2,217,181)</u>	<u>\$ (2,871,553)</u>

Property tax revenues increased 13.4% due to annual adjustments in property value.

Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the Agency's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements.

At June 30, 2024, the Agency's governmental funds reported combined fund balances of \$1,110,039, an increase of \$291,675 in comparison with the prior year. Because the Agency is comprised of urban renewal districts, there are legal restrictions on how the funds are spent. Unlike other local governments that have *unassigned fund balance*, which is available for spending at the government's discretion, the most important aspect of the Agency is how much is restricted for capital projects and debt service within the districts. Restricted fund balance for the Agency for the current year was \$1,110,039.

Budgetary Highlights

Original budget compared to amended budget

Changes to the original budget in the Lakefront and Town Center Urban Renewal Funds were due to a change in net working capital once fiscal year 2023 was completed.

Amended budget compared to actual revenue and expenses

Lakefront Urban Renewal Fund: Operating expenses were less than budgeted due to delays in development. An SDC developer grant will be paid out once the occupancy permit has been obtained.

Town Center Urban Renewal Fund: Investment income was higher than budgeted due to an increase in the Oregon State Treasurer's Local Investment Pool balance and the fund yielding a higher than expected rate.

Spring Street Urban Renewal Fund: Operating expenses were less than budgeted due to a delay in development.

Long-term debt

At the end of the current fiscal year, the Agency had outstanding debt totaling \$3,369,746. The entire amount are loans from the City to be paid back over ten years.

The Agency's total long-term debt decreased by \$355,818 during the current fiscal year.

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

Economic Factors

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

The Lakefront Urban Renewal District has a development agreement with Timbermill Shores who laid the infrastructure for development of several commercial lots. 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, Department of Human Services and a real estate office building have been completed in the District. An additional hotel is in the design phase and a medical office is under construction. 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 has completed project milestones one and two of the development agreement which were to repair and lease certain areas of the shopping center. All available storefronts are currently occupied. 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 on both the public and private sides. A Disposition and Development Agreement was executed in December of 2019 for the redevelopment of the Main & Esplanade or Balsiger Block which had become blighted after many years of business vacancy. The site is visioned for redevelopment as an urban mixed-use project with commercial and residential uses that are to re-activate the prominent downtown intersection and surrounding area. Private redevelopment efforts began with the demolition of the site's remaining structures in April of 2020. The land was excavated, filled, and prepared for new development, but the project stalled due to rising construction costs. In July 2023, the Urban Renewal Agency approved an amendment to the Disposition and Development Agreement to allow for a time extension but with added milestones to keep the project moving forward. The development team retained a new architect and submitted revised project plans which are under City Development Services and Klamath County Building review. It is anticipated vertical redevelopment of the site will begin in the spring of 2025.

Requests for Information

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

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Basic Financial Statements

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Klamath Falls Urban Renewal Agency
Statement of Net Position
June 30, 2024

	Governmental Activities
ASSETS	
Current assets:	
Taxes receivable	\$ 53,781
Interest receivable	573
Restricted assets:	
Cash and cash equivalents	1,098,211
Total assets	\$ 1,152,565
 LIABILITIES	
Current liabilities (<i>payable from restricted assets</i>):	
Notes / loans payable	\$ 395,874
Noncurrent liabilities:	
Notes / loans payable	2,973,872
Total liabilities	3,369,746
 NET POSITION	
Unrestricted	(2,217,181)
Total net position	\$ (2,217,181)

Klamath Falls Urban Renewal Agency
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Net (expense) revenue and change in net position
Governmental activities:		
General government	\$ 3,542	\$ (3,542)
Interest on long-term debt	259,978	(259,978)
	\$ 263,520	(263,520)
General revenues:		
Property taxes		853,666
Investment income (loss)		64,226
		917,892
Total general revenues		917,892
Change in net position		654,372
Net position - beginning		(2,871,553)
Net position - ending		\$ (2,217,181)

Klamath Falls Urban Renewal Agency
Balance Sheet
Governmental Funds
June 30, 2024

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renewal Fund	Total Governmental Funds
ASSETS				
Receivables:				
Taxes	\$ 31,817	\$ 14,684	\$ 7,280	\$ 53,781
Interest	279	224	70	573
Restricted assets:				
Cash and cash equivalents	204,127	815,741	78,343	1,098,211
Total assets	\$ 236,223	\$ 830,649	\$ 85,693	\$ 1,152,565
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 25,248	\$ 11,568	\$ 5,710	\$ 42,526
Fund Balances:				
Restricted	210,975	819,081	79,983	1,110,039
Total liabilities, deferred inflows of resources, and fund balances	\$ 236,223	\$ 830,649	\$ 85,693	

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	42,526
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,369,746)
Net position of governmental activities	\$ (2,217,181)

Klamath Falls Urban Renewal Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	Lakefront Urban Renewal Fund	Town Center Urban Renewal Fund	Spring Street Urban Renwal Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 518,487	\$ 202,712	\$ 125,588	\$ 846,787
Investment income	17,286	40,393	6,547	64,226
Total revenues	<u>535,773</u>	<u>243,105</u>	<u>132,135</u>	<u>911,013</u>
EXPENDITURES				
Current:				
General government	-	-	3,542	3,542
Debt service:				
Principal	153,384	106,514	95,920	355,818
Interest	185,507	51,810	22,661	259,978
Total expenditures	<u>338,891</u>	<u>158,324</u>	<u>122,123</u>	<u>619,338</u>
Net change in fund balances	196,882	84,781	10,012	291,675
Fund balances - beginning	<u>14,093</u>	<u>734,300</u>	<u>69,971</u>	<u>818,364</u>
Fund balances - ending	<u><u>\$ 210,975</u></u>	<u><u>\$ 819,081</u></u>	<u><u>\$ 79,983</u></u>	<u><u>\$ 1,110,039</u></u>

Klamath Falls Urban Renewal Agency
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2024

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

Net changes in fund balances	\$	291,675
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,879
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		355,818
Changes in net position	\$	654,372

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Klamath Falls Urban Renewal Agency

Notes to the Financial Statements

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Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

Note I – Summary of significant accounting policies

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary Agency and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

B. Reporting entity

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

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

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

C. Basis of presentation – government-wide financial statements

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

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

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

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

There is no interfund activity within the Agency.

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

D. Basis of presentation – fund financial statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary and fiduciary activities. As of June 30, 2024, the Agency has only governmental fund types.

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

The Agency reports the following major governmental funds:

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

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

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

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

E. Measurement focus and basis of accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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

1. Cash and cash equivalents

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

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

2. Investments

Investments for the Agency are reported at fair value. The Agency participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and its fair value approximates its amortized cost basis. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Bond Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the Government's share of fair value is the same as the reported value. The individual funds' portion of the pool's fair value are presented as "Cash and Cash Equivalents" in the basic financial statements as these are demand deposits.

3. Receivables

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

4. Restricted assets

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

5. Capital assets

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

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

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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

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

6. *Deferred outflows/inflows of resources*

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

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

7. *Long-term obligations*

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

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

8. *Net position flow assumption*

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

9. *Fund balance flow assumptions*

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

10. Fund balance policies

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Agency classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Agency through formal action of the highest level of decision-making authority (ordinance) and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Manager or his/her designee per the Financial Policies.
- Unassigned – includes positive fund balance which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

G. Revenues and expenditures/expenses

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

H. Use of Estimates

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

Note II – Stewardship, compliance, and accountability

A. Budgetary information

1. Budgetary basis of accounting

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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 department as established by the resolution are the legal level of control for the funds. Non-departmental expenditures within the funds are categorized by materials and services, capital outlay, debt service, transfers and contingency and are the legal level of control for non-departmental expenditures. The detail budget document, however, is required to contain more specific information for the above-mentioned expenditure categories.

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The Agency had no supplemental budgets during fiscal year ended June 30, 2024.

2. Excess of expenditures over appropriations

There were no excess of expenditures over appropriations for fiscal year ended June 30, 2024.

Note III – Detailed notes on all activities and funds

A. Cash, cash equivalents and investments

At June 30, 2024, the Agency's cash, cash equivalents and investments were comprised of the following:

Investments:

Oregon State Treasurer's Local Investment Pool	\$ <u>1,098,211</u>
--	---------------------

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer (OST). The Agency's deposit policy requires that all deposits are covered by the Federal Deposit Insurance Corporation (FDIC), and/or are collateralized as required by compliance with ORS 295. As of June 30, 2024, the Agency's deposits were fully insured.

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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

The Agency's investment portfolio as of June 30, 2024 is representative of the types of investments made throughout the year. The Agency's investments in the State of Oregon Local Government Investment Pool (LGIP) are unrated. Investments in the LGIP are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7 like external investment pool and is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the LGIP is the same amount as the value of the pool shares. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board.

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

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

B. Construction and other significant commitments

The Lakefront Urban Renewal District has an active development agreement with Timbermill Shores for development of the lakefront of Lake Ewauna. The Town Center Urban Renewal District has an active development agreement with Argo Klamath Two, LLC. The Spring Street Urban Renewal Fund has a development agreement with Confluence Klamath Falls, LLC. As of June 30, 2024, there are no amounts owing on these agreements.

C. Risk management

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

D. Long-Term Liabilities

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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

The Agency has pledged future tax increment revenues to repay a \$2,248,564 loan with the City of Klamath Falls, Escrow Reserve Fund. The loan was authorized in June 2023 and was used to reimburse Timbermill Shores for work done on the lakefront of Lake Ewauna. The interest rate is 8.25% and matures in 2033. For the current year, principal and interest paid and total incremental property tax revenues were \$338,891 and \$518,487, respectively.

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

The Agency has pledged future tax increment revenues to repay a \$628,000 loan with the City of Klamath Falls, Escrow Reserve Fund. The loan was authorized in June 2023 and will be used to reimburse costs for Project Milestone 3 of the developer agreement. The interest rate is 8.25%. Payments will be made over ten years. For the current year, principal and interest paid and total incremental property tax revenues were \$158,324 and \$202,712, respectively.

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

An interfund capital loan in the amount of \$729,000 from the Escrow Reserve Fund to the Spring Street Urban Renewal Fund was authorized by the government’s council in December 2019. The loan was used for development. The loan accrues interest at 2.73% and matures in fiscal year 2029. The loan will be repaid using tax increment financing. For the current year, principal and interest paid and total incremental property tax revenues were \$115,821 and \$125,588, respectively.

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. For the current year an interest only payment and total tax revenues were \$2,760 and \$125,588 respectively. Total principal remaining on the loan at June 30, 2024 is \$120,000.

Long-term debt activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
<u>Lakefront Urban Renewal</u>					
City of Klamath Falls	2,248,564	-	153,384	2,095,180	166,038
<u>Town Center Urban Renewal</u>					
City of Klamath Falls	628,000	-	106,514	521,486	115,302
<u>Spring Street Urban Renewal</u>					
City of Klamath Falls	729,000	-	95,920	633,080	98,538
City of Klamath Falls	120,000	-	-	120,000	15,996
Governmental activities total	<u>\$ 3,725,564</u>	<u>\$ -</u>	<u>\$ 355,818</u>	<u>\$ 3,369,746</u>	<u>\$ 395,874</u>

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

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

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

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030-2034</u>	<u>Total</u>
<u>Lakefront Urban Renewal</u>							
City of Klamath Falls							
Principal	\$ 166,038	\$ 179,737	\$ 194,565	\$ 210,616	\$ 227,992	\$ 1,116,232	\$ 2,095,180
Interest	172,852	159,154	144,326	128,274	110,898	239,333	954,837
<u>Town Center Urban Renewal</u>							
City of Klamath Falls							
Principal	115,302	124,814	135,112	146,258	-	-	521,486
Interest	43,023	33,510	23,213	12,066	-	-	111,812
<u>Spring Street Urban Renewal</u>							
City of Klamath Falls							
Principal	98,538	101,228	103,992	106,831	109,747	112,744	633,080
Interest	17,283	14,593	11,829	8,990	6,074	3,078	61,847
City of Klamath Falls							
Principal	15,996	16,364	16,740	17,125	17,519	36,256	120,000
Interest	2,760	2,392	2,016	1,631	1,237	1,256	11,292
Total other long-term liabilities	<u>\$ 631,792</u>	<u>\$ 631,792</u>	<u>\$ 631,793</u>	<u>\$ 631,791</u>	<u>\$ 473,467</u>	<u>\$ 1,508,899</u>	<u>\$ 4,509,534</u>

E. Related party transactions

Transactions with the Agency and the City of Klamath Falls for the year ended June 30, 2024 are as follows:

Expenses:

Debt service	<u>\$ 355,818</u>
Total expenses	<u>\$ 355,818</u>

F. Net Position

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

Klamath Falls Urban Renewal Agency
Notes to the Financial Statements
June 30, 2024

Note IV – New pronouncements

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 was effective for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, was issued June 2022 in order to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. GASB Statement No. 101 will be effective for fiscal year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued December 2023. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. GASB Statement No. 102 will be effective for fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued April 2024 in order to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. GASB Statement No. 103 will be effective for fiscal year ending June 30, 2026.

Klamath Falls Urban Renewal Agency

Required Supplementary Information

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City of Klamath Falls, Oregon
Lakefront Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2024

Schedule A-1

	BN 2023-2025 Biennium Budgeted		First Year Actual FY 2023-24	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 1,042,400	\$ 1,042,400	\$ 518,487	\$ 518,487	\$ (523,913)
Investment income (loss)	17,575	17,575	17,286	17,286	(289)
Total revenues	<u>1,059,975</u>	<u>1,059,975</u>	<u>535,773</u>	<u>535,773</u>	<u>(524,202)</u>
EXPENDITURES					
Lakefront Urban Renewal	215,000	215,000	-	-	215,000
Debt service	677,850	677,850	338,891	338,891	338,959
Total expenditures	<u>892,850</u>	<u>892,850</u>	<u>338,891</u>	<u>338,891</u>	<u>553,959</u>
Net change in fund balance	167,125	167,125	196,882	196,882	29,757
Fund balance - beginning	-	14,100	14,093	14,093	(7)
Fund balance - ending	<u>\$ 167,125</u>	<u>\$ 181,225</u>	<u>\$ 210,975</u>	<u>\$ 210,975</u>	<u>\$ 29,750</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, 2024

Schedule A-2

	BN 2023-2025 Biennium Budgeted		First Year Actual FY 2023-24	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$ 412,400	\$ 412,400	\$ 202,712	\$ 202,712	\$ (209,688)
Investment income (loss)	6,725	6,725	40,393	40,393	33,668
Total revenues	<u>419,125</u>	<u>419,125</u>	<u>243,105</u>	<u>243,105</u>	<u>(176,020)</u>
EXPENDITURES					
Debt service	<u>396,475</u>	<u>396,475</u>	<u>158,324</u>	<u>158,324</u>	<u>238,151</u>
Net change in fund balance	22,650	22,650	84,781	84,781	62,131
Fund balance - beginning	-	734,300	734,300	734,300	-
Fund balance - ending	<u>\$ 22,650</u>	<u>\$ 756,950</u>	<u>\$ 819,081</u>	<u>\$ 819,081</u>	<u>\$ 62,131</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, 2024

Schedule A-3

	BN 2023-2025 Biennium Budgeted		First Year Actual FY 2023-24	Total Actual for budget period	Variance with Final Budget
	Original	Final			
REVENUES					
Taxes	\$217,825	\$ 217,825	\$ 125,588	\$ 125,588	\$ (92,237)
Investment income (loss)	2,825	2,825	6,547	6,547	3,722
Total revenues	<u>220,650</u>	<u>220,650</u>	<u>132,135</u>	<u>132,135</u>	<u>(88,515)</u>
EXPENDITURES					
Spring Street Urban Renewal	485,000	485,000	3,542	3,542	481,458
Debt service	221,525	221,525	118,581	118,581	102,944
Total expenditures	<u>706,525</u>	<u>706,525</u>	<u>122,123</u>	<u>122,123</u>	<u>584,402</u>
Excess (deficiency) of revenues over expenditures	(485,875)	(485,875)	10,012	10,012	495,887
OTHER FINANCING SOURCES (USES)					
Loan proceeds - interfund loan	485,000	485,000	-	-	(485,000)
Net change in fund balance	(875)	(875)	10,012	10,012	495,887
Fund balance - beginning	875	69,975	69,971	69,971	(4)
Fund balance - ending	<u>\$ -</u>	<u>\$ 69,100</u>	<u>\$ 79,983</u>	<u>\$ 79,983</u>	<u>\$ 495,883</u>

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

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

Agency Officials
Klamath Falls Urban Renewal Agency
Klamath Falls, Oregon

We have audited the basic financial statements of the Klamath Falls Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 18, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of *Oregon Revised Statutes* (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our audit testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-010-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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.

Restriction on Use

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



Donald F. Ewalt, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
December 18, 2024