

**CITY OF SALEM,
OREGON**

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2014

Prepared by the Administrative Services Department - Finance Division

CITY OF SALEM, OREGON
Comprehensive Annual Financial Report
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Title VI Disclosure

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code Chapter 97. The City of Salem also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

Introductory Section



ADMINISTRATIVE SERVICES DEPARTMENT

555 Liberty St. SE, Room 230 • Salem, OR 97301-3513

Phone: 503-588-6040 • Email: finance@cityofsalem.net • Fax: 503-588-6251

November 26, 2014

**Citizens of Salem
The Honorable Mayor Peterson
Members of the City Council**

The Administrative Services Department, Finance Division is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Salem, Oregon (City), for the fiscal year ended June 30, 2014. To the best of our knowledge, and in the opinion of the City's independent auditor, the basic financial statements present fairly, in all material respects, the financial position of the City and the results of operations of the various funds and component units in conformity with accounting principles generally accepted in the United States (GAAP).

The City is required by State law to undergo an annual audit and publish, within six months of the close of each fiscal year, a complete set of audited financial statements in conformity with the provisions of Oregon Revised Statutes. The City's basic financial statements have been audited by Merina & Company, LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the above requirements, the audit was also designed to meet the special needs of federal grantor agencies as required by the Single Audit Act and the Office of Management and Budget's Circular A-133. These standards require the auditor to report on the fair presentation of the financial statements, as well as the City's internal controls and compliance with legal requirements, with emphasis on the administration of federal and state awards. The report on the City's Single Audit for the fiscal year ended June 30, 2014 indicates no instances of material weakness in the internal control structure and no violations of applicable laws and regulations. Information related to the Single Audit, including a Schedule of Expenditures of Federal Awards, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a Schedule of Findings and Questioned Costs is included in a separately issued federal grant compliance report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

The CAFR consists of management's representations concerning the financial position and activities of the City of Salem. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that assets are adequately safeguarded and that financial statements are free of any material misstatements. Disclosures necessary to enable the reader to understand the City's financial affairs have been included in the notes to the financial statements.

CITY PROFILE

The City of Salem (City), incorporated in 1860, is the capital of the State of Oregon, and the seat of Marion County. It is located in Marion and Polk Counties in the Mid-Willamette Valley and is approximately 45 miles south of Portland, Oregon. Salem has a population of 157,770 and covers close to 50 square miles. The City operates under a home rule charter that can be found at <http://www.cityofsalem.net/Departments/Legal/Pages/CityCharter.aspx>. The Charter provides specific and general powers for conducting the City's business through an elected council and appointed city manager. The council-manager form of government separates legislative policy functions from administrative functions.

The mayor is the formal representative of the City, and is elected to a two-year term by the voters at-large on a non-partisan ballot. The City Council (Council) is composed of eight non-partisan members elected to four-year terms. One councilor is elected from each of the eight wards of the City, with half of the Council elected every two years. These nine officers comprise the Council who make the policy decisions for municipal activity and pass its ordinances and resolutions. The mayor and councilors' positions are part-time, without pay. The Council appoints a city manager who is responsible for the administration and execution of the City's policies and ordinances.

The City provides a full range of municipal services, including but not limited to: water, wastewater, and stormwater utilities; police; fire; municipal court; airport; public works; economic development; community planning and development; parks and recreation; and library. For financial reporting purposes, the City includes all funds of the City subject to appropriation by the Council.

Reporting entity

The financial statements include information for the City of Salem and its two component units. The notes to the financial statements provide additional detail describing the inclusion of the Urban Renewal Agency of the City of Salem as a blended component unit and the Housing Authority of the City of Salem as a discretely presented component unit.

Budget process

The Council and Urban Renewal Board (Board) are each required to adopt a final budget for the subsequent fiscal year no later than the close of the current fiscal year. These budgets are prepared at a fund and department level for all governmental and proprietary funds. Appropriation transfers between departments require approval by the Council or Board as appropriate. Appropriation transfers between accounts within the same budget category (line items) within a department are made with a department request.

ECONOMIC CONDITIONS AND OUTLOOK

Recent economic performance

From 2003 to 2013, nonfarm employment in the Salem Metropolitan Statistical Area (MSA) has increased from 132,500 to 144,400 (9.0%). During the same period, the civilian labor force residing within the Salem MSA has increased from 183,060 to 189,730 (3.6%).

In 2013, industries with the highest levels of nonfarm employment in the Salem MSA were educational and health services (22,800 employees), state government (21,000 employees), and local government and schools (17,400 employees).

The average unemployment rate for the Salem MSA improved significantly in 2013, from 9.3% to 8.2%. However, this level continues to be higher than the state of Oregon (7.7%) and national (7.4%) rates.

Employment levels in many industries improved in 2013, most notably in the areas of construction, and accommodation and food services. Manufacturing saw its first increase in jobs since before the recession. Information services continued its gradual decline from the tech boom of the late 1990's. Federal and local government employment continued to fall, even as the economy has begun to recover.

Construction activity is beginning to recover as evidenced by increasing building permit activity and several large projects recently being started. The urban renewal agency, with major funding assistance secured from federal and state sources, will be starting construction of the Minto Island Bridge by summer 2015. The bridge and associated trail will provide direct bicycle and pedestrian access to Minto-Brown Island Park from Riverfront Park near downtown. This project will complete the connection of more than 1,000 acres of parks and many miles of trails readily accessible from downtown.

The former Boise Cascade site near downtown will finally gain new life as Pringle Square, a private, mixed-use development of nine acres. The site plans include multiple buildings with residential and office/retail space. Site development and construction has begun.

Marion and Polk Counties are key agricultural producers. Of Oregon's 36 counties, Marion County ranked first for agricultural sales in 2012 (\$639 million) and Polk County ranked tenth (\$163 million). Approximately 40% of Marion County's land and 38% of Polk County's land is used for agricultural production. A similar portion of each county is dedicated to forestry. Marion County is a national leader in many crops including blackberries, raspberries, hazelnuts, hops, grass seed, and Christmas trees.

The state of Oregon, Salem in particular, lags behind the nation in timing of economic impacts (e.g. housing downturns and unemployment) and lags behind the nation in economic recovery. Some steps the City has taken in recent years to deal with the economic slowdown are:

- Reduced expenditures and maintained or increased fund balances/reserves;
- Reorganized to consolidate services and increase efficiencies;
- Enhanced the budget development process to focus on: service levels, alignment with Council goals, and increased public participation; and
- Reassessed the Capital Improvement Program to rank all projects by priority annually and ensure available funding is allocated to the most critical needs.

Long-term financial planning

Multi-year forecasting – Five-year forecasting and the annual budget serve as the foundation for the City's financial planning and control. The multi-year forecast of the General fund is prepared annually as a tool to provide the Council and the budget committee with a preliminary look at the following year's budget in the context of a multi-year projection. The forecast provides a baseline to identify non-routine events that may affect a particular fiscal year, and reveals trends and underlying policy issues.

Capital improvement financing strategy – The Capital Improvement Program (CIP) plans for the acquisition or construction of capital improvements. The CIP is updated annually by staff and is made available for review and comment to neighborhood associations and through public hearings prior to Council adoption. This ongoing process identifies the capital needs of the community, the funding sources to pay for those needs, and schedules improvements according to the City's ability to pay. The primary result of the CIP is the identification and tracking of infrastructure needs, which consist of utility system, street, park, airport, and other needs such as municipal facilities and equipment. In addition to bonded debt and loans, other funding sources such as utility revenue and systems development charges (SDC's) also pay for capital improvements within the City.

Projects are prioritized for potential general obligation financing based on the input received throughout the review process. Improvements identified in this category are general citywide improvements that are funded exclusively from tax levies upon private property within the City limits.

Economic impact of Oregon Public Employees Retirement System (PERS) future rates – After two biennia of major increases due to the investment market downturn, the City's PERS employer contribution rates will remain relatively stable for the biennium beginning July 1, 2015. Tier I/Tier II rates will increase slightly, but all other rates will decrease.

Relevant financial policies

Fund reserves – City policy establishes a goal of maintaining approximately 15% of General fund budgeted revenues in contingencies and unappropriated General fund balance. Other funds seek to follow a similar guideline. However, based on circumstances, a given fund's combined reserve and contingency may differ from this level due to considerations such as operating reserves to meet business cycles, capital replacement needs, pending court decisions, or bond covenants. This practice strengthens the bond market's confidence in the City's ability to make scheduled debt service payments and meet operating expenditure obligations in an economic downturn.

Major initiatives

The Council goals for fiscal years 2013-15 are General fund budget stability, asset management, transportation connectivity, parks and recreation, public safety, economic development, and affordable housing.

To promote General fund financial stability, the City will develop a multi-year financial plan that balances expected current revenue with desired services, service levels, and asset management needs while maintaining a beginning fund balance consistent with Council's financial policy; and analyze future service and capital initiatives against the financial plan.

Primary asset management goals are maintenance of existing assets and facilities, including addressing seismic stability for the Civic Center, a future police facility, and completion of a city-wide asset management strategy.

Transportation goals are to improve overall bike, pedestrian, and vehicular connectivity, reduce congestion, and enhance mobility.

Parks and recreation goals seek enhancement of the parks system by identifying stable funding for future parks development and operation, and funding for recreational opportunities.

Public safety enhancement will continue to ensure the availability of efficient public safety services and ongoing coordination with other agencies.

Economic development efforts will initiate and pursue economic development strategies and appropriate funding with an emphasis on attracting and retaining jobs, including non-traded sector jobs, and strengthen the economic prosperity of Salem residents and businesses.

Salem will encourage a range of housing types at different affordability levels, and coordinate with other agencies to ensure housing meets the needs of the community.

OTHER INFORMATION

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salem, Oregon, for its CAFR for the fiscal year ended June 30, 2013. The City has received this award 16 times. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current report continues to meet the standards of the Certificate of Achievement Program, and we are submitting it to GFOA to determine its eligibility for certification.

Acknowledgments

The required financial reports were prepared by the City's Finance Division, including Sandra Montoya, Dave Hauser, Barbara Brown, Denise John, Jeremy Morgan, Anja Straw, Nancy Wimmer, Leslie Wyne, and Melody Kanz. The Finance Division would like to thank all City personnel who contributed to these reports and the members of the City Council, Finance Committee, Budget Committee, City Manager, and Deputy City Manager for their interest and support in the professional and progressive management of the financial operations of the City. Preparation of these reports would not have been successful without their support.

Respectfully submitted,



Deborah Bond, CPA
Administrative Services and Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

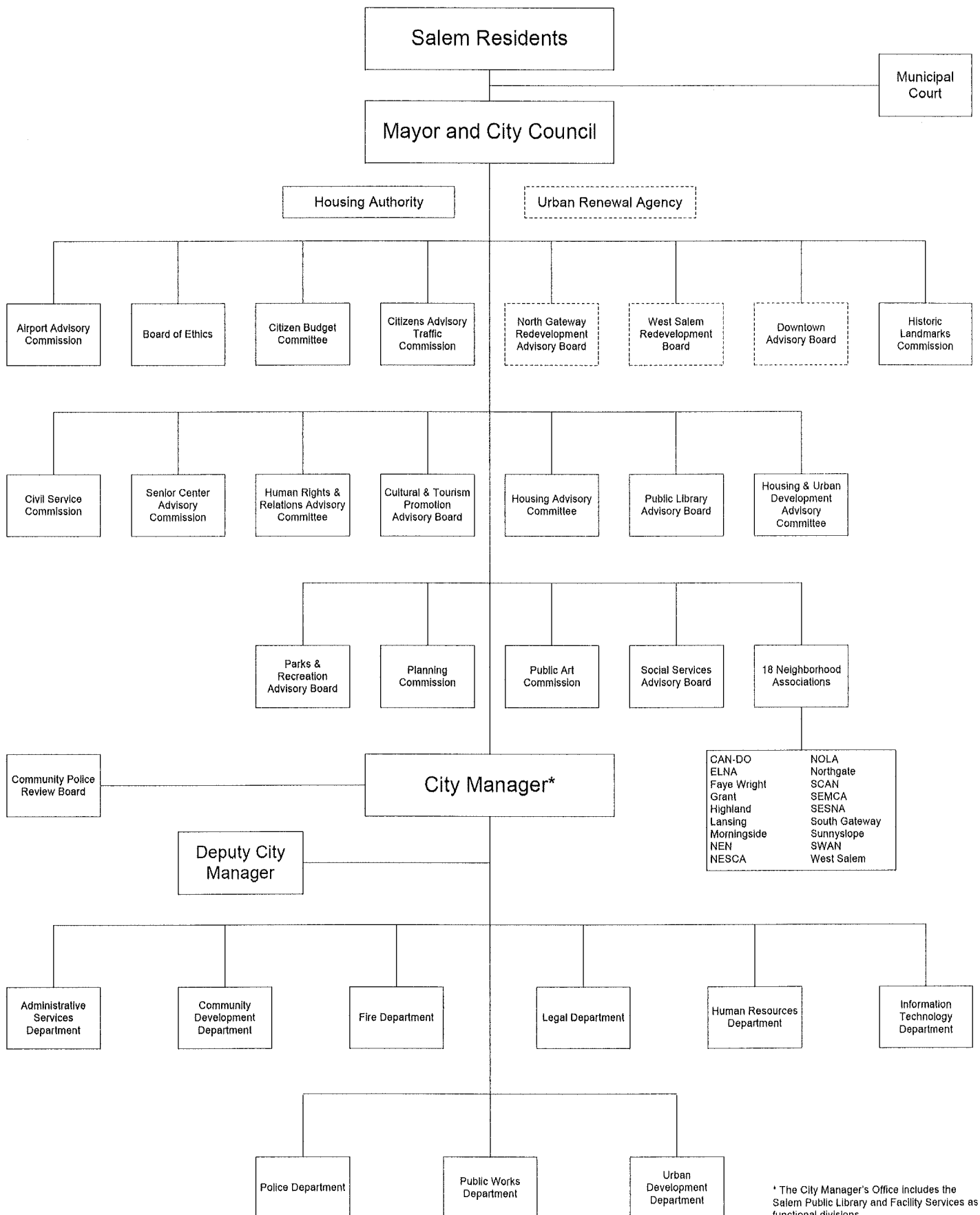
**City of Salem
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Organization of the City of Salem, Oregon



* The City Manager's Office includes the Salem Public Library and Facility Services as functional divisions.

CITY OF SALEM, OREGON

CITY COUNCIL

<u>Ward No.</u>	<u>Name</u>	<u>Term Expires December 31,</u>
Mayor	Anna M. Peterson	2014
1	Chuck Bennett	2016
2	Laura Tesler	2014
3	Brad Nanke	2016
4	Rich Clausen	2014
5	Diana Dickey	2016
6	Bruce Rogers	2014
7	Warren Bednarz	2016
8	Dan Clem	2014

ADMINISTRATIVE STAFF

City Manager: Linda Norris
Deputy City Manager: Kacey Duncan
Administrative Services and Finance Director: Deborah Bond

City of Salem
555 Liberty St SE, Room 230
Salem, OR 97301-3513

Financial Section

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Salem, Oregon
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Salem, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General Fund, Public Works Fund, and the Community Renewal Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of funding progress - OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis and to the schedule of funding progress-OPEB, as listed in the table of contents under required supplementary information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salem, Oregon's basic financial statements. The introductory section, combining statements, budgetary comparison schedules, other financial schedules, statistical section, and SEC Rule 15c2-12 Disclosures, as 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 combining statements and budgetary comparison schedules, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, other financial schedules, statistical section, and SEC Rule 15c2-12 Disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the City of Salem, Oregon'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 internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salem, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 26, 2014, on our consideration of the City of Salem, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Merina & Company, LLP
West Linn, Oregon
November 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2014

This discussion and analysis of the City of Salem's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter (beginning on page 1), basic financial statements (beginning on page 29), and notes to the financial statements (beginning on page 54).

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of fiscal year 2013-14 is \$1.1 billion. Of this amount, \$98.7 million, the unrestricted net position, may be used to meet the City's ongoing obligations.
- The increase in net position of \$26.7 million for the year is comprised of a \$15.0 million increase from governmental activities and an \$11.7 million increase from business-type activities.
- The net increase of \$7.8 million in capital assets represents an increase in capital assets for governmental purposes of \$13.3 million and a decrease in business-type capital assets of \$5.5 million. The governmental increase primarily reflects infrastructure projects in progress. The decrease in business-type capital assets is a result of current year depreciation not offset by the addition of new capital assets (see the Capital Asset discussion on page 23 for more details).
- Net long-term liabilities increased \$17.6 million from the previous year. This represents an increase in governmental liabilities of \$36.1 million, reflecting issuance of the 2013 streets and bridges bond, and a decrease of \$18.5 million in business-type liabilities due to debt repayment.
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$127.1 million. Of this amount, a total of \$33.0 million (26.0%) is either committed or unassigned and available to fund ongoing activities. Unassigned fund balance increased \$0.1 million from the prior year. Committed fund balances increased \$1.8 million. The remaining fund balance of \$94.1 million (74.0%) is either restricted or is a non-spendable asset. This represents an increase in restricted/non-spendable assets of \$36.1 million, primarily for funds restricted for capital construction. The total increase to governmental fund balances of \$38.1 million is primarily due to issuance of street bonds.
- At year-end, the unassigned fund balance in the General fund was \$20.5 million, or 22.7% of total General fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the City's basic financial statements and other required supplementary information.

The City's basic financial statements are comprised of three components:

Government-wide financial statements (pages 29-31)

The government-wide financial statements present the financial picture of the City from the economic resources measurement focus, using the accrual basis of accounting, which is similar to that used by private-sector companies.

The *Statement of Net Position* and the *Statement of Activities* report financial information about the City as a whole and about its activities. These statements include all assets and deferred outflows of the City (including infrastructure) as well as all liabilities and deferred inflows (including long-term debt). All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain eliminations have occurred as prescribed by GASB Statement 34 in regards to interfund activity, payables, and receivables. These two statements report the City's net position, and the change in net position. Net position is the residual of assets and deferred outflows less liabilities and deferred inflows. Net position is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure. In these statements, City activities are separated as follows:

Governmental activities – Most of the City's basic services are reported in this category including General Government, Public Safety, Public Works, Community Development, Community Services, and the Library. Property taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities – The City's water, wastewater, and stormwater utilities, emergency medical services, Willamette Valley Public Safety Communications Center, Police Regional Records System, and Salem Convention Center are reported in this category. The City charges fees to users to cover all or most of the cost of these services.

Salem Housing Authority – A discretely presented component unit of the City.

Fund financial statements (pages 34-45 and 48-51)

The fund financial statements include statements for each of the three basic fund types: governmental, proprietary, and fiduciary.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A reconciliation follows each of the governmental fund financial statements to explain the differences between it and the corresponding government-wide statement created by the latter's integrated approach.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers (enterprise funds) or to other units of the City (internal service funds), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The proprietary fund statements provide more detail and additional information, such as cash flows. The City's enterprise funds are the business-type activities reported in the government-wide statements. The internal service funds, with certain eliminations, are reported with governmental activities in the government-wide statements.

Fiduciary funds – The City is the trustee, or fiduciary, for funds held on behalf of individuals, other government entities, and non-public organizations. The City's fiduciary activities consist of agency funds and are reported in the Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that these assets are used for their intended purposes.

Notes to the financial statements (pages 54-84). The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

In addition to the basic financial statements, a Comprehensive Annual Financial Report requires inclusion of two other sections with specific requirements.

Required supplementary information (RSI) (page 85). This section presents information about the City's progress in funding its obligations to provide other post-employment benefits to its employees.

Supplemental information (pages 90-139). This section includes combining statements of nonmajor governmental funds, nonmajor business-type funds, internal service funds, and changes in assets and liabilities of agency funds, as well as budgetary comparison schedules not shown as part of the basic financial statements. Also included in this section are schedules detailing bonded debt and property tax transactions.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Analysis

The following paragraphs provide an analysis of the City's overall financial position and results of operations. To reduce the complexity of this analysis, dollar amounts are presented in millions. Insignificant rounding differences may exist between amounts presented here and amounts in the financial statements.

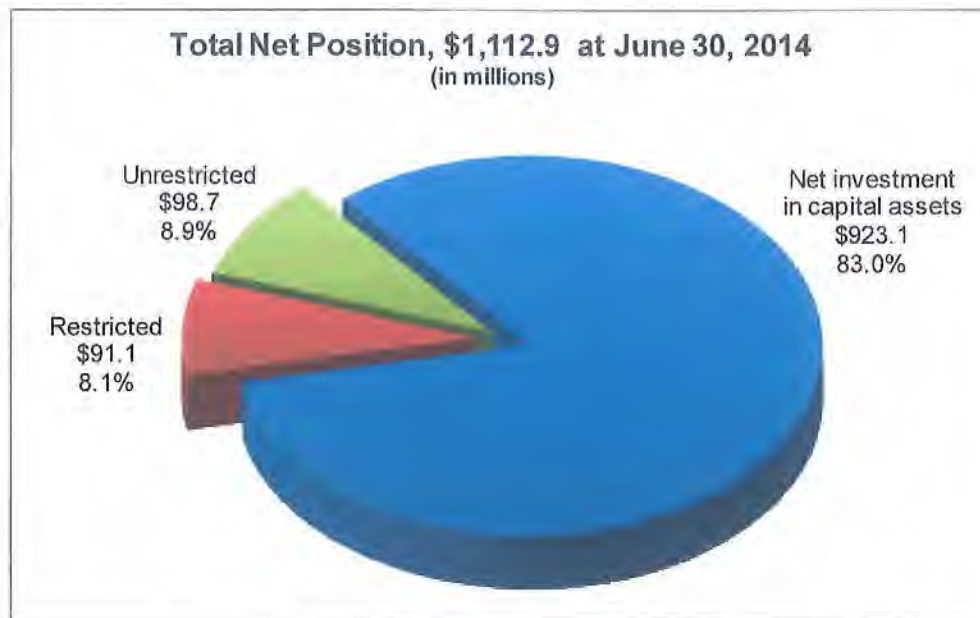
Financial Position

Net position, over time, is a useful indicator of a government's financial position. The following table shows a summary of the Statement of Net Position for the past two years:

Statement of Net Position as of June 30,
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 155.9	\$ 114.9	\$ 48.5	\$ 49.3	\$ 204.4	\$ 164.2
Other assets	87.3	90.8	18.5	19.8	105.8	110.6
Capital assets	523.5	510.2	662.8	668.3	1,186.3	1,178.5
Total assets	<u>766.7</u>	<u>715.9</u>	<u>729.8</u>	<u>737.4</u>	<u>1,496.5</u>	<u>1,453.3</u>
Deferred outflows of resources	0.0	0.0	5.5	6.1	5.5	6.1
Other liabilities	9.6	9.9	2.7	4.1	12.3	14.0
Long-term liabilities	194.7	158.6	182.1	200.6	376.8	359.2
Total liabilities	<u>204.3</u>	<u>168.5</u>	<u>184.8</u>	<u>204.7</u>	<u>389.1</u>	<u>373.2</u>
Net position:						
Net investment in capital assets	435.8	427.6	487.3	474.3	923.1	901.9
Restricted	79.8	78.2	11.3	10.6	91.1	88.8
Unrestricted	46.8	41.6	51.9	53.9	98.7	95.5
Total net position	<u>\$ 562.4</u>	<u>\$ 547.4</u>	<u>\$ 550.5</u>	<u>\$ 538.8</u>	<u>\$ 1,112.9</u>	<u>\$ 1,086.2</u>

For more detailed information, see the Statement of Net Position (page 29).



The City ended the year with a net position of \$1.1 billion. \$923.1 million, or 83.0%, of this amount reflects the City's investment in capital assets (land, buildings, infrastructure, improvements, and machinery and equipment, all net of accumulated depreciation) less any related debt outstanding used to acquire the assets. The City uses these capital assets to provide services to citizens and consequently they 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 needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$91.1 million, or 8.1%, represents resources that are subject to external restrictions on how they may be used, such as debt service or capital projects. The remaining balance of unrestricted net position, totaling \$98.7 million, or 8.9%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities. The total net position from governmental activities increased \$15.0 million, or 2.7%. This is reflected on the Statement of Net Position primarily as the net of an increase in cash balances of \$41.0 million, a decrease in other assets of \$3.5 million, an increase in capital assets of \$13.3 million, and an increase in long-term liabilities of \$36.1 million. The increases in cash, capital assets, and long-term liabilities are due to issuance of additional street bonds and construction of street bond projects.

Business-type Activities. The total net position of business-type activities increased \$11.7 million, or 2.2%. The most significant changes on the Statement of Net Position are decreases in capital assets and long-term liabilities. Capital assets decreased \$5.5 million due to annual infrastructure depreciation that was not offset in total by the addition of new assets. Long-term liabilities decreased by \$18.5 million, due to debt service payments on existing debt.

Commitments Against Unrestricted Net Position. The following review of the types of commitments against unrestricted net position for the governmental and business-type activities is designed to complement the otherwise available information.

The Unrestricted Net Position balance is intended to be a corporate-style measure of well-being for the City and its governmental and business-type activities. While the City Council and administration (City Manager and Department Heads) may have made varying commitments against these balances, these choices are subject to revision. The normal types of commitments are shown as follows:

- Encumbrances – A contract exists to purchase or acquire an item or construct a capital project that will be acquired or constructed after the June 30 statement date.
- Project Commitment – A tentative pre-contract commitment has been made, and a related project budget established, for a significant capital or maintenance effort (normally to be performed by a yet-to-be hired third party contractor).
- Working Capital – Available monies have been set aside to ensure the normal and ordinary conduct of business (the payment of bills and salaries) given certain cyclical flows of revenue.
- Other – Various tentative commitments such as pending legislative/judicial determinations, future capital projects, or emergency reserves.

Results of Operations

In addition to the analysis of net position provided earlier, it is important to analyze the financial operations that took place during the year. The following table provides a summary of the Statement of Activities, which shows the changes in net position.

Statement of Activities for the fiscal year ended June 30,
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program revenues:						
Charge for services	\$ 37.7	\$ 38.9	\$ 97.3	\$ 87.8	\$ 135.0	\$ 126.7
Operating grants and contrib.	13.3	11.4	0.1	0.1	13.4	11.5
Capital grants and contrib.	10.6	7.9	5.5	5.6	16.1	13.5
General revenues:						
Taxes and franchise fees	96.0	95.5	-	-	96.0	95.5
Shared state tax revenue	4.7	4.5	-	-	4.7	4.5
Interest	0.8	0.7	0.3	0.2	1.1	0.9
Other	0.2	0.4	0.3	0.3	0.5	0.7
Total revenues	<u>163.3</u>	<u>159.3</u>	<u>103.5</u>	<u>94.0</u>	<u>266.8</u>	<u>253.3</u>
Program expenses						
General government	23.1	21.3	-	-	23.1	21.3
Public safety	60.5	58.8	-	-	60.5	58.8
Community development	22.6	21.0	-	-	22.6	21.0
Community services	8.3	7.9	-	-	8.3	7.9
Engineering and streets	20.9	27.2	-	-	20.9	27.2
Library services	4.5	4.5	-	-	4.5	4.5
Interest on long-term debt	8.0	6.7	-	-	8.0	6.7
Water and sewer	-	-	78.1	72.3	78.1	72.3
Emergency services	-	-	1.1	1.3	1.1	1.3
WVPS communications center	-	-	8.9	8.9	8.9	8.9
Police Regional Records	-	-	0.2	0.2	0.2	0.2
Salem Convention Center	-	-	3.9	3.8	3.9	3.8
Total expenses	<u>147.9</u>	<u>147.4</u>	<u>92.2</u>	<u>86.5</u>	<u>240.1</u>	<u>233.9</u>
Excess before special items and transfers	15.4	11.9	11.3	7.5	26.7	19.4
Transfers	(0.4)	(3.0)	0.4	3.0	-	-
Change in net position	15.0	8.9	11.7	10.5	26.7	19.4
Net position - beginning	547.4	538.5	538.8	528.3	1,086.2	1,066.8
Net position - ending	<u>\$ 562.4</u>	<u>\$ 547.4</u>	<u>\$ 550.5</u>	<u>\$ 538.8</u>	<u>\$ 1,112.9</u>	<u>\$ 1,086.2</u>

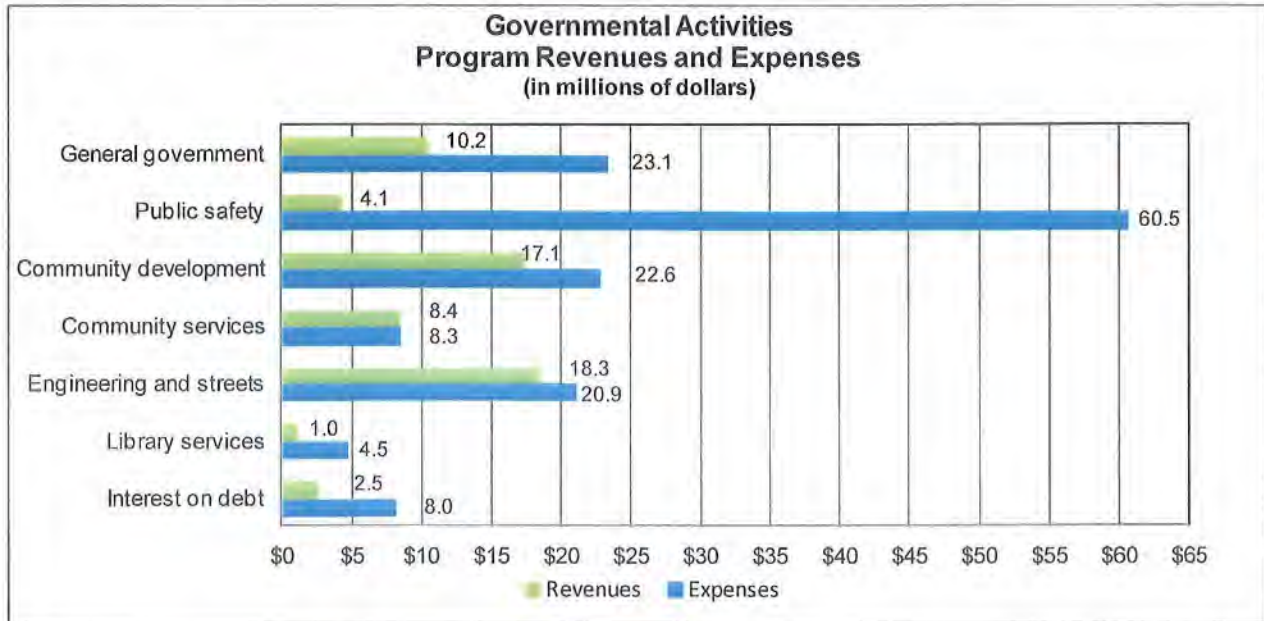
For more detailed information, see the Statement of Activities (pages 30-31).

Governmental Activities. The governmental net position before transfers increased \$15.4 million, accounting for 57.7% of the City's total growth in net position before transfers. This increase is \$3.5 million larger than the prior year's increase. The increased change in net position over the prior year's change is primarily related to the following activity.

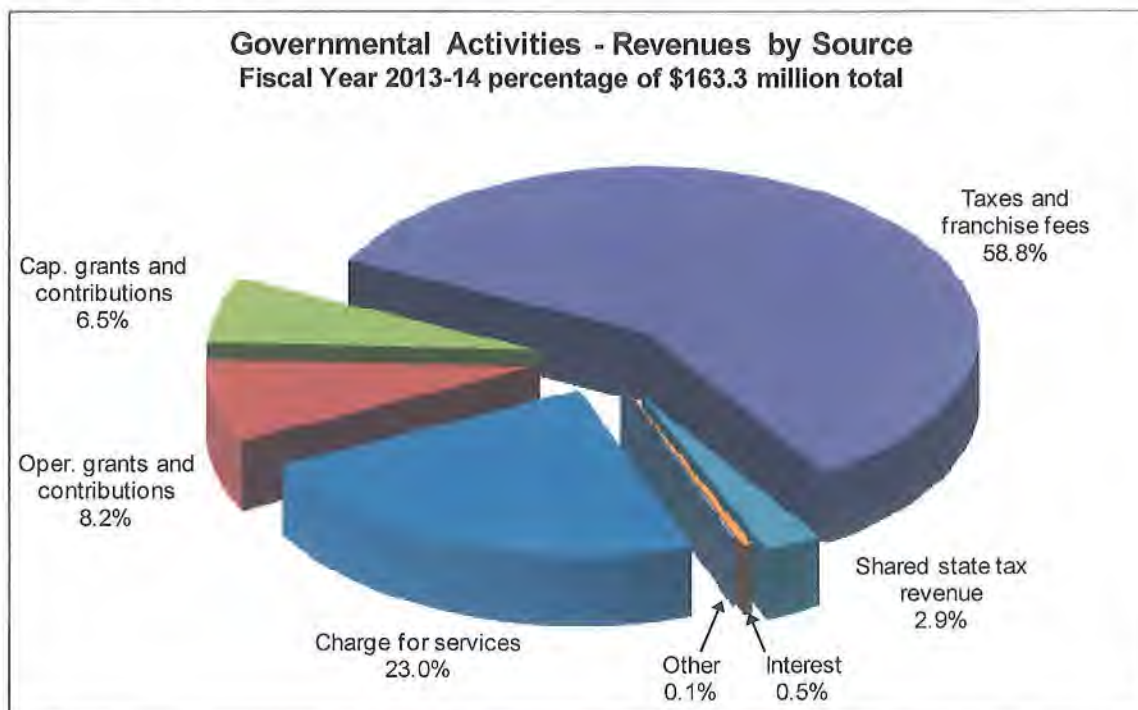
- Charges for services decreased \$1.2 million. Engineering revenue decreased \$5.4 million in governmental activities due to transferring staff to the water and sewer fund. This decrease was partially offset by increases in loan repayment, building permits, and other program fees.
- Operating grants and contributions increased \$1.9 million, due to increases in gas tax, block grants, and a new grant from Bonneville Power Administration for the Minto Island Conservation area.

- Capital grants and contributions increased \$2.7 million and include a Federal Aviation Administration grant to replace the entire airport lighting system as well as an ODOT grant for Aumsville Highway improvements.
- Engineering and streets expense decreased \$6.3 million in part from the transfer of 49 FTE staff from the public works fund to the water and sewer fund as well as a reduction in construction associated expense.
- The \$1.3 million increased interest on debt is for the additional street bond issuance.

The following chart compares revenues generated by governmental activities and the related current year expense. As the chart reflects, most governmental programs rely heavily on general revenues.



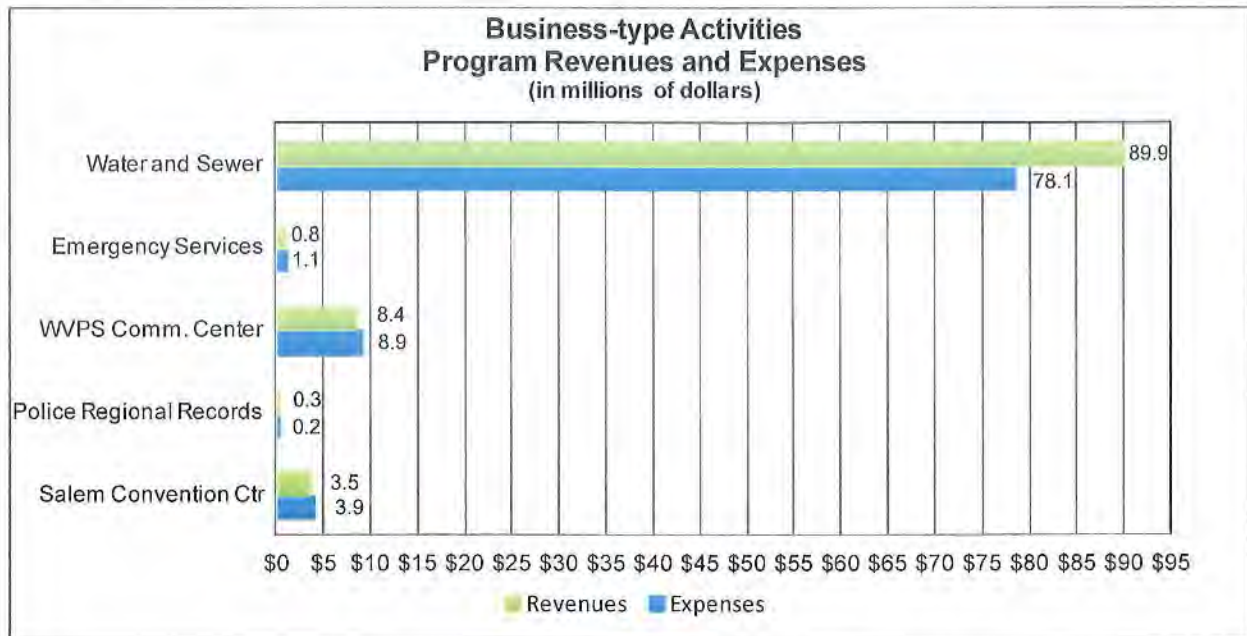
The following chart shows the percent of total revenue from each source supporting governmental activities.



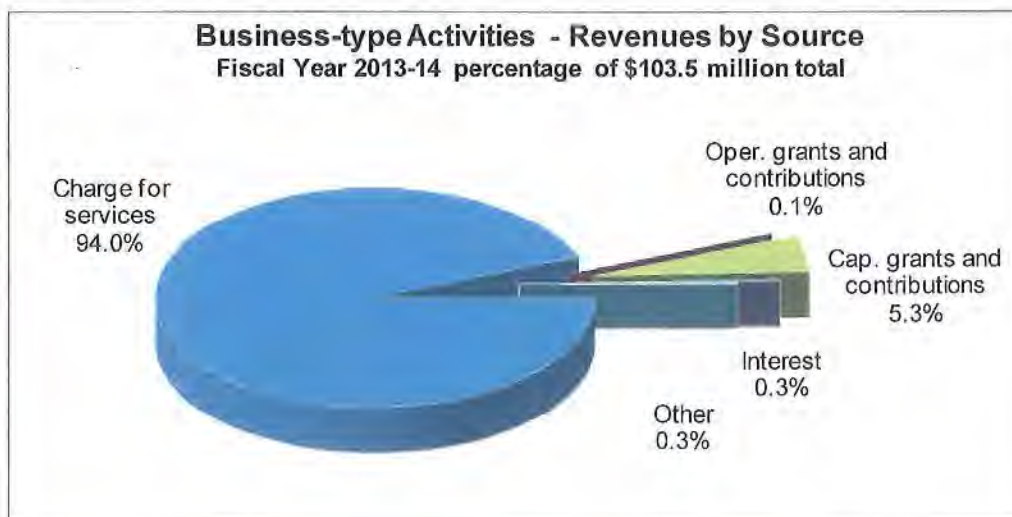
Business-type Activities. The table on page 18 shows that the City's net position from business-type activities increased \$11.3 million before transfers. This is \$3.8 million more than the prior year's change and is primarily related to the following activity.

- Charges for services increased \$9.5 million. The primary components of this increase were in the water and sewer fund where utility revenue increased \$5.0 million due to the 6% rate increase in January 2014, and intergovernmental fees increased \$4.9 million due to engineering services moving from public works fund to the water and sewer fund.
- Program expense increased \$5.7 million. Water and sewer operations expense increased \$9.0 million, partially due to the transfer of 49 FTE staff from the public works fund to water and sewer fund. Non-operating expense associated with construction projects decreased \$3.4 million.

The following chart compares revenues and expenses of business-type activities. Revenues include capital grants and developer donated infrastructure. In comparison to governmental activities, business-type activities typically recover their operating, debt service, and capital costs through program revenues. Water and sewer capital projects are funded with net water and sewer revenue.



The following chart shows the percent of total revenue from each source supporting business-type activities.



Fund-based Financial Analysis

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the City's major governmental and proprietary funds. The financial statements of governmental funds show more detail than governmental activities in the government-wide statements, and focus on near-term inflows, outflows, and ending balances of spendable resources. The statements of proprietary funds show detail for each enterprise included in business-type activities, with the same focus used in government-wide reporting.

Governmental Funds. At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$127.1 million, an increase of \$38.1 million, or 42.8%, from last year. The unassigned General fund balance of \$20.5 million, or 16.1% of the total governmental fund balance, is available for spending at the City's discretion. The remainder of the balance is constrained as follows. Non-spendable balances are \$0.5 million, or 0.4%. Amounts restricted to capital projects, debt service, or with other donor or legal restrictions are \$93.6 million, or 73.6%. Committed fund balances are \$12.5 million, or 9.9%.

The total General fund balance increased \$0.2 million, from \$20.8 million to \$21.0 million, of which \$20.5 million is unassigned. Total revenues increased 1.5% or \$1.3 million, primarily from property taxes. Total expenditures increased \$3.6 million, primarily in the general government and public safety functions due to personnel cost increases. The total ending fund balance is 19.8% of the fiscal year 2014-15 budgeted fund revenues and complies with the ending fund balance/reserves policy adopted by the Council.

Public Works fund balance increased \$0.3 million, or 16.7%, from \$1.8 million to \$2.1 million. The increase is due to continuing efforts by the department to accrue savings to help offset potential future service reductions, and increased revenue from the General fund for parks operations that supplement the use of gas tax revenues for street tree maintenance activities.

Capital Improvements fund balance increased \$33.7 million, from \$5.6 million to \$39.3 million. This was primarily due to issuance of the final series of streets and bridges bonds.

Tax Allocation Improvements fund balance increased \$1.7 million. This change was a net of increased loan repayment revenue of \$0.9 million, increased debt issuance of \$3.2 million, and increased construction expenditures of \$2.5 million, primarily for the Mill Creek Reservoir.

Proprietary Funds. At June 30, 2014, the City's enterprise funds reported a combined net position of \$548.6 million (excluding the internal service consolidation adjustment), an increase of \$11.2 million over last year, or 2.1%. The internal service funds reported a net position of \$33.5 million, an increase of \$2.7 million over last year, or 8.8%. This includes a new Equipment Replacement Reserve fund used for capital acquisitions that were previously accounted for in the City Services fund.

The Water and Sewer fund net position increased \$12.5 million, from \$503.8 million to \$516.3 million. At June 30, 2014, \$459.8 million is the net investment in capital assets, \$11.3 million is restricted for capital projects, and \$45.2 million is unrestricted. Of the unrestricted funds, \$17.2 million is designated as a 120-day operating reserve, including \$6.9 million designated for rate stabilization. The remaining unrestricted balance includes additional funding set aside for the completion of capital projects. The increase in net position was generated by operating income of \$14.6 million, offset primarily by revenue and expense related to infrastructure construction.

The City Services and Equipment Replacement Reserve funds combined net position increased \$1.7 million, primarily from increased internal usage revenue. In previous years the two funds were reported as one. The Self Insurance fund net position increased \$1.0 million as a result of premium increases and lower than budgeted claims.

Budgetary Highlights

The following is a brief review of the changes from the originally adopted budget to the final amended budget, and differences between the final budget and actual activity for the General fund. For more detailed information, see budget and actual comparison on pages 42-43.

General Fund

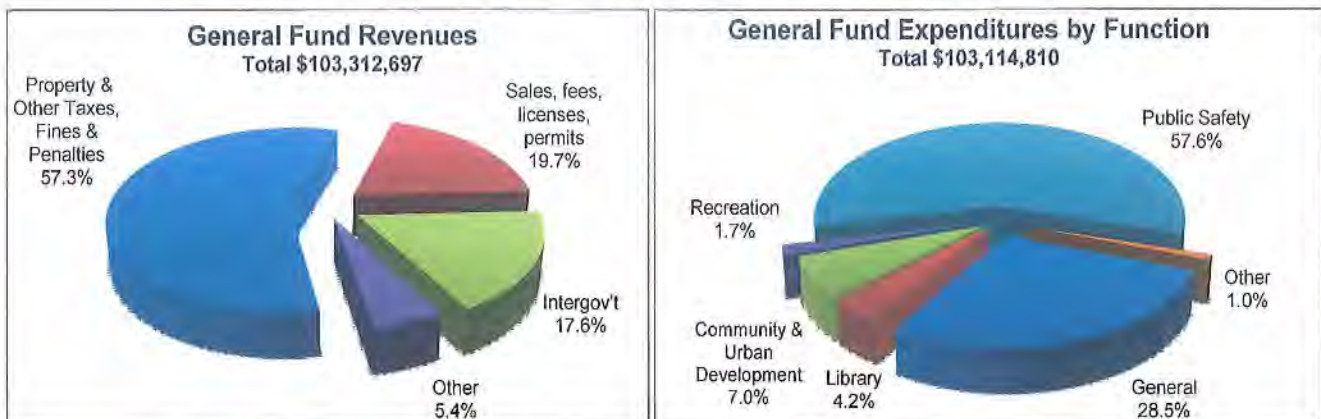
There were two changes from the original adopted budget to the final budget.

- Transfer of \$107,700 from contingency to personal services to provide funding for a new project manager position in the City Manager’s office.
- Transfer of \$20,000 from contingency to materials and services to ensure sufficient funding in the operational budgets of the Human Resources and Mayor/Council departments.

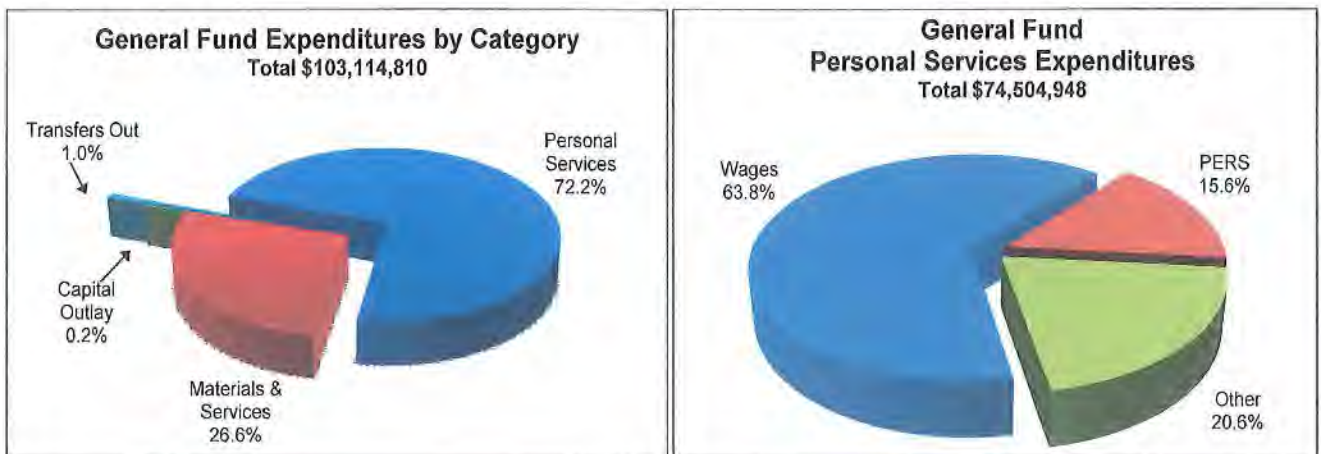
Differences between actual results and the final amended budget resulted in the General fund balance ending at \$10.1 million greater than originally budgeted. This is due to:

- \$2.6 million larger than budgeted beginning balance due to prior year spending reductions,
- \$4.7 million less than budgeted in personal services due to reductions and unfilled positions in response to limited revenue growth,
- \$0.4 million less than budgeted in transfers out, and
- \$2.4 million in unspent contingency.

The following charts show the current year revenues and expenditures of the General fund. Revenue is primarily derived from taxes and supports public safety. Other revenue includes inter-fund loan payments and transfers in. General expenditures include all administrative, legal, and non-divisional costs. Other expenditures include capital outlay, debt service and transfers out.



The following charts show the breakdown of General fund expenditures by type, which are primarily personnel related, and the breakdown of personnel into its basic components.



Capital Assets

As of June 30, 2014, the City had invested \$1.2 billion in capital assets, as summarized in the following table. This represents a net increase (including additions, deductions, and depreciation) of \$7.8 million, or 0.7%, from the prior year. The governmental capital asset increase of \$13.3 million is mainly reflected in work in progress as construction of street bond projects continues. The business-type decrease of \$5.5 million is primarily a net of utility infrastructure decrease due to annual depreciation exceeding additions, partially offset by increased work in progress, which will become part of infrastructure in future years.

For more detailed information, see the notes to the financial statements (pages 66-67).

Capital Assets as of June 30, (Net of Depreciation) (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land, land improvements, and art	\$ 229.1	\$ 228.3	\$ 17.0	\$ 16.9	\$ 246.1	\$ 245.2
Buildings	43.1	44.2	25.2	25.8	68.3	70.0
Improvements	21.0	21.5	-	-	21.0	21.5
Equipment and machinery	10.2	10.4	0.8	1.1	11.0	11.5
Vehicles	9.0	8.4	-	-	9.0	8.4
Infrastructure	138.9	145.5	-	-	138.9	145.5
Utility systems	-	-	569.7	582.8	569.7	582.8
Work-in-progress	72.2	51.9	50.1	41.7	122.3	93.6
Total	<u>\$ 523.5</u>	<u>\$ 510.2</u>	<u>\$ 662.8</u>	<u>\$ 668.3</u>	<u>\$ 1,186.3</u>	<u>\$ 1,178.5</u>

The following table is a summarized reconciliation of the change in capital assets.

Change in Capital Assets for the Fiscal Year Ended June 30, 2014 (in millions)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 510.2	\$ 668.3	\$ 1,178.5
Additions	29.0	11.8	40.8
Retirement	(2.6)	(1.4)	(4.0)
Accumulated depreciation	(13.1)	(15.9)	(29.0)
Ending balance	<u>\$ 523.5</u>	<u>\$ 662.8</u>	<u>\$ 1,186.3</u>

The City depreciates all its capital assets except for land, land improvements, art and work-in-progress. Land includes all land, easements, and right-of-ways owned by the City. Work-in-progress represents multi-year construction projects that will be moved from work-in-progress to the appropriate category of capital assets upon completion.

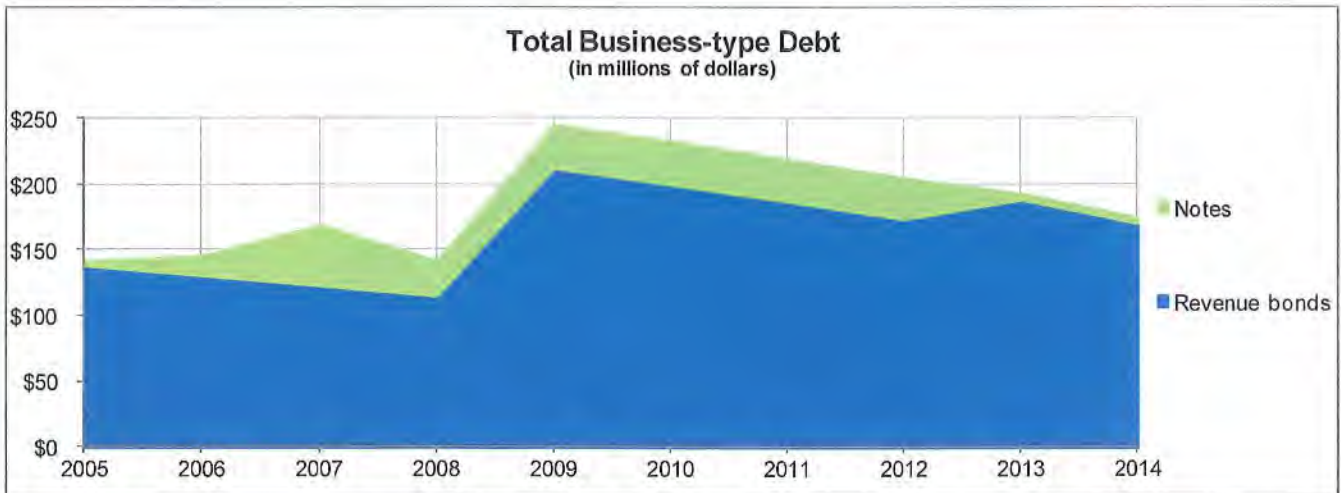
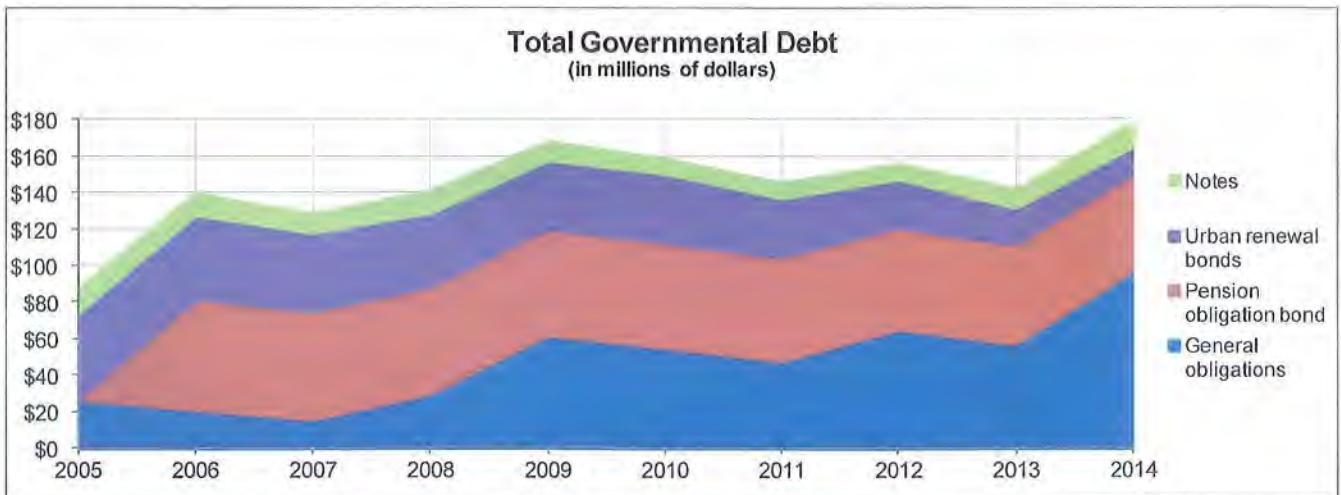
Debt Outstanding

As of June 30, 2014, the City had a total of \$353.2 million in outstanding long-term debt, compared to \$335.4 million last year, a 5.3% net increase, which is illustrated in the following table.

Outstanding Debt as of June 30,
(in millions)

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Bonds:						
General obligation	\$ 96.8	\$ 56.9	\$ -	\$ -	\$ 96.8	\$ 56.9
Revenue	-	-	170.3	188.7	170.3	188.7
Pension obligation	52.7	54.2	-	-	52.7	54.2
Urban Renewal	16.0	21.2	-	-	16.0	21.2
Notes	12.3	9.1	5.1	5.3	17.4	14.4
Total outstanding debt	\$ 177.8	\$ 141.4	\$ 175.4	\$ 194.0	\$ 353.2	\$ 335.4

The following charts detail the composition of governmental and business-type debt over the last ten years.



For more detailed information on the City's debt, see the notes to the financial statements (pages 70-73) and supplemental information (pages 132-134).

New long term debt incurred during fiscal year 2013-14 consisted of three issues:

- \$43.7 million in streets and bridges bonds. This concludes issuance of the \$99.8 million total approved by voters in 2008.
- \$1.5 million in West Salem urban renewal bonds.
- \$4.3 million in loans from the Oregon Economic and Community Development Department to facilitate development of wetlands in the Mill Creek urban renewal area.

Debt Administration – Since 1995, the City has had debt policies that provide guidance in the issuance of long and short-term indebtedness. These policies govern all types of indebtedness, including general obligations, revenue bonds, and lease purchase financings. Oregon Revised Statutes impose a limit on non-self-supporting general obligation (GO) debt of 3.0% of the real market value (RMV) of all taxable property within the City's boundaries. The City has adopted a more stringent limit of 1.5% of RMV. The actual level of GO debt on June 30, 2014 was 0.76% of RMV. The City also limits its property tax levy for GO debt service to no more than \$2.42 per \$1,000 assessed value. The actual levy for GO debt was \$0.9548 for 2013-14.

The ratio of bonded debt to real market value and the amount of bonded debt per capita are indicators of the City's debt position and are of interest to management, citizens, creditors, and investors. Data for the City at the end of fiscal year 2013-14 is shown in the following table.

**Debt Per Capita, and as a Percent of Real Market Value (RMV)
As of June 30, 2014**

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
Population (2013)	157,770		
2013-14 real market value	\$ 12,243,883,002	\$77,606	-
Total bonded debt outstanding	327,674,172 *	2,077	2.68%
Net direct GO debt	92,751,172 *	588	0.76%
Net overlapping debt	305,799,065	1,938	2.50%
Net direct and overlapping debt	398,550,237	2,526	3.26%

*Excludes issuance premium

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2014-15 Adopted Budget – The annual budget for fiscal year 2014-15 for all funds anticipates personal services and materials and services increases of 2% each, capital outlay increases of 28%, and non-operating increases including debt service of 8%. Personal services increases include health costs, cost of living adjustments, and staff increases in building and safety, planning, and information technology. These costs are somewhat offset by staff reductions in fire, urban development, and public works. Staff changes are the result of reorganization to balance operating needs, attrition, and several reductions in transportation services due to the lack of funding. The non-operating expenditure increase includes an \$8.3 million transfer from the City Services fund to the Capital Improvements fund for replacement of the City's radio communication system mandated by the Federal Communications Commission.

Other significant budgeted capital expenditures are \$62.2 million for transportation related improvements; \$33.0 million for utility improvements; and \$16.3 million for parks projects including acquisition of 3.8 acres to expand Riverfront Park, and \$8.1 million for the Minto-Brown Island Bicycle and Pedestrian Bridge and Trail.

The City will begin the planned spend down of some of the fund balances (accumulated since 2009 in anticipation of declining revenues) to maintain most service levels while the economy recovers. Recent economic improvement is reflected in decreased property tax compression, an anticipated property value increase of 2.6% resulting in an increase in budgeted property tax revenue (\$0.9 million in General fund), increased building permits issued in fiscal year 2013-14, and lower unemployment rates in 2014.

Water, Wastewater, and Stormwater Services - The Council adopted a new financial policy for the Water and Sewer fund on April 14, 2014. This policy guides forecasting and rate proposals to maintain a fiscally healthy utility fund able to operate on a cash basis. The policy includes operating and debt reserves, debt coverage ratios, capital funding strategies, and parameters for rate development. This allows the City to minimize proposed rate increases while continuing to fund debt service, operations, capital investment identified in the Capital Improvement Program, and reserves for operations and debt. In fiscal year 2014-15, the stormwater fee will be 75% implemented. The remaining 25% will be implemented in the following fiscal year. On October 27, 2014 the Council approved a 3% revenue slope increase for City provided utilities effective January 2015 and an additional 3% in January 2016.

Underlying Debt Rating – The City has maintained a close relationship with the major credit rating agencies in conjunction with the City’s debt placement strategies. The following table indicates the current bond ratings.

<u>Rating Agency</u>	<u>General Obligation</u>	<u>Utility Revenue</u>	<u>Full Faith and Credit</u>
Moody's	Aa2	Aa3	-
Standard & Poor's	AA	AA-	AA

GO bond ratings were reaffirmed by Moody's in July 2013. Utility bonds were affirmed in May 2010. Moody's comments regarding the City's strong GO bond ratings included the City's:

- Large tax base diversifying to supplement still large but somewhat challenged governmental employment,
- Manageable debt burden with notable use of full faith and credit pledge,
- Well-managed financial operations; recent reserve growth with planned spend-downs in the medium term future.

GO and Full Faith and Credit ratings were upgraded from AA- to AA by Standard & Poor's in September 2014. Standard & Poor's positive comments regarding these strong ratings include:

- Strong financial policies and practices,
- Very strong budgetary flexibility due to available reserves equal to 24.6% of 2013 operating expenditures,
- Very strong liquidity with total government available cash equal to 93% of total fund expenditures and six times debt service,
- An adequate economy and budgetary performance.

Debt and contingent liabilities are factors that kept the rating from being higher.

Local Annexation Initiatives – The City pursues a strategy of annexing contiguous properties whenever doing so would result in a more orderly boundary and a more equitable distribution of the cost of services. On November 11, 2014, voters passed ballot measures for two annexations, one on Wallace Road NW and one on Swegle Road NE. These properties will be annexed into the City and zoned Multiple Family Residential 1 (RM1).

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances, and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Administrative Services Director at 555 Liberty Street SE, Room 230, Salem, Oregon 97301.

Basic Financial Statements

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City of Salem, Oregon
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Salem Housing Authority FYE 9-30-13
Assets				
Current assets				
Cash and investments	\$ 155,922,208	\$ 36,645,226	\$ 192,567,434	\$ 2,755,753
Accounts receivable, net	34,084,036	11,143,236	45,227,272	106,840
Due from other governmental agencies	132,756	91,574	224,330	-
Internal balances	(1,920,838)	1,920,838	-	-
Inventories and prepayments	1,451,708	1,152,672	2,604,380	106,636
Total current assets	<u>189,669,870</u>	<u>50,953,546</u>	<u>240,623,416</u>	<u>2,969,229</u>
Noncurrent assets				
Restricted cash and investments	-	11,841,721	11,841,721	2,135,736
Notes receivable	-	1,432,044	1,432,044	-
Deferred assessments	741,852	2,875,514	3,617,366	-
Capital assets:				
Land and construction in progress	301,318,071	67,132,407	368,450,478	2,542,113
Other capital assets, net	222,166,498	595,637,180	817,803,678	17,018,054
Prepaid PERS bond obligation	52,750,000	-	52,750,000	-
Total noncurrent assets	<u>576,976,421</u>	<u>678,918,866</u>	<u>1,255,895,287</u>	<u>21,695,903</u>
Total assets	<u>766,646,291</u>	<u>729,872,412</u>	<u>1,496,518,703</u>	<u>24,665,132</u>
Deferred Outflows of Resources				
Deferred charge on refunding	-	5,482,998	5,482,998	-
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	8,685,003	2,127,821	10,812,824	516,712
Interest payable	863,281	569,669	1,432,950	32,418
Due to other agencies	66,982	-	66,982	-
Claims and judgments due within one year	1,900,000	-	1,900,000	-
Long-term debt due within one year	13,345,503	16,347,565	29,693,068	822,386
Compensated absences due within one year	1,442,176	500,362	1,942,538	-
Total current liabilities	<u>26,302,945</u>	<u>19,545,417</u>	<u>45,848,362</u>	<u>1,371,516</u>
Noncurrent liabilities				
Security deposit payable	9,581	36,597	46,178	184,087
Unearned revenue	739,787	1,193,395	1,933,182	110,357
Developer reimbursement	741,852	1,562,771	2,304,623	-
Long-term debt	164,446,334	159,094,006	323,540,340	4,671,484
Net OPEB obligation	5,160,478	1,795,167	6,955,645	239,956
Claims and judgments payable	2,566,780	-	2,566,780	-
Compensated absences payable	4,305,213	1,571,922	5,877,135	163,948
Total noncurrent liabilities	<u>177,970,025</u>	<u>165,253,858</u>	<u>343,223,883</u>	<u>5,369,832</u>
Total liabilities	<u>204,272,970</u>	<u>184,799,275</u>	<u>389,072,245</u>	<u>6,741,348</u>
Net Position				
Net investment in capital assets	435,779,633	487,328,016	923,107,649	14,161,996
Restricted for:				
Capital projects	40,481,200	11,344,749	51,825,949	-
Debt service	17,333,019	-	17,333,019	-
Community enhancement	7,038,397	-	7,038,397	-
Community renewal	14,706,245	-	14,706,245	-
Permanent	239,974	-	239,974	-
Permanent - non-expendable	11,000	-	11,000	-
Housing Authority assistance payments	-	-	-	2,001,349
Unrestricted	46,783,853	51,883,370	98,667,223	1,760,439
Total net position	<u>\$ 562,373,321</u>	<u>\$ 550,556,135</u>	<u>\$ 1,112,929,456</u>	<u>\$ 17,923,784</u>

The notes to the financial statements are an integral part of this statement.

City of Salem, Oregon
Statement of Activities
For the fiscal year ended June 30, 2014

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants/Contributions
Governmental activities			
General government	\$ 23,128,615	\$ 9,727,451	\$ 12,215
Public safety	60,447,533	3,036,252	1,060,000
Community development	22,641,646	13,035,916	2,219,674
Community services	8,315,343	5,453,282	237,198
Engineering and streets	20,886,835	3,086,927	9,688,564
Library services	4,525,863	839,415	121,883
Interest on debt	8,005,607	2,469,450	-
Total governmental activities	147,951,442	37,648,693	13,339,534
Business-type activities			
Water and sewer	78,156,729	84,279,309	62,804
Emergency services	1,093,116	858,984	-
WVPS communications center	8,869,085	8,377,806	-
Police regional records system	239,226	311,775	-
Salem Convention Center	3,876,195	3,476,830	-
Total business-type activities	92,234,351	97,304,704	62,804
Total	\$ 240,185,793	\$ 134,953,397	\$ 13,402,338
Component unit			
Salem Housing Authority	\$ 22,462,820	\$ 2,566,909	\$ 19,451,768

General revenues

- Taxes
 - Property
 - Transient occupancy
- Franchise fees based on gross receipts
- Shared state revenue
- Payments in lieu of taxes
- Investment earnings
- Gain on sale of assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

The notes to the financial statements are an integral part of this statement

Continued

Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	Salem Housing Authority FYE 9-30-13
\$ 505,719	\$ (12,883,230)	\$ -	\$ (12,883,230)	
-	(56,351,281)	-	(56,351,281)	
1,884,657	(5,501,399)	-	(5,501,399)	
2,702,766	77,903	-	77,903	
5,537,338	(2,574,006)	-	(2,574,006)	
-	(3,564,565)	-	(3,564,565)	
-	(5,536,157)	-	(5,536,157)	
<u>10,630,480</u>	<u>(86,332,735)</u>	<u>-</u>	<u>(86,332,735)</u>	
5,527,869	-	11,713,253	11,713,253	
-	-	(234,132)	(234,132)	
-	-	(491,279)	(491,279)	
-	-	72,549	72,549	
-	-	(399,365)	(399,365)	
<u>5,527,869</u>	<u>-</u>	<u>10,661,026</u>	<u>10,661,026</u>	
<u>\$ 16,158,349</u>	<u>(86,332,735)</u>	<u>10,661,026</u>	<u>(75,671,709)</u>	
<u>\$ -</u>				<u>\$ (444,143)</u>
	77,784,406	-	77,784,406	-
	2,730,822	-	2,730,822	-
	15,401,430	-	15,401,430	-
	4,686,535	-	4,686,535	-
	102,646	-	102,646	-
	776,162	315,511	1,091,673	16,751
	13,160	8,150	21,310	3,869
	217,028	314,474	531,502	-
	(427,343)	427,343	-	-
	<u>101,284,846</u>	<u>1,065,478</u>	<u>102,350,324</u>	<u>20,620</u>
	14,952,111	11,726,504	26,678,615	(423,523)
	<u>547,421,210</u>	<u>538,829,631</u>	<u>1,086,250,841</u>	<u>18,347,307</u>
	<u>\$ 562,373,321</u>	<u>\$ 550,556,135</u>	<u>\$ 1,112,929,456</u>	<u>\$ 17,923,784</u>

Concluded

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FUND FINANCIAL STATEMENTS

Major Governmental Funds

Governmental funds generally account for activities financed primarily through taxes and fees. There are four different types of governmental funds: general, special revenue, debt service, and capital projects.

The columns presented in these statements consist of:

General

This fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, licenses and permits, state and county shared revenue, and administrative service charges received from other funds. Primary expenditures are for police protection, fire protection, community services, general government, information technology, community development, and library services.

Public Works

This fund accounts for the operation and maintenance of public facilities such as streets and parks. The major revenue sources are highway funds and reimbursements from other City funds.

Capital Improvements

This fund accounts for general construction projects, including street construction and improvements, park development, and other capital improvements. Financing is provided from debt issuance, grants, and interfund transfers.

Tax Allocation Improvements

This fund accounts for construction improvement projects within urban renewal areas. Financing is provided by debt issuance, grants, and interest income.

Community Renewal

This fund accounts for public improvements, community planning, and special projects. Financing is provided primarily from community development block grants.

Other Governmental Funds

The aggregate of nonmajor funds consists of airport, downtown parking, economic improvement, cultural/tourism, public art, parking leasehold, building and safety, community enhancement, permanent, general debt, tax allocation debt, extra capacity facilities, and development districts.

City of Salem, Oregon
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Public Works	Capital Improvements
Assets			
Cash and investments	\$ 21,630,633	\$ 1,417,152	\$ 40,502,937
Accounts receivable, net	6,724,722	900,220	1,345,894
Due from other funds	415,896	-	-
Due from other agencies	132,756	-	-
Inventories and prepayments	452,297	46,388	-
Advances to other funds	-	-	-
Assessments receivable	-	45,018	-
	\$ 29,356,304	\$ 2,408,778	\$ 41,848,831
Liabilities			
Accounts payable and accrued liabilities	\$ 5,481,136	\$ 292,060	\$ 1,633,190
Due to other funds	-	-	-
Due to other agencies	66,982	-	-
Advances from other funds	-	-	365,474
Security deposit payable	7,206	375	-
Developer reimbursement payable	-	45,018	-
	5,555,324	337,453	1,998,664
Deferred inflows of resources			
Unavailable revenue	2,803,733	635	530,663
Fund balances			
Nonspendable	452,297	46,388	-
Restricted	-	-	39,319,504
Committed	-	2,024,302	-
Unassigned	20,544,950	-	-
	20,997,247	2,070,690	39,319,504
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,356,304	\$ 2,408,778	\$ 41,848,831

The notes to the financial statements are an integral part of this statement.

Continued

Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total Governmental Funds
\$ 17,108,891	\$ -	\$ 47,105,207	\$ 127,764,820
7,818,946	14,876,119	2,374,430	34,040,331
-	-	22,107	438,003
-	-	-	132,756
-	-	16,117	514,802
-	-	365,474	365,474
-	-	696,834	741,852
<u>\$ 24,927,837</u>	<u>\$ 14,876,119</u>	<u>\$ 50,580,169</u>	<u>\$ 163,998,038</u>
\$ 403,844	\$ 169,874	\$ 469,017	\$ 8,449,121
-	415,896	-	415,896
-	-	-	66,982
-	-	-	365,474
-	-	2,000	9,581
-	-	696,834	741,852
<u>403,844</u>	<u>585,770</u>	<u>1,167,851</u>	<u>10,048,906</u>
<u>7,635,336</u>	<u>14,265,028</u>	<u>1,559,804</u>	<u>26,795,199</u>
-	-	27,117	525,802
16,888,657	25,321	37,366,872	93,600,354
-	-	10,458,525	12,482,827
-	-	-	20,544,950
<u>16,888,657</u>	<u>25,321</u>	<u>47,852,514</u>	<u>127,153,933</u>
<u>\$ 24,927,837</u>	<u>\$ 14,876,119</u>	<u>\$ 50,580,169</u>	<u>\$ 163,998,038</u>

Concluded

City of Salem, Oregon
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances	\$	127,153,933
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).		523,484,569
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Notes receivable - earned but unavailable		22,966,917
Property taxes - earned but unavailable		3,828,282
Prepaid Item - unamortized PERS balance		52,750,000
Internal service funds are used by management to charge the costs of fleet management, insurance, and other commonly utilized city services to individual funds. Assets (net of capital assets) and liabilities of the internal service funds are included in governmental activities in the statement of net position.		21,752,605
Accrued interest payable		(863,281)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the funds.		
Long-term debt including bonds payable, bond premiums, and notes payable		(177,791,837)
Compensated absences payable		(5,747,389)
Net OPEB obligation		(5,160,478)
Net position of governmental activities	\$	<u>562,373,321</u>

The notes to the financial statements are an integral part of this statement.

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City of Salem, Oregon
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds

For the fiscal year ended June 30, 2014

	<u>General Fund</u>	<u>Public Works</u>	<u>Capital Improvements</u>
Revenues			
Property taxes	\$ 56,399,018	\$ -	\$ -
Other taxes	49,065	-	-
Sales, fees, licenses, and permits	19,346,516	126,738	27,688
Special assessments	-	50	-
Rents	1,053,355	7,538	-
Grants	1,030,745	212,750	4,771,279
Intergovernmental	9,492,221	16,175,762	225,333
Fines and penalties	2,712,724	-	-
Interest on investments	147,336	5,959	144,188
Loan payments received	17,336	-	33,897
Other	231,882	16,500	211,862
Total revenues	<u>90,480,198</u>	<u>16,545,297</u>	<u>5,414,247</u>
Expenditures			
Current			
General government	18,472,925	-	-
Community development	6,028,439	-	-
Community service	1,773,943	5,210,661	-
Public safety	59,253,601	-	-
Engineering/streets	-	10,638,438	-
Library	4,301,019	-	-
Capital Outlay	286,097	96,881	19,698,416
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>90,116,024</u>	<u>15,945,980</u>	<u>19,698,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>364,174</u>	<u>599,317</u>	<u>(14,284,169)</u>
Other financing sources (uses)			
Issuance of debt	-	-	43,665,000
Bond issuance premium	-	-	2,928,425
Sale of capital assets	2,819	10,341	-
Transfers in	825,000	375,000	1,439,917
Transfers out	(994,106)	(675,360)	-
Total other financing sources (uses)	<u>(166,287)</u>	<u>(290,019)</u>	<u>48,033,342</u>
Net change in fund balances	197,887	309,298	33,749,173
Fund balances - beginning of year	20,799,360	1,761,392	5,570,331
Fund balances - end of year	<u>\$ 20,997,247</u>	<u>\$ 2,070,690</u>	<u>\$ 39,319,504</u>

The notes to the financial statements are an integral part of this statement.

Continued

<u>Tax Allocation Improvements</u>	<u>Community Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 22,205,183	\$ 78,604,201
-	-	2,739,793	2,788,858
500	1,500	7,537,234	27,040,176
-	-	767,940	767,990
5,979	-	2,214,656	3,281,528
30,449	2,187,665	398,332	8,631,220
289,720	1,010,423	4,809,523	32,002,982
-	-	-	2,712,724
83,123	-	262,348	642,954
1,198,581	469,634	3,973	1,723,421
1	-	566,201	1,026,446
<u>1,608,353</u>	<u>3,669,222</u>	<u>41,505,183</u>	<u>159,222,500</u>
-	-	167,582	18,640,507
-	2,461,484	7,928,198	16,418,121
-	-	71,204	7,055,808
-	-	200,030	59,453,631
-	-	54,054	10,692,492
-	-	85,689	4,386,708
10,109,319	-	2,475,953	32,666,666
-	445,281	15,309,674	15,754,955
-	772,532	7,113,812	7,886,344
<u>10,109,319</u>	<u>3,679,297</u>	<u>33,406,196</u>	<u>172,955,232</u>
<u>(8,500,966)</u>	<u>(10,075)</u>	<u>8,098,987</u>	<u>(13,732,732)</u>
5,796,855	-	-	49,461,855
-	-	-	2,928,425
4,169	-	-	17,329
4,350,000	-	504,237	7,494,154
-	-	(6,352,597)	(8,022,063)
<u>10,151,024</u>	<u>-</u>	<u>(5,848,360)</u>	<u>51,879,700</u>
1,650,058	(10,075)	2,250,627	38,146,968
<u>15,238,599</u>	<u>35,396</u>	<u>45,601,887</u>	<u>89,006,965</u>
<u>\$ 16,888,657</u>	<u>\$ 25,321</u>	<u>\$ 47,852,514</u>	<u>\$ 127,153,933</u>

Concluded

City of Salem, Oregon
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2014

Net change in fund balances-total governmental funds	\$	38,146,968
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and capital construction costs as expenditures. However, in the government-wide statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense. The amounts shown here represent capitalized capital outlay and change in construction in progress as well as the current year depreciation expense.		
Capital outlay		25,670,804
Depreciation		(13,539,321)
Various other transactions involving capital assets increase or decrease net assets.		
Developer donated infrastructure and other donated assets		2,155,132
Book value of sold or disposed assets		(514,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Accrued program revenue		(592,994)
Accrued general revenue		(877,832)
The issuance of long-term debt 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred or amortized in the statement of activities.		
Issuance of debt		(52,390,280)
Principal payments on long-term debt		15,650,711
Amortize bond premium		316,698
Amortize prepaid PERS bond obligation		(1,490,000)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore accrued interest expense is not reported as an expenditure in governmental funds.		
		(223,508)
Other post employment benefits earned by current employees do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
		(178,647)
Compensated absences earned in the current year but not used are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
		559,839
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net revenue of the Internal service funds is reported with governmental activities.		
		2,258,841
Change in net position of governmental activities	\$	14,952,111

The notes to the financial statements are an integral part of this statement.

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City of Salem, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Property taxes	\$ 56,380,730	\$ 56,380,730	\$ 56,399,018	\$ (18,288)
Other taxes	47,050	47,050	49,065	(2,015)
Sales, fees, licenses, and permits	19,391,580	19,391,580	19,346,516	45,064
Rents	1,343,100	1,343,100	1,053,355	289,745
Grants	1,462,100	1,462,100	1,030,745	431,355
Intergovernmental	17,034,780	17,034,780	17,146,901	(112,121)
Fines and penalties	2,730,970	2,730,970	2,712,724	18,246
Interest on investments	143,320	143,320	147,336	(4,016)
Loan payments received	4,525,300	4,525,300	4,367,336	157,964
Other	193,290	193,290	231,882	(38,592)
Total revenues	103,252,220	103,252,220	102,484,878	767,342
Expenditures				
Operations				
Mayor and council	171,490	181,490	157,706	23,784
City manager	1,311,450	1,419,150	1,355,036	64,114
Human resources	1,188,030	1,198,030	1,144,078	53,952
Legal	1,813,890	1,813,890	1,586,200	227,690
Administrative services	5,390,470	5,390,470	5,110,634	279,836
Information technology	9,273,070	9,273,070	8,542,854	730,216
Non-departmental	11,887,800	11,887,800	11,523,828	363,972
Total general government	31,036,200	31,163,900	29,420,336	1,743,564
Community development	3,582,470	3,582,470	3,237,691	344,779
Urban development	4,338,820	4,338,820	3,947,853	390,967
Total community development	7,921,290	7,921,290	7,185,544	735,746
Community services	1,930,390	1,930,390	1,773,943	156,447
Library	4,554,170	4,554,170	4,301,019	253,151
Police	36,022,520	36,022,520	34,739,323	1,283,197
Fire	26,099,450	26,099,450	24,700,539	1,398,911
Total public safety	62,121,970	62,121,970	59,439,862	2,682,108
Contingency	2,500,000	2,372,300	-	2,372,300
Total expenditures	110,064,020	110,064,020	102,120,704	7,943,316
Excess (deficiency) of revenues over expenditures	(6,811,800)	(6,811,800)	364,174	(7,175,974)
Other financing sources (uses)				
Sale of capital assets	25,400	25,400	2,819	22,581
Transfers in	825,000	825,000	825,000	-
Transfers out	(1,337,020)	(1,337,020)	(994,106)	(342,914)
Total other financing sources (uses)	(486,620)	(486,620)	(166,287)	(320,333)

Continued

The notes to the financial statements are an integral part of this statement.

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(7,298,420)	(7,298,420)	197,887	(7,496,307)
Fund balance - beginning of year	18,195,680	18,195,680	20,799,360	(2,603,680)
Fund balance - end of year	<u>\$ 10,897,260</u>	<u>\$ 10,897,260</u>	20,997,247	<u>\$ (10,099,987)</u>

Reconciliation to generally accepted accounting principles:

Adjustments for indirect cost allocation	
Revenues	12,004,680
Expenditures:	
General government	(11,812,630)
Community development	<u>(192,050)</u>
Fund balance-end of year (modified accrual)	<u>\$ 20,997,247</u>

Concluded

The notes to the financial statements are an integral part of this statement.

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Public Works
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 228,490	\$ 228,490	\$ 126,738	\$ 101,752
Special assessments	400	400	50	350
Rents	6,980	6,980	7,538	(558)
Grants	318,640	318,640	212,750	105,890
Intergovernmental	15,782,600	15,782,600	16,175,762	(393,162)
Interest on investments	-	-	5,959	(5,959)
Other	1,190	1,190	16,500	(15,310)
Total revenues	<u>16,338,300</u>	<u>16,338,300</u>	<u>16,545,297</u>	<u>(206,997)</u>
Expenditures				
Operations	16,951,960	16,951,960	15,945,980	1,005,980
Contingency	358,920	358,920	-	358,920
Total expenditures	<u>17,310,880</u>	<u>17,310,880</u>	<u>15,945,980</u>	<u>1,364,900</u>
Excess (deficiency) of revenues over expenditures	(972,580)	(972,580)	599,317	(1,571,897)
Other financing sources (uses)				
Sale of property	-	-	10,341	(10,341)
Transfers in	375,000	375,000	375,000	-
Transfers out	(675,360)	(675,360)	(675,360)	-
Total other financing sources (uses)	<u>(300,360)</u>	<u>(300,360)</u>	<u>(290,019)</u>	<u>(10,341)</u>
Net change in fund balance	<u>(1,272,940)</u>	<u>(1,272,940)</u>	<u>309,298</u>	<u>(1,582,238)</u>
Fund balance - beginning of year	1,272,940	1,272,940	1,761,392	(488,452)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,070,690</u>	<u>\$ (2,070,690)</u>

The notes to the financial statements are an integral part of this statement.

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Community Renewal
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 1,500	\$ (1,500)
Grants	4,926,270	4,926,270	2,187,665	2,738,605
Intergovernmental	614,220	614,220	1,010,423	(396,203)
Loan payments received	385,000	385,000	469,634	(84,634)
Total revenues	<u>5,925,490</u>	<u>5,925,490</u>	<u>3,669,222</u>	<u>2,256,268</u>
Expenditures				
Operations	5,126,270	4,663,920	2,461,484	2,202,436
Debt service	799,220	1,261,570	1,217,813	43,757
Total expenditures	<u>5,925,490</u>	<u>5,925,490</u>	<u>3,679,297</u>	<u>2,246,193</u>
Net change in fund balance	-	-	(10,075)	10,075
Fund balance - beginning of year	-	-	35,396	(35,396)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,321</u>	<u>\$ (25,321)</u>

The notes to the financial statements are an integral part of this statement.

1 () indicates revenues/expenditures in excess of budget

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FUND FINANCIAL STATEMENTS

Major Proprietary Funds

Proprietary funds account for operations financed entirely or predominantly through user charges to customers. There are two different types of proprietary funds: enterprise and internal service.

The City of Salem uses eight proprietary funds made up of five enterprise funds and three internal service funds. Enterprise funds account for the acquisition, operation, and maintenance of a) water, wastewater, and stormwater facilities, b) ambulance services, c) the 911 dispatch center, Willamette Valley Public Safety (WVPS) Communications Center, d) the Police Regional Records System, and e) the Salem Convention Center. Internal service funds account for the acquisition, operation, and maintenance of city services (such as fleet services, printing and reprographics, and communications), and self-insurance (risk management and employee benefits).

The columns presented in these statements consist of:

Water and Sewer

This fund accounts for the operations, maintenance, construction, and debt service of the water, wastewater, and stormwater systems. Financing is provided primarily from user fees.

Other Proprietary Funds

The aggregate of nonmajor fund activity that includes Emergency Services, WVPS (911) Communications Center, Police Regional Records System, and Salem Convention Center.

Governmental Activities Internal Service

The aggregate of internal service funds, consisting of city services, equipment replacement reserve, and self-insurance.

City of Salem, Oregon
Proprietary Funds
Statement of Net Position
June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Other Funds	Totals	Activities Internal Service Funds
Assets				
Current assets				
Cash and investments	\$ 31,442,120	\$ 5,203,106	\$ 36,645,226	\$ 28,157,388
Accounts receivable, net	10,462,590	680,646	11,143,236	43,705
Due from other governmental agencies	91,574	-	91,574	-
Inventories and prepayments	1,060,349	92,323	1,152,672	936,906
Total current assets	<u>43,056,633</u>	<u>5,976,075</u>	<u>49,032,708</u>	<u>29,137,999</u>
Noncurrent assets				
Restricted cash and investments	11,841,721	-	11,841,721	-
Notes receivable	1,432,044	-	1,432,044	-
Deferred assessments	2,875,514	-	2,875,514	-
Capital assets:				
Land and construction in progress	65,559,284	1,573,123	67,132,407	271,593
Other capital assets, net	569,683,432	25,953,748	595,637,180	10,027,745
Total noncurrent assets	<u>651,391,995</u>	<u>27,526,871</u>	<u>678,918,866</u>	<u>10,299,338</u>
Total assets	<u>694,448,628</u>	<u>33,502,946</u>	<u>727,951,574</u>	<u>39,437,337</u>
Deferred outflows of resources				
Deferred charge on refunding	5,482,998	-	5,482,998	-
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	1,763,039	364,782	2,127,821	235,882
Interest payable	569,669	-	569,669	-
Claims and judgments due within one year	-	-	-	1,900,000
Due to other funds	-	22,107	22,107	-
Unearned revenue	-	-	-	739,787
Long-term debt due within one year	16,347,565	-	16,347,565	-
Compensated absences due within one year	440,302	60,060	500,362	8,484
Total current liabilities	<u>19,120,575</u>	<u>446,949</u>	<u>19,567,524</u>	<u>2,884,153</u>
Noncurrent liabilities				
Security deposit payable	36,597	-	36,597	-
Unearned revenue	1,193,395	-	1,193,395	-
Developer reimbursement payable	1,562,771	-	1,562,771	-
Long-term debt	159,094,006	-	159,094,006	-
Net OPEB obligation	1,395,998	399,169	1,795,167	262,869
Claims and judgments payable	-	-	-	2,566,780
Compensated absences payable	1,180,596	391,326	1,571,922	176,850
Total noncurrent liabilities	<u>164,463,363</u>	<u>790,495</u>	<u>165,253,858</u>	<u>3,006,499</u>
Total liabilities	<u>183,583,938</u>	<u>1,237,444</u>	<u>184,821,382</u>	<u>5,890,652</u>
Net Position				
Net investment in capital assets	459,801,145	27,526,871	487,328,016	10,299,338
Restricted for:				
Capital projects	11,344,749	-	11,344,749	-
Unrestricted	45,201,794	4,738,631	49,940,425	23,247,347
Total net position	<u>\$ 516,347,688</u>	<u>\$ 32,265,502</u>	<u>548,613,190</u>	<u>\$ 33,546,685</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			1,942,945	
Net position of business-type activities			<u>\$ 550,556,135</u>	

The notes to the financial statements are an integral part of this statement.

City of Salem, Oregon
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Other Funds	Totals	Activities Internal Service Funds
Operating revenues				
Sales, fees, licenses, and permits	\$ 78,531,979	\$ 3,138,393	\$ 81,670,372	\$ 30,088
Rents	27,813	1,169,600	1,197,413	1,664,037
Internal and intergovernmental	5,601,123	258,286	5,859,409	35,478,963
Member agencies	-	8,359,435	8,359,435	-
Fines and penalties	-	42,550	42,550	-
Other	-	57,131	57,131	914,087
Total operating revenues	<u>84,160,915</u>	<u>13,025,395</u>	<u>97,186,310</u>	<u>38,087,175</u>
Operating expenses				
Personal services	27,803,782	7,912,343	35,716,125	3,058,240
Materials and services	25,518,303	5,135,364	30,653,667	30,793,479
Depreciation	16,256,626	1,029,915	17,286,541	1,564,420
Total operating expenses	<u>69,578,711</u>	<u>14,077,622</u>	<u>83,656,333</u>	<u>35,416,139</u>
Operating income (loss)	<u>14,582,204</u>	<u>(1,052,227)</u>	<u>13,529,977</u>	<u>2,671,036</u>
Non-operating revenues (expenses)				
Interest on investments	285,937	29,574	315,511	133,211
Grants and contributions	62,804	-	62,804	-
Other revenue (expenses)	(2,127,910)	-	(2,127,910)	(307,446)
Interest on debt	(6,505,761)	-	(6,505,761)	-
Total non-operating revenues (expenses)	<u>(8,284,930)</u>	<u>29,574</u>	<u>(8,255,356)</u>	<u>(174,235)</u>
Net income (loss) before capital contributions and transfers	6,297,274	(1,022,653)	5,274,621	2,496,801
Capital contributions	5,527,869	-	5,527,869	158,145
Transfers in	869,829	-	869,829	4,761,946
Transfers out	(167,655)	(274,831)	(442,486)	(4,661,380)
Change in net position	12,527,317	(1,297,484)	11,229,833	2,755,512
Net position - beginning of year	<u>503,820,371</u>	<u>33,562,986</u>		<u>30,791,173</u>
Total net position - end of year	<u>\$ 516,347,688</u>	<u>\$ 32,265,502</u>		<u>\$ 33,546,685</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>496,671</u>	
Change in net position of business-type activities			<u>\$ 11,726,504</u>	

The notes to the financial statements are an integral part of this statement.

City of Salem, Oregon
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Other Funds	Totals	Activities Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 77,685,633	\$ 5,923,932	\$ 83,609,565	\$ 2,605,773
Receipts from interfund services provided	5,588,398	258,286	5,846,684	35,495,367
Member agencies	-	8,359,435	8,359,435	-
Payments to suppliers	(25,294,545)	(7,062,882)	(32,357,427)	(30,728,390)
Payments to employees	(27,328,178)	(7,949,083)	(35,277,261)	(3,046,285)
Other receipts (payments)	(2,385,779)	-	(2,385,779)	-
Net cash provided (used) by operating activities	<u>28,265,529</u>	<u>(470,312)</u>	<u>27,795,217</u>	<u>4,326,465</u>
Cash Flows from Non-capital Financing Activities				
Contributions	62,804	-	62,804	-
Other revenues/expenses	(23,229)	-	(23,229)	-
Transfers received	802,740	-	802,740	3,375,000
Transfers paid	(167,655)	(274,831)	(442,486)	(4,594,291)
Net cash provided (used) by non-capital related financing activities	<u>674,660</u>	<u>(274,831)</u>	<u>399,829</u>	<u>(1,219,291)</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	4,294,635	-	4,294,635	-
Acquisition and construction of capital assets	(9,329,775)	(92,011)	(9,421,786)	(14,940)
Principal paid on debt	(18,242,599)	-	(18,242,599)	-
Interest paid on debt	(5,919,898)	-	(5,919,898)	-
Sale of capital assets	8,150	-	8,150	113,166
Net cash provided (used) by capital and related financing activities	<u>(29,189,487)</u>	<u>(92,011)</u>	<u>(29,281,498)</u>	<u>98,226</u>
Cash Flows from Investing Activities				
Interest on investments	285,937	29,574	315,511	133,211
Net increase (decrease) in cash and cash equivalents	36,639	(807,580)	(770,941)	3,338,611
Cash and cash equivalents - beginning of year	43,247,202	6,010,686	49,257,888	24,818,777
Cash and cash equivalents - end of year	<u>\$ 43,283,841</u>	<u>\$ 5,203,106</u>	<u>\$ 48,486,947</u>	<u>\$ 28,157,388</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 14,582,204	\$ (1,052,227)	\$ 13,529,977	\$ 2,671,036
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	16,256,626	1,029,915	17,286,541	1,564,420
Other income (expense)	(2,385,779)	-	(2,385,779)	-
Changes in assets and liabilities:				
Accounts receivable	(1,128,641)	1,516,258	387,617	13,965
Inventories and prepayments	(34,748)	(1,478)	(36,226)	(67,532)
Accounts payable and accrued liabilities	644,979	(1,907,675)	(1,262,696)	93,550
Unearned revenue	-	-	-	49,566
Compensated absences payable	330,888	(55,105)	275,783	1,460
Net cash provided (used) by operating activities	<u>\$ 28,265,529</u>	<u>\$ (470,312)</u>	<u>\$ 27,795,217</u>	<u>\$ 4,326,465</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 1,907,881	\$ -	\$ 1,907,881	\$ -
Contribution of capital assets from governmental fund	147,558	-	147,558	158,145

The notes to the financial statements are an integral part of this statement.

City of Salem, Oregon
Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

Assets:	
Cash and investments	\$ 386,485
Accounts receivable, net	<u>3,544</u>
 Total assets	 <u><u>\$ 390,029</u></u>
 Liabilities:	
Accounts payable and accrued liabilities	\$ 109,469
Amounts held in trust	277,187
Due to other agencies	<u>3,373</u>
 Total liabilities	 <u><u>\$ 390,029</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF SALEM, OREGON

Notes to the Financial Statements

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City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Salem, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

A. Reporting entity

The City of Salem was incorporated in 1860. The City is governed by an elected mayor and eight-member council (Council) in accordance with the Constitution and Laws of the State of Oregon and the Charter of the City of Salem.

The accompanying financial statements present the government and its component units. The criteria used in making the determination for component unit reporting includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria as set forth in GASB Statement 61, the City is a primary government with one blended component unit and one discretely presented component unit.

Blended component unit. The Urban Renewal Agency (Agency) of the City of Salem is a public body corporate and politic created by Oregon statute and activated by the Council. The Council elected to have the Agency exercise its powers and engage in urban renewal activity within the boundaries of the City. The Council is designated as the Agency Board. The Agency develops urban renewal plans that are subject to approval by the Board and Council. The urban renewal plans define activities and boundaries of urban renewal areas. The tax increment resulting from the division of taxes under Oregon Revised Statutes (ORS) 457.420 is used to retire any debt incurred to finance urban renewal projects. The Agency is shown as a blended component unit based on sharing common management with the City, and meeting the financial benefit and burden criteria of GASB Statement 61. The Agency includes capital projects, debt service, and enterprise funds. The Agency's separate financial statements may be obtained from the City of Salem, Finance Division, 555 Liberty Street SE, Room 230, Salem, Oregon, or [www.cityofsalem.net/Departments/Administrative Services/Finance/Pages/FinancialReportsDisclaimer.aspx](http://www.cityofsalem.net/Departments/Administrative%20Services/Finance/Pages/FinancialReportsDisclaimer.aspx).

Discretely presented component unit. The Salem Housing Authority (Authority) is a municipal corporation created by the City to provide housing assistance to low income families under annual contribution contracts with the U.S. Department of Housing and Urban Development. The Authority's Board of Commissioners consists of eight City Council members and one representative from a Housing Authority affordable housing unit who is appointed by the City Council. The City provides services to the Authority on a contract basis. The Authority has a fiscal year end of September 30, and the data included in this report is as of September 30, 2013. The Authority's accounting records are maintained separately from the City's, and debts incurred by the Authority are not obligations of the City. The Authority is reported as a discretely presented component unit in this CAFR because it does not share common management with the City and does not meet the financial benefit or burden criteria. The Authority's separate financial statements may be obtained from the Housing Authority of the City of Salem, Oregon, 360 Church Street SE, Salem, Oregon, or www.cityofsalem.net/sha.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

Jointly Governed Organization – The City participates in the Mid-Willamette Valley Cable Regulatory Commission (MWVCRC), a jointly governed organization between the City of Salem and Marion County. The MWVCRC is responsible for monitoring and enforcing the provisions of franchise agreements with local cable companies and providing cable access for public purposes within the Salem Urban Growth Boundary. The City, under a renewable annual agreement, funds the MWVCRC based upon the amount of cable franchise fees collected by the City. For fiscal year 2013-14, the City paid \$640,490 to the MWVCRC. Separate financial statements for the MWVCRC may be obtained at:

Mid-Willamette Valley Cable Regulatory Commission
555 Court Street NE, Suite 4247
Salem, OR 97301

B. Government-wide and fund 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 non-fiduciary activities of the primary government and its component units. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. *Governmental activities*, which are normally supported by taxes, franchise fees, and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges for services provided.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in their respective fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information (starting on page 90).

The expenses reported by function on the Statement of Activities represent direct costs of those functions. Generally, interfund activities relating to indirect costs have been eliminated on the government-wide statements with two exceptions: a) charges between governmental and business-type activities, and b) the overhead component of direct costs between funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Indirect expenses include general government, support services, and administration costs. These indirect expenses 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 of the various functional activities within individual funds.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

C. Measurement focus, basis of accounting, and financial statement presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. 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 revenue 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 fiduciary fund statement includes only agency funds, which have *no measurement focus*, but use the *accrual basis of accounting* to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures 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.

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 period. Only the portion of special assessments receivable that is due within the current period is considered susceptible to accrual as revenue of the current period. All other revenues are considered measurable and available only as cash is received.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds. Principal sources of revenue are property taxes, franchise fees, licenses and permits, state and county shared revenue, and administrative service charges received from other funds.

The *Public Works fund* accounts for maintenance of streets and park operation services. Principal revenues are highway funds (fuel tax) and reimbursements from other city funds.

The *Capital Improvements fund* accounts for general construction improvements and acquisition projects, except those to be assessed to property owners or accounted for in proprietary funds. These include streets, parks, and other projects funded through bond proceeds, grants, or interfund transfers.

The *Tax Allocation Improvements fund* accounts for urban renewal construction projects. Principal financing is provided by debt issuance and grants.

The *Community Renewal fund* accounts for resources used to meet local housing needs. Financing is provided primarily from federal community development block grants.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

The City reports one major proprietary fund:

The *Water and Sewer fund* accounts for the operations, maintenance, debt service, and capital construction projects for water, wastewater, and stormwater collection and treatment systems, which are funded through utility fees, bond proceeds, loans, and construction fees.

Additionally, the City reports the following fund types:

Internal service funds account for printing and reprographics services, fleet management services, equipment acquisition, radio system services, and the self-insurance program provided to other departments and component units of the City on a cost reimbursement basis.

Agency funds account for assets held in a trustee capacity. These include court assessments and building permit surcharges held on behalf of government agencies, monies received as restitution for crime victims, performance deposits from contractors, and donations to assist low-income residents with payment of water/sewer bills.

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

D. Assets, liabilities, deferred outflows/inflows, and net position/fund balance

1. Deposits and investments

The City maintains a common cash and investment pool that is available for use by all funds, including the Agency. Interest earned on the pooled cash and investments is allocated to funds monthly based on the 13-month moving average balances of cash and investments, as a proportion of the City's total cash and investments.

The City'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.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

The City's investment policies are governed by ORS. The statutes authorize the City and component units to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate bonds and commercial paper, and the State Treasurer's Local Government Investment Pool (LGIP).

City of Salem, Oregon
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It is the City's policy to report all short-term, highly liquid money market investments with a remaining maturity of one year or less at time of purchase at amortized cost. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value in accordance with GASB Statement 31.

The City's investment in the LGIP is stated at fair value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Property taxes receivable collected within 30 days of fiscal year end are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred inflows and accordingly have not been recorded as revenue in the governmental fund financial statements. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Taxes not collected by May 15 are considered delinquent.

The State of Oregon has two constitutional limits on property taxes:

Measure 5 limits the combined maximum allowable tax rate for all non-school general governments to \$10 per \$1,000 of real market value (RMV). When the combined tax rates result in a tax that exceeds the \$10 per \$1,000 of RMV, compression occurs. This results in proportionately reduced tax collections for each taxing district. The City of Salem was unable to levy \$1,093,204 for fiscal year 2013-14 as a result of compression.

Measure 50 set permanent tax rates for each taxing jurisdiction and limits maximum assessed value (MAV) to a growth rate of 3%, with certain exceptions. Every year, on the assessment date (July 1), the MAV and the RMV is established for each property and the lesser of the two values becomes the taxable assessed value used to calculate the property tax. While the City's permanent tax rate per \$1,000 does not change, annual growth in property tax receipts occurs through allowed annual increases to assessed values up to the Measure 5 limitations and through increased property values associated with new construction.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. All assessment liens receivable are offset by deferred inflows and accordingly have not been recorded as revenue in the governmental fund financial statements. Assessment interest receivable is recorded when earned; the revenue is recognized when it becomes measurable and available.

Receivables of proprietary fund types are recorded as revenue when earned, including services provided but not yet billed. Receivables for federal and state grants and intergovernmental revenues are recorded as revenue when earned.

City of Salem, Oregon
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3. Restricted assets

Assets whose use is restricted by agreement or for acquisition of capital assets are segregated on the government-wide Statement of Net Position and on the appropriate fund balance sheet.

4. Inventories and prepaid items

Inventories are valued at weighted average cost using the first in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, utility systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased; in the proprietary fund statements, they are capitalized and depreciated. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 (\$2,000 for the Convention Center) and an estimated useful life in excess of one year. Additions, improvements, and other capital outlays that significantly extend the useful life or increase the capacity of an asset are capitalized. Costs incurred for repairs and maintenance are expensed.

Depreciation of expendable assets is recorded at the program level in the Statement of Activities. The Statement of Net Position reflects the cost of expendable assets net of depreciation. Depreciation is computed on the straight-line basis over estimated useful lives as shown in the following table:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7-60
Improvements other than buildings	5-20
Machinery and equipment	4-10
Vehicles	5-25
Utility systems	20-67
Infrastructure	20-75

Construction-in-progress represents amounts expended to date on unfinished construction projects, which will be capitalized upon completion.

City of Salem, Oregon
Notes to the Financial Statements
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6. Deferred outflows and inflows of resources

The statements will sometimes report deferred outflows of resources and deferred inflows of resources. Items in these categories represent a consumption or acquisition of net position that applies to future periods.

7. Compensated absences

City employees are allowed to accumulate vacation, holiday, sick, administrative leave, and compensation time, to certain limits, in accordance with City policy and bargaining agreements. Accrued vacation, holiday, and compensation time are vested and may be paid upon termination of employment.

Accumulated vested benefits are accrued as earned and paid by funds as they become due. For governmental funds, the amount accrued represents a liability on the government-wide statements and is a reconciling item between the fund-level statements and the government-wide presentation. Proprietary fund statements reflect the accrued current and long-term liabilities.

8. Long-term obligations

In the government-wide and proprietary fund Statements of Net Position, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, and issuance costs related to insurance are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums, discounts, and issuance costs at the time of issuance. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures in the statements.

9. Fund equity

Governmental fund balances are reported according to GASB Statement 54 as follows:

- Non-spendable – not in a spendable form such as inventories, long-term receivables, or permanent fund principal.
- Restricted – legally constrained to specific purposes by external creditors, grantors, or state or federal law. These resources may not be spent in another manner without an act of the providers.
- Committed – committed by the City Council through passage of an ordinance. Committed amounts may only be modified or rescinded through passage of a new ordinance.
- Assigned – amounts the City intends to use for specific purposes that are neither restricted nor committed. The City has not established a policy regarding the assignment of funds. The City currently has no balances classified as Assigned.
- Unassigned – available for spending for any purpose. Under GASB 54, any “rainy day” funds that do not have formal criteria meeting the restricted or committed definitions must be reported in this category.

Restricted funds are spent first when spending restricted or unrestricted funds. When expenditures are incurred where amounts may be spent from committed, assigned, or unassigned fund balance categories, they are considered to be spent in that order.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

10. Fund reserves

The City's policy establishes a goal of 15% of budgeted General fund revenues in contingencies and unappropriated General fund balance.

11. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget policies and budgetary control

Oregon Local Budget Law (in ORS 294) requires that annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. Annual appropriations lapse on June 30, which is the fiscal year end.

The City begins its annual budgeting process for the next fiscal year by forming a Budget Committee (Committee) in the fall. The Committee consists of the City Council and an equal number of citizens (electors) appointed by the Council. Budget recommendations are developed by management and presented to the Committee in early spring. The Committee reviews the City Manager's recommended budget and modifies it as desired before approving and forwarding it to the Council in late spring. Public notices are generally published in May or June, and the Council public hearing is held in June. The Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. The Council resolution authorizing appropriations for each fund sets the level that expenditures cannot legally exceed. The City establishes budgetary control in the operations, contingencies, debt service, and all other requirements categories for all funds except the General fund, where budgetary control is established at the department level in the same categories listed for other funds.

Supplemental budget appropriations and appropriation transfers subsequent to budget adoption must be approved by the Council. Certain budget amounts reported in the financial statements were revised after the original budget was adopted. The Council approved five supplemental budget appropriations: two in September 2013 for \$507,700, one in May 2014 for \$462,350, and two in June 2014 for a total of \$43,960.

City of Salem, Oregon
Notes to the Financial Statements
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III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The City maintains a common cash and investment pool that is available for use by all funds including the Agency. Each fund's portion of the pool is displayed on the government-wide Statement of Net Position, the proprietary funds Statement of Net Position, the governmental funds Balance Sheet, and the Statement of Fiduciary Net Position as "Cash and investments" and "Restricted cash and investments."

Restricted cash and investments are comprised of proceeds from loans and bonds that are obligated for various construction projects. Cash and investments as of June 30, 2014 consist of the following:

	Book Value
Cash on hand	\$ 11,975
Deposits with financial institutions	19,116,031
Investments	185,667,634
Total cash and investments	\$ 204,795,640

1. Deposits

As of June 30, 2014, City bank deposits had a book balance of \$19,116,031 and a bank balance of \$19,577,575. The difference is due to transactions in transit. The Oregon Public Funds Collateralization Program (PFCP) covers City bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2014, \$750,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

2. Investments

As of June 30, 2014, the City held the following investments and maturities:

Investment type	Fair Value	Weighted Avg. Maturity in Months	% of Investment Portfolio
Commercial paper	\$ 4,996,120	4.800	2.7%
Corporate bonds	27,518,454	24.686	14.8%
Local Government Investment Pool	58,800,606	0.033	31.6%
Municipal bonds	5,303,731	10.879	2.8%
U.S. Agency securities	47,592,897	15.247	25.6%
U.S. Treasury securities	41,941,955	22.966	22.5%
Total	\$186,153,763	12.003	100.0%

Weighted average maturity in months assumes that all investments are held to maturity.

As a means of limiting its exposure to fair value losses caused by changing interest rates, the City's investment policy limits investments as shown in the following table.

City of Salem, Oregon
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<u>Investment type</u>	Maximum % of portfolio	Maximum time to maturity
Bankers' acceptances	20%	6 months
Certificates of deposit	25%	2 years
Commercial paper	20%	9 months
Corporate bonds	15%	5 years
Local Government Investment Pool	100% *	N/A
Repurchase agreements	10%	3 months
U.S. Agency securities	100%	5 years
U.S. Treasury securities	100%	5 years

*Dollar amount limited by ORS 294.810

ORS 294.810 limits the amount that may be placed in the LGIP. The limit as of June 30, 2014 is \$45,642,885 per customer number. The limit is updated each September based on the U.S. City Average Consumer Price Index. The limit can be temporarily exceeded for ten business days if the excess is due to funds deposited on a pass-through basis. At June 30, 2014, the City held in the LGIP a total of \$39,345,605 of City funds and \$19,455,001 of Agency funds.

The City's policy for investing in individual issuers varies depending on the type of investment. Investments in a single financial institution shall not exceed the smallest of 33% of the City's total portfolio or 5% of the equity of the institution, with the exception of U.S. Treasury securities, which can be up to 100% of the City's portfolio. At June 30, 2014, more than 5% of the City's portfolio is invested in each of these issuers: U.S. Treasury, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. These investments are 22.5%, 16.3%, and 5.8%, respectively, of the City's total investments.

As of June 30, 2014, the credit risk for the City's investments is as follows:

<u>Investment type</u>	Fair Value	Credit Risk
Commercial paper		
Rabobank USA	\$ 4,996,120	A-1+/P-1
Corporate bonds		
Apple	2,496,495	AA+/Aa1
Coca Cola	4,406,526	AA/Aa3
General Electric Capital Corp	2,527,443	AA+/A1
Google	4,130,729	AA/Aa2
IBM	2,587,086	AA-/Aa3
JP Morgan	4,009,799	A+/Aa3
Procter & Gamble	4,501,235	AA-/Aa3
Toyota	2,859,141	AA-/Aa3
Local Government Investment Pool	58,800,606	Unrated
Municipal Bonds		
Oregon Lottery taxable revenue	4,010,080	AAA/Aa2
Washington State GO	1,293,651	AA+/Aa1
U.S. Agencies		
Federal Home Loan Bank	3,041,714	AA+/Aaa
Federal Home Loan Mortgage Corporation	10,798,312	AA+/Aaa
Federal National Mortgage Association	30,253,560	AA+/Aaa
Tennessee Valley Authority	3,499,311	AA+/Aaa
U.S. Treasury	41,941,955	AA+/Aaa
Total	<u>\$ 186,153,763</u>	

City of Salem, Oregon
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The City's policy, which adheres to Oregon law, limits investment purchases to certain minimum credit ratings. Municipal issuers within Oregon must have a long-term rating of A or better by Standard and Poor's, Moody's Investors Service, or any other nationally recognized statistical rating organization. Allowed municipal issuers outside Oregon and all other investments must be rated AA/Aa (long-term) or A-1/P-1 (short-term) or better. If the rating of an owned security falls below these standards, the security will be reviewed and a decision made to either continue holding the security or sell it. The City's investment policy does not require automatic sale of securities that fall below the credit requirement for purchase.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires broker/dealers to meet certain qualifications and that all investments are delivered to and held by a third-party custodian in the City's name. All investments except for the investment in the LGIP, which is not evidenced by securities, are held in safekeeping by the financial institution counterparty or by its trust department in the City's name.

The LGIP is a part of the Oregon Short Term Fund (OSTF). This fund is not registered with the U.S. Securities and Exchange Commission. Investment of OSTF funds is governed by ORS, the Oregon Investment Council, and the OSTF Board. The fair value of the fund is the same as the value of the pool shares.

B. Receivables

Receivables as of June 30, 2014 for major governmental funds and nonmajor funds in aggregate, net of allowance for uncollectible accounts, are as follows:

	General	Public Works	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Funds	Total
Accounts	\$2,745,806	\$928,649	\$ 815,230	\$ 183,610	\$ 611,090	\$ 436,019	\$ 5,720,404
Property taxes	3,700,387	-	-	-	-	1,453,891	5,154,278
Interest	271,968	78	349	49,523	345,941	8,344	676,203
Assessments	6,561	557	-	-	-	476,176	483,294
Loans and notes	-	-	530,315	7,585,813	13,919,088	-	22,035,216
Less: Allowance for uncollectible accounts	-	(29,064)	-	-	-	-	(29,064)
Total	<u>\$6,724,722</u>	<u>\$900,220</u>	<u>\$ 1,345,894</u>	<u>\$ 7,818,946</u>	<u>\$14,876,119</u>	<u>\$2,374,430</u>	<u>\$34,040,331</u>

Approximately \$21.5 million in assessments, loans, and notes is not expected to be received within the next year.

Property tax levies for the year beginning July 1, 2014 are as follows:

- The City's permanent property tax rate for General fund operations is \$5.8315 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

City of Salem, Oregon
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- The Urban Renewal Agency of the City of Salem will tax as follows:
 - Riverfront/Downtown and North Gateway plan areas will use 100 percent of the amount of their authority under option one of ORS 457.435(2)(a) as selected by the Agency for the retirement of debt obligations.
 - Fairview plan area will not levy for fiscal year 2014-15.
 - West Salem plan area will use 100 percent of the amount of its authority under the standard rate plan of ORS 457.445(2) as selected by the Agency for the retirement of debt obligations.
 - Mill Creek Industrial Park plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.
 - McGilchrist plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.
 - South Waterfront plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.

- In addition, the City will levy \$10,786,750 for retirement of general obligation long-term debt due in fiscal year 2014-15.

In accordance with GASB Statement 65, governmental funds report deferred inflows of resources in connection with receivables for revenues that are not available to liquidate liabilities of the current period. As of June 30, 2014, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

	Deferred Inflows
Assessments	\$ 51,520
Community Development Block Grant loans	14,265,028
Economic improvement district liens	8,064
Property taxes (General fund)	2,752,848
Property taxes (Debt service funds)	1,075,434
System development charges	476,305
Urban renewal loans	8,166,000
Total deferred inflows of resources	\$ 26,795,199

Receivables as of June 30, 2014 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

	Water and Sewer	Other Funds	Total Enterprise	Internal Services
Accounts	\$ 10,069,441	\$ 709,646	\$ 10,779,087	\$ 43,705
Assessments	650,735	-	650,735	-
Interest	43,624	-	43,624	-
Less: Allowance for uncollectible accounts	(301,210)	(29,000)	(330,210)	-
Total	\$ 10,462,590	\$ 680,646	\$ 11,143,236	\$ 43,705

City of Salem, Oregon
Notes to the Financial Statements
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Due from other agencies as of June 30, 2014 are as follows:

Agency	Fund	Amount
Salem Housing Authority	General fund	\$ 132,756
City of Turner	Water and Sewer	91,574
Total due from other agencies		\$ 224,330

C. Capital assets

1. Capital asset activity for governmental activities for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Land, land improvements, and art	\$ 228,262,757	\$ 1,311,083	\$ (507,941)	\$ 229,065,899
Construction work-in-progress	51,905,475	24,833,708	(4,487,011)	72,252,172
Total non-depreciable	280,168,232	26,144,791	(4,994,952)	301,318,071
Buildings and building improvements	70,585,285	353,506	-	70,938,791
Other improvements	41,498,821	840,643	-	42,339,464
Motor pool	21,668,248	2,483,757	(1,777,022)	22,374,983
Equipment and machinery	34,305,202	1,561,882	(856,656)	35,010,428
Infrastructure	378,020,782	2,610,076	(12,988)	380,617,870
Total depreciable	546,078,338	7,849,864	(2,646,666)	551,281,536
Accumulated depreciation				
Buildings and building improvements	(26,368,335)	(1,426,844)	-	(27,795,179)
Other improvements	(20,045,734)	(1,283,187)	-	(21,328,921)
Motor pool	(13,284,322)	(1,312,012)	1,176,162	(13,420,172)
Equipment and machinery	(23,835,536)	(1,839,525)	841,779	(24,833,282)
Infrastructure	(232,508,299)	(9,242,173)	12,988	(241,737,484)
Total accumulated depreciation	(316,042,226)	(15,103,741)	2,030,929	(329,115,038)
Governmental activities capital assets, net	\$ 510,204,344	\$ 18,890,914	\$ (5,610,689)	\$ 523,484,569

2. Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 748,974
Community development	956,390
Community service	1,137,704
Public safety	1,227,292
Engineering and streets	9,253,943
Library	215,018
Capital assets held by the City's internal service funds are charged to the various funds based on their usage of the assets	1,564,420
Total depreciation expense for governmental activities	\$ 15,103,741

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

3. Capital asset activity for business-type activities for the year ended June 30, 2014 is as follows:

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 16,942,397	\$ 81,557	\$ -	\$ 17,023,954
Construction work-in-progress	41,689,856	8,418,597	-	50,108,453
Total non-depreciable	<u>58,632,253</u>	<u>8,500,154</u>	<u>-</u>	<u>67,132,407</u>
Buildings and building improvements	31,238,171	34,312	-	31,272,483
Equipment and machinery	6,021,009	63,924	(68,677)	6,016,256
Water and sewer system	824,069,315	3,163,107	(1,381,264)	825,851,158
Total depreciable	<u>861,328,495</u>	<u>3,261,343</u>	<u>(1,449,941)</u>	<u>863,139,897</u>
Accumulated depreciation				
Buildings and building improvements	(5,401,292)	(675,286)	-	(6,076,578)
Equipment and machinery	(4,951,236)	(354,629)	47,453	(5,258,412)
Water and sewer system	(241,292,365)	(16,256,626)	1,381,264	(256,167,727)
Total accumulated depreciation	<u>(251,644,893)</u>	<u>(17,286,541)</u>	<u>1,428,717</u>	<u>(267,502,717)</u>
Business-type activities capital assets, net	<u>\$ 668,315,855</u>	<u>\$ (5,525,044)</u>	<u>\$ (21,224)</u>	<u>\$ 662,769,587</u>

4. Depreciation expense for business-type activities is charged to functions as follows:

Water and Sewer	\$ 16,256,626
Emergency Medical Services	80,730
WVPS Communications Center	243,906
Police Regional Records System	3,935
Salem Convention Center	701,344
Total depreciation expense for business-type activities	<u>\$ 17,286,541</u>

5. Capital asset activity for discretely presented component unit – Housing Authority of the City of Salem for its fiscal year ended September 30, 2013 is as follows:

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 1,713,321	\$ 300,000	\$ -	\$ 2,013,321
Construction work-in-progress	-	528,792	-	528,792
Total non-depreciable	<u>1,713,321</u>	<u>828,792</u>	<u>-</u>	<u>2,542,113</u>
Buildings and improvements	27,701,975	7,377,172	-	35,079,147
Equipment and machinery	2,284,248	495,110	(48,327)	2,731,031
Total depreciable	<u>29,986,223</u>	<u>7,872,282</u>	<u>(48,327)</u>	<u>37,810,178</u>
Accumulated depreciation				
Buildings and improvements	(13,830,880)	(5,315,406)	-	(19,146,286)
Equipment and machinery	(1,581,517)	(110,988)	46,667	(1,645,838)
Total accumulated depreciation	<u>(15,412,397)</u>	<u>(5,426,394)</u>	<u>46,667</u>	<u>(20,792,124)</u>
Business-type activities, net	<u>\$ 16,287,147</u>	<u>\$ 3,274,680</u>	<u>\$ (1,660)</u>	<u>\$ 19,560,167</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

D. Deferred outflows of resources

In business-type activities, the fiscal year 2012-13 refunding of revenue bonds resulted in a difference between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bond. The balance on June 30, 2014 is \$5,482,998.

E. Interfund receivables, payables, advances, and transfers

The composition of interfund balances as of June 30, 2014, is as follows:

1. *Due to/from other funds*

Balances represent short-term loans.

Due from other funds	Due to other funds		Total Due From Other Funds
	Community Renewal	Nonmajor Business	
General	\$ 415,896	\$ -	\$ 415,896
Nonmajor governmental	-	22,107	22,107
Total due to other funds	\$ 415,896	\$ 22,107	\$ 438,003

2. *Advances*

An interfund loan of \$594,200 was made from the Community Enhancement fund (Telephone System Replacement funds) to the Capital Improvements fund in fiscal year 2012-13 for airport improvements. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate plus 0.50%. \$228,726 was repaid in fiscal year 2013-14, and the remaining balance will be repaid over the remaining term of the loan.

3. *Transfers*

Transfers are used to: 1) move revenues from the fund with collection authorization to the fund in which the expenditure is required by budget or statute or, 2) move unrestricted revenues to finance programs accounted for in other funds in accordance with budgetary authorization. The following table is based on the fund financial statements with intra-fund transfers eliminated.

Transfers out	Transfers in							Total Transfers Out
	General	Public Works	Capital Improvement	Tax Alloc. Improvement	Nonmajor Governmental	Water and Sewer	Internal Services	
General	\$ -	\$300,000	\$ 342,320	\$ -	\$ 229,406	\$122,380	\$ -	\$ 994,106
Public works	-	-	-	-	-	675,360	-	675,360
Nonmajor governmental	825,000	75,000	1,097,597	4,350,000	-	5,000	-	6,352,597
Nonmajor business	-	-	-	-	274,831	-	-	274,831
Water and sewer	-	-	-	-	-	-	167,655	167,655
Internal services	-	-	-	-	-	67,089	4,594,291	4,661,380
Total transfers in	\$825,000	\$375,000	\$1,439,917	\$4,350,000	\$ 504,237	\$869,829	\$4,761,946	\$13,125,929

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

F. Leases

Operating leases

The City leases building and office facilities under operating leases with renewable options up to five years. The costs for such leases were \$412,710 for the fiscal year ended June 30, 2014. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Payments Due</u>
2015	\$ 423,317
2016	434,196
2017	445,355
2018	456,801
2019	468,540
2020-24	<u>2,529,634</u>
Total	<u>\$ 4,757,843</u>

The following table gives information about the City's two parkades that have leased office and retail space. The percentages shown indicate the amount of leasable space as a proportion of the entire square footage of each structure. The dollar amounts are the corresponding amounts of cost, accumulated depreciation, and book value of the leased space as a proportion of the total for each structure.

<u>Facility Name</u>	<u>Leased space as a percentage of:</u>		
	<u>Original</u> <u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Book</u> <u>Value</u>
Chemeketa parkade, 8.2% leased	\$ 348,927	\$ 306,020	\$ 42,907
Liberty parkade, 6.4% leased	147,663	129,505	18,158
Total	<u>\$ 496,590</u>	<u>\$ 435,525</u>	<u>\$ 61,065</u>

Lessor revenues of \$1,640,583 were received by the City for leased office and retail space in two of its parkades. Lease contracts are for five-year terms.

As of June 30, 2014, future minimum rents contractually due from operating leases are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Payments Due</u>
2015	\$ 1,682,746
2016	1,725,992
2017	1,770,350
2018	1,815,848
2019	1,862,516
2020-24	<u>10,055,661</u>
Total	<u>\$ 18,913,113</u>

G. Due to other agencies

Cable franchise fees of \$54,315 are due from the General fund to the Mid Willamette Valley Cable Regulatory Commission, and \$12,667 in unclaimed property escheatments are due from the General fund to the Oregon Division of State Lands.

City of Salem, Oregon
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June 30, 2014

H. Compensated absences

In prior years, compensated absences have been liquidated primarily by the General, Public Works, and Water and Sewer funds. Changes in compensated absences are as follows:

	Balance July 1, 2013	Leave Earned	Leave Taken	Balance June 30, 2014	Due Within One Year
Governmental activities	\$ 6,305,769	\$ 4,805,289	\$ 5,363,669	\$ 5,747,389	\$ 1,442,176
Business-type activities	1,796,501	1,029,918	754,135	2,072,284	500,362
Total	\$ 8,102,270	\$ 5,835,207	\$ 6,117,804	\$ 7,819,673	\$ 1,942,538

I. Debt

The City issues various types of debt to finance capital activities. Each type of debt is discussed below. The following tables provide details on the year's activities for each of the City's debt issuances, by governmental and business-type activities. Tables indicating future debt maturities for governmental and business-type activities are also provided, with balances as of June 30, 2014. The City's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations.

1. *Changes in long-term debt*

	Original Amount	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities debt						
<u>General obligation bonds:</u>						
Refunding & Streets-Bridges, Ser. 2009 (3.60%)	\$ 34,480,000	\$ 24,615,000	\$ -	\$ 1,400,000	\$ 23,215,000	\$ 1,530,000
Streets-Bridges, Ser. 2012 (2.62%)	25,000,000	15,050,000	-	830,000	14,220,000	885,000
Streets-Bridges, Ser. 2013 (2.82%)	43,665,000	-	43,665,000	2,350,000	41,315,000	2,555,000
Refunding Fire Bond Ser. 2012 (2.25%)	18,289,298	15,793,130	-	1,791,958	14,001,172	1,832,503
Subtotal general obligation bonds		55,458,130	43,665,000	6,371,958	92,751,172	6,802,503
Premium		1,391,946	2,928,425	316,698	4,003,673	-
Total general obligation bonds		56,850,076	46,593,425	6,688,656	96,754,845	6,802,503
Limited tax pension obligation 2005 (5.04%)	61,685,000	54,240,000	-	1,490,000	52,750,000	1,735,000
<u>Urban renewal bonds:</u>						
North Gateway, Ser. 2003 (5.40%)	26,175,000	5,490,000	-	3,990,000	1,500,000	1,500,000
Riverfront/Downtown, Ser. 2003A (5.35%)	3,425,000	1,435,000	-	260,000	1,175,000	270,000
Riverfront/Downtown, Ser. 2003B (6.25%)	24,925,000	11,440,000	-	2,020,000	9,420,000	2,145,000
Riverfront/Downtown, Ser. 2009 (4.35%)	3,660,000	2,865,000	-	210,000	2,655,000	220,000
West Salem, Ser. 2013 (1.90%)	1,500,000	-	1,500,000	294,000	1,206,000	294,000
Total urban renewal bonds		21,230,000	1,500,000	6,774,000	15,956,000	4,429,000
Total governmental bonds		132,320,076	48,093,425	14,952,656	165,460,845	12,966,503
<u>Notes:</u>						
Fairview Industrial Park (5.01%)	1,650,000	569,472	-	569,472	-	-
HUD Sec108, Ser. 2003A (5.05%)	7,200,000	4,004,193	-	445,281	3,558,912	379,000
OECD L06001A, Mill Creek, Ser. 2007 (4.41%)	4,000,000	3,481,891	518,108	-	3,999,999	-
OECD L06001B, Mill Creek, Ser. 2007 (4.41%)	1,000,000	993,334	6,666	-	1,000,000	-
OECD L06001C, Mill Creek, Ser. 2007 (5.00%)	3,772,081	-	3,772,081	-	3,772,081	-
Total notes		9,048,890	4,296,855	1,014,753	12,330,992	379,000
Total governmental activities long-term debt		\$ 141,368,966	\$ 52,390,280	\$ 15,967,409	\$ 177,791,837	\$ 13,345,503

City of Salem, Oregon
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	Original Amount	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<i>Business-type activities debt</i>						
<u>Revenue bonds - water and sewer</u>						
Full Faith & Credit, Ser. 2009 (4.07%)	\$ 100,075,000	\$ 86,060,000	\$ -	\$ 3,830,000	\$ 82,230,000	\$ 3,945,000
Series 2012 A refunding (1.99%)	63,360,000	60,422,000	-	-	60,422,000	-
Series 2012 B refunding (1.99%)	49,361,000	37,820,000	-	14,255,000	23,565,000	12,239,000
Subtotal revenue bonds		184,302,000	-	18,085,000	166,217,000	16,184,000
Premiums		4,367,214	-	272,951	4,094,263	-
Total revenue bonds		188,669,214	-	18,357,951	170,311,263	16,184,000
<u>Notes</u>						
Oregon ECDD G09001 (4.17%)	5,875,000	5,287,907	-	157,599	5,130,308	163,565
Total business-type activities long-term debt		<u>\$ 193,957,121</u>	<u>\$ -</u>	<u>\$ 18,515,550</u>	<u>\$ 175,441,571</u>	<u>\$ 16,347,565</u>

2. Governmental activity general obligation bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from proceeds of ad valorem debt service levy. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. The City's outstanding general obligation bonds represent funding primarily for transportation and public safety improvement projects.

3. Limited tax pension obligation

On September 23, 2005, twelve local governments issued a combined \$186,945,000 limited-tax pension obligation bonds. The City of Salem's portion was \$61,685,000 and was used to make a lump sum payoff of its unfunded pension liability with the Oregon Public Employees Retirement System.

Each participating government is responsible for their annual debt service payments and the City of Salem is current with all payments. However, because this is a pooled issue, the rating agencies evaluate the strength of the bonds based on the lowest rated participant. Moody's has downgraded this Oregon Local Governments Limited Tax Pension Obligation, Series 2005 issue to A1 from Aa3. The City will continue to make all required debt service payments.

4. Governmental activity urban renewal bonds

Urban renewal bonds are special obligations of the Urban Renewal Agency and are payable solely from tax increment revenues. The Agency issues bonds to provide funds for urban renewal projects within designated project areas.

In accordance with bond covenants, the Agency has established certain reserves within its debt service fund as follows:

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Riverfront/Downtown URA

2003A: \$337,452 2003B: \$2,492,500 2007: \$110,000 2009: \$335,493

North Gateway URA

2003 \$2,509,790

5. Governmental activity notes

The Agency issues notes to provide funds for the acquisition and construction of capital asset improvements. The Agency's outstanding notes represent funding primarily for projects associated with economic development and wetland mitigation.

In July 2003, the City executed a 20-year contract with the U.S. Department of Housing and Urban Development (HUD) for Section 108 loan guarantee funds in the amount of \$7.2 million as part of the funding needed to construct the Salem Convention Center. The City was required to pledge as security its yearly allocation of CDBG entitlement funds. Three other sources of income have provided sufficient resources to make the debt service payments, so no entitlement funds have been used for loan repayment.

6. Governmental activity future maturities of long-term debt

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 379,000	\$ 194,389	\$ 12,966,503	\$ 6,812,852	\$ 13,345,503	\$ 7,007,241
2015-16	379,000	595,876	12,217,966	6,281,367	12,596,966	6,877,243
2016-17	507,711	218,914	13,040,368	5,761,217	13,548,079	5,980,131
2017-18	513,387	213,238	13,923,729	5,195,783	14,437,116	5,409,021
2018-19	647,042	344,698	11,539,071	4,604,474	12,186,113	4,949,172
2019-24	3,530,875	1,636,270	73,634,535	14,988,334	77,165,410	16,624,604
2024-29	2,392,985	1,139,638	24,135,000	2,631,540	26,527,985	3,771,178
2029-34	2,406,622	622,722	-	-	2,406,622	622,722
2034-38	1,574,370	138,227	-	-	1,574,370	138,227
	<u>\$12,330,992</u>	<u>\$5,103,972</u>	<u>\$161,457,172</u>	<u>\$46,275,567</u>	<u>\$173,788,164</u>	<u>\$51,379,539</u>

City of Salem, Oregon
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7. Business-type activity revenue bonds

Revenue bonds are obligations of the City's Water and Sewer fund and are payable solely from the net revenues derived from this enterprise. The City issues revenue bonds to provide funds for improvements to and rehabilitation of the City's utility systems.

Amidst the 2009 global financial crisis, the City's utility system was forced to convert its short-term commercial paper debt into long-term bonds. Due to coverage ratio constraints in the utility system at that time, the debt was issued as a full faith and credit issuance. In 2012, when the utility system refunded its existing debt, a utility revenue pledge was formally extended to the 2009 full faith and credit debt.

At June 30, 2014, defeased water and sewer revenue bonds are as follows:

<u>Water and Sewer Debt</u>	<u>Defeased Debt Outstanding</u>
Series 2002 refunding	\$ 1,000,000
Series 2003	12,670,000
Series 2004	29,325,000
Series 2005	15,570,000
Total defeased debt outstanding	\$ 58,565,000

The defeased debt has been legally turned over to an escrow agent with sufficient funding (principal received combined with the earnings on that principal during the time the agent holds the funds) to allow the agent to pay off the debt as it matures. Defeased debt is no longer a liability of the City.

8. Business-type activity notes

Notes are obligations of the City's Water and Sewer fund and are payable solely from the net revenues derived from this enterprise. The City used note financing to provide funds for capital improvements. Notes are subordinate to revenue bonds.

9. Business-type activity future maturities of long-term debt

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 163,565	\$ 238,034	\$ 16,184,000	\$ 5,423,174	\$ 16,347,565	\$ 5,661,208
2015-16	169,708	231,492	15,431,000	5,146,655	15,600,708	5,378,147
2016-17	175,896	224,703	15,752,000	4,831,543	15,927,896	5,056,246
2017-18	187,132	217,668	14,720,000	4,405,131	14,907,132	4,622,799
2018-19	193,417	210,182	13,743,000	3,998,514	13,936,417	4,208,696
2019-24	1,100,602	915,196	55,362,000	14,043,690	56,462,602	14,958,886
2024-29	1,380,365	628,547	35,025,000	5,099,786	36,405,365	5,728,333
2029-34	1,759,623	258,739	-	-	1,759,623	258,739
	\$5,130,308	\$2,924,561	\$166,217,000	\$42,948,493	\$171,347,308	\$45,873,054

City of Salem, Oregon
Notes to the Financial Statements
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J. Conduit debt obligations

Conduit obligations are defined as those issued with approval of the City for the benefit of eligible third parties that provide health care or senior citizen use facilities. They are not a part of the City's financial reporting entity. At June 30, 2014, the following issues are outstanding.

Hospital Facility Authority of the City of Salem

Date Issued	Purpose	Original Amount	Outstanding Balance June 30, 2014
<u>Capital Manor, Inc.</u>			
06/2012	Revenue Bonds, Series 2012 Pay off outstanding balances of 2004 Bonds, the 2006 bonds and the swap agreements.	\$ 50,135,000	\$ 49,150,000
<u>Salem Hospital</u>			
11/2006	Revenue Bonds, Series 2006A Finance various capital projects. Bonds totaling \$120,000,000 were issued at a premium in the amount of \$3,122,698.	123,122,698	117,555,926
10/2008	Revenue Bonds, Series 2008A Refinance a portion of the 2008 taxable line of credit, provide financing for various capital projects, and establish debt reserve.	60,487,771	47,323,613
11/2008	Revenue Bonds, Series 2008B Refinance a portion of the 2008 taxable line of credit and provide financing for various capital projects.	75,000,000	75,000,000
06/2013	Revenue Bonds, Series 2013A Refinance 2008C and provide financing for various capital projects.	35,000,000	35,000,000
06/2013	Revenue Bonds, Series 2013B Refinance 2008C and provide financing for various capital projects.	35,000,000	35,000,000
		<u>\$ 378,745,469</u>	<u>\$ 359,029,539</u>

These outstanding bond issues and tax-exempt obligations are not debts of the City and have not been reported in the accompanying financial statements.

City of Salem, Oregon
Notes to the Financial Statements
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K. Fund balance

Fund balances for governmental funds as of June 30, 2014 are as follows:

	General Fund	Public Works	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total
<u>Nonspendable:</u>							
Prepaid Items	\$ 452,297	\$ 46,388	\$ -	\$ -	\$ -	\$ 16,117	\$ 514,802
Permanent fund principal	-	-	-	-	-	11,000	11,000
Total nonspendable	<u>452,297</u>	<u>46,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,117</u>	<u>525,802</u>
<u>Restricted:</u>							
Capital projects	-	-	39,319,504	16,888,657	-	12,967,636	69,175,797
Community renewal	-	-	-	-	25,321	-	25,321
Debt service	-	-	-	-	-	17,120,865	17,120,865
Permanent funds	-	-	-	-	-	239,974	239,974
General government	-	-	-	-	-	181,040	181,040
Community development:							
SCC Gain/Loss	-	-	-	-	-	4,064,743	4,064,743
Other	-	-	-	-	-	67,304	67,304
Community services	-	-	-	-	-	732,902	732,902
Library services	-	-	-	-	-	38,709	38,709
Public safety	-	-	-	-	-	404,818	404,818
Engineering/Streets	-	-	-	-	-	1,548,881	1,548,881
Total restricted	<u>-</u>	<u>-</u>	<u>39,319,504</u>	<u>16,888,657</u>	<u>25,321</u>	<u>37,366,872</u>	<u>93,600,354</u>
<u>Committed:</u>							
Public works	-	2,024,302	-	-	-	-	2,024,302
Airport	-	-	-	-	-	630,575	630,575
Downtown parking	-	-	-	-	-	376,263	376,263
Economic improvement	-	-	-	-	-	172,804	172,804
Cultural/Tourism	-	-	-	-	-	1,265,882	1,265,882
Public art	-	-	-	-	-	4,336	4,336
Parking leasehold	-	-	-	-	-	573,433	573,433
Building & safety	-	-	-	-	-	4,789,200	4,789,200
General government	-	-	-	-	-	1,703,939	1,703,939
Community services	-	-	-	-	-	45,321	45,321
Library services	-	-	-	-	-	880,833	880,833
Public safety	-	-	-	-	-	15,939	15,939
Total committed	<u>-</u>	<u>2,024,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,458,525</u>	<u>12,482,827</u>
<u>Unassigned:</u>							
	<u>20,544,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,544,950</u>
Total fund balances	<u>\$20,997,247</u>	<u>\$2,070,690</u>	<u>\$39,319,504</u>	<u>\$16,888,657</u>	<u>\$ 25,321</u>	<u>\$47,852,514</u>	<u>\$127,153,933</u>

L. Net position

The government-wide and proprietary fund statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets reflects the portion of net position invested in capital assets less any outstanding balances of related debt. The related debt is the debt less any unspent proceeds.

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Restricted net position represents liquid assets that have third party (statutory, bond covenant, or grantor) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to defer the use thereof to a future project or replacement equipment acquisition. The following table presents the calculation of net position and components thereof.

Calculation of Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets	\$ 523,484,569	\$ 662,769,587	\$ 1,186,254,156
Capital asset related debt			
Outstanding debt	(125,041,837)	(175,441,571)	(300,483,408)
Unexpended proceeds	37,336,901	-	37,336,901
Net capital asset related debt	(87,704,936)	(175,441,571)	(263,146,507)
Net investment in capital assets	435,779,633	487,328,016	923,107,649
Restricted:			
Capital projects			
Capital improvements	39,850,167	11,344,749	51,194,916
Extra capacity facilities	11,883,998	-	11,883,998
Tax allocation improvements	24,523,993	-	24,523,993
Development district	1,559,943	-	1,559,943
Unexpended proceeds moved to investment in capital assets	(37,336,901)	-	(37,336,901)
Total capital projects	40,481,200	11,344,749	51,825,949
Debt service			
General debt	318,383	-	318,383
Tax allocation debt	17,014,636	-	17,014,636
Total debt service	17,333,019	-	17,333,019
Other purposes			
Community enhancement	7,038,397	-	7,038,397
Permanent	239,974	-	239,974
Permanent - non-expendable	11,000	-	11,000
Community renewal	14,706,245	-	14,706,245
Total other purposes	21,995,616	-	21,995,616
Total restricted	79,809,835	11,344,749	91,154,584

Continued

City of Salem, Oregon
Notes to the Financial Statements
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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted:			
General fund	23,447,589	-	23,447,589
Special revenue funds			
Public works	2,024,937	-	2,024,937
Airport	630,575	-	630,575
Downtown parking	376,263	-	376,263
Economic improvement	180,868	-	180,868
Cultural and tourism	1,265,882	-	1,265,882
Public Art	4,336	-	4,336
Parking leasehold	573,433	-	573,433
Building and safety	4,789,200	-	4,789,200
Community enhancement	2,646,032	-	2,646,032
Internal service funds	21,752,605	-	21,752,605
Enterprise funds			
Water and sewer	-	50,161,635	50,161,635
Emergency services	-	2,693,046	2,693,046
WVPS communication center	-	1,501,094	1,501,094
Police regional records system	-	948,582	948,582
Salem convention center	-	446,464	446,464
Net OPEB obligation	(5,160,478)	(1,795,167)	(6,955,645)
Compensated absences	(5,747,389)	(2,072,284)	(7,819,673)
Total unrestricted	<u>46,783,853</u>	<u>51,883,370</u>	<u>98,667,223</u>
Total net position	<u>\$ 562,373,321</u>	<u>\$ 550,556,135</u>	<u>\$ 1,112,929,456</u>
			Concluded

IV. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; employment practices; injuries to employees; and natural disasters. The City operates a self-insurance program to account for and finance its uninsured risk of loss. Resources to pay claims are derived from various funds and are recorded as revenues in the Self-Insurance fund and expenditures in the funds charged. There were no reductions in excess insurance coverage during the current fiscal year. During the past three years, claims costs have not exceeded the self-insured retention.

The City provides a tiered medical benefit package for all eligible participants. The monthly member (employee only) medical premiums paid are \$577 for the Kaiser Permanente HMO plan, and \$606 for the Preferred Provider Organization (PPO) plan. Additional premiums for vision and dental benefits are also paid, as elected by the employee, up to a maximum of \$1,757 for all medical, vision, and dental plan premiums per employee (including dependents), except as otherwise provided in accordance with labor agreements. Specific claim stop-loss coverage is purchased for individual claims exceeding \$175,000. During fiscal year 2013-14, total medical, vision, and dental claims expense of \$16,484,772 was incurred.

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The City self-insures workers compensation risk up to \$500,000 per occurrence. Additional coverage up to \$25 million per occurrence is purchased from a commercial carrier. The State of Oregon annually audits workers compensation reserves based on the open claims and actuarial report.

The City's property is insured through a commercial carrier. The coverage provides a per occurrence limit of \$400 million. Deductibles vary depending on the type of loss, but generally are \$25,000. The City retains the first \$500,000 of all liability claims. An excess liability insurance policy purchased from a commercial carrier provides coverage for liability claims in excess of \$500,000, up to \$10 million per occurrence.

The changes in the aggregate liability (reserves) for workers compensation and general liability/casualty claims for fiscal years 2012-13 and 2013-14 are as follows:

Workers Compensation

Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2013	\$ 1,631,820	\$ 401,246	\$ (1,282,333)	\$ 1,511,317	\$ 2,262,050
2014	2,262,050	688,009	(1,203,481)	625,842	2,372,420

Liability/Casualty

Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2013	\$ 1,807,000	\$ 211,981	\$ (270,719)	\$ 281,268	\$ 2,029,530
2014	2,029,530	362,771	(424,648)	126,707	2,094,360

An independent actuarial study is done every two years. The study is used as the basis for determining future liability, including incurred but not reported claims (IBNR). Reported claims are reserved based on reasonable anticipated expenses and ultimate probable cost. The estimate of the claims liability does not include claims adjustment expenses, whether incremental or non-incremental, but does anticipate recoveries and subrogation. All prior and current year claims are fully reserved and have not been discounted. The City does not currently utilize annuity contracts from commercial insurers.

B. Commitments and contingencies

1. Grants

Grants receivable and grant receipts are subject to audit adjustment by grantor agencies, principally the federal government. Any disallowed claims, including claims already collected, could become a liability of the City.

City of Salem, Oregon
Notes to the Financial Statements
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2. *Litigation matters*

The City is presently involved in certain litigation matters arising from the normal course of business. In the opinion of management and the City's legal counsel, adverse disposition of any such legal matter will not have a material effect on the City's financial position. At June 30, 2014, reserves have been established to provide for the estimated liability in such cases.

3. *Construction commitments*

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2014-15. The total estimated amount of these projects is \$87,900.

C. Defined benefit pension plan (PERS)

1. *Plan description*

The City participates in the Oregon Public Employees Retirement System (PERS), which is governed by ORS Chapter 238. PERS is a cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability benefits, cost of living adjustments, and death benefits to members and beneficiaries. Benefits are set by state statute.

In 2003, the Oregon Legislature created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution program (the Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary, years of service, and a factor that varies based on type of service (general service versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. Those employees who had established a PERS membership prior to creation of OPSRP are members of both the PERS and OPSRP systems.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://www.oregon.gov/pers/>.

2. *Funding policy*

Covered employees are required by state statute to contribute 6% of their salary to the system. The City, by contractual agreement, has chosen to pay the employee contribution in lieu of a pay increase (known as the employer pick-up). The amount paid in fiscal year 2013-14 was \$4,580,344.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

Statutorily required employer contribution rates for the City are shown in the following table. Rates are set by OPERB biennially based upon actuarial computations of the amount needed to adequately provide for benefits.

City of Salem	PERS Employer Contribution Rates Effective:	
	7/1/2013	7/1/2015
Tier I/Tier II	14.66%	15.82%
OPSRP		
Police & Fire	13.01%	12.73%
General	10.28%	8.62%
<u>Housing Authority</u>		
Tier I/Tier II	15.39%	16.64%
OPSRP	13.06%	11.69%

The 2013 Oregon legislature passed Senate Bill 822, making a number of significant changes to PERS. The December 31, 2011 actuarial valuation set employer contribution rates for the period July 2013 through June 2015. The City's rates were set at 19.06% for Tier I/Tier II, 17.41% for OPSRP police & fire employees, and 14.68% for OPSRP general service employees. SB822 reduced all City rates by 4.4% for the biennium, arriving at the rates in the above table. Rates for the Housing Authority were originally set at 17.89% for Tier I/Tier II and 15.56% for OPSRP. These were each reduced by 2.5%. SB822 has been challenged in court and is currently being tried.

The City charges an internal fixed charge to departments to fund the repayment of pension obligation bonds issued in 2005. The fixed amount charged in fiscal year 2013-14 totaled 5.49% of PERS covered payroll.

3. Three-year trend information

	Fiscal Year Ended June 30,		
	2014	2013	2012
Annual Pension Cost (APC)	\$ 14,817,648	\$ 13,444,857	\$ 13,605,204
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Principal and interest paid on pension obligation bonds	\$ 4,177,811	\$ 4,016,396	\$ 3,864,696

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

D. Defined benefit pension plan (RHIA)

1. *Plan description*

As a member of Oregon Public Employees Retirement System (PERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. PERS issues a financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

2. *Funding policy*

Contribution requirements of plan members and participating employers were established in law and may be amended only by the Oregon legislature. ORS require that the lesser of \$60 or the total monthly cost of Medicare companion health insurance premiums coverage shall be paid from the RHIA established by the employer. Any excess cost 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 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.

Participating employers are required to contribute to RHIA at a rate assessed by PERS, currently 0.59% of annual covered payroll for Tier I/Tier II employees, and 0.49% for OPSRP employees. The PERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

E. Other Post-employment Benefits (OPEB)

1. Plan description

The City administers a single-employer defined benefit healthcare plan. Benefit provisions are established through negotiations between the City and collective bargaining units. The healthcare plan provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents. Premiums are paid by the retiree. The level of benefits provided by the plan is the same as that afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 26.

The City's post-retirement healthcare plan was established in accordance with ORS 243.303. ORS stipulate that for establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs (which, because of the effect of age, is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the City's implicit rate subsidy.

2. Funding policy

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2014, the City contributed \$853,210 to the plan.

Since the City is self-insured, the actuarially determined net obligation at July 1, 2013 of \$6,955,645 shown on the next page bears little risk of not being funded over time because the City has an adequate fund balance, has stop-loss insurance, has annually paid all claims, and has the ability to raise rates as needed to meet annual claims

3. Annual OPEB cost and net OPEB obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. The net OPEB obligation represents the cumulative difference between the ARC and actual contributions, beginning when the City implemented GASB Statement 45 (fiscal year 2007-08). The following table shows the components of the City's annual OPEB cost for the fiscal year 2013-14, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

Annual required contribution	\$ 1,237,026
Interest on net OPEB obligation	267,645
Adjustment to the annual required contribution	<u>(386,949)</u>
	1,117,722
Annual OPEB cost (expense) contributions made	<u>(853,210)</u>
Increase in net OPEB obligation	264,512
Net OPEB obligation, 7/1/2013	<u>6,691,133</u>
Net OPEB obligation, 6/30/2014	<u><u>\$ 6,955,645</u></u>

The net OPEB obligation of \$6,955,645 at June 30, 2014 is recognized as a noncurrent liability as shown on the statement of net position.

The City's annual OPEB cost, actual contribution, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation by fiscal year were as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,437,227	\$ 852,264	59.3 %	\$ 5,375,313
2013	1,426,522	110,702	7.8	6,691,133
2014	1,117,722	853,210	76.3	6,955,645

4. Funded status and funding progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$11,207,568 and the actuarial value of assets was \$0, resulting in a 100% unfunded actuarial accrued liability (UAAL) of \$11,207,568. The covered payroll (annual payroll of active employees covered by the plan) was \$73,114,399, and the ratio of the UAAL to the covered payroll was 15.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2014

5. 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 the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2013 actuarial valuation used the projected unit credit method, an assumed 4% rate of return, inflation of 3%, and a healthcare cost inflation trend of 9% in 2014 reduced by decrements to an ultimate rate of 5% in 2023. The UAAL and gains or losses are amortized as a level dollar amount over an open period of 30 years.

F. Outstanding encumbrances

At June 30, 2014, the City has encumbered the following commitments that required reappropriation in the 2014-15 fiscal year budget.

<u>Fund</u>	<u>Amount</u>
General	\$ 144,120
Public Works	28,000
Capital Improvements	362,840
Community Renewal	300,000
Non-major governmental	212,470
Water and Sewer	39,000
City Services	226,000
Total	<u>\$ 1,312,430</u>

G. New Pronouncements

The City early implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities* when the fiscal year 2012-13 Comprehensive Annual Financial Report was published.

CITY OF SALEM, OREGON
Required Supplementary Information
June 30, 2014

1. Schedule of Funding Progress – Other Post-employment Benefits

Other post-employment benefits schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2009	\$ -	\$ 13,983,079	\$ 13,983,079	0.00%	\$ 75,468,328	18.53%
7/1/2011	-	14,080,132	14,080,132	0.00	72,880,663	19.32
7/1/2013	-	11,207,568	11,207,568	0.00	73,114,399	15.33

The City's other post-employment benefits include retiree healthcare. The actuarial cost method for retiree healthcare benefits is the projected unit credit method. The last actuarial valuation completed was as of July 1, 2013.

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Supplemental Information

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COMBINING STATEMENTS - Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds account for specific revenues that are restricted to expenditures for particular purposes.

Airport

This fund accounts for the operations and maintenance of the Salem Municipal Airport. Financing is provided primarily from user fees.

Downtown Parking

This fund accounts for operations and maintenance of City-owned parking structures and on-street parking enforcement within the Downtown Parking District. Financing is provided primarily from parking permits and district assessments.

Economic Improvement District

This fund accounts for receipts from assessment payments for businesses within the defined downtown boundary to promote downtown marketing and enhancement activity.

Cultural/Tourism

This fund accounts for urban beautification, improvements to or operations of major tourist attractions or cultural facilities, Salem Convention Center marketing, and promotion of Salem for conventions and tourism. Financing is provided primarily from transient occupancy taxes.

Public Art

This fund accounts for the selection, acquisition and maintenance of public art. Financing for these activities is derived from the dedication of one-half of one percent of the total eligible costs of public improvement projects.

Parking Leasehold

This fund accounts for maintenance of retail rental space located within the City-owned parking structures. Financing is provided primarily from tenant rent.

Building and Safety

This fund accounts for licensing and permits, new construction, multi-unit housing inspections, and code enforcement. The major revenue source is fees.

Community Enhancement

This fund accounts for donations, seizures, state funds, grants, and fees that are specifically designated for library, parks and recreation, public safety, or community and economic development. The principal may be expended.

Permanent Funds

These funds account for gifts donated for specified purposes (currently park maintenance and library materials) and interest earnings. Only the interest earnings may be expended for those specified purposes.

Debt Service Funds

Debt service funds are used for the accumulation of resources for the payment of general obligation and urban renewal debt including principal, interest, and related costs.

General Debt

This fund accounts for the accumulation of resources for, and payment of, general obligation bond and long-term note principal and interest. Financing is provided primarily from property taxes.

Tax Allocation Bond Debt

This fund accounts for the accumulation of resources for, and payment of, urban renewal bond and long-term note principal and interest. Financing is provided primarily from property taxes.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital assets other than those financed by proprietary funds and special revenue funds.

Extra Capacity Facilities

This fund accounts for street expansion, and parks development and expansion. Financing is provided primarily from systems development charges levied against developing properties.

Development Districts

This fund accounts for infrastructure improvements. Financing is provided primarily from development district fees.

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds						
	Airport	Downtown Parking	Economic Improvement	Cultural/ Tourism	Public Art	Parking Leasehold	Building and Safety
Assets							
Cash and investments	\$ 622,700	\$ 512,266	\$ 179,518	\$ 993,888	\$ 4,336	\$ 561,890	\$ 4,788,425
Accounts receivable, net	32,543	5,533	8,064	283,124	-	43,397	26,072
Due from other funds	-	-	-	22,107	-	-	-
Inventories and prepayments	3,009	-	-	-	-	-	13,108
Advances to other funds	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-
Total assets	\$ 658,252	\$ 517,799	\$ 187,582	\$ 1,299,119	\$ 4,336	\$ 605,287	\$ 4,827,605
Liabilities							
Accounts payable and accrued liabilities	\$ 24,668	\$ 141,536	\$ 6,714	\$ 33,237	\$ -	\$ 29,854	\$ 25,297
Security deposit payable	-	-	-	-	-	2,000	-
Developer reimbursement payable	-	-	-	-	-	-	-
Total liabilities	24,668	141,536	6,714	33,237	-	31,854	25,297
Deferred inflows of resources							
Unavailable revenue	-	-	8,064	-	-	-	-
Fund balances							
Nonspendable	3,009	-	-	-	-	-	13,108
Restricted	-	-	-	-	-	-	-
Committed	630,575	376,263	172,804	1,265,882	4,336	573,433	4,789,200
Total fund balances	633,584	376,263	172,804	1,265,882	4,336	573,433	4,802,308
Total liabilities, deferred inflows of resources, and fund balances	\$ 658,252	\$ 517,799	\$ 187,582	\$ 1,299,119	\$ 4,336	\$ 605,287	\$ 4,827,605

Continued

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds		Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Community Enhancement	Permanent Funds	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	
Assets							
Cash and investments	\$ 9,404,815	\$ 250,974	\$ 165,005	\$ 16,577,253	\$ 11,484,194	\$ 1,559,943	\$ 47,105,207
Accounts receivable, net	7,873	-	627,694	826,348	513,782	-	2,374,430
Due from other funds	-	-	-	-	-	-	22,107
Inventories and prepayments	-	-	-	-	-	-	16,117
Advances to other funds	365,474	-	-	-	-	-	365,474
Assessments receivable	-	-	-	-	696,834	-	696,834
Total assets	<u>\$ 9,778,162</u>	<u>\$ 250,974</u>	<u>\$ 792,699</u>	<u>\$ 17,403,601</u>	<u>\$ 12,694,810</u>	<u>\$ 1,559,943</u>	<u>\$ 50,580,169</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 93,733	\$ -	\$ -	\$ -	\$ 113,978	\$ -	\$ 469,017
Security deposit payable	-	-	-	-	-	-	2,000
Developer reimbursement payable	-	-	-	-	696,834	-	696,834
Total liabilities	<u>93,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,812</u>	<u>-</u>	<u>1,167,851</u>
Deferred inflows of resources							
Unavailable revenue	-	-	462,851	612,584	476,305	-	1,559,804
Fund balances							
Nonspendable	-	11,000	-	-	-	-	27,117
Restricted	7,038,397	239,974	329,848	16,791,017	11,407,693	1,559,943	37,366,872
Committed	2,646,032	-	-	-	-	-	10,458,525
Total fund balances	<u>9,684,429</u>	<u>250,974</u>	<u>329,848</u>	<u>16,791,017</u>	<u>11,407,693</u>	<u>1,559,943</u>	<u>47,852,514</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,778,162</u>	<u>\$ 250,974</u>	<u>\$ 792,699</u>	<u>\$ 17,403,601</u>	<u>\$ 12,694,810</u>	<u>\$ 1,559,943</u>	<u>\$ 50,580,169</u>

Concluded

City of Salem, Oregon
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2014

	Special Revenue Funds						
	Airport	Downtown Parking	Economic Improvement	Cultural/ Tourism	Public Art	Parking Leasehold	Building and Safety
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	2,730,822	-	-	-
Sales, fees, licenses, and permits	45,256	10,170	-	-	-	-	3,583,573
Special assessments	-	483,547	219,019	-	-	-	-
Rents	1,095,981	568,824	-	-	-	549,851	-
Grants	-	-	-	-	-	-	-
Intergovernmental	-	599,396	-	9,239	2,000	-	239,438
Interest on investments	4,559	2,174	1,299	3,589	9	3,006	21,077
Loan payments received	-	-	-	-	-	-	-
Other	130	31,431	2,410	31,091	-	500	1,171
Total revenues	1,145,926	1,695,542	222,728	2,774,741	2,009	553,357	3,845,259
Expenditures							
Current							
General government	-	-	-	-	1,000	-	-
Community development	994,073	1,645,337	233,130	1,514,533	-	527,464	2,801,712
Community service	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Engineering/Streets	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	3,973	-	-	-	-	-	-
Total expenditures	998,046	1,645,337	233,130	1,514,533	1,000	527,464	2,801,712
Excess (deficiency) of revenues over (under) expenditures	147,880	50,205	(10,402)	1,260,208	1,009	25,893	1,043,547
Other financing sources (uses)							
Transfers in	202,980	-	-	-	2,000	-	-
Transfers out	(282,426)	-	-	(876,268)	-	-	-
Total other financing sources (uses)	(79,446)	-	-	(876,268)	2,000	-	-
Net change in fund balance	68,434	50,205	(10,402)	383,940	3,009	25,893	1,043,547
Fund balances - beginning of year	565,150	326,058	183,206	881,942	1,327	547,540	3,758,761
Fund balances - end of year	\$ 633,584	\$ 376,263	\$ 172,804	\$ 1,265,882	\$ 4,336	\$ 573,433	\$ 4,802,308

Continued

City of Salem, Oregon
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2014

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Enhancement	Permanent Funds	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	
Revenues							
Property taxes	\$ -	\$ -	\$ 9,903,072	\$ 12,302,111	\$ -	\$ -	\$ 22,205,183
Other taxes	-	-	-	8,971	-	-	2,739,793
Sales, fees, licenses, and permits	136,559	-	-	-	3,671,080	90,596	7,537,234
Special assessments	-	-	-	-	65,374	-	767,940
Rents	-	-	-	-	-	-	2,214,656
Grants	398,332	-	-	-	-	-	398,332
Intergovernmental	-	-	3,959,450	-	-	-	4,809,523
Interest on investments	50,013	1,306	27,969	84,624	54,615	8,108	262,348
Loan payments received	3,973	-	-	-	-	-	3,973
Other	491,871	7,597	-	-	-	-	566,201
Total revenues	1,080,748	8,903	13,890,491	12,395,706	3,791,069	98,704	41,505,183
Expenditures							
Current							
General government	166,582	-	-	-	-	-	167,582
Community development	211,949	-	-	-	-	-	7,928,198
Community service	71,204	-	-	-	-	-	71,204
Public safety	200,030	-	-	-	-	-	200,030
Engineering/Streets	54,054	-	-	-	-	-	54,054
Library	84,694	995	-	-	-	-	85,689
Capital outlay	-	-	-	-	2,475,953	-	2,475,953
Debt service							
Principal retirement	-	-	7,861,957	7,447,717	-	-	15,309,674
Interest and fiscal charges	-	-	5,828,078	1,281,761	-	-	7,113,812
Total expenditures	788,513	995	13,690,035	8,729,478	2,475,953	-	33,406,196
Excess (deficiency) of revenues over (under) expenditures	292,235	7,908	200,456	3,666,228	1,315,116	98,704	8,098,987
Other financing sources (uses)							
Transfers in	299,257	-	-	-	-	-	504,237
Transfers out	(768,543)	-	-	(4,350,000)	(75,360)	-	(6,352,597)
Total other financing sources (uses)	(469,286)	-	-	(4,350,000)	(75,360)	-	(5,848,360)
Net change in fund balance	(177,051)	7,908	200,456	(683,772)	1,239,756	98,704	2,250,627
Fund balances - beginning of year	9,861,480	243,066	129,392	17,474,789	10,167,937	1,461,239	45,601,887
Fund balances - end of year	\$ 9,684,429	\$ 250,974	\$ 329,848	\$ 16,791,017	\$ 11,407,693	\$ 1,559,943	\$ 47,852,514

Concluded

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COMBINING STATEMENTS

Nonmajor Business-type Funds

Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the periodic determination of net income is appropriate for accountability purposes.

Emergency Services

This fund accounts for the operations of the Advanced Life Support (ALS) and ambulance transportation services. Financing is provided primarily from user fees.

Willamette Valley Public Safety (WVPS) Communications Center

This fund accounts for the operations of an enhanced 9-1-1 emergency telephone reporting system and provides regional dispatching services for police, fire, and emergency medical services. Financing is provided primarily from membership fees paid by participating public safety agencies.

Police Regional Records System

This fund accounts for the operations of an automated police records management system. The system manages crime reports, citations, field interview reports, and other files through a shared name database. Financing is provided primarily from user fees.

Salem Convention Center

This fund accounts for operations and maintenance of the Convention Center. Financing is provided primarily from user fees.

City of Salem, Oregon
Combining Statement of Net Position
Nonmajor Business-type Funds
June 30, 2014

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Assets					
Current assets					
Cash and investments	\$ 2,657,982	\$ 1,109,091	\$ 948,582	\$ 487,451	\$ 5,203,106
Accounts receivable, net	37,327	373,796	-	269,523	680,646
Inventories and prepayments	1,773	47,127	-	43,423	92,323
Total current assets	2,697,082	1,530,014	948,582	800,397	5,976,075
Noncurrent assets					
Capital assets:					
Land and other construction in progress	-	-	-	1,573,123	1,573,123
Other capital assets, net	686,017	272,173	3,213	24,992,345	25,953,748
Total noncurrent assets	686,017	272,173	3,213	26,565,468	27,526,871
Total assets	3,383,099	1,802,187	951,795	27,365,865	33,502,946
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	4,036	28,920	-	331,826	364,782
Due to other funds	-	-	-	22,107	22,107
Compensated absences due within one year	-	60,060	-	-	60,060
Total current liabilities	4,036	88,980	-	353,933	446,949
Noncurrent liabilities					
Net OPEB obligation	31,894	367,275	-	-	399,169
Compensated absences	11,840	379,486	-	-	391,326
Total noncurrent liabilities	43,734	746,761	-	-	790,495
Total liabilities	47,770	835,741	-	353,933	1,237,444
Net Position					
Net investment in capital assets	686,017	272,173	3,213	26,565,468	27,526,871
Other unrestricted	2,649,312	694,273	948,582	446,464	4,738,631
Total net position	\$ 3,335,329	\$ 966,446	\$ 951,795	\$ 27,011,932	\$ 32,265,502

City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2014

	<u>Emergency Services</u>	<u>WVPS Communications Center</u>	<u>Police Regional Records System</u>	<u>Salem Convention Center</u>	<u>Totals Nonmajor Business-type Funds</u>
Operating revenues					
Sales, fees, licenses, and permits	\$ 797,466	\$ 18,396	\$ -	\$ 2,322,531	\$ 3,138,393
Rents	-	19,010	-	1,150,590	1,169,600
Internal and intergovernmental	7,611	76,095	174,580	-	258,286
Member agencies	-	8,222,240	137,195	-	8,359,435
Fines and penalties	42,550	-	-	-	42,550
Other	11,357	42,065	-	3,709	57,131
Total operating revenues	<u>858,984</u>	<u>8,377,806</u>	<u>311,775</u>	<u>3,476,830</u>	<u>13,025,395</u>
Operating expenses					
Personal services	447,897	7,464,446	-	-	7,912,343
Materials and services	564,489	1,160,733	235,291	3,174,851	5,135,364
Depreciation	80,730	243,906	3,935	701,344	1,029,915
Total operating expenses	<u>1,093,116</u>	<u>8,869,085</u>	<u>239,226</u>	<u>3,876,195</u>	<u>14,077,622</u>
Operating income (loss)	<u>(234,132)</u>	<u>(491,279)</u>	<u>72,549</u>	<u>(399,365)</u>	<u>(1,052,227)</u>
Non-operating revenues (expenses)					
Interest on investments	17,424	7,465	4,685	-	29,574
Net income (loss) before capital contributions and transfers	(216,708)	(483,814)	77,234	(399,365)	(1,022,653)
Transfers out	-	-	-	(274,831)	(274,831)
Change in net position	(216,708)	(483,814)	77,234	(674,196)	(1,297,484)
Total net position - beginning of year	<u>3,552,037</u>	<u>1,450,260</u>	<u>874,561</u>	<u>27,686,128</u>	<u>33,562,986</u>
Total net position - end of year	<u>\$ 3,335,329</u>	<u>\$ 966,446</u>	<u>\$ 951,795</u>	<u>\$ 27,011,932</u>	<u>\$ 32,265,502</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2014

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Total Nonmajor Business-type Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,421,978	\$ 164,917	\$ 150	\$ 3,336,887	\$ 5,923,932
Receipts from interfund services provided	7,611	76,095	174,580	-	258,286
Member agencies	-	8,222,240	137,195	-	8,359,435
Payments to suppliers	(2,566,302)	(1,142,800)	(235,291)	(3,118,489)	(7,062,882)
Payments to employees	(468,086)	(7,480,997)	-	-	(7,949,083)
Net cash provided (used) by operating activities	<u>(604,799)</u>	<u>(160,545)</u>	<u>76,634</u>	<u>218,398</u>	<u>(470,312)</u>
Cash Flows from Non-capital Financing Activities					
Transfers paid	-	-	-	(274,831)	(274,831)
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(31,226)	-	(60,785)	(92,011)
Cash Flows from Investing Activities					
Interest on investments	17,424	7,465	4,685	-	29,574
Net increase (decrease) in cash and cash equivalents	(587,375)	(184,306)	81,319	(117,218)	(807,580)
Cash and cash equivalents - beginning of year	<u>3,245,357</u>	<u>1,293,397</u>	<u>867,263</u>	<u>604,669</u>	<u>6,010,686</u>
Cash and cash equivalents - end of year	<u>\$ 2,657,982</u>	<u>\$ 1,109,091</u>	<u>\$ 948,582</u>	<u>\$ 487,451</u>	<u>\$ 5,203,106</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (234,132)	\$ (491,279)	\$ 72,549	\$ (399,365)	\$ (1,052,227)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	80,730	243,906	3,935	701,344	1,029,915
Changes in assets and liabilities:					
Accounts receivable	1,570,605	85,446	150	(139,943)	1,516,258
Inventories and prepayments	2,817	(3,849)	-	(446)	(1,478)
Accounts payable and accrued liabilities	(2,003,915)	39,432	-	56,808	(1,907,675)
Compensated absences payable	(20,904)	(34,201)	-	-	(55,105)
Net cash provided (used) by operating activities	<u>\$ (604,799)</u>	<u>\$ (160,545)</u>	<u>\$ 76,634</u>	<u>\$ 218,398</u>	<u>\$ (470,312)</u>

COMBINING STATEMENTS

Internal Service Funds

Internal Service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, and to other government units, on a cost reimbursement basis.

The aggregation on the major proprietary funds financial statements is comprised of the following funds:

City Services

This fund accounts for the operations of printing, microfilm, mail, copier services, maintenance of equipment and vehicle fleets, and maintenance of the radio systems for all City departments. Financing is provided primarily from user fees.

Equipment Replacement Reserve

This fund accounts for replacement of equipment and vehicles and will be accounted for on an asset-by-asset basis. Financing is provided primarily from user departments.

Self-Insurance

This fund accounts for the City's self-insurance program including health, dental, casualty, and workers' compensation coverages. An actuarial valuation is the basis for recording the liability for incurred as well as incurred but not reported claims. Financing is provided primarily from user fees (City departments and employee-paid premiums) based on actual experience or an estimate, depending on the nature of the insurance.

City of Salem, Oregon
Combining Statement of Net Position
Internal Service Funds
June 30, 2014

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Assets				
Current assets				
Cash and investments	\$ 11,773,296	\$ 3,871,556	\$ 12,512,536	\$ 28,157,388
Accounts receivable, net	6,868	-	36,837	43,705
Inventories and prepayments	849,052	-	87,854	936,906
Total current assets	<u>12,629,216</u>	<u>3,871,556</u>	<u>12,637,227</u>	<u>29,137,999</u>
Noncurrent assets				
Capital assets:				
Land and other construction in progress	271,593	-	-	271,593
Other capital assets, net	10,027,095	-	650	10,027,745
Total noncurrent assets	<u>10,298,688</u>	<u>-</u>	<u>650</u>	<u>10,299,338</u>
Total assets	<u>22,927,904</u>	<u>3,871,556</u>	<u>12,637,877</u>	<u>39,437,337</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	181,109	16,404	38,369	235,882
Claims and judgments due within one year	-	-	1,900,000	1,900,000
Unearned revenue	-	-	739,787	739,787
Compensated absences due within one year	4,242	-	4,242	8,484
Total current liabilities	<u>185,351</u>	<u>16,404</u>	<u>2,682,398</u>	<u>2,884,153</u>
Noncurrent liabilities				
Net OPEB obligation	222,757	-	40,112	262,869
Claims and judgments payable	-	-	2,566,780	2,566,780
Compensated absences payable	143,927	-	32,923	176,850
Total noncurrent liabilities	<u>366,684</u>	<u>-</u>	<u>2,639,815</u>	<u>3,006,499</u>
Total liabilities	<u>552,035</u>	<u>16,404</u>	<u>5,322,213</u>	<u>5,890,652</u>
Net Position				
Net investment in capital assets	10,298,688	-	650	10,299,338
Unrestricted	12,077,181	3,855,152	7,315,014	23,247,347
Total net position	<u>\$ 22,375,869</u>	<u>\$ 3,855,152</u>	<u>\$ 7,315,664</u>	<u>\$ 33,546,685</u>

City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2014

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Operating revenues				
Sales, fees, licenses, and permits	\$ 30,088	\$ -	\$ -	\$ 30,088
Rents	1,664,037	-	-	1,664,037
Internal and intergovernmental	9,585,224	2,037,639	23,856,100	35,478,963
Other	21,329	-	892,758	914,087
Total operating revenues	11,300,678	2,037,639	24,748,858	38,087,175
Operating expenses				
Personal services	2,400,627	-	657,613	3,058,240
Materials and services	7,334,321	344,621	23,114,537	30,793,479
Depreciation	1,564,420	-	-	1,564,420
Total operating expenses	11,299,368	344,621	23,772,150	35,416,139
Operating income (loss)	1,310	1,693,018	976,708	2,671,036
Non-operating revenues (expenses)				
Interest on investments	67,841	6,425	58,945	133,211
Other revenue (expenses)	(307,446)	-	-	(307,446)
Total non-operating revenues	(239,605)	6,425	58,945	(174,235)
Income (loss) before transfers	(238,295)	1,699,443	1,035,653	2,496,801
Capital contributions	158,145	-	-	158,145
Transfers in	1,386,946	3,375,000	-	4,761,946
Transfers out	(3,442,089)	(1,219,291)	-	(4,661,380)
Change in net position	(2,135,293)	3,855,152	1,035,653	2,755,512
Total net position - beginning of year	24,511,162	-	6,280,011	30,791,173
Total net position - end of year	\$ 22,375,869	\$ 3,855,152	\$ 7,315,664	\$ 33,546,685

Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2014

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,726,134	\$ -	\$ 879,639	\$ 2,605,773
Receipts from interfund services provided	9,585,224	2,054,043	23,856,100	35,495,367
Payments to suppliers	(7,437,325)	(344,621)	(22,946,444)	(30,728,390)
Payments to employees	(2,387,339)	-	(658,946)	(3,046,285)
Net cash provided (used) by operating activities	<u>1,486,694</u>	<u>1,709,422</u>	<u>1,130,349</u>	<u>4,326,465</u>
Cash Flows from Non-capital Financing Activities				
Transfers received	-	3,375,000	-	3,375,000
Transfers paid	(3,375,000)	(1,219,291)	-	(4,594,291)
Net cash provided (used) by non-capital related financing activities	<u>(3,375,000)</u>	<u>2,155,709</u>	<u>-</u>	<u>(1,219,291)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(14,940)	-	-	(14,940)
Sale of capital assets	113,166	-	-	113,166
Net cash provided (used) by capital and related financing activities	<u>98,226</u>	<u>-</u>	<u>-</u>	<u>98,226</u>
Cash Flows from Investing Activities				
Interest on investments	67,841	6,425	58,945	133,211
Net increase (decrease) in cash and cash equivalents	(1,722,239)	3,871,556	1,189,294	3,338,611
Cash and cash equivalents - beginning of year	<u>13,495,535</u>	<u>-</u>	<u>11,323,242</u>	<u>24,818,777</u>
Cash and cash equivalents - end of year	<u>\$ 11,773,296</u>	<u>\$ 3,871,556</u>	<u>\$ 12,512,536</u>	<u>\$ 28,157,388</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 1,310	\$ 1,693,018	\$ 976,708	\$ 2,671,036
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,564,420	-	-	1,564,420
Changes in assets and liabilities:				
Accounts receivable	10,680	16,404	(13,119)	13,965
Inventories and prepayments	(42,887)	-	(24,645)	(67,532)
Accounts payable and accrued liabilities	(51,292)	-	144,842	93,550
Unearned revenue	-	-	49,566	49,566
Compensated absences payable	4,463	-	(3,003)	1,460
Net cash provided (used) by operating activities	<u>\$ 1,486,694</u>	<u>\$ 1,709,422</u>	<u>\$ 1,130,349</u>	<u>\$ 4,326,465</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 158,145	\$ -	\$ -	\$ 158,145

COMBINING STATEMENT

Agency Funds

Agency funds account for assets held by the City in a trustee capacity. These include court assessments and building permit surcharges held on behalf of other government agencies, money received as restitution for victims of crimes, performance deposits from contractors, and donations to assist low-income residents with water/sewer bills.

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2014

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014
<u>Court Restitution</u>				
Assets				
Cash and investments	\$ 133	\$ 15,111	\$ 14,619	\$ 625
Liabilities				
Accounts payable	\$ -	\$ 14,807	\$ 14,807	\$ -
Amount held in trust	133	14,302	13,810	625
Total liabilities	\$ 133	\$ 29,109	\$ 28,617	\$ 625
<u>Unitary Assessments</u>				
Assets				
Cash and investments	\$ 57,379	\$ 734,042	\$ 727,672	\$ 63,749
Liabilities				
Accounts payable	\$ 57,379	\$ 725,668	\$ 719,298	\$ 63,749
Amount held in trust	-	101,171	101,171	-
Due to other agencies	-	632,871	632,871	-
Total liabilities	\$ 57,379	\$ 1,459,710	\$ 1,453,340	\$ 63,749
<u>County Corrections</u>				
Assets				
Cash and investments	\$ 3,159	\$ 272,157	\$ 254,417	\$ 20,899
Liabilities				
Accounts payable	\$ 3,159	\$ 337,423	\$ 319,683	\$ 20,899
Amount held in trust	-	52,302	52,302	-
Due to other agencies	-	221,659	221,659	-
Total liabilities	\$ 3,159	\$ 611,384	\$ 593,644	\$ 20,899

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2014

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014
<u>Performance Deposits</u>				
Assets				
Cash and investments	\$ 252,495	\$ 171,270	\$ 149,258	\$ 274,507
Receivables	-	683,882	683,782	100
Total assets	<u>\$ 252,495</u>	<u>\$ 855,152</u>	<u>\$ 833,040</u>	<u>\$ 274,607</u>
Liabilities				
Accounts payable	\$ -	\$ 148,624	\$ 148,624	\$ -
Amount held in trust	252,495	490,720	468,608	274,607
Total liabilities	<u>\$ 252,495</u>	<u>\$ 639,344</u>	<u>\$ 617,232</u>	<u>\$ 274,607</u>
<u>Assistance Programs</u>				
Assets				
Cash and investments	\$ 1,141	\$ 14,064	\$ 13,296	\$ 1,909
Receivables	193	16,075	16,268	-
Total assets	<u>\$ 1,334</u>	<u>\$ 30,139</u>	<u>\$ 29,564</u>	<u>\$ 1,909</u>
Liabilities				
Accounts payable	\$ -	\$ 8	\$ -	\$ 8
Amount held in trust	1,334	20,598	20,031	1,901
Total liabilities	<u>\$ 1,334</u>	<u>\$ 20,606</u>	<u>\$ 20,031</u>	<u>\$ 1,909</u>
<u>Building Permit Surcharge</u>				
Assets				
Cash and investments	\$ 22,028	\$ 279,655	\$ 277,219	\$ 24,464
Receivables	7,624	284,356	288,536	3,444
Total assets	<u>\$ 29,652</u>	<u>\$ 564,011</u>	<u>\$ 565,755</u>	<u>\$ 27,908</u>
Liabilities				
Accounts payable	\$ 22,069	\$ 273,385	\$ 270,919	\$ 24,535
Due to other agencies	7,583	272,300	276,510	3,373
Total liabilities	<u>\$ 29,652</u>	<u>\$ 545,685</u>	<u>\$ 547,429</u>	<u>\$ 27,908</u>

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2014

	<u>Balances July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2014</u>
<u>Law Enforcement Medical Liability Assessment</u>				
Assets				
Cash and investments	\$ 294	\$ 4,430	\$ 4,446	\$ 278
Liabilities				
Accounts payable	\$ 294	\$ 4,802	\$ 4,818	\$ 278
Amount held in trust	-	4,430	4,430	-
Total liabilities	<u>\$ 294</u>	<u>\$ 9,232</u>	<u>\$ 9,248</u>	<u>\$ 278</u>
<u>Reimbursement Districts</u>				
Assets				
Cash and investments	\$ 6,461	\$ 1,052	\$ 7,459	\$ 54
Receivables	1,036	-	1,036	-
Total assets	<u>\$ 7,497</u>	<u>\$ 1,052</u>	<u>\$ 8,495</u>	<u>\$ 54</u>
Liabilities				
Accounts payable	\$ -	\$ 13,478	\$ 13,478	\$ -
Amount held in trust	7,497	20,947	28,390	54
Total liabilities	<u>\$ 7,497</u>	<u>\$ 34,425</u>	<u>\$ 41,868</u>	<u>\$ 54</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 343,090	\$ 1,491,781	\$ 1,448,386	\$ 386,485
Receivables	8,853	984,313	989,622	3,544
Total assets	<u>\$ 351,943</u>	<u>\$ 2,476,094</u>	<u>\$ 2,438,008</u>	<u>\$ 390,029</u>
Liabilities				
Accounts payable	\$ 82,901	\$ 1,518,195	\$ 1,491,627	\$ 109,469
Amount held in trust	261,459	704,470	688,742	277,187
Due to other agencies	7,583	1,126,830	1,131,040	3,373
Total liabilities	<u>\$ 351,943</u>	<u>\$ 3,349,495</u>	<u>\$ 3,311,409</u>	<u>\$ 390,029</u>

Concluded

BUDGETARY COMPARISON SCHEDULES

The City's General fund, Public Works fund, and Community Renewal fund are presented in the basic governmental fund financial statements. All other fund budgetary comparisons are displayed in the following pages as supplemental information.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

Governmental Funds

Major Governmental Funds

- *Capital Improvements*
- *Tax Allocation Improvements*

Nonmajor Governmental Funds

Special Revenue Funds

- *Airport*
- *Downtown Parking*
- *Economic Improvement District*
- *Cultural / Tourism*
- *Public Art*
- *Parking Leasehold*
- *Building and Safety*
- *Community Enhancement*
- *Permanent Funds*

Debt Service Funds

- *General Debt*
- *Tax Allocation Bond Debt*

Capital Projects Funds

- *Extra Capacity Facilities*
- *Development Districts*

Proprietary Funds

Major Business-type Fund

- *Water and Sewer*

Nonmajor Business-type Funds

- *Emergency Services*
- *Willamette Valley Public Safety (WVPS) Communications Center*
- *Police Regional Records System*
- *Salem Convention Center*

Internal Service Funds

- *City Services*
- *Equipment Replacement Reserve*
- *Self-Insurance*

City of Salem, Oregon
Capital Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget ¹</u>
Revenues				
Sales, fees, licenses, and permits	\$ 156,880	\$ 156,880	\$ 27,688	\$ 129,192
Grants	16,147,390	16,147,390	5,159,095	10,988,295
Intergovernmental	10,197,700	10,197,700	317,318	9,880,382
Interest on investments	1,500	1,500	166,856	(165,356)
Loan payments received	34,400	34,400	33,897	503
Other	300,000	300,000	211,862	88,138
Total revenues	<u>26,837,870</u>	<u>26,837,870</u>	<u>5,916,716</u>	<u>20,921,154</u>
Expenditures				
Operations	98,783,100	98,783,100	27,558,169	71,224,931
Excess (deficiency) of revenues over expenditures	<u>(71,945,230)</u>	<u>(71,945,230)</u>	<u>(21,641,453)</u>	<u>(50,303,777)</u>
Other financing sources (uses)				
Bond proceeds	19,091,000	19,091,000	43,665,000	(24,574,000)
Bond issuance premium	-	-	2,928,425	(2,928,425)
Transfers in	11,651,690	11,651,690	10,289,891	1,361,799
Total other financing sources (uses)	<u>30,742,690</u>	<u>30,742,690</u>	<u>56,883,316</u>	<u>(26,140,626)</u>
Net change in fund balance	<u>(41,202,540)</u>	<u>(41,202,540)</u>	<u>35,241,863</u>	<u>(76,444,403)</u>
Fund balance - beginning of year	41,202,540	41,202,540	9,469,506	31,733,034
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>44,711,369</u>	<u>\$ (44,711,369)</u>
Reconciliation to generally accepted accounting principles:				
Transfer of net activity and fund balance to Water and Sewer fund (page 123)			(5,026,391)	
Advance from Community Enhancement fund (page 117)			<u>(365,474)</u>	
Fund balance - end of year (modified accrual)			<u>\$ 39,319,504</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Tax Allocation Improvements
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget ¹
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 500	\$ (500)
Rents	-	-	5,979	(5,979)
Grants	-	-	30,449	(30,449)
Intergovernmental	-	-	289,720	(289,720)
Interest on investments	53,400	53,400	83,123	(29,723)
Loan payments received	643,510	643,510	1,198,581	(555,071)
Other	290,000	290,000	1	289,999
	986,910	986,910	1,608,353	(621,443)
Expenditures				
Operations	27,782,900	27,782,900	10,109,319	17,673,581
Excess (deficiency) of revenues over expenditures	(26,795,990)	(26,795,990)	(8,500,966)	(18,295,024)
Other financing sources (uses)				
Bond proceeds	1,903,520	1,903,520	1,500,000	403,520
Loan proceeds	4,575,520	4,575,520	4,296,855	278,665
Proceeds of long-term debt	4,525,000	4,525,000	4,350,000	175,000
Sale of property	-	-	4,169	(4,169)
	11,004,040	11,004,040	10,151,024	853,016
Net change in fund balance	(15,791,950)	(15,791,950)	1,650,058	(17,442,008)
Fund balance - beginning of year	15,791,950	15,791,950	15,238,599	553,351
Fund balance - end of year	\$ -	\$ -	\$ 16,888,657	\$ (16,888,657)

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Airport
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget¹</u>
Revenues				
Sales, fees, licenses, and permits	\$ 33,500	\$ 33,500	\$ 45,256	\$ (11,756)
Rents	950,320	950,320	1,095,981	(145,661)
Grants	229,700	229,700	-	229,700
Interest on investments	3,000	3,000	4,559	(1,559)
Other	-	-	130	(130)
Total revenues	<u>1,216,520</u>	<u>1,216,520</u>	<u>1,145,926</u>	<u>70,594</u>
Expenditures				
Operations	1,082,490	1,058,530	994,073	64,457
Debt service	232,720	232,720	232,699	21
Contingency	409,560	409,560	-	409,560
Total expenditures	<u>1,724,770</u>	<u>1,700,810</u>	<u>1,226,772</u>	<u>474,038</u>
Excess (deficiency) of revenues over expenditures	<u>(508,250)</u>	<u>(484,290)</u>	<u>(80,846)</u>	<u>(403,444)</u>
Other financing sources (uses)				
Transfers in	-	-	202,980	(202,980)
Transfers out	(29,740)	(53,700)	(53,700)	-
Total other financing sources (uses)	<u>(29,740)</u>	<u>(53,700)</u>	<u>149,280</u>	<u>(202,980)</u>
Net change in fund balance	<u>(537,990)</u>	<u>(537,990)</u>	<u>68,434</u>	<u>(606,424)</u>
Fund balance - beginning of year	<u>537,990</u>	<u>537,990</u>	<u>565,150</u>	<u>(27,160)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,584</u>	<u>\$ (633,584)</u>

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Downtown Parking
Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 4,500	\$ 4,500	\$ 10,170	\$ (5,670)
Special assessments	437,080	437,080	483,547	(46,467)
Rents	527,500	527,500	568,824	(41,324)
Intergovernmental	1,474,860	1,474,860	599,396	875,464
Interest on investments	2,500	2,500	2,174	326
Other	5,000	5,000	31,431	(26,431)
Total revenues	<u>2,451,440</u>	<u>2,451,440</u>	<u>1,695,542</u>	<u>755,898</u>
Expenditures				
Operations	2,605,630	2,605,630	1,645,337	960,293
Contingency	243,990	243,990	-	243,990
Total expenditures	<u>2,849,620</u>	<u>2,849,620</u>	<u>1,645,337</u>	<u>1,204,283</u>
Excess (deficiency) of revenues over expenditures	(398,180)	(398,180)	50,205	(448,385)
Fund balance - beginning of year	<u>398,180</u>	<u>398,180</u>	<u>326,058</u>	<u>72,122</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,263</u>	<u>\$ (376,263)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Economic Improvement District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Special assessments	\$ 235,000	\$ 235,000	\$ 219,019	\$ 15,981
Interest on investments	1,000	1,000	1,299	(299)
Other	-	-	2,410	(2,410)
	236,000	236,000	222,728	13,272
Expenditures				
Operations	313,000	313,000	233,130	79,870
Net change in fund balance	(77,000)	(77,000)	(10,402)	(66,598)
Fund balance - beginning of year	77,000	77,000	183,206	(106,206)
Fund balance - end of year	\$ -	\$ -	\$ 172,804	\$ (172,804)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Cultural / Tourism
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,730,822	\$ (380,822)
Intergovernmental	7,500	7,500	9,239	(1,739)
Interest on investments	500	500	3,589	(3,089)
Other	12,000	12,000	31,091	(19,091)
Total revenues	<u>2,370,000</u>	<u>2,370,000</u>	<u>2,774,741</u>	<u>(404,741)</u>
Expenditures				
Operations	1,776,990	1,776,990	1,514,533	262,457
Contingency	150,000	150,000	-	150,000
Total expenditures	<u>1,926,990</u>	<u>1,926,990</u>	<u>1,514,533</u>	<u>412,457</u>
Excess (deficiency) of revenues over expenditures	<u>443,010</u>	<u>443,010</u>	<u>1,260,208</u>	<u>(817,198)</u>
Other financing sources (uses)				
Transfers out	<u>(918,000)</u>	<u>(918,000)</u>	<u>(876,268)</u>	<u>(41,732)</u>
Net change in fund balance	<u>(474,990)</u>	<u>(474,990)</u>	<u>383,940</u>	<u>(858,930)</u>
Fund balance - beginning of year	<u>729,890</u>	<u>729,890</u>	<u>881,942</u>	<u>(152,052)</u>
Fund balance - end of year	<u>\$ 254,900</u>	<u>\$ 254,900</u>	<u>\$ 1,265,882</u>	<u>\$ (1,010,982)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Intergovernmental	\$ 1,000	\$ 1,000	\$ 2,000	\$ (1,000)
Interest on investments	-	-	9	(9)
Total revenues	1,000	1,000	2,009	(1,009)
Expenditures				
Operations	4,320	4,320	1,000	3,320
Excess (deficiency) of revenues over expenditures	(3,320)	(3,320)	1,009	(4,329)
Other financing sources (uses)				
Transfers in	2,000	2,000	2,000	-
Net change in fund balance	(1,320)	(1,320)	3,009	(4,329)
Fund balance - beginning of year	1,320	1,320	1,327	(7)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,336</u>	<u>\$ (4,336)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Parking Leasehold
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Rents	\$ 541,970	\$ 541,970	\$ 549,851	\$ (7,881)
Interest on investments	3,100	3,100	3,006	94
Other	-	-	500	(500)
Total revenues	545,070	545,070	553,357	(8,287)
Expenditures				
Operations	898,570	898,570	527,464	371,106
Contingency	228,750	228,750	-	228,750
Total expenditures	1,127,320	1,127,320	527,464	599,856
Net change in fund balance	(582,250)	(582,250)	25,893	(608,143)
Fund balance - beginning of year	582,250	582,250	547,540	34,710
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,433</u>	<u>\$ (573,433)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Building and Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 2,817,950	\$ 2,817,950	\$ 3,583,573	\$ (765,623)
Intergovernmental	186,480	186,480	239,438	(52,958)
Interest on investments	20,760	20,760	21,077	(317)
Other	-	-	1,171	(1,171)
Total revenues	<u>3,025,190</u>	<u>3,025,190</u>	<u>3,845,259</u>	<u>(820,069)</u>
Expenditures				
Operations	3,211,820	3,211,820	2,801,712	410,108
Contingency	300,000	300,000	-	300,000
Total expenditures	<u>3,511,820</u>	<u>3,511,820</u>	<u>2,801,712</u>	<u>710,108</u>
Net change in fund balance	(486,630)	(486,630)	1,043,547	(1,530,177)
Fund balance - beginning of year	<u>3,380,230</u>	<u>3,380,230</u>	<u>3,758,761</u>	<u>(378,531)</u>
Fund balance - end of year	<u>\$ 2,893,600</u>	<u>\$ 2,893,600</u>	<u>\$ 4,802,308</u>	<u>\$ (1,908,708)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Community Enhancement
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 136,559	\$ (136,559)
Grants	-	-	398,332	(398,332)
Interest on investments	15,000	15,000	50,013	(35,013)
Loan payments received	-	-	232,699	(232,699)
Other	1,031,240	1,031,240	491,871	539,369
Total revenues	<u>1,046,240</u>	<u>1,046,240</u>	<u>1,309,474</u>	<u>(263,234)</u>
Expenditures				
Operations	<u>2,957,950</u>	<u>2,957,950</u>	<u>788,513</u>	<u>2,169,437</u>
Excess (deficiency) of revenues over expenditures	<u>(1,911,710)</u>	<u>(1,911,710)</u>	<u>520,961</u>	<u>(2,432,671)</u>
Other financing sources (uses)				
Transfers in	327,340	327,340	299,257	28,083
Transfers out	<u>(792,590)</u>	<u>(792,590)</u>	<u>(768,543)</u>	<u>(24,047)</u>
Total other financing sources (uses)	<u>(465,250)</u>	<u>(465,250)</u>	<u>(469,286)</u>	<u>4,036</u>
Net change in fund balance	<u>(2,376,960)</u>	<u>(2,376,960)</u>	<u>51,675</u>	<u>(2,428,635)</u>
Fund balance - beginning of year	<u>9,526,850</u>	<u>9,526,850</u>	<u>9,267,280</u>	<u>259,570</u>
Fund balance - end of year	<u>\$ 7,149,890</u>	<u>\$ 7,149,890</u>	<u>9,318,955</u>	<u>\$ (2,169,065)</u>
Reconciliation to generally accepted accounting principles:				
Advance to Capital Improvements fund (page 108)			<u>365,474</u>	
Fund balance - end of year (modified accrual)			<u>\$ 9,684,429</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Permanent
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget ¹</u>
Revenues				
Interest on investments	\$ -	\$ -	\$ 1,306	\$ (1,306)
Other	9,230	9,230	7,597	1,633
Total revenues	9,230	9,230	8,903	327
Expenditures				
Operations	63,000	63,000	995	62,005
Net change in fund balance	(53,770)	(53,770)	7,908	(61,678)
Fund balance - beginning of year	236,420	236,420	243,066	(6,646)
Fund balance - end of year	<u>\$ 182,650</u>	<u>\$ 182,650</u>	<u>\$ 250,974</u>	<u>\$ (68,324)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
General Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 8,971,930	\$ 8,971,930	\$ 9,903,073	\$ (931,143)
Intergovernmental	3,959,450	3,959,450	3,959,450	-
Interest on investments	20,000	20,000	27,968	(7,968)
Total revenues	<u>12,951,380</u>	<u>12,951,380</u>	<u>13,890,491</u>	<u>(939,111)</u>
Expenditures				
Debt service	<u>13,694,120</u>	<u>13,694,120</u>	<u>13,690,035</u>	<u>4,085</u>
Net change in fund balance	(742,740)	(742,740)	200,456	(943,196)
Fund balance - beginning of year	<u>765,110</u>	<u>765,110</u>	<u>129,392</u>	<u>635,718</u>
Fund balance - end of year	<u>\$ 22,370</u>	<u>\$ 22,370</u>	<u>\$ 329,848</u>	<u>\$ (307,478)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Tax Allocation Bond Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 12,081,950	\$ 12,081,950	\$ 12,302,111	\$ (220,161)
Other taxes	-	-	8,971	(8,971)
Interest on investments	83,330	83,330	84,624	(1,294)
Total revenues	<u>12,165,280</u>	<u>12,165,280</u>	<u>12,395,706</u>	<u>(230,426)</u>
Expenditures				
Debt service	<u>13,126,960</u>	<u>13,126,960</u>	<u>13,079,478</u>	<u>47,482</u>
Excess (deficiency) of revenues over expenditures	(961,680)	(961,680)	(683,772)	(277,908)
Other financing sources (uses)				
Loan proceeds	<u>306,380</u>	<u>306,380</u>	<u>-</u>	<u>306,380</u>
Net change in fund balance	<u>(655,300)</u>	<u>(655,300)</u>	<u>(683,772)</u>	<u>28,472</u>
Fund balance - beginning of year	<u>16,829,950</u>	<u>16,829,950</u>	<u>17,474,789</u>	<u>(644,839)</u>
Fund balance - end of year	<u>\$ 16,174,650</u>	<u>\$ 16,174,650</u>	<u>\$ 16,791,017</u>	<u>\$ (616,367)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Extra Capacity Facilities
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget ¹</u>
Revenues				
Sales, fees, licenses, and permits	\$ 4,586,000	\$ 4,586,000	\$ 7,008,985	\$ (2,422,985)
Special assessments	-	-	122,815	(122,815)
Grants	700,000	700,000	-	700,000
Intergovernmental	500,000	500,000	-	500,000
Interest on investments	-	-	94,046	(94,046)
Total revenues	<u>5,786,000</u>	<u>5,786,000</u>	<u>7,225,846</u>	<u>(1,439,846)</u>
Expenditures				
Operations	<u>20,334,360</u>	<u>19,934,360</u>	<u>6,116,024</u>	<u>13,818,336</u>
Excess (deficiency) of revenues over expenditures	(14,548,360)	(14,148,360)	1,109,822	(15,258,182)
Other financing sources (uses)				
Transfers out	<u>(1,616,360)</u>	<u>(2,016,360)</u>	<u>(839,360)</u>	<u>(1,177,000)</u>
Net change in fund balance	<u>(16,164,720)</u>	<u>(16,164,720)</u>	<u>270,462</u>	<u>(16,435,182)</u>
Fund balance - beginning of year	<u>16,164,720</u>	<u>16,164,720</u>	<u>17,455,589</u>	<u>(1,290,869)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>17,726,051</u>	<u>\$ (17,726,051)</u>
Reconciliation to generally accepted accounting principles:				
Transfer of net activity and fund balance to Water and Sewer fund (page 123)			<u>(6,318,358)</u>	
Fund balance - end of year (modified accrual)			<u>\$ 11,407,693</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Development Districts
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 500,000	\$ 500,000	\$ 90,596	\$ 409,404
Interest on investments	5,000	5,000	8,108	(3,108)
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>98,704</u>	<u>406,296</u>
Expenditures				
Operations	<u>1,955,120</u>	<u>1,955,120</u>	-	<u>1,955,120</u>
Excess (deficiency) of revenues over expenditures	(1,450,120)	(1,450,120)	98,704	(1,548,824)
Fund balance - beginning of year	<u>1,450,120</u>	<u>1,450,120</u>	<u>1,461,239</u>	<u>(11,119)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,559,943</u>	<u>\$ (1,559,943)</u>

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Water and Sewer
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 75,999,470	\$ 75,999,470	\$ 78,532,963	\$ (2,533,493)
Special assessments	36,500	36,500	-	36,500
Rents	18,950	18,950	27,813	(8,863)
Grants	-	-	62,804	(62,804)
Intergovernmental	5,275,790	5,275,790	5,601,122	(325,332)
Interest on investments	100,000	100,000	223,838	(123,838)
Loan payments received	75,100	75,100	70,800	4,300
Other	90,000	90,000	159,918	(69,918)
Total revenues	81,595,810	81,595,810	84,679,258	(3,083,448)
Expenditures				
Operations	58,127,240	58,127,240	54,008,219	4,119,021
Debt service	24,162,500	24,162,500	24,162,497	3
Contingency	3,500,000	3,500,000	-	3,500,000
Total expenditures	85,789,740	85,789,740	78,170,716	7,619,024
Excess (deficiency) of revenues over expenditures	(4,193,930)	(4,193,930)	6,508,542	(10,702,472)
Other financing sources (uses)				
Sale of capital assets	-	-	8,150	(8,150)
Transfers in	802,740	802,740	802,740	-
Transfers out	(8,314,700)	(8,314,700)	(8,314,700)	-
Total other financing sources (uses)	(7,511,960)	(7,511,960)	(7,503,810)	(8,150)
Net change in fund balance	(11,705,890)	(11,705,890)	(995,268)	(10,710,622)
Fund balance - beginning of year	37,973,800	37,973,800	39,634,065	(1,660,265)
Fund balance - end of year	<u>\$ 26,267,910</u>	<u>\$ 26,267,910</u>	<u>38,638,797</u>	<u>\$ (12,370,887)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 108)	5,026,391
Transfer of net activity and fund balance from Extra Capacity Facilities (page 121)	6,318,358
Inventories	827,689
Capital assets	635,242,716
Deferred charge on refunding	5,482,998
OPEB obligation	(1,395,998)
Accrued revenue from deferred inflows	2,217,977
Interest payable	(569,669)
Long-term obligations	<u>(175,441,571)</u>
Net position at end of year	<u>\$ 516,347,688</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Emergency Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 1,052,290	\$ 1,052,290	\$ 797,466	\$ 254,824
Intergovernmental	-	-	7,611	(7,611)
Fines and penalties	30,000	30,000	42,550	(12,550)
Interest on investments	10,000	10,000	17,424	(7,424)
Other	5,000	5,000	11,357	(6,357)
Total revenues	<u>1,097,290</u>	<u>1,097,290</u>	<u>876,408</u>	<u>220,882</u>
Expenditures				
Operations	1,603,200	1,603,200	1,011,671	591,529
Contingency	60,000	60,000	-	60,000
Total expenditures	<u>1,663,200</u>	<u>1,663,200</u>	<u>1,011,671</u>	<u>651,529</u>
Net change in fund balance	<u>(565,910)</u>	<u>(565,910)</u>	<u>(135,263)</u>	<u>(430,647)</u>
Fund balance - beginning of year	<u>2,653,070</u>	<u>2,653,070</u>	<u>2,816,469</u>	<u>(163,399)</u>
Fund balance - end of year	<u>\$ 2,087,160</u>	<u>\$ 2,087,160</u>	<u>2,681,206</u>	<u>\$ (594,046)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			686,017	
OPEB obligation			<u>(31,894)</u>	
Net position at end of year			<u>\$ 3,335,329</u>	

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Willamette Valley Public Safety (WVPS) Communications Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 18,396	\$ (18,396)
Rents	19,010	19,010	19,010	-
Intergovernmental	36,000	36,000	76,095	(40,095)
Member agencies	8,213,510	8,213,510	8,222,240	(8,730)
Interest on investments	8,000	8,000	7,465	535
Other	39,000	39,000	42,065	(3,065)
Total revenues	8,315,520	8,315,520	8,385,271	(69,751)
Expenditures				
Operations	8,861,860	8,861,860	8,638,755	223,105
Contingency	250,000	250,000	-	250,000
Total expenditures	9,111,860	9,111,860	8,638,755	473,105
Net change in fund balance	(796,340)	(796,340)	(253,484)	(542,856)
Fund balance - beginning of year	1,124,360	1,124,360	1,315,032	(190,672)
Fund balance - end of year	\$ 328,020	\$ 328,020	1,061,548	\$ (733,528)
Reconciliation to generally accepted accounting principles:				
Capital assets			272,173	
OPEB obligation			(367,275)	
Net position at end of year			\$ 966,446	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Police Regional Records System
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 174,580	\$ 174,580	\$ 174,580	\$ -
Member agencies	137,160	137,160	137,195	(35)
Interest on investments	4,000	4,000	4,685	(685)
Total revenues	<u>315,740</u>	<u>315,740</u>	<u>316,460</u>	<u>(720)</u>
Expenditures				
Operations	312,150	312,150	235,291	76,859
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>342,150</u>	<u>342,150</u>	<u>235,291</u>	<u>106,859</u>
Excess (deficiency) of revenues over expenditures	(26,410)	(26,410)	81,169	(107,579)
Fund balance - beginning of year	787,740	787,740	867,413	(79,673)
Fund balance - end of year	<u>\$ 761,330</u>	<u>\$ 761,330</u>	948,582	<u>\$ (187,252)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>3,213</u>	
Net position at end of year			<u>\$ 951,795</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Salem Convention Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 2,175,000	\$ 2,175,000	\$ 2,322,531	\$ (147,531)
Rents	825,000	825,000	1,150,590	(325,590)
Intergovernmental	450,000	450,000	-	450,000
Other	290,000	290,000	3,709	286,291
	<u>3,740,000</u>	<u>3,740,000</u>	<u>3,476,830</u>	<u>263,170</u>
Expenditures				
Operations	3,454,870	3,454,870	3,235,636	219,234
Contingency	656,840	656,840	-	656,840
	<u>4,111,710</u>	<u>4,111,710</u>	<u>3,235,636</u>	<u>876,074</u>
Excess (deficiency) of revenues over expenditures	(371,710)	(371,710)	241,194	(612,904)
Other financing sources (uses)				
Transfers out	(300,000)	(300,000)	(274,831)	(25,169)
Net change in fund balance	(671,710)	(671,710)	(33,637)	(638,073)
Fund balance - beginning of year	671,710	671,710	480,101	191,609
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	446,464	<u>\$ (446,464)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>26,565,468</u>	
Net position at end of year			<u>\$ 27,011,932</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
City Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 40,000	\$ 40,000	\$ 30,088	\$ 9,912
Rents	1,638,050	1,638,050	1,664,037	(25,987)
Intergovernmental	8,736,220	8,736,220	9,585,224	(849,004)
Interest on investments	49,620	49,620	67,841	(18,221)
Other	500	500	21,329	(20,829)
Total revenues	<u>10,464,390</u>	<u>10,464,390</u>	<u>11,368,519</u>	<u>(904,129)</u>
Expenditures				
Operations	18,246,930	18,246,930	9,783,778	8,463,152
Contingency	600,000	600,000	-	600,000
Total expenditures	<u>18,846,930</u>	<u>18,846,930</u>	<u>9,783,778</u>	<u>9,063,152</u>
Excess (deficiency) of revenues over expenditures	<u>(8,382,540)</u>	<u>(8,382,540)</u>	<u>1,584,741</u>	<u>(9,967,281)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	113,166	(113,166)
Transfers out	(3,726,000)	(3,726,000)	(3,375,000)	(351,000)
Total other financing sources (uses)	<u>(3,726,000)</u>	<u>(3,726,000)</u>	<u>(3,261,834)</u>	<u>(464,166)</u>
Net change in fund balance	<u>(12,108,540)</u>	<u>(12,108,540)</u>	<u>(1,677,093)</u>	<u>(10,431,447)</u>
Fund balance - beginning of year	<u>13,329,510</u>	<u>13,329,510</u>	<u>13,868,485</u>	<u>(538,975)</u>
Fund balance - end of year	<u>\$ 1,220,970</u>	<u>\$ 1,220,970</u>	<u>12,191,392</u>	<u>\$ (10,970,422)</u>
Reconciliation to generally accepted accounting principles:				
Inventories			108,546	
Capital assets			10,298,688	
OPEB obligation			<u>(222,757)</u>	
Net position at end of year			<u>\$ 22,375,869</u>	

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Equipment Replacement Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,017,070	\$ 2,017,070	\$ 2,037,639	\$ (20,569)
Interest on investments	-	-	6,425	(6,425)
Total revenues	<u>2,017,070</u>	<u>2,017,070</u>	<u>2,044,064</u>	<u>(26,994)</u>
Expenditures				
Operations	<u>2,722,430</u>	<u>2,722,430</u>	<u>1,563,912</u>	<u>1,158,518</u>
Excess (deficiency) of revenues over expenditures	(705,360)	(705,360)	480,152	(1,185,512)
Other financing sources (uses)				
Transfers in	<u>3,726,000</u>	<u>3,726,000</u>	<u>3,375,000</u>	<u>351,000</u>
Net change in fund balance	<u>3,020,640</u>	<u>3,020,640</u>	<u>3,855,152</u>	<u>(834,512)</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,020,640</u>	<u>\$ 3,020,640</u>	<u>\$ 3,855,152</u>	<u>\$ (834,512)</u>

1 () indicates revenues/expenditures in excess of budget

City of Salem, Oregon
Self Insurance
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 23,263,430	\$ 23,263,430	\$ 23,856,100	\$ (592,670)
Interest on investments	47,350	47,350	58,945	(11,595)
Other	174,990	174,990	892,758	(717,768)
Total revenues	<u>23,485,770</u>	<u>23,485,770</u>	<u>24,807,803</u>	<u>(1,322,033)</u>
Expenditures				
Operations	33,688,170	33,688,170	23,595,280	10,092,890
Excess (deficiency) of revenues over expenditures	(10,202,400)	(10,202,400)	1,212,523	(11,414,923)
Fund balance - beginning of year	10,202,400	10,202,400	10,609,383	(406,983)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	11,821,906	<u>\$ (11,821,906)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			650	
OPEB obligation			(40,112)	
Claims and judgments			<u>(4,466,780)</u>	
Net position at end of year			<u>\$ 7,315,664</u>	

1 () indicates revenues/expenditures in excess of budget

Other Financial Schedules

City of Salem, Oregon
Schedule of Bond Principal and Bond Interest Transactions
For the fiscal year ended June 30, 2014

	Issued/ Maturity Date	True Interest Cost	Original Amount	Principal Balance June 30, 2013	Additions
Governmental activity					
General obligation bonds					
Refunding and Streets-Bridges, Series 2009	06/01/09-24	3.60	\$ 34,480,000	\$ 24,615,000	\$ -
Streets-Bridges, Series 2012	01/26/12-26	2.62	25,000,000	15,050,000	-
Refunding Fire Bond, Series 2012	04/25/12-21	2.25	18,289,298	15,793,130	-
Streets-Bridges, Series 2013	08/20/13-24	2.80	43,665,000	-	43,665,000
Subtotal general obligation bonds				55,458,130	43,665,000
Premium				1,391,946	2,928,425
Total general obligation bonds				56,850,076	46,593,425
Limited tax pension obligation, Series 2005	09/23/05-28	5.04	61,685,000	54,240,000	-
Urban renewal bonds					
North Gateway, Series 2003	03/12/03-18	5.40	26,175,000	5,490,000	-
Riverfront/Downtown, Series 2003A	07/29/03-18	5.37	3,425,000	1,435,000	-
Riverfront/Downtown, Series 2003B	07/29/03-18	6.27	24,925,000	11,440,000	-
Riverfront/Downtown, Series 2009	09/17/09-24	4.35	3,660,000	2,865,000	-
West Salem, Series 2013	07/23/13-18	1.90	1,500,000	-	1,500,000
Total urban renewal bonds				21,230,000	1,500,000
Total governmental bonds				132,320,076	48,093,425
Notes					
Fairview Industrial Park B98001	10/15/97-17	5.01	1,650,000	569,472	-
HUD Sec 108, Series 2003A	08/07/03-23	5.05	7,200,000	4,004,193	-
OECDL L06001A, Mill Creek, Series 2007	06/23/11-35	4.41	3,999,999	3,481,891	518,108
OECDL L06001B, Mill Creek, Series 2007	10/20/10-21	4.41	1,000,000	993,334	6,666
OECDL L06001C, Mill Creek, Series 2007	10/17/13-33	5.00	3,772,081	-	3,772,081
Total notes				9,048,890	4,296,855
Total governmental activity long-term debt				\$ 141,368,966	\$ 52,390,280
Business-type activity					
Revenue bonds - water and sewer					
Full Faith and Credit, Series 2009	05/12/09-29	4.07	100,075,000	\$ 86,060,000	\$ -
Series 2012 A refunding	10/16/12-25	1.99	63,360,000	60,422,000	-
Series 2012 B refunding	10/16/12-16	1.99	49,361,000	37,820,000	-
Subtotal revenue bonds				184,302,000	-
Premiums				4,367,214	-
Total revenue bonds				188,669,214	-
Notes					
Oregon Econ & Comm Dev Dept G09001	05/12/09-33	4.17	5,875,000	5,287,907	-
Total business-type activity long-term debt				\$ 193,957,121	\$ -
Total long-term debt				\$ 335,326,087	\$ 52,390,280

Continued

Principal Paid	Principal Balance June 30, 2014	Interest Paid	Total Principal and Interest Paid	Current Portion	
				Principal	Interest
\$ 1,400,000	\$ 23,215,000	\$ 1,121,188	\$ 2,521,188	\$ 1,530,000	\$ 1,067,187
830,000	14,220,000	394,310	1,224,310	885,000	372,564
1,791,958	14,001,172	345,321	2,137,279	1,832,503	304,776
2,350,000	41,315,000	1,279,448	3,629,448	2,555,000	1,580,400
6,371,958	92,751,172	3,140,267	9,512,225	6,802,503	3,324,927
316,698	4,003,673	-	316,698	-	-
6,688,656	96,754,845	3,140,267	9,828,923	6,802,503	3,324,927
1,490,000	52,750,000	2,687,811	4,177,811	1,735,000	2,618,302
3,990,000	1,500,000	242,760	4,232,760	1,500,000	81,000
260,000	1,175,000	76,773	336,773	270,000	62,862
2,020,000	9,420,000	715,000	2,735,000	2,145,000	588,750
210,000	2,655,000	124,627	334,627	220,000	115,493
294,000	1,206,000	22,987	316,987	294,000	21,518
6,774,000	15,956,000	1,182,147	7,956,147	4,429,000	869,623
14,952,656	165,460,845	7,010,225	21,962,881	12,966,503	6,812,852
569,472	-	28,719	598,191	-	-
445,281	3,558,912	772,532	1,217,813	379,000	194,389
-	3,999,999	-	-	-	-
-	1,000,000	-	-	-	-
-	3,772,081	-	-	-	-
1,014,753	12,330,992	801,251	1,816,004	379,000	194,389
\$ 15,967,409	\$ 177,791,837	\$ 7,811,476	\$ 23,778,885	\$ 13,345,503	\$ 7,007,241
\$ 3,830,000	\$ 82,230,000	\$ 3,968,125	\$ 7,798,125	\$ 3,945,000	\$ 3,853,225
-	60,422,000	1,341,368	1,341,368	-	1,341,368
14,255,000	23,565,000	366,854	14,621,854	12,239,000	228,581
18,085,000	166,217,000	5,676,347	23,761,347	16,184,000	5,423,174
272,951	4,094,263	-	272,951	-	-
18,357,951	170,311,263	5,676,347	24,034,298	16,184,000	5,423,174
157,599	5,130,308	243,550	401,149	163,565	238,034
\$ 18,515,550	\$ 175,441,571	\$ 5,919,897	\$ 24,435,447	\$ 16,347,565	\$ 5,661,208
\$ 34,482,959	\$ 353,233,408	\$ 13,731,373	\$ 48,214,332	\$ 29,693,068	\$ 12,668,449

Concluded

City of Salem, Oregon
 Schedule of Future Long-term Debt Service Requirements
 June 30, 2014

Governmental Activities

Fiscal Year	Notes		General Obligation, Urban Renewal, & Limited Tax Pension Obligation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 379,000	\$ 194,389	\$ 12,966,503	\$ 6,812,852	\$ 13,345,503	\$ 7,007,241
2015-16	379,000	595,876	12,217,966	6,281,367	12,596,966	6,877,243
2016-17	507,711	218,914	13,040,368	5,761,217	13,548,079	5,980,131
2017-18	513,387	213,238	13,923,729	5,195,783	14,437,116	5,409,021
2018-19	647,042	344,698	11,539,071	4,604,474	12,186,113	4,949,172
2019-20	658,237	333,504	12,444,415	4,114,087	13,102,652	4,447,591
2020-21	751,620	355,346	13,505,788	3,581,531	14,257,408	3,936,877
2021-22	767,378	339,589	14,684,332	3,022,231	15,451,710	3,361,820
2022-23	783,803	312,476	15,810,000	2,472,560	16,593,803	2,785,036
2023-24	569,837	295,355	17,190,000	1,797,925	17,759,837	2,093,280
2024-25	439,773	266,752	6,830,000	1,136,672	7,269,773	1,403,424
2025-26	458,378	248,147	7,425,000	829,586	7,883,378	1,077,733
2026-27	477,774	228,751	6,465,000	494,395	6,942,774	723,146
2027-28	497,992	208,532	3,415,000	170,887	3,912,992	379,419
2028-29	519,068	187,456	-	-	519,068	187,456
2029-30	541,041	165,484	-	-	541,041	165,484
2030-31	438,125	142,580	-	-	438,125	142,580
2031-32	456,453	124,252	-	-	456,453	124,252
2032-33	475,552	105,153	-	-	475,552	105,153
2033-34	495,451	85,253	-	-	495,451	85,253
2034-35	516,186	64,519	-	-	516,186	64,519
2035-36	537,792	42,913	-	-	537,792	42,913
2036-37	255,194	20,399	-	-	255,194	20,399
2037-38	265,198	10,396	-	-	265,198	10,396
Totals	\$ 12,330,992	\$ 5,103,972	\$ 161,457,172	\$ 46,275,567	\$ 173,788,164	\$ 51,379,539

Business-type Activities

Fiscal Year	Notes		Water/Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 163,565	\$ 238,034	\$ 16,184,000	\$ 5,423,174	\$ 16,347,565	\$ 5,661,208
2015-16	169,708	231,492	15,431,000	5,146,655	15,600,708	5,378,147
2016-17	175,896	224,703	15,752,000	4,831,543	15,927,896	5,056,246
2017-18	187,132	217,668	14,720,000	4,405,131	14,907,132	4,622,799
2018-19	193,417	210,182	13,743,000	3,998,514	13,936,417	4,208,696
2019-20	199,838	201,962	13,201,000	3,610,471	13,400,838	3,812,433
2020-21	211,405	192,969	10,413,000	3,182,579	10,624,405	3,375,548
2021-22	217,862	184,513	10,768,000	2,809,909	10,985,862	2,994,422
2022-23	229,755	173,620	11,158,000	2,422,268	11,387,755	2,595,888
2023-24	241,742	162,132	9,822,000	2,018,463	10,063,742	2,180,595
2024-25	248,412	152,463	7,285,000	1,636,536	7,533,412	1,788,999
2025-26	260,583	140,042	6,455,000	1,344,625	6,715,583	1,484,667
2026-27	277,976	126,361	6,780,000	1,021,875	7,057,976	1,148,236
2027-28	290,375	112,463	7,075,000	725,250	7,365,375	837,713
2028-29	303,019	97,218	7,430,000	371,500	7,733,019	468,718
2029-30	320,405	83,582	-	-	320,405	83,582
2030-31	333,037	68,363	-	-	333,037	68,363
2031-32	350,794	52,544	-	-	350,794	52,544
2032-33	368,681	35,881	-	-	368,681	35,881
2033-34	386,706	18,369	-	-	386,706	18,369
Totals	\$ 5,130,308	\$ 2,924,561	\$ 166,217,000	\$ 42,948,493	\$ 171,347,308	\$ 45,873,054

City of Salem, Oregon
Property Tax Transactions
For the fiscal year ended June 30, 2014

Fiscal Year	Balances July 1, 2013	Add Current Year Levy	Add (Deduct) Adjustments Interest & Discounts	Add (Deduct) Collections	Uncollected Balances June 30, 2014
2013-14	\$ -	\$ 80,026,048	\$ (2,328,202)	\$ (75,270,772)	\$ 2,427,074
2012-13	2,845,256	-	(120,061)	(1,415,542)	1,309,653
2011-12	1,489,084	-	(48,040)	(653,770)	787,274
2010-11	937,090	-	(132)	(612,409)	324,549
2009-10	347,476	-	16,762	(239,787)	124,451
2008-09	93,911	-	(10,574)	(36,573)	46,764
2007-08	52,618	-	(9,569)	(19,211)	23,838
2006-07 & Prior	149,886	-	(28,350)	(10,861)	110,675
Totals	<u>\$ 5,915,321</u>	<u>\$ 80,026,048</u>	<u>\$ (2,528,166)</u>	<u>(78,258,925)</u>	<u>\$ 5,154,278</u>

Revenue accrued at June 30, 2013	4,726,204
Revenue accrued at June 30, 2014	(5,071,480)
Total property tax revenue	<u>\$ (78,604,201)</u>

Summary by Fund and Fund Type

	Collections	Balances June 30, 2014
General fund	\$ (56,435,984)	\$ 3,700,387
Debt Service funds:		
General fund	(9,573,331)	627,694
Riverfront/Downtown	(3,623,236)	238,186
Fairview	(17,034)	15,610
North Gateway	(2,529,856)	279,410
West Salem	(858,643)	54,296
Mill Creek	(730,155)	45,819
McGilchrist	(489,033)	30,209
South Waterfront	(154,328)	11,682
Urban Renewal (Special levy)	(3,847,325)	150,985
	<u>(78,258,925)</u>	<u>\$ 5,154,278</u>

Revenue accrued at June 30, 2013	4,726,204
Revenue accrued at June 30, 2014	(5,071,480)
Total property tax revenue	<u>\$ (78,604,201)</u>

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City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2014

Assets

Current assets	
Cash and investments	\$ 28,157,388
Accounts receivable, net	43,705
Inventories and prepayments	936,906
Total current assets	<u>29,137,999</u>
Noncurrent assets	
Capital assets:	
Land and construction in progress	271,593
Other capital assets, net	10,027,745
Total noncurrent assets	<u>10,299,338</u>
Total assets	<u>39,437,337</u>

Liabilities

Current liabilities	
Accounts payable and accrued liabilities	235,882
Claims and judgments due within one year	1,900,000
Unearned revenue	739,787
Compensated absences due within one year	8,484
Total current liabilities	<u>2,884,153</u>
Noncurrent liabilities	
Net OPEB obligation	262,869
Claims and judgments payable	2,566,780
Compensated absences payable	176,850
Total noncurrent liabilities	<u>3,006,499</u>
Total liabilities	<u>5,890,652</u>

Net Position

Net investment in capital assets	10,299,338
Unrestricted	23,247,347
Total net position	<u>\$ 33,546,685</u>

Tie to Government-wide statement

Total net position	\$ 33,546,685
Back out:	
Amount reflected in capital assets	(10,299,338)
Add in:	
Amount due from (to) Business-type funds, June 30, 2013	(1,446,274)
Amount due from (to) Business-type funds for current year	(496,671)
Compensated absences	185,334
Net OPEB obligation	262,869
Amount reflected from Internal Service funds (page 36)	<u>\$ 21,752,605</u>

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Activities
For the fiscal year ended June 30, 2014

	Internal Service Funds	Governmental Funds	Business-type Funds
Operating revenues			
Sales, fees, licenses, and permits	\$ 30,088	\$ 18,595	\$ 8,506
Rents	1,664,037	1,028,390	470,406
Internal and intergovernmental	35,478,963	21,926,329	10,029,544
Other revenue	914,087	-	-
Total operating revenues	38,087,175	22,973,314	10,508,456
Operating expenses			
Personal services	3,058,240	1,890,021	864,534
Materials and services	30,793,479	19,030,656	8,705,005
Depreciation	1,564,420	966,826	442,246
Allocated to programs in governmental activities			
Business type	-	-	-
General governmental	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Engineering and streets	-	-	-
Library	-	-	-
Total operating expenses	35,416,139	21,887,503	10,011,785
Operating income (loss)	2,671,036	1,085,811	496,671
Non-Operating revenues (expenses)			
Interest on investments	133,211	-	-
Other revenue (expenses)	(307,446)	-	-
Total non-operating revenues (expenses)	(174,235)	-	-
Income (loss) before transfers	2,496,801	-	-
Capital contributions	158,145	-	-
Transfers in	167,655	-	-
Transfers out	(67,089)	-	-
Change in net position	2,755,512	-	-
Total net position - beginning of year	30,791,173	-	-
Total net position - end of year	\$ 33,546,685	\$ -	\$ -

Continued

Other Outside	Allocation Of Loss / Gain To Programs	Governmental Government- wide Statement	Business-type Government- wide Statement
\$ 2,988	\$ -	\$ 2,988	\$ -
165,240	-	165,240	-
3,523,090	-	3,523,090	-
914,087	-	914,087	-
<u>4,605,405</u>	<u>-</u>	<u>4,605,405</u>	<u>-</u>
303,685	-	303,685	-
3,057,818	-	3,057,818	-
155,348	-	155,348	-
-	-	-	(496,671)
-	(272,321)	(272,321)	-
-	(76,984)	(76,984)	-
-	(56,679)	(56,679)	-
-	(491,982)	(491,982)	-
-	(158,094)	(158,094)	-
-	(29,751)	(29,751)	-
<u>3,516,851</u>	<u>(1,085,811)</u>	<u>2,431,040</u>	<u>(496,671)</u>
<u>1,088,554</u>	<u>1,085,811</u>	<u>2,174,365</u>	<u>496,671</u>
-	-	133,211	-
-	-	(307,446)	-
-	-	(174,235)	-
-	-	2,000,130	496,671
-	-	158,145	-
-	-	167,655	-
-	-	(67,089)	-
-	-	2,258,841	496,671
-	-	30,791,173	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,050,014</u>	<u>\$ 496,671</u>

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Statistical Section

STATISTICAL STATEMENTS

This part of the City of Salem's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <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>	143
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	150
Debt Capacity <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>	154
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	161
Operating Information <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>	164

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

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SCHEDULE 1

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

As of June 30	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 346,337,252	\$ 327,440,127	\$ 344,710,450	\$ 374,773,296	\$ 390,527,598	\$ 398,944,555	\$ 415,079,585	\$ 421,436,571	\$ 427,554,634	\$ 435,779,633
Restricted	66,900,364	73,179,894	76,787,636	76,928,490	72,978,304	83,633,922	77,974,325	77,665,043	78,206,939	79,809,835
Unrestricted	28,172,180	28,117,048	28,051,360	26,915,249	27,997,396	31,944,930	39,973,858	39,406,449	41,659,637	46,783,853
Total governmental activities net position	441,409,796	428,737,069	449,549,446	478,617,035	491,503,298	514,523,407	533,027,768	538,508,063	547,421,210	562,373,321
Business-type activities										
Net investment in capital assets	340,427,646	403,429,170	428,269,321	473,659,787	468,116,427	468,759,084	464,074,289	472,165,125	474,358,737	487,328,016
Restricted	38,055,693	36,200,882	30,358,017	17,762,194	25,441,205	31,495,476	27,122,086	22,901,553	10,592,627	11,344,749
Unrestricted	32,959,439	33,462,950	37,235,908	31,734,864	29,133,838	32,080,141	32,760,968	35,778,358	53,878,267	51,883,370
Total business-type activities net position	411,442,778	473,093,002	495,863,246	523,156,845	522,691,470	532,334,701	523,957,343	530,845,036	538,829,631	550,556,135
Primary government										
Net investment in capital assets	686,764,898	730,869,297	772,979,771	848,433,083	858,644,025	867,703,639	879,153,874	893,601,696	901,913,371	923,107,649
Restricted	104,956,057	109,380,776	107,145,653	94,690,684	98,419,509	115,129,398	105,096,411	100,566,596	88,799,566	91,154,584
Unrestricted	61,131,619	61,579,998	65,287,268	58,650,113	57,131,234	64,025,071	72,734,826	75,184,807	95,537,904	98,667,223
Total primary government net position	\$ 852,852,574	\$ 901,830,071	\$ 945,412,692	\$ 1,001,773,880	\$ 1,014,194,768	\$ 1,046,858,108	\$ 1,056,985,111	\$ 1,069,353,099	\$ 1,086,250,841	\$ 1,112,929,456

Source: City of Salem, OR Comprehensive Annual Financial Report, *Net Position by Component*

*Salem Housing Authority was included as a blended component unit for FYE 2006 through 2010. It was discretely presented for FYE 2005 and is discretely presented from FYE 2011 forward.

SCHEDULE 2

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

As of June 30	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 13,339,591	\$ 14,794,481	\$ 15,129,054	\$ 16,067,657	\$ 12,557,894	\$ 10,662,002	\$ 17,240,091	\$ 21,514,149	\$ 21,296,860	\$ 23,128,615
Public safety	43,284,353	47,404,366	49,777,067	51,994,616	53,443,465	53,685,252	56,509,443	59,245,778	58,805,455	60,447,533
Community development	18,034,634	21,901,472	24,130,733	29,606,057	25,988,161	27,700,099	23,810,219	23,353,314	20,991,991	22,641,646
Community services	7,757,359	8,290,322	9,049,614	9,953,583	10,554,331	7,217,375	7,939,666	8,077,160	7,903,455	8,315,343
Engineering and streets	24,386,795	26,438,511	26,560,667	28,372,823	28,064,453	26,271,205	24,500,538	26,825,997	27,175,114	20,886,835
Library services	4,065,886	4,334,243	4,627,364	4,544,617	4,503,422	4,358,817	4,441,873	4,490,150	4,535,827	4,525,863
Interest on debt	4,496,214	6,954,491	6,519,617	7,227,113	7,265,661	7,944,547	7,541,629	7,014,742	6,699,240	8,005,607
Total governmental activities	115,364,832	130,117,886	135,794,116	147,766,466	142,377,387	137,839,297	141,983,459	150,521,290	147,407,942	147,951,442
Business-type activities:										
Water and sewer	52,141,770	59,215,393	58,546,859	69,124,563	72,992,423	69,447,251	67,304,246	67,641,644	72,271,694	78,156,729
Housing Authority	19,191,025	19,298,961	17,590,873	18,759,080	18,749,228	22,869,199	-	-	-	-
Emergency services	6,600,109	2,398,983	2,205,742	1,923,960	2,265,540	1,483,101	987,118	1,055,673	1,294,706	1,093,116
WVPS communications center	5,439,715	5,576,780	5,838,891	6,046,467	6,469,078	6,490,525	6,846,721	7,075,463	8,875,249	8,869,085
Oregon public electronic network	485,009	420,857	398,259	160,321	-	-	-	-	-	-
Police Regional Records System	-	-	-	-	-	247,214	239,432	309,859	249,368	239,226
Salem Conference Center	-	3,250,577	3,370,621	3,556,028	4,249,083	3,535,376	3,879,670	3,551,405	3,763,233	3,876,195
Total business-type activities	83,857,628	90,161,551	87,951,245	99,570,419	104,725,352	104,072,666	79,257,187	79,634,044	86,454,250	92,234,351
Total expenses	\$ 199,222,460	\$ 220,279,437	\$ 223,745,361	\$ 247,336,885	\$ 247,102,739	\$ 241,911,963	\$ 221,240,646	\$ 230,155,334	\$ 233,862,192	\$ 240,185,793
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,630,474	\$ 8,061,708	\$ 7,772,808	\$ 8,274,233	\$ 10,621,057	\$ 9,890,857	\$ 9,636,473	\$ 8,416,253	\$ 9,051,015	\$ 9,727,451
Public safety	3,497,741	3,136,461	4,039,897	4,022,978	4,248,201	3,276,484	2,597,900	2,702,450	2,954,822	3,036,252
Community development	12,366,338	12,624,326	12,615,667	12,947,688	8,692,993	13,057,525	9,935,284	8,647,772	9,913,422	13,035,916
Community services	2,798,282	3,083,674	3,298,755	3,228,406	3,183,119	624,081	1,180,119	4,963,753	4,720,655	5,453,282
Engineering and streets	9,024,448	10,368,122	10,184,210	11,122,510	10,482,300	8,465,378	8,398,305	8,702,792	8,673,693	3,086,927
Library services	839,422	867,647	859,570	792,898	777,889	871,213	833,995	842,339	845,041	839,415
Interest on debt	-	-	-	2,947,051	2,898,830	2,875,690	2,844,620	2,804,660	2,757,900	2,469,450
Operating grants and contributions	14,433,682	12,168,667	11,266,927	11,609,101	11,141,729	12,115,403	13,352,583	12,395,767	11,438,240	13,339,534
Capital grants and contributions	28,811,743	22,604,206	19,312,072	32,778,270	12,889,532	13,029,362	13,301,390	7,004,622	7,854,947	10,630,480
Total governmental activities	79,402,130	72,914,811	69,349,906	87,723,135	64,935,650	64,205,993	62,080,669	56,480,408	58,209,735	61,618,707
Business-type activities:										
Charges for services										
Water and sewer	53,206,901	56,004,278	59,168,890	59,313,030	64,745,475	70,711,576	72,440,296	71,066,622	74,458,723	84,279,309
Housing Authority	845,534	852,471	862,066	1,164,221	1,621,844	1,668,943	-	-	-	-
Emergency services	6,937,937	1,427,867	980,060	1,150,568	1,381,724	1,446,292	1,170,744	1,119,374	1,117,833	858,984
WVPS communications center	5,222,958	5,254,760	5,468,754	5,535,768	6,034,856	6,299,390	6,576,751	6,789,803	8,479,940	8,377,806
Oregon public electronic network	364,764	386,600	188,420	1,890	-	-	-	-	-	-
Police Regional Records System	-	-	-	-	-	367,308	383,900	318,694	324,853	311,775
Salem Conference Center	-	2,651,357	3,112,783	3,348,490	3,603,585	2,970,073	3,642,622	3,216,611	3,425,715	3,476,830
Operating grants and contributions	-	17,539,867	17,470,265	17,476,430	16,918,001	17,735,354	56,066	48,828	111,221	62,804
Capital grants and contributions	23,954,520	27,289,919	18,837,880	34,708,402	8,384,088	10,694,759	4,795,965	3,372,399	5,568,746	5,527,869
Total business-type activities	90,532,614	111,407,119	106,089,118	122,698,799	102,689,573	111,893,695	89,066,344	85,932,331	93,487,031	102,895,377
Total program revenues	\$ 169,934,744	\$ 184,321,930	\$ 175,439,024	\$ 210,421,934	\$ 167,625,223	\$ 176,099,688	\$ 151,147,013	\$ 142,412,739	\$ 151,696,766	\$ 164,514,084

Continued

SCHEDULE 2

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

As of June 30	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (35,962,702)	\$ (57,203,075)	\$ (66,444,210)	\$ (60,043,331)	\$ (77,441,737)	\$ (73,633,304)	\$ (79,902,790)	\$ (94,040,882)	\$ (89,198,207)	\$ (86,332,735)
Business-type activities	6,674,986	21,245,568	18,137,873	23,128,380	(2,035,779)	7,821,029	9,809,157	6,298,287	7,032,781	10,661,026
Total net expense	<u>\$ (29,287,716)</u>	<u>\$ (35,957,507)</u>	<u>\$ (48,306,337)</u>	<u>\$ (36,914,951)</u>	<u>\$ (79,477,516)</u>	<u>\$ (65,812,275)</u>	<u>\$ (70,093,633)</u>	<u>\$ (87,742,595)</u>	<u>\$ (82,165,426)</u>	<u>\$ (75,671,709)</u>
General Revenues										
Governmental activities:										
Taxes										
Property	\$ 53,797,298	\$ 56,011,987	\$ 59,199,262	\$ 63,192,216	\$ 65,579,277	\$ 74,042,268	\$ 75,711,745	\$ 77,131,275	\$ 77,692,414	\$ 77,784,406
Transient occupancy	1,827,756	2,051,782	2,394,765	2,506,226	2,416,440	2,138,196	2,215,001	2,239,286	2,445,339	2,730,822
Shared state revenue	3,333,852	3,524,371	3,686,377	4,831,918	2,276,288	3,936,080	4,048,300	4,349,029	4,494,802	4,686,535
Franchise fees based on gross receipts	11,562,612	12,081,564	13,046,417	13,660,585	14,073,056	13,831,430	13,697,602	14,452,337	15,403,281	15,401,430
Payment in lieu of taxes	216,061	95,631	96,320	96,820	139,295	108,901	97,143	97,194	94,504	102,646
Investment earnings	2,402,857	4,250,681	5,196,018	4,082,322	2,199,541	1,330,733	611,855	759,531	692,002	776,162
Gain on sale of assets	840,172	192,475	657,993	1,318,527	3,090,684	1,233,877	-	-	3,490	13,160
Miscellaneous	298,692	2,991,803	3,622,778	791,185	784,077	889,903	555,015	501,675	269,034	217,028
Gain (loss) on dissolution of Transfers in (out)	(349,341)	(36,669,946)	(643,343)	(1,368,879)	(230,658)	(857,975)	1,470,490	(9,150)	(2,983,512)	(427,343)
Total governmental activities	<u>73,929,959</u>	<u>44,530,348</u>	<u>87,256,587</u>	<u>89,110,920</u>	<u>90,328,000</u>	<u>96,653,413</u>	<u>98,407,151</u>	<u>99,521,177</u>	<u>98,111,354</u>	<u>101,284,846</u>
Business-type activities:										
Investment earnings	1,649,432	3,380,797	3,751,647	3,485,243	1,121,690	467,557	238,610	258,335	238,187	315,511
Gain or (loss) on sale of assets	-	14,835	-	(59,683)	37,949	45,270	4,121	6,358	16,818	8,150
Miscellaneous	-	233,809	237,381	79,429	180,107	535,878	400,629	315,563	284,196	314,474
Transfers in (out)	349,341	36,669,946	643,343	1,368,879	230,658	857,975	(1,470,490)	9,150	2,983,512	427,343
Total business-type activities	<u>1,998,773</u>	<u>40,299,387</u>	<u>4,632,371</u>	<u>4,873,868</u>	<u>1,570,404</u>	<u>1,906,680</u>	<u>(827,130)</u>	<u>589,406</u>	<u>3,522,713</u>	<u>1,065,478</u>
Total primary government	<u>\$ 75,928,732</u>	<u>\$ 84,829,735</u>	<u>\$ 91,888,958</u>	<u>\$ 93,984,788</u>	<u>\$ 91,898,404</u>	<u>\$ 98,560,093</u>	<u>\$ 97,580,021</u>	<u>\$ 100,110,583</u>	<u>\$ 101,634,067</u>	<u>\$ 102,350,324</u>
Change in Net Position										
Governmental activities	\$ 37,967,257	\$ (12,672,727)	\$ 20,812,377	\$ 29,067,589	\$ 12,886,263	\$ 23,020,109	\$ 18,504,361	\$ 5,480,295	\$ 8,913,147	\$ 14,952,111
Business-type activities	8,673,759	61,544,955	22,770,244	28,002,248	(465,375)	9,727,709	8,982,027	6,887,693	10,555,494	11,726,504
Total	<u>\$ 46,641,016</u>	<u>\$ 48,872,228</u>	<u>\$ 43,582,621</u>	<u>\$ 57,069,837</u>	<u>\$ 12,420,888</u>	<u>\$ 32,747,818</u>	<u>\$ 27,486,388</u>	<u>\$ 12,367,988</u>	<u>\$ 19,468,641</u>	<u>\$ 26,678,615</u>

Concluded

Source: City of Salem, OR Comprehensive Annual Financial Report, *Statement of Activities*

*Salem Housing Authority was included as a blended component unit for FYE 2006 through 2010. It was discretely presented for FYE 2005 and is discretely presented from FYE 2011 forward.

SCHEDULE 3

City of Salem, Oregon
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

As of June 30	2005	2006	2007	2008	2009
General fund					
Nonspendable:	*	*	*	*	
Prepaid items					\$ -
Long-term receivable					1,411
Restricted for:					
Library services					11
Unassigned					14,940
Unreserved	\$ 14,300	\$ 14,296	\$ 11,894	\$ 11,241	n/a
Total General Fund	<u>\$ 14,300</u>	<u>\$ 14,296</u>	<u>\$ 11,894</u>	<u>\$ 11,241</u>	<u>\$ 16,362</u>
All other governmental funds					
Nonspendable:	*	*	*	*	
Prepaid items					\$ -
Permanent fund principal					11
Restricted for:					
Capital projects					70,367
Community renewal					-
Debt service					9,484
Permanent funds - spendable					197
General government					172
Community development-SCC Gain/Loss					2,387
Community development-Other					65
Community services					598
Library services					31
Public safety					560
Engineering/Streets					856
Committed for:					
Public works					1,772
Capital projects					109
Airport					374
Downtown parking					562
Economic improvement					199
Cultural/Tourism					618
Public Art					-
Parking leasehold					306
Building & safety					4,081
General government-replace phone system					1,133
Community services					94
Library services					1,028
Public safety					81
Engineering & streets					163
Reserved	\$ 17,082	\$ 16,686	\$ 16,023	\$ 15,447	n/a
Unreserved					
Special revenue funds	8,730	8,462	10,363	9,856	
Capital projects funds	49,024	46,094	39,211	46,754	
Total all other governmental funds	<u>\$ 74,836</u>	<u>\$ 71,242</u>	<u>\$ 65,597</u>	<u>\$ 72,057</u>	<u>\$ 95,248</u>

Continued

SCHEDULE 3

City of Salem, Oregon
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

As of June 30	2010	2011	2012	2013	2014
General fund					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ 409	\$ 420	\$ 452
Long-term receivable	1,078	733	373	-	-
Restricted for:					
Library services	15	9	10	-	-
Unassigned	17,567	18,257	17,779	20,379	20,545
Unreserved	n/a	n/a	n/a	n/a	n/a
Total General Fund	\$ 18,660	\$ 18,999	\$ 18,571	\$ 20,799	\$ 20,997
All other governmental funds					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ 87	\$ 87	\$ 63
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	59,667	45,818	54,021	32,438	69,176
Community renewal	14	-	-	35	25
Debt service	15,811	16,499	17,550	17,604	17,121
Permanent funds - spendable	202	213	217	232	240
General government	178	178	179	179	181
Community development-SCC Gain/Loss	2,903	3,285	3,827	3,980	4,065
Community development-Other	66	66	-	67	67
Community services	610	590	612	685	733
Library services	35	24	28	28	39
Public safety	471	476	582	497	405
Engineering/Streets	1,397	1,803	1,792	1,701	1,549
Committed for:					
Public works	2,589	3,099	2,495	1,687	2,024
Capital projects	1,578	-	-	-	-
Airport	334	457	531	564	631
Downtown parking	445	429	516	326	376
Economic improvement	184	-	77	183	173
Cultural/Tourism	465	655	557	882	1,266
Public Art	-	1	1	1	4
Parking leasehold	346	421	500	548	573
Building & safety	4,747	4,397	3,555	3,748	4,789
General government-replace phone system	1,330	1,481	1,652	1,692	1,704
Community services	104	236	-	43	45
Library services	941	914	950	975	881
Public safety	76	14	22	15	16
Engineering & streets	-	-	-	-	-
Reserved	n/a	n/a	n/a	n/a	n/a
Unreserved	n/a	n/a	n/a	n/a	n/a
Special revenue funds	n/a	n/a	n/a	n/a	n/a
Capital projects funds	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	\$ 94,504	\$ 81,067	\$ 89,762	\$ 68,208	\$ 106,157

Concluded

Source: City of Salem, OR Comprehensive Annual Financial Report, *Balance Sheet, Governmental Funds*

*Schedule revised with the implementation of GASB Statement 54 (data not available for 2005-2008).

n/a = not applicable

SCHEDULE 4

City of Salem, Oregon
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

As of June 30	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property taxes	\$ 54,091,841	\$ 56,377,125	\$ 59,147,634	\$ 62,534,967	\$ 65,076,281	\$ 73,308,330	\$ 74,888,230	\$ 77,310,933	\$ 77,798,977	\$ 78,604,201
Other taxes	1,827,756	2,051,782	2,394,765	2,506,226	2,465,062	2,187,338	2,268,440	2,292,159	2,500,211	2,788,858
Sales, fees, licenses, and permits	27,231,909	26,856,734	27,728,489	27,183,966	23,614,958	25,807,215	22,457,234	22,154,528	24,878,758	27,040,176
Fines and penalties	2,221,340	2,361,762	2,662,454	3,364,017	3,477,483	3,586,829	3,452,573	3,067,266	2,547,538	2,712,724
Special assessments	25,933	21,270	16,231	220,419	305,709	210,759	62,135	678,843	618,003	767,990
Interest on investments	2,122,103	3,539,377	4,227,106	4,082,325	1,751,896	1,048,597	649,822	636,903	577,575	642,954
Grants	12,073,182	6,900,717	4,468,002	9,498,793	7,583,257	7,122,044	7,615,558	5,823,954	4,773,444	8,631,220
Intergovernmental	27,157,486	31,424,433	32,950,915	32,364,710	32,562,714	29,604,924	29,762,148	35,150,303	35,784,928	32,002,982
Rents	2,925,826	2,754,033	2,867,711	2,821,984	3,150,271	2,969,490	3,185,058	2,922,831	3,222,814	3,281,528
Loan payments received	1,199,366	1,254,707	1,359,957	1,809,555	945,685	1,039,133	775,791	979,261	888,884	1,723,421
Other	1,708,878	1,856,119	2,748,616	1,173,104	2,228,245	1,763,737	1,658,861	1,298,618	1,114,307	1,026,446
Total revenues	132,585,620	135,398,059	140,571,880	147,560,066	143,161,561	148,648,396	146,775,850	152,315,599	154,705,439	159,222,500
Expenditures										
General government	11,150,394	12,074,124	12,017,046	12,917,309	12,866,024	12,248,432	12,699,597	17,072,868	17,044,104	18,640,507
Community development	14,799,295	15,741,075	16,222,112	18,684,997	16,999,782	18,090,131	17,902,814	16,239,064	15,490,499	16,418,121
Community service	7,551,433	7,965,800	8,596,541	8,904,403	9,065,932	6,226,902	6,703,357	7,038,423	6,550,095	7,055,808
Public safety	42,911,601	46,972,496	49,351,315	50,530,558	52,032,875	52,973,430	54,709,814	57,952,163	57,116,459	59,453,631
Engineering/streets	16,862,826	20,036,780	18,945,244	19,260,210	18,982,507	14,679,516	14,982,329	16,745,253	16,563,872	10,692,492
Library	3,840,087	4,111,896	4,422,147	4,223,940	4,232,387	4,167,415	4,122,063	4,232,024	4,260,510	4,386,708
Capital outlay	33,295,640	16,444,956	23,055,009	38,952,034	27,669,123	23,126,615	27,023,802	28,361,412	35,162,576	32,666,666
Debt service										
Principal retirement	9,515,607	11,722,183	15,017,720	10,848,800	9,745,888	12,643,046	14,170,379	15,530,579	16,535,545	15,754,955
Interest and fiscal charges	4,697,103	6,602,058	6,687,773	6,982,291	7,381,980	7,876,030	7,694,560	6,976,146	6,669,810	7,886,344
Total expenditures	144,623,986	141,671,368	154,314,907	171,304,542	158,976,498	152,031,517	160,008,715	170,147,932	175,393,470	172,955,232
Excess (deficiency) of revenues over (under) expenditures	(12,038,366)	(6,273,309)	(13,743,027)	(23,744,476)	(15,814,937)	(3,383,121)	(13,232,865)	(17,832,333)	(20,688,031)	(13,732,732)

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Continued

SCHEDULE 4

City of Salem, Oregon
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

As of June 30	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses)										
Transfers in	1,213,225	2,147,208	4,162,590	7,501,428	11,894,240	7,326,962	12,616,741	7,565,121	6,780,093	7,494,154
Issuance of debt	2,275,493	2,483,572	4,061,026	22,800,000	39,199,000	3,660,000	857,055	26,283,080	2,335,090	49,461,855
Pension bond issuance	-	61,685,000	-	-	-	-	-	-	-	-
Pension obligation payment	-	(61,685,000)	-	-	-	-	-	-	-	-
Issuance of refunding bonds	12,130,000	-	-	-	-	-	-	18,289,298	-	-
Bond issuance premium	530,317	-	-	-	2,156,577	-	-	-	-	2,928,425
Payments to refunded bond escrow agents	(12,660,317)	-	-	-	(3,402,175)	-	-	(18,289,298)	-	-
Sale of capital assets	848,671	209,802	1,655,711	5,651,681	3,954,736	1,697,190	75,848	34,056	25,000	17,329
Transfers out	(1,281,124)	(2,164,708)	(4,183,270)	(6,403,037)	(9,675,190)	(7,747,524)	(13,414,877)	(7,782,861)	(7,777,958)	(8,022,063)
Total other financing sources (uses)	3,056,265	2,675,874	5,696,057	29,550,072	44,127,188	4,936,628	134,767	26,099,396	1,362,225	51,879,700
Net change in fund balances	\$ (8,982,101)	\$ (3,597,435)	\$ (8,046,970)	\$ 5,805,596	\$ 28,312,251	\$ 1,553,507	\$ (13,098,098)	\$ 8,267,063	\$ (19,325,806)	\$ 38,146,968
Debt service as a percentage of noncapital expenditures	10.57%	10.92%	15.76%	12.16%	12.44%	14.97%	15.85%	15.06%	15.51%	16.05%

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Concluded

Source: City of Salem, OR Comprehensive Annual Financial Report, *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*

SCHEDULE 5

City of Salem, Oregon
Assessed Value and Estimated Real Market Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Residential Property	Farm Property	Commercial Property¹	Industrial Property¹	Personal Property	Utility Property	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Taxable RMV	Estimated Real Market Value	Assessed Value as a Percentage of Est. Real Market Value
2005	\$ 4,530,759	\$ 10,250	\$ 1,843,065	\$ 639,712	\$ 284,421	\$ 273,407	\$ 7,581,614	\$7.52	\$ 9,575,524	\$ 12,039,039	62.98%
2006	4,825,660	14,470	1,922,354	611,322	285,974	240,664	7,900,444	7.34	10,228,766	12,827,708	61.59%
2007	5,159,610	11,604	2,012,731	616,441	290,980	241,913	8,333,279	7.32	11,641,958	14,349,657	58.07%
2008	5,537,787	9,043	2,113,383	650,094	307,022	274,330	8,891,659	7.34	13,533,997	16,493,796	53.91%
2009	5,863,831	9,148	2,194,995	681,961	318,561	263,389	9,331,885	7.29	14,319,704	17,493,838	53.34%
2010	6,099,347	9,869	2,324,963	686,402	334,752	343,793	9,799,126	7.82	13,960,557	17,271,564	56.74%
2011	6,294,093	12,233	2,390,664	685,623	331,581	352,705	10,066,899	7.78	13,414,743	16,905,161	59.55%
2012	6,445,378	11,802	2,492,669	721,290	324,688	293,778	10,289,605	7.80	12,756,685	16,259,047	63.29%
2013	6,452,158	15,708	3,050,982	259,270	329,907	276,354	10,384,379	7.82	12,267,502	15,967,484	65.03%
2014	6,589,878	16,044	3,223,771	134,585	324,092	270,290	10,558,660	7.71	12,243,883	16,055,929	65.76%

Sources: Marion County Assessor's Office
Polk County Assessor's Office

Note: 1. In 2013 there was a change in the law on how to calculate the Change Property Ratio for industrial and commercial accounts.

SCHEDULE 6

**City of Salem, Oregon
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)**

Fiscal Year Ended June 30	City Direct Rates				Salem/ Keizer School District	Marion County	Other Agencies	Total
	Basic Rate	General Obligation Rate	Urban Renewal Rate	Total Direct				
2005	\$ 5.61	\$ 0.90	\$ 1.01	\$ 7.52	\$ 6.84	\$ 2.89	\$ 2.08	\$ 19.33
2006	5.62	0.75	0.97	7.34	6.37	2.89	2.08	18.68
2007	5.63	0.76	0.93	7.32	6.23	2.90	2.06	18.51
2008	5.61	0.73	1.00	7.34	6.22	2.89	1.82	18.27
2009	5.59	0.64	1.06	7.29	6.31	2.89	1.82	18.31
2010	5.53	0.97	1.32	7.82	6.20	2.85	1.98	18.85
2011	5.53	0.92	1.33	7.78	5.99	2.85	1.88	18.50
2012	5.53	0.96	1.31	7.80	6.11	2.85	1.97	18.73
2013	5.52	0.96	1.34	7.82	6.35	2.85	1.98	19.00
2014	5.54	0.95	1.22	7.71	6.38	2.86	1.96	18.91

Source: Marion County Summary of Tax Roll

SCHEDULE 7

**City of Salem, Oregon
Principal Property Taxpayers
Current Year and Nine Years Ago**

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Property Taxpayers	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Valuation*	Taxable Assessed Valuation	Rank	Percentage of Total County Taxable Assessed Valuation
Portland General Electric Company	\$ 82,757,900	1	0.78%	\$ 70,148,880	3	0.93%
Northwest Natural Gas Company	67,881,000	2	0.64%	44,362,000	5	0.59%
Lancaster Development Company	63,861,330	3	0.61%	43,140,640	4	0.57%
Metropolitan Life Insurance Company	42,822,470	4	0.41%	29,077,790	6	0.38%
CenturyLink	37,044,600	5	0.35%	111,639,992	1	1.47%
State Investments LLC	34,217,843	6	0.32%	-	-	-
HD Salem OR Landlord LLC	32,423,630	7	0.31%	-	-	-
Wal-Mart Real Estate Business	32,392,310	8	0.31%	-	-	-
Comcast Corporation	31,004,380	9	0.29%	-	-	-
State Accident Insurance Fund	29,534,890	10	0.28%	22,707,510	9	0.30%
Mitsubishi Silicon America	-	-	-	99,636,570	2	1.31%
Boise Cascade Corporation	-	-	-	28,487,080	7	0.38%
NorPac Foods Incorporated	-	-	-	27,627,390	8	0.36%
PPG Industries, Inc	-	-	-	20,071,590	10	0.26%
All other taxpayers	10,104,719,940		95.70%	7,084,714,544		93.45%
Total	\$ 10,558,660,293		100.00%	\$ 7,581,613,986		100.00%

Sources: Marion County Assessor's Office
Polk County Assessor's Office

SCHEDULE 8

City of Salem, Oregon
 Property Tax Levies and Collections
 Last Seven Fiscal Years¹
 (Includes Urban Renewal Tax Increment)

Fiscal Year of Levy	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments and Discounts	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections, Discounts and Adjustments in Subsequent Years	Total Collections to Date		Outstanding Taxes Levied by Fiscal Year
				Amount Collected	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2007-08	\$ 62,898,619	\$ 1,705,705	\$ 61,192,914	\$ 58,910,303	93.66%	\$ 2,258,773	\$ 61,169,076	99.96%	\$ 23,838
2008-09	67,729,529	1,838,289	65,891,240	62,930,121	92.91%	2,914,355	65,844,476	99.93%	46,764
2009-10	76,213,066	2,148,430	74,064,636	70,857,175	92.97%	3,083,010	73,940,185	99.83%	124,451
2010-11	77,615,253	2,098,618	75,516,635	72,262,984	93.10%	2,929,102	75,192,086	99.57%	324,549
2011-12	79,314,605	2,342,806	76,971,799	73,998,354	93.30%	2,186,171	76,184,525	98.98%	787,274
2012-13	79,624,242	2,322,020	77,302,222	74,456,966	93.51%	1,535,602	75,992,568	98.31%	1,309,654
2013-14	80,026,048	2,328,202	77,697,846	75,270,772	94.06%	-	75,270,772	96.88%	2,427,074

Sources: Marion County Assessor's Office
 Polk County Assessor's Office

Note: 1. Marion County schedule, Summary of Property Tax Collections by Fiscal Year Ending, shows the collections by levy for the last seven levies. All prior levies are combined, so the detail is not available beyond seven years.

SCHEDULE 9

**City of Salem, Oregon
Ratios of Outstanding Debt by Type¹
Last Ten Fiscal Years**

Fiscal Year Ended June 30	General Government			Notes
	General Obligation Bonds^{2,5}	Urban Renewal Tax Increment Bonds	Urban Renewal Bonds	
2005	\$ 26,273,427	\$ 2,213,760	\$ 46,720,000	\$ 11,712,041
2006 ³	20,758,974	1,650,025	45,595,000	10,637,256
2007 ³	15,510,000	5,000	44,015,000	9,367,536
2008 ³	29,073,499	-	41,495,000	10,510,142
2009 ³	61,614,975	-	38,515,000	9,349,478
2010 ³	55,027,980	-	38,765,000	7,276,887
2011	47,694,890	-	33,475,000	7,330,112
2012	65,054,925	-	27,470,000	7,661,036
2013	56,850,076	-	21,230,000	9,048,890
2014	96,754,845	-	15,956,000	12,330,992

Continued

SCHEDULE 9

**City of Salem, Oregon
 Ratios of Outstanding Debt by Type¹
 Last Ten Fiscal Years**

Business-Type Activities			Total	Percentage of Total Personal Income⁴	Per Capita⁴
Water/Sewer Revenue Bonds	Water/Sewer Revenue / Full Faith and Credit Bonds	Notes			
\$ 138,284,060	\$ -	\$ 4,142,846	\$ 229,346,134	5.90%	\$ 1,596
130,913,357	-	15,709,656	225,264,268	5.33%	1,530
123,137,654	-	46,759,614	238,794,804	5.49%	1,599
115,066,951	-	27,362,302	223,507,894	4.83%	1,468
112,125,266	100,075,000	33,897,314	355,577,033	7.19%	2,301
103,136,612	96,895,000	35,555,422	336,656,901	6.64%	2,145
93,782,958	93,390,000	32,925,377	308,598,337	5.85%	1,960
83,979,304	89,780,000	32,139,966	306,085,231	5.80%	1,966
102,609,214	86,060,000	5,287,907	281,086,087	5.19%	1,797
88,081,263	82,230,000	5,130,308	300,483,408	N/A	1,905

Concluded

Source: City of Salem Finance Division

- Notes:
1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 2. Excludes limited tax pension obligation bonded debt and related repayments.
 3. Salem Housing Authority is included as a blended component unit for FYE 2006 through 2010.
 4. See Statistical Schedule 14 *Demographic and Economic Statistics* for total personal income and population.
 5. Matches general obligation bonds plus premium found in the notes to the financial statements.

SCHEDULE 10

City of Salem, Oregon
Ratios of General Bonded Debt Outstanding^{1,3}
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Assessed Value	General Obligation Bonds ²	Full Faith and Credit backed revenue bonds ³	Less: Amounts Available in General Debt Service Fund ⁴	Total ³	Percentage of Estimated Actual Taxable Value of Property ³	General Bonded Debt Per Capita ³
2005	143,700	\$ 7,581,613,986	\$ 26,273,427	\$ -	\$ 2,121,431	\$ 24,151,996	0.32%	\$ 168
2006	147,250	7,900,444,297	20,758,974	-	1,558,611	19,200,363	0.24%	130
2007	149,305	8,333,279,030	15,510,000	-	1,850,622	13,659,378	0.16%	91
2008	152,290	8,891,659,048	29,073,499	-	1,053,411	28,020,088	0.32%	184
2009	154,510	9,331,885,135	61,614,975	100,075,000	358,059	161,331,916	1.73%	1,044
2010	156,955	9,799,125,647	55,027,980	98,895,000	738,810	153,184,170	1.56%	976
2011	157,460	10,066,899,077	47,694,890	93,390,000	425,307	140,659,583	1.40%	893
2012	155,710	10,289,605,321	65,054,925	89,780,000	448,927	154,385,998	1.50%	991
2013	156,455	10,384,378,954	56,850,076	86,060,000	129,392	142,780,684	1.37%	913
2014	157,770	10,558,660,293	96,754,845	82,230,000	307,721	178,677,124	1.69% ⁵	1,133 ⁶

Sources: Marion County Assessor's Office
 Polk County Assessor's Office
 Portland State University, Population Research Center estimate as of July 1 each year.

- Notes:
1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 2. Matches general obligation bonds plus premium found in the notes to the financial statements.
 3. The Full Faith and Credit, Series 2009 bond is payable solely from the revenues of the water/sewer utility per the 2012 Master Water and Sewer system Revenue Bond Declaration.
 4. These amounts are only applicable to governmental General Obligation bonds.
 5. With only General Obligation bonds, this figure is 0.91% for 2014.
 6. With only General Obligation bonds, this figure is 611 for 2014.

SCHEDULE 11

City of Salem, Oregon
 Computation of Direct and Overlapping Debt
 As of June 30, 2014
 (dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Marion County	\$ 9,950	38.8321%	\$ 3,864
Marion County School District 24J	446,163	60.0757%	268,035
Marion County School District 5	27,891	0.0306%	9
Chemeketa Community College	95,155	31.8363%	30,294
Polk County	9,585	33.2811%	3,190
Willamette ESD	1,405	28.9955%	407
Subtotal overlapping debt			305,799
General obligation bonds ²			96,755
Limited tax pension obligation bonds ³			52,750
Urban renewal bonds ⁴			15,956
Notes ⁵			12,331
City direct debt ⁶			177,792
Total direct and overlapping debt			<u>\$ 661,383</u>

Sources: City of Salem Finance Division
 Oregon State Treasury

Notes:

Overlapping governments are those with taxing boundaries that intersect 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 residents and businesses of Salem. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

² Direct, general obligations of the City, including issuance premium.

³ The limited tax pension obligation bond is funded by all City departments that have personnel.

⁴ Urban renewal bonds are not obligations of the City. They are solely payable by tax increment revenues.

⁵ All governmental activities notes. These are not general obligations of the City.

⁶ "City direct debt" on this schedule includes all governmental activities debt, including notes and Urban Renewal Agency debt per GASB statement 44. Urban Renewal Agency debt is not a general obligation of the City of Salem under Oregon Revised Statutes. Notes are also not general obligations of the City. Does not include unamortized premiums on City debt schedules.

SCHEDULE 12

**City of Salem, Oregon
Legal Debt Margin Information
General Obligation Bonded Debt
Last Ten Fiscal Years**

<u>As of June 30,</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Real market value (RMV)	\$ 9,575,524,454	\$ 10,228,766,174	\$ 11,641,957,321	\$ 13,533,996,590
Legal debt margin:				
Debt limit (3% of RMV) ¹	287,265,734	306,862,985	349,258,720	406,019,898
Debt applicable to limit:				
General Obligation Bonds	26,273,427	20,758,974	15,510,000	29,073,499
Less:				
Funds applicable to the payment of principal ²	(2,121,431)	(1,558,611)	(1,850,622)	(1,053,411)
Premium received on Refunding and Streets-Bridges, Series 2009 and 2013	-	-	-	-
Total net debt applicable to limit	<u>24,151,996</u>	<u>19,200,363</u>	<u>13,659,378</u>	<u>28,020,088</u>
Legal debt margin ³	<u>\$ 263,113,738</u>	<u>\$ 287,662,622</u>	<u>\$ 335,599,342</u>	<u>\$ 377,999,810</u>
Total net debt applicable to limit as a percentage of limit	<u>8.41%</u>	<u>6.26%</u>	<u>3.91%</u>	<u>6.90%</u>

Continued

SCHEDULE 12

**City of Salem, Oregon
Legal Debt Margin Information
General Obligation Bonded Debt
Last Ten Fiscal Years**

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 14,319,704,036	\$ 13,960,557,368	\$ 13,414,742,906	\$ 12,756,684,966	\$ 12,267,501,849	\$ 12,243,883,002
429,591,121	418,816,721	402,442,287	382,700,549	368,025,055	367,316,490
61,614,975	55,027,980	47,694,890	65,054,925	56,850,076	96,754,845
(358,059)	(738,810)	(425,307)	(448,927)	(129,392)	(307,721)
(1,898,110)	(1,771,569)	(1,645,028)	(1,518,487)	(1,391,946)	(4,003,673)
<u>59,358,806</u>	<u>52,517,601</u>	<u>45,624,555</u>	<u>63,087,511</u>	<u>55,328,738</u>	<u>92,443,451</u>
<u>\$ 370,232,315</u>	<u>\$ 366,299,120</u>	<u>\$ 356,817,732</u>	<u>\$ 319,613,038</u>	<u>\$ 312,696,317</u>	<u>\$ 274,873,039</u>
<u>13.82%</u>	<u>12.54%</u>	<u>11.34%</u>	<u>16.48%</u>	<u>15.03%</u>	<u>25.17%</u>

Concluded

Sources: City of Salem Finance Division
Marion County Assessor's Office
Polk County Assessor's Office

- Notes: 1. Oregon Revised Statutes 287A.050 sets a debt limit on general obligation bonds at 3% of the real market value of all taxable property within the City's boundaries.
2. Funds applicable to the payment of principal are calculated in accordance with the provisions of ORS 287A.195(1)(d)(A).
3. The legal debt margin is the difference between the debt limit and the City's net outstanding general obligation debt.

SCHEDULE 13

**City of Salem, Oregon
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)**

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds					
	Utility Service Charges ²	Less: Operating Expenses ³	Net Available Revenue	Debt Service		Coverage ¹
				Principal ⁴	Interest	
2005	\$ 55,052	\$ 35,095	\$ 19,957	\$ 7,915	\$ 4,357	1.63
2006	58,665	37,630	21,035	7,350	6,286	1.54
2007	61,643	38,897	22,746	7,755	5,821	1.68
2008	62,161	41,002	21,159	8,050	5,501	1.56
2009	64,992	44,693	20,299	8,380	5,180	1.50
2010	73,121	42,454	30,667	8,695	4,846	2.26
2011	73,462	43,372	30,090	9,060	4,503	2.22
2012	69,291	45,073	24,218	9,510	4,093	1.78
2013	75,489	45,698	29,791	14,479	1,178	1.90
2014	85,322	53,515	31,807	14,255	1,708	1.99

Source: City of Salem Finance Division

- Notes:
1. The minimum required coverage for parity obligations is 1.25.
 2. Revenue does not include sale of assets, assessments, grants, loan principal, or proceeds.
 3. Expenses do not include capital improvement costs, interest expense, or debt service.
 4. Excludes defeased debt.

SCHEDULE 14

**City of Salem, Oregon
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population¹	Per Capita Personal Income²	Total Personal Income (dollars in thousands)	Area (square miles)³	Average density (persons/square mile)	Average Unemployment⁴
2004-05	143,700	\$ 27,044	\$ 3,886,223	48	2,994	7.0%
2005-06	147,250	28,677	4,222,688	48	3,068	6.4%
2006-07	149,305	29,107	4,345,821	48	3,111	5.9%
2007-08	152,290	30,377	4,626,113	48	3,173	5.8%
2008-09	154,510	32,016	4,946,792	49	3,153	9.0%
2009-10	156,955	32,320	5,072,786	49	3,203	10.3%
2010-11	157,460	33,516	5,277,429	49	3,213	11.3%
2011-12	155,710	33,731	5,252,254	49	3,178	9.5%
2012-13	156,455	34,643	5,420,071	49	3,193	9.8%
2013-14	157,770	N/A	N/A	49	3,220	8.2%

Sources: ¹Portland State University Population Research Center estimate as of July 1 of each year.

²U.S. Department of Commerce, Bureau of Economic Analysis - Salem, OR (MSA) - includes Marion and Polk Counties.

³City of Salem Public Works, Engineering Division through 2012-13.
City of Salem Geographical Information System 2013-14 on.

⁴U.S. Department of Labor, Bureau of Labor Statistics - Salem, OR (MSA) - includes Marion and Polk Counties.

N/A = Information not available.

SCHEDULE 15

City of Salem, Oregon
Major Area Employers
Current Year and Nine Years Ago

Employer	2014			2005		
	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force ¹	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force ²
State of Oregon	21,900	1	27.19%	20,600	1	28.69%
Salem-Keizer School District ³	4,074	2	5.06%	4,000	2	5.57%
Salem Hospital ³	3,900	3	4.84%	2,700	3	3.76%
Chemeketa Community College ³	1,662	4	2.07%	1,700	4	2.37%
Marion County	1,492	5	1.85%	1,500	6	2.09%
Federal Government	1,400	6	1.74%	1,600	5	2.23%
City of Salem ³	1,312	7	1.63%	1,478	7	2.06%
Kaiser Permanente	1,200	8	1.49%			
Norpac Foods Incorporated ³	1,106	9	1.37%	1,000	8	1.39%
State Accident Insurance Fund	854	10	1.06%			
Total	38,900		48.30%	34,578		48.16%

Sources: Oregon Employment Department (www.qualityinfo.org)
 Salem Hospital Regional Health Services (www.salemhhealth.org)
 Salem-Keizer Public Schools (www.salkeiz.k12.or.us)
 Marion County, Business Services
 City of Salem, Human Resources
 SAIF Corporation (www.saif.com)
 Chemeketa Community College (www.chemeketa.edu)
 U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov)

Notes: 1. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2013-14 was 80,542.
 2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2004-05 was 71,795.
 3. Includes full and part-time positions.

SCHEDULE 16

City of Salem, Oregon
Full-time Equivalent City Government Employees by Function/Program and Entity
Last Ten Fiscal Years

Function / Program	2005	2006	2007	2008	2009	2010 ³	2011	2012	2013	2014
Governmental activities										
General government										
City manager's office ⁴	9	9	9	12	9	16	63	64	9	9
Human resources	7	7	7	8	8	8	8	8	8	8
Legal	12	12	13	15	15	14	14	14	13	13
Administrative services ^{1,2}	-	-	97	99	101	48	48	48	46	47
Finance ¹	32	32	-	-	-	-	-	-	-	-
General services ¹	62	64	-	-	-	-	-	-	-	-
Municipal court ²	8	8	8	-	-	-	-	-	-	-
City services	43	43	40	38	38	38	37	36	32	29
Self insurance	7	7	7	7	7	7	7	7	7	7
Information technology	38	36	37	41	40	61	61	61	60	62
Public safety										
Police	222	228	233	242	240	234	234	237	227	228
Fire	161	163	164	164	164	163	169	168	160	154
Community development										
Administrative/planning ⁶	52	19	19	31	35	36	36	36	75	75
Airport	5	5	5	5	5	4	4	4	5	5
Building and safety	29	35	40	38	33	21	22	19	19	21
Urban development	-	25	24	24	24	46	45	45	32	30
Community services	63	63	64	67	66	-	-	-	-	-
Engineering and streets ^{7,8}	134	137	139	144	134	132	135	134	126	77
Library services ^{4,6}	49	49	50	52	52	48	-	-	-	-
Recreation services ⁷	-	-	-	-	-	-	-	-	10	10
Business-type activities										
Water and sewer	210	212	213	217	221	242	248	244	246	296
Salem Housing Authority ⁵	-	63	64	61	55	54	-	-	-	-
Emergency services	11	4	4	4	5	5	5	5	6	6
WVPS communications center	59	59	59	59	59	60	60	60	60	70
Total	<u>1,213</u>	<u>1,280</u>	<u>1,296</u>	<u>1,328</u>	<u>1,311</u>	<u>1,237</u>	<u>1,196</u>	<u>1,190</u>	<u>1,141</u>	<u>1,147</u>
Entity										
City of Salem	1,213	1,217	1,232	1,267	1,256	1,183	1,196	1,190	1,141	1,147
Salem Housing Authority ⁵	-	63	64	61	55	54	-	-	-	-
Total	<u>1,213</u>	<u>1,280</u>	<u>1,296</u>	<u>1,328</u>	<u>1,311</u>	<u>1,237</u>	<u>1,196</u>	<u>1,190</u>	<u>1,141</u>	<u>1,147</u>

Source: City of Salem, Budget Office

- Notes
1. In March 2006, the Administrative Services Department was formed. It combined the services provided by the former Finance and General Services departments.
 2. In May 2006, Municipal Court was added to the Administrative Services Department.
 3. Changes are due to restructuring and elimination of positions.
 4. Library Division combined with the City Manager's office in FY 2010-11
 5. Salem Housing Authority included as a blended component unit for FYE 2006 through 2010.
 6. Library Division transferred from the City Manager's Office to Community Development in FY 2012-13.
 7. Recreation services separated from Public Works (Engineering & streets) in FY 2012-13.
 8. Engineering services moved from Public Works (Engineering & streets) to Water and sewer fund in FY 2013-14.

SCHEDULE 17

City of Salem, Oregon
 Operating Indicators by Function/Program
 Last Ten Fiscal Years
 As of June 30,

Function / Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
F.B.I. Index Crimes reported ¹	10,158	9,468	8,912	8,684	7,749	7,059	6,680	6,671	7,482	7,476
F.B.I. Index Crimes cleared by arrest	1,922	2,009	2,187	1,808	1,866	1,732	1,615	1,790	2,021	1,831
Citations and warnings issued	22,690	29,560	34,021	34,326	38,735	34,848	33,357	30,145	25,773	25,224
Fire										
Emergency & non-emergency responses	15,955	16,659	17,846	18,630	17,360	16,980	16,825	17,124	16,723	17,960
Fires extinguished	441	593	609	502	471	415	380	390	434	401
Inspections-new constr & existing buildings	1,733	2,134	2,189	2,672	2,739	1,530	1,469	1,066	1,435	1,344
Community development										
Plan checks	3,852	5,533	4,415	4,213	3,175	3,461	2,750	2,992	3,254	3,858
Inspections completed	30,557	36,445	35,535	31,620	22,972	22,707	20,297	21,233	19,957	22,487
Building permits issued	2,345	2,193	2,191	1,898	1,524	1,586	1,506	1,556	1,726	1,892
Community services										
Recreation participant/registrations ^{2, 6}	168,231	177,820	241,343	282,549	230,099	207,481	202,038	216,970	217,121	220,005
Special activities permits issued ^{3,7}	2,405	2,436	3,166	2,185	1,021	784	780	757	613	893
Senior Center average daily attendance	-	-	-	-	786	746	766	708	726	742
Ball fields and gymnasiums (hrs used) ⁸	36,703	33,084	40,958	45,666	40,985	47,395	49,587	54,530	53,917	55,148
Engineering and streets										
Street cut permits	141	128	87	71	143	121	226	325	357	533
Street resurfacing (miles)	20	28	10	4	2	2	11	8	8	3
Potholes repaired	2,720	4,408	4,072	4,339	2,250	1,908	2,072	2,844	1,522	1,638
Library services										
Volumes in collection	577,642	434,570	623,211	625,407	636,971	517,266	528,518	477,873	481,393	404,617
Items in circulation	1,181,487	1,237,192	1,385,511	1,312,044	1,330,358	1,331,922	1,411,186	1,421,544	1,336,215	1,226,379
Water and Sewer										
Citizens served-water	177,000	178,383	180,594	182,885	185,771	188,353	189,008	187,863	188,443	189,829
Water utility accounts	47,689	47,461	47,970	48,049	47,194	50,758	50,449	50,232	51,532	51,491
New water connections	1,277	963	775	624	453	417	193	192	249	327
Water lines repaired	203	559	602	761	521	458	334	401	213	235
Average daily consumption	26	29	29	29	29	29	25	26	27	26
Citizens served-sewer	212,000	216,206	219,779	221,788	225,298	227,820	228,475	227,775	228,188	229,666
Sewer utility accounts	54,552	56,569	57,745	58,048	58,091	61,582	61,150	60,850	61,772	61,988
New sewer connections	870	1,018	779	624	453	469	183	44	67	88
Sewer lines repaired	282	190	217	284	304	361	335	375	330	322
Average daily sewage treatment (ccf)	47,958	58,080	52,406	50,401	46,253	54,545	59,919	54,177	38,770	48,342
Salem Housing Authority ⁵										
HUD Public housing units	-	327	325	310	307	292	-	-	-	-
Sec 8 vouchers issued	-	2,596	2,599	2,750	2,782	2,811	-	-	-	-
Emergency services										
Total medical aid responses	11,566	12,431	12,325	12,464	12,572	12,746	12,805	13,018	12,566	13,503
Billings ^{4,9}	\$ 6,609,299	\$ 476,508	\$ 479,233	\$ 577,688	\$ 830,841	\$ 915,399	\$ 327,332	\$ 239,057	\$ 199,304	\$ 177,296
WVPS communications center										
Emergency calls taken ¹⁰	151,440	161,867	163,440	161,660	158,377	165,503	147,935	138,771	140,773	145,899
Dispatches issued ¹⁰	228,954	282,666	256,151	278,795	277,784	276,702	257,500	262,743	292,492	300,580

Source: Various City of Salem departments

Notes: Indicators are not available for the general government function.

1. F.B.I. Index Crimes include:
 - a. the violent crimes of murder, forcible rape, robbery and aggravated assault, and
 - b. the property crimes of burglary, larceny-theft, motor vehicle theft, and arson.
2. Program registrations from the Recreation Section, Teen Programs, and Center 50+.
3. Permits issued for public use of city parks, streets, pools, senior center, and open spaces.
4. Ambulance transport services were contracted to a private company beginning FY 2006.
5. Average units occupied and average vouchers issued for the fiscal year ending September 30. Salem Housing Authority was included as a blended component unit for FY 2006-2010.

6. Teen program for 2009 is not available.
7. Starting in 2009, senior center is not included in special activity permits.
8. Also includes use of Soap Box Derby track, cross country meets, and tennis court.
9. Reduction is due to changes in renewed contract and lower reimbursements from medicare and auto insurance companies starting 2011.
10. Dispatches and calls increased due to consolidation of WVCC and LINCOM.

SCHEDULE 18

City of Salem, Oregon
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
 As of June 30,

Function / Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	49	48	49	51	50	52	52	50	50	50
Fire										
Fire stations	9	10	10	10	10	11	11	11	11	11
Fire trucks ¹	13	13	13	17	17	17	17	17	17	17
Community services										
Parks and recreation areas ²	96	96	98	98	98	98	99	99	99	99
Parks and recreation acreage ²	1,666	1,666	1,839	1,846	1,846	1,846	1,903	1,903	1,903	1,903
Swimming pools ³	2	2	2	2	2	-	-	-	-	-
Senior community centers	1	1	1	1	1	1	1	1	1	1
Engineering and streets										
Streets (miles)	436	539	539	543	560	560	560	688	633	639
Bridges	53	53	53	57	57	57	57	57	57	57
Street lights	6,800	7,100	7,100	10,724	10,479	10,487	10,503	10,578	11,478	11,500
Traffic signals	231	238	263	263	266	268	259	255	259	266
Library services										
Buildings	2	2	2	2	2	2	2	2	2	2
Water and sewer										
Water main (miles)	684	711	747	725	720	720	727	737	750	749
Fire hydrants	4,325	4,397	4,896	4,701	4,730	4,763	4,882	4,863	4,885	4,930
Water storage capacity (ccf)	182,353	182,353	182,353	185,294	185,294	185,294	180,479	180,749	180,481	181,818
Sanitary sewer lines (miles)	750	768	780	780	785	785	801	799	800	800
Storm sewer (miles)	543	561	566	587	598	606	603	607	618	620
Treatment capacity winter (ccf) ⁶	140,385	140,385	140,385	140,385	274,064	274,064	274,064	274,064	207,219	207,219
Salem Housing Authority ⁴										
Apartment complexes	-	12	12	12	12	11	-	-	-	-
Triplexes - 2 & 3 bedrooms	-	3	3	3	3	3	-	-	-	-
Duplexes - 2 & 3 bedrooms	-	12	12	12	12	12	-	-	-	-
Houses - 2, 3 & 4 bedrooms	-	51	51	51	51	51	-	-	-	-
Emergency services										
Ambulances - reserve ^{6,7}	6	4	4	4	4	4	4	4	3	3
WVPS communications center										
Mobiles	10	10	10	10	10	10	10	10	10	10
Base stations	3	3	3	3	3	3	3	3	3	3

Source: Various City of Salem departments

Notes: No capital asset indicators are available for the general government function.

1. The number of fire trucks includes ladder trucks and reserves.
2. Includes developed and undeveloped parks (neighborhood, community, large urban), special use facilities, historic areas, natural areas, and connector trails.
3. Until 2010, the City operated Olinger and Walker Pools in cooperation with Salem-Keizer School District which owns them.
4. Figures are for the year ending September 30th. Orchard Village Apartment building demolished 9/3/09. Salem Housing Authority was shown as a blended component unit for FYE 2006 through 2010.
5. Ambulance transport services are contracted to a private company. City provides backup services with reserve ambulances.
6. The City completed two projects in 2009 that increased the wet weather capacity from 105 million gallons a day to 205 million gallons.
7. At the end of FY 13-14, there are 3 reserve ambulances unstaffed.

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SEC Rule 15c2-12 Disclosures

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SCHEDULE A

GENERAL INFORMATION

General Obligation Bonds

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City will provide annually the type of information presented in the tables of this section to all NRMSIRs and SIDs, if any. In addition to this information, the City will provide an annual audited financial statement. (See Appendix B, "Form of Continuing Disclosure Certificate" in Master Resolution).

BASIS OF ACCOUNTING

The City's governmental fund types are reported on the modified accrual basis of accounting. The proprietary and agency fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

FISCAL YEAR

July 1 through June 30.

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit is to be conducted by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audit for fiscal year 2013-14 was performed by Merina & Company LLP, CPAs, West Linn, Oregon. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website www.cityofsalem.net.

DEBT INFORMATION – AS OF JUNE 30, 2014

Debt Summary

Outstanding debt

Short-term (tax, revenue, and bond anticipation notes)	\$	-
Long-term		-
Gross bonded debt (certain debt with a general obligation pledge, excluding issuance premium)		<u>92,751,172</u>
Net direct debt (debt paid in whole or in part by taxes)		92,751,172
Net overlapping debt		<u>305,799,065</u>
Total net direct and overlapping debt	\$	<u><u>398,550,237</u></u>

Debt Ratio

	<u>Values</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
2013 estimated population	<u>157,770</u>		
2013-14 real market value	\$ <u>12,243,883,002</u>	\$ <u>77,606</u>	
Net direct debt (G.O. debt excluding issuance premium)	\$ <u>92,751,172</u>	\$ <u>588</u>	0.76%
Net overlapping debt	<u>305,799,065</u>	<u>1,938</u>	<u>2.50%</u>
Net direct debt (G.O.) and overlapping debt	\$ <u><u>398,550,237</u></u>	\$ <u><u>2,526</u></u>	<u><u>3.26%</u></u>

Continued

Debt Limitations

ORS 287A.050(2) limits the general obligation (G.O.) debt which an Oregon city may have outstanding at any time to three percent of the real market value (RMV) of the city. This limitation does not apply to general obligation bonds issued for certain local improvements or to finance capital construction or improvements for water supply, treatment, or distribution; sanitary or storm sewage collection or treatment; hospitals or infirmaries; gas, power, or lighting; or off street motor vehicle parking facilities. Applicable bonded debt is net of funds on hand at June 30 restricted for general obligation debt service.

Debt Limitation

2013-14 RMV	\$ 12,243,883,002
Debt limitation (3.00 % of RMV)	<u>\$ 367,316,490</u>
Applicable bonded debt	92,443,451
Debt margin	<u>\$ 274,873,039</u>
Percent of limit issued	<u>25%</u>

Debt Management

The City has not defaulted on any debt or lease obligation and has not used bond proceeds for operational purposes.

CUSIP numbers by general obligation bond series are as follows (794454__ __):

2009	2013
Q76	S41
Q84	S58
S25	S66
Q92	S74
R26	S82
R34	S90
R42	T24
R59	T32
R67	T40
R75	T57
R83	

Concluded

SCHEDULE B

TAX COLLECTION RECORD

Fiscal Year	Assessed Value			Percent change	Total Levy ¹	Tax Rate Per \$1000	Percent Collected Year of Levy	Percent Collected to Date ²
	Marion County	Polk County	Total					
2005	\$6,487,783,852	\$ 1,093,860,134	\$7,581,643,986	3.37%	\$49,281,787	\$6.50	93.05%	N/A
2006	6,717,476,237	1,182,968,060	7,900,444,297	4.20%	50,197,250	6.35	94.15%	N/A
2007	7,025,268,515	1,308,010,515	8,333,279,030	5.48%	53,120,932	6.37	94.13%	N/A
2008	7,462,925,792	1,428,733,256	8,891,659,048	6.70%	54,240,782	6.10	93.66%	99.96%
2009	7,810,013,436	1,521,871,699	9,331,885,135	4.95%	57,999,672	6.22	92.91%	99.93%
2010	8,196,929,014	1,602,196,633	9,799,125,647	5.01%	63,522,643	6.48	92.97%	99.83%
2011	8,417,665,718	1,649,233,359	10,066,899,077	2.73%	64,605,619	6.42	93.10%	99.57%
2012	8,601,970,661	1,687,634,660	10,289,605,321	2.21%	66,220,745	6.44	93.30%	98.98%
2013	8,673,851,504	1,710,527,450	10,384,378,954	0.92%	66,271,177	6.38	93.51%	98.31%
2014	8,829,264,169	1,729,396,124	10,558,660,293	1.68%	67,531,726	6.40	94.06%	96.88%

1. These figures exclude urban renewal tax increments.
2. Levy information more than seven years past is reported in aggregate, so individual year percentages are not available for the oldest three years shown.

N/A = Information not available

SCHEDULE C

Representative Consolidated Tax Rate By County

2013-14 REPRESENTATIVE CONSOLIDATED TAX RATE FOR MARION COUNTY CODE AREA

924-01-00-0

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1745	\$ 2.3057	\$ 7.4802
Local government	10.0970	0.9503	11.0473
Urban Renewal Special Levy	0.0000	0.3796	0.3796
Totals	<u>\$ 15.2715</u>	<u>\$ 3.6356</u>	<u>\$ 18.9071</u>

Source: Marion County Assessor's Office

2013-14 REPRESENTATIVE CONSOLIDATED TAX RATE FOR POLK COUNTY CODE AREA

3201

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1745	\$ 2.3057	\$ 7.4802
Local government	8.8787	1.4784	10.3571
Urban Renewal Special Levy	0.0000	0.3795	0.3795
Totals	<u>\$ 14.0532</u>	<u>\$ 4.1636</u>	<u>\$ 18.2168</u>

Source: Polk County Assessor's Office

SCHEDULE D**FIVE-YEAR GENERAL FUND CONSECUTIVE BALANCE SHEETS (Modified accrual)**

As of June 30,	2010*	2011*	2012*	2013	2014
Assets					
Cash and investments	\$ 16,273,310	\$ 17,107,582	\$ 18,956,712	\$ 21,606,860	\$ 21,630,633
Receivables	7,055,488	7,545,956	7,500,976	6,685,617	6,724,722
Due from other funds	566,732	961,570	215,514	458,208	415,896
Due from other agencies	1,078,395	738,909	512,648	140,467	132,756
Prepaid items	-	-	409,098	419,750	452,297
Total assets	\$ 24,973,925	\$ 26,354,017	\$ 27,594,948	\$ 29,310,902	\$ 29,356,304
Liabilities					
Accounts payable	\$ 855,566	\$ 990,921	\$ 785,646	\$ 599,703	\$ 523,114
Payroll, payroll taxes, and withholdings	2,229,000	2,533,853	4,526,588	4,459,202	4,958,022
Due to other funds	-	-	46,368	-	-
Due to other agencies	50,312	60,202	58,755	60,189	66,982
Security deposit payable	-	-	-	9,351	7,206
Deferred revenue	3,178,708	3,769,898	3,606,613	-	-
Total liabilities	6,313,586	7,354,874	9,023,970	5,128,445	5,555,324
Deferred inflows of resources					
Unavailable revenue	-	-	-	3,383,097	2,803,733
Fund balance					
Nonspendable	1,078,395	732,612	782,421	419,750	452,297
Restricted	14,830	9,060	9,800	-	-
Unassigned	17,567,114	18,257,471	17,778,757	20,379,610	20,544,950
Total fund balance	18,660,339	18,999,143	18,570,978	20,799,360	20,997,247
Total liabilities, deferred inflows of resources, and fund balance	\$ 24,973,925	\$ 26,354,017	\$ 27,594,948	\$ 29,310,902	\$ 29,356,304

Source: Derived from audited annual financial statements.

*GASB Statement 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

SCHEDULE E

FIVE-YEAR GENERAL FUND CONSECUTIVE STATEMENT OF REVENUES AND EXPENDITURES (Modified accrual)

For fiscal year ending June 30,	2010	2011	2012	2013	2014
Revenues					
Property taxes	\$ 51,937,145	\$ 53,369,769	\$ 54,928,507	\$ 54,972,735	\$ 56,399,018
Franchise fees	13,987,204	13,920,668	14,683,975	15,610,240	15,630,348
Other taxes	42,600	45,099	38,520	46,578	49,065
Licenses and permits	967,542	620,868	598,359	672,799	780,100
Fees	870,476	652,697	624,506	1,029,179	1,073,873
Fines and forfeitures	3,586,440	3,452,573	3,067,266	2,547,538	2,712,724
Special assessments	491	-	-	-	-
Rents	914,711	1,006,126	988,329	1,193,609	1,053,355
Charges for services	1,575,078	1,508,191	1,629,198	1,759,165	1,862,196
Other revenues	377,601	172,246	252,884	283,092	231,882
Intergovernmental	5,965,348	5,600,746	5,806,100	6,032,159	6,153,886
Federal grants	1,189,873	1,176,315	1,444,164	1,147,162	1,005,028
State grants	27,125	19,177	22,165	22,718	25,717
Intrafund reimbursements	3,891,646	3,559,562	3,894,643	3,713,899	3,338,334
Loan payments received	-	17,912	177	148	17,336
Interest on investments	181,568	143,630	141,888	126,597	147,336
Total revenues	85,514,848	85,265,579	88,120,681	89,157,618	90,480,198
Expenditures					
Personal services	66,787,405	68,526,499	73,164,786	71,788,397	74,504,948
Materials and services	9,546,842	10,104,761	13,423,010	14,188,378	15,324,979
Capital outlay	419,522	442,419	222,241	174,726	286,097
Debt service	453,084	383,924	382,015	380,459	-
Total expenditures	77,206,853	79,457,603	87,192,052	86,531,960	90,116,024
Excess (deficiency) of revenues over expenditures	8,307,995	5,807,976	928,629	2,625,658	364,174
Other financing sources (uses)					
Sale of capital assets	17,612	71,093	28,295	25,000	2,819
Transfers in	-	807,653	691,276	703,880	825,000
Transfers out	(6,027,154)	(6,347,918)	(2,076,365)	(1,126,156)	(994,106)
Total other financing sources (uses)	(6,009,542)	(5,469,172)	(1,356,794)	(397,276)	(166,287)
Excess (deficiency) of revenues over expenditures and other sources (uses)	2,298,453	338,804	(428,165)	2,228,382	197,887
Fund balance - beginning of year	16,361,886	18,660,339	18,999,143	18,570,978	20,799,360
Fund balance - end of year	\$ 18,660,339	\$ 18,999,143	\$ 18,570,978	\$ 20,799,360	\$ 20,997,247

Source: Derived from audited annual financial statements.

SCHEDULE F

FIVE-YEAR GENERAL DEBT SERVICE FUND CONSECUTIVE BALANCE SHEETS (Modified accrual)

<u>As of June 30,</u>	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>	<u>2014</u>
Assets					
Cash and investments	\$ 604,138	\$ 295,585	\$ 302,334	\$ -	\$ 165,005
Receivables	<u>625,610</u>	<u>724,091</u>	<u>705,241</u>	<u>718,577</u>	<u>627,694</u>
Total assets	<u>\$ 1,229,748</u>	<u>\$ 1,019,676</u>	<u>\$ 1,007,575</u>	<u>\$ 718,577</u>	<u>\$ 792,699</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 19,373	\$ -
Deferred revenue	<u>490,938</u>	<u>594,369</u>	<u>558,648</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>490,938</u>	<u>594,369</u>	<u>558,648</u>	<u>19,373</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,812</u>	<u>462,851</u>
Fund balance					
Restricted for debt service	<u>738,810</u>	<u>425,307</u>	<u>448,927</u>	<u>129,392</u>	<u>329,848</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,229,748</u>	<u>\$ 1,019,676</u>	<u>\$ 1,007,575</u>	<u>\$ 718,577</u>	<u>\$ 792,699</u>

Source: Derived from audited annual financial statements.

*GASB Statement 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

SCHEDULE G

FIVE-YEAR GENERAL DEBT SERVICE FUND
CONSECUTIVE STATEMENT OF REVENUES AND EXPENDITURES
 (Modified accrual)

For fiscal year ending June 30,	2010	2011	2012	2013	2014
Revenues					
Property taxes	\$ 9,221,910	\$ 9,001,984	\$ 9,634,368	\$ 9,790,173	\$ 9,903,072
Other taxes	-	-	6,174	-	-
Interest on investments	34,676	21,282	34,561	28,189	27,969
Intergovernmental	3,575,690	3,714,620	3,864,660	4,027,900	3,959,450
Total revenues	<u>12,832,276</u>	<u>12,737,886</u>	<u>13,539,763</u>	<u>13,846,262</u>	<u>13,890,491</u>
Expenditures					
Debt service	<u>12,451,524</u>	<u>13,051,389</u>	<u>13,516,143</u>	<u>14,165,797</u>	<u>13,690,035</u>
Excess (deficiency) of revenues over expenditures	<u>380,752</u>	<u>(313,503)</u>	<u>23,620</u>	<u>(319,535)</u>	<u>200,456</u>
Other financing sources (uses)					
Refunding bonds issued	-	-	18,289,298	-	-
Payment to refunded bond escrow agent	-	-	(18,289,298)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	380,752	(313,503)	23,620	(319,535)	200,456
Fund balance - beginning of year	<u>358,058</u>	<u>738,810</u>	<u>425,307</u>	<u>448,927</u>	<u>129,392</u>
Fund balance - end of year	<u>\$ 738,810</u>	<u>\$ 425,307</u>	<u>\$ 448,927</u>	<u>\$ 129,392</u>	<u>\$ 329,848</u>

Source: Derived from audited annual financial statements.

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SCHEDULE H

INVESTMENTS

ORS 294 authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances, commercial paper, repurchase agreements, State of Oregon Local Government Investment Pool, and various municipal bonds.

The City's investment objectives are a) preservation and protection of investment principal, b) conformance with federal and state statutes and the City's investment policy, c) maintenance of sufficient liquidity to meet operating requirements, d) diversification to avoid unreasonable risks, and e) attainment of an investment return appropriate for the portfolio. Investments are limited to the instruments allowed by ORS. The combination of certificates of deposit, bankers' acceptances, and commercial paper may not exceed 33 percent with any single financial institution.

INVESTMENTS HELD BY THE CITY AS OF JUNE 30, 2014

	<u>Carrying Value</u>
Commercial Paper	\$ 4,995,233
Corporate Bonds	27,430,796
Local Government Investment Pool	58,800,606
Municipal Bonds	5,265,108
U.S. Agencies	47,396,354
U.S. Treasury	41,779,537
Total	<u>\$ 185,667,634</u>

Source: City of Salem

SCHEDULE I

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City will provide annually the type of information presented in the tables of this section to all NRMSIRs and SIDs, if any. (See Appendix C, "Form of Continuing Disclosure Certificate" in Master Resolution).

BASIS OF ACCOUNTING

The City's governmental fund types are reported on the modified accrual basis of accounting. The proprietary and agency fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

FISCAL YEAR

July 1 through June 30.

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit is to be conducted by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audit for fiscal year 2013-14 was performed by Merina & Company LLP, CPAs, West Linn, Oregon. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website www.cityofsalem.net.

COST OF SERVICE RATE STUDY

City Council has been following a cost of service model as the method of establishing utility rates for the past 20 years. Salem provides services to various customer classes and areas inside and outside of Salem city limits. Under a cost of service methodology, the costs to provide treated drinking water, remove and treat wastewater, and collect and convey stormwater to the Willamette River are analyzed, and relevant costs are assigned to the groups of customers in proportion to the service provided. Salem's Cost of Service Analysis (COSA) was recently updated and adopted by Council in August 2012. Changes in the rate structure resulting from the update were reflected in rates beginning January 1, 2013, and reflect industry standard technical approaches, as well as the local policy framework. Assumptions for the financial planning model were updated in 2012 and are reviewed at least annually.

CUSIP NUMBERS BY BOND SERIES:

794454__

2009
M88
M96
N20
N38
N46
N53
N61
N79
N87
N95
P28
P77
P36
P44
P51
P69

Continued

SCHEDULE I

THE WATER SYSTEM – SERVICE AREA AND CUSTOMERS

The system provides water service to a total population of approximately 189,830. The total number of accounts was 51,491 at the end of fiscal year 2013-14, including customers within the City of Salem, the City of Turner, Suburban East Salem Water District, the Jan Ree Area, and Orchard Heights Water District. Average base water use is 20 million gallons, and peak water use is 44 million gallons.

Five-Year Water System Billed Consumption (cubic feet by customer class)

Customer Class	2009-10	2010-11	2011-12	2012-13	2013-14
1. Residential	435,296,910	413,344,900	407,430,990	416,551,600	399,770,600
2. Multiple dwellings	188,880,700	188,686,400	182,917,200	185,183,800	184,594,500
3. Commercial	145,112,124	144,206,275	135,411,797	136,231,400	135,095,200
4. Industrial	113,331,600	113,782,600	108,685,200	53,498,300	50,792,300
5. Institutional ¹	-	-	-	45,641,800	43,116,400
6. Wholesale	77,985,693	78,163,135	70,555,600	74,060,000	72,062,900
7. Irrigation	43,575,100	39,479,300	39,011,500	44,434,100	41,781,000
8. Public building	21,740,200	17,553,400	16,510,800	16,970,200	16,242,400
Total	1,025,922,327	995,216,010	960,523,087	972,571,200	943,455,300

1. Institutional customer classification was reconstituted with the 2012 Cost of Service Analysis effective 1/1/2013. Billed consumption for Institutional customers was previously included in Industrial.

Ten Largest Water System Customers

Customer	2013-14 Annual Revenue	Percent of Total Gross Water System Revenue*
State of Oregon Corrections	\$ 625,510	2.9%
Suburban East Salem Water	615,240	2.9%
Salem-Keizer School District	368,330	1.7%
Creekside Golf Course	126,800	0.6%
Salem Hospital	120,870	0.6%
Oregon Cherry Growers	106,040	0.5%
Kettle Foods	104,460	0.5%
Sundial Mobile Homes	98,180	0.5%
Sanyo Solar of Oregon	98,010	0.5%
Norpac Foods, Inc	91,000	0.4%
	\$ 2,354,440	11.1%

*Totals gross water system revenue \$21,457,638

Concluded

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SCHEDULE J

WATER RATES

The City reviews its water rates and charges periodically to determine if they are sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements. The most recent change in rates took effect January 1, 2014. The adopted rates for inside-city customers are shown below. The rates for outside-city customers vary depending on the level of service received.

Five-Year Historical and Current Monthly Water Rates by Customer Class Inside the City

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
Rates Implemented on:	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Customer Class					
Residential, Single Family					
Base Rate - 5/8 - 3/4" Meter	\$ 3.27	\$ 3.27	\$ 3.36	\$ 5.87	\$ 6.14
Volume rate - per ccf ¹	2.43	2.43	2.50	2.36	2.50
Monthly Bill @ 11 ccf	30.00	30.00	30.86	31.83	33.64
Multiple Dwellings					
Base Rate - 1" Meter	4.49	4.49	4.62	6.41	6.70
Volume rate - per ccf	2.10	2.10	2.16	1.91	2.02
Monthly Billing for 10 unit Complex @ 82 ccf	176.69	176.69	181.74	163.03	172.34
Cost Per Unit	17.67	17.67	18.17	16.30	17.23
Commercial					
Base Rate - 2" Meter	8.96	8.96	9.23	14.58	15.29
Volume rate - per ccf	2.12	2.12	2.18	1.94	2.06
Monthly Bill @ 65 ccf	146.76	146.76	150.93	140.68	149.19

1. Billing volumes are examples for each customer class and include both a fixed and variable charge. The fixed component is based on meter size and billing costs. The variable fee is charged per one hundred cubic feet (ccf) of metered water.

Source: City of Salem

SCHEDULE K

THE WASTEWATER SYSTEM

Service Area and Customers

The system provides wastewater service to a population of approximately 229,670, including customers in the City of Salem, the City of Keizer, the City of Turner, Labish Village Sewer District, Eola-Chatnika Sewer District, and the East Salem Service District. The total number of wastewater accounts billed in fiscal year 2013-14 was 61,990, which includes the City of Keizer, which billed 10,190, and the City of Turner, which billed 800.

Wastewater Rates

The City reviews its wastewater rates and charges periodically to determine if they are sufficient to cover expenses of operations and maintenance as well as debt service coverage. The most recent change in rates took effect January 1, 2014. The following table shows historical and current rates, by customer class, within the City. Industrial and institutional customers are monitored and flows are measured. These customers pay a base rate as well as charges for volume and strength. Volumes for other classifications are set annually based on individual customer's average winter water usage.

Five-Year Historical and Current Monthly Wastewater Rates by Customer Class Inside the City

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13 ¹	2013-14
Rates implemented on:	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Customer Class					
Residential, Single Family					
Base Rate - per account	\$ 22.09	\$ 22.11	\$ 22.80	\$ 21.45	\$ 19.34
Volume Rate - per ccf ²	3.12	3.12	3.22	3.13	3.22
Monthly Bill @ 6.5 ccf	42.37	42.39	43.73	41.80	40.27
Multiple Dwellings					
Base Rate - per account	105.14	105.26	108.53	61.54	48.31
Additional Base Rate - per unit over five	1.58	1.58	1.63	1.76	1.62
Volume Rate - per ccf	3.12	3.12	3.22	3.13	3.22
Monthly Billing for 10 unit @ 82 ccf	368.88	369.00	380.72	318.20	320.45
Cost Per Unit	36.89	36.90	38.07	31.82	32.05
Commercial					
Base Rate - per account	26.47	26.49	27.32	27.57	25.69
Volume Rate - per ccf	4.48	4.49	4.62	4.22	4.37
Monthly Bill @ 65 ccf ¹	317.67	318.34	327.62	301.87	309.74

1. FY 2013-14 rates based on 2012 Cost of Service Analysis. Wastewater rates are being separated between wastewater and stormwater components over a period of four years beginning 1/1/2013.
2. Water volumes are measured in cubic feet. One unit of water is one hundred cubic feet (ccf). Wastewater volumes are estimated based on water meter readings from November through February.

Continued

SCHEDULE K

Ten Largest Wastewater System Customers

Customer	2013-14 Annual Revenue	Percent of Total Gross Wastewater Revenue¹
City of Keizer	\$ 4,867,250	11.6%
State of Oregon Corrections	1,189,750	2.8%
Norpac Foods	799,160	1.9%
Oregon Cherry Growers	548,740	1.3%
Yamasa	270,450	0.7%
Salem-Keizer School District	260,370	0.6%
Kerr Concentrates	235,080	0.6%
Kettle Foods	201,370	0.5%
Sanyo Solar of Oregon	199,770	0.5%
Santiam Correctional Institution	190,060	0.5%
Totals	\$ 8,762,000	21.0%

¹Total gross wastewater revenue \$ 41,809,775

1. Total gross wastewater revenue does not include hauled waste or septic waste. The 2012 Cost of Service Analysis is reflected in rates effective January 1, 2014. Stormwater rates are being separated from wastewater over a period of four years.

Concluded

SCHEDULE L

STORMWATER RATES

The City began separation of the stormwater and wastewater rates January 1, 2013. The stormwater rates and charges are being phased in at 25 percent per year through January 1, 2016 when the rates will be fully implemented and separated from wastewater. Stormwater rates are set at a level sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements of the stormwater system. The adopted rates for inside-city customers are shown below. The City of Salem provides stormwater services to 42,210 stormwater accounts inside the Salem City limits. Of these, 37,950 are single family residential accounts and 4,260 are commercial, public, industrial, institutional, multi-family accounts. Stormwater fees are not applied to accounts outside the city limits.

Five-Year Historical and Current Monthly Stormwater Rates by Customer Class Inside the City

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13 ¹	2013-14 ¹
Rates implemented on:	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014
Customer Class					
Residential, Single Family					
Base Rate - per account	\$ -	\$ -	\$ -	\$ 2.45	\$ 4.89
Volume Rate - per EDU	-	-	-	1.27	2.54
Monthly Bill @ 1 EDU	-	-	-	3.72	7.43
All Other Classes (Commercial, Multifamily, Industrial, Institutional)					
Base Rate - per account	-	-	-	2.45	4.89
Volume Rate - per EDU	-	-	-	1.27	2.54
Monthly Bill @ 20 EDU	-	-	-	27.85	55.69

1. FY 2013-14 rates based on 2012 Cost of Service Analysis. Sewer rates are being separated between wastewater and stormwater components over a period of four years beginning 1/1/2013.
2. One Equivalent Dwelling Unit (EDU) is equal to 3,000 square feet of impervious area defined as buildings.

Continued

SCHEDULE L

Ten Largest Stormwater System Customers

Customer	2013-14 Annual Revenue	Percent of Total Gross Stormwater Revenue¹
Salem-Keizer School District	\$ 71,320	1.9%
State of Oregon Corrections	35,730	1.0%
Oregon State Fair	26,140	0.7%
Oregon State Military Department	17,210	0.5%
River Bend Sand and Gravel	16,880	0.5%
Oregon State Hospital	16,550	0.4%
DAS Receipts and Disbursements	15,100	0.4%
Dept of Public Safety Standards	14,360	0.4%
Lancaster Development Co.	13,910	0.4%
Oregon Department of Transportation	11,530	0.3%
Totals	\$ 238,730	6.5%

¹ Total gross stormwater revenue \$ 3,704,773

¹ FY 2013-14 rates based on 2012 Cost of Service Analysis. Wastewater rates are being separated between wastewater and stormwater components over a period of four years beginning 1/1/2013.

Concluded

SCHEDULE M

FIVE-YEAR WATER AND SEWER FUND CONSECUTIVE NET POSITION

As of June 30,	2010*	2011*	2012*	2013	2014
Assets					
Current assets					
Cash and investments	\$ 26,477,869	\$ 29,379,899	\$ 31,300,605	\$ 33,175,767	\$ 31,442,120
Accounts receivable, net	6,571,555	6,870,509	8,109,905	9,277,437	10,462,590
Due from other agencies	190,000	85,403	79,403	95,268	91,574
Inventories and prepayments	813,227	1,026,861	1,124,125	1,025,601	1,060,349
Total current assets	34,052,651	37,362,672	40,614,038	43,574,073	43,056,633
Noncurrent assets					
Restricted cash and investments ¹	19,492,776	15,138,680	10,961,939	10,071,435	11,841,721
Notes receivable	3,402,265	3,348,192	2,856,329	2,581,599	1,432,044
Deferred assessments	5,217,157	6,519,185	4,475,320	3,163,522	2,875,514
Capital assets:					
Land and construction in progress	165,340,176	162,633,755	164,226,565	57,074,130	65,559,284
Other capital assets, net	492,224,332	491,363,782	484,387,086	582,776,953	569,683,432
Other assets	3,238,285	2,904,592	2,570,899	-	-
Total noncurrent assets	688,914,991	681,908,186	669,478,138	655,667,639	651,391,995
Total assets	722,967,642	719,270,858	710,092,176	699,241,712	694,448,628
Deferred outflows of resources					
Deferred charge on refunding	-	-	-	6,092,220	5,482,998
Total assets and deferred outflows of resources	\$ 722,967,642	\$ 719,270,858	\$ 710,092,176	\$ 705,333,932	\$ 699,931,626
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,825,490	\$ 2,108,268	\$ 1,371,089	\$ 1,220,864	\$ 1,763,039
Interest payable	1,213,958	1,139,278	1,078,992	593,028	569,669
Long-term debt-due within one year	13,326,370	13,905,411	15,327,252	18,242,599	16,347,565
Compensated absences-due within one year	354,077	370,801	394,750	328,318	440,302
Total current liabilities	17,719,895	17,523,758	18,172,083	20,384,809	19,120,575
Noncurrent liabilities					
Security deposit payable	-	-	-	36,597	36,597
Unearned revenue	1,692,508	1,750,012	1,703,372	1,354,354	1,193,395
Developer reimbursement payable ²	3,446,237	4,750,538	2,708,864	1,722,594	1,562,771
Long-term debt	220,391,989	206,192,924	190,572,018	175,714,522	159,094,006
Net OPEB obligation	770,310	937,062	1,061,668	1,338,993	1,395,998
Compensated absences payable	881,611	828,604	930,035	961,692	1,180,596
Total noncurrent liabilities	227,182,655	214,459,140	196,975,957	181,128,752	164,463,363
Total liabilities	244,902,550	231,982,898	215,148,040	201,513,561	183,583,938
Net position:					
Net investment in capital assets	423,846,149	433,899,202	442,714,381	445,893,962	459,801,145
Restricted for:					
Capital projects	18,173,053	14,703,448	10,518,735	10,592,627	11,344,749
Debt reserve	12,423,375	12,418,638	12,382,818	-	-
Unrestricted					
Water and sewer rate stabilization	4,000,000	4,000,000	6,900,000	6,900,000	6,900,000
Other unrestricted	19,622,515	22,266,672	22,428,202	40,433,782	38,301,794
Total net position	478,065,092	487,287,960	494,944,136	503,820,371	516,347,688
Total liabilities and net position	\$ 722,967,642	\$ 719,270,858	\$ 710,092,176	\$ 705,333,932	\$ 699,931,626

1. Amount represents bond proceeds, system development charges, and rate payer funds set aside specifically for capital projects.

2. Deferred development - connections for water and sewer.

Source: Derived from audited annual financial statements.

*GASB 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

SCHEDULE N

FIVE-YEAR WATER AND SEWER FUND HISTORICAL OPERATING RESULTS

Reported in Accordance with Bond Master Resolution¹

For fiscal year ending June 30,	2010	2011	2012	2013	2014
Gross Revenues	\$ 72,104,149	\$ 73,403,869	\$ 72,183,930	\$ 75,488,621	\$ 85,322,142
Transfer from SDC for debt service related to debt financed growth projects ¹	1,000,000	-	-	-	-
Rate Stabilization Account (RSA) Transfer to	-	-	(2,900,000)	-	-
Total Gross Revenues	73,104,149	73,403,869	69,283,930	75,488,621	85,322,142
Operating Expenses¹	42,454,239	43,371,778	45,073,113	45,697,678	53,515,139
Net Revenues	30,649,910	30,032,091	24,210,817	29,790,943	31,807,003
Annual Debt Service					
<i>Parity Obligations</i>					
Series 2000 Bonds	1,837,500	-	-	-	-
Series 2002 Bonds (Refinance)	2,663,694	2,670,994	2,666,494	-	-
Series 2003 Bonds	2,302,794	2,296,519	2,291,781	-	-
Series 2004 Bonds (Refinance)	4,906,525	6,760,925	6,788,425	-	-
Series 2005 Bonds	1,830,269	1,834,269	1,856,669	-	-
Series 2012 Bonds A & B (Refinance)	-	-	-	15,657,371	15,963,222
Total Parity Annual Debt Service	13,540,782	13,562,707	13,603,369	15,657,371	15,963,222
Parity Debt Service Coverage ²	2.26	2.21	1.78	1.90	1.99
Net Revenues less Parity Debt Service	\$ 17,109,128	\$ 16,469,384	\$ 10,607,448	\$ 14,133,572	\$ 15,843,781
<i>Subordinate Obligations</i>					
DEQ (subordinate In 2003)	\$ 202,730	\$ 202,730	\$ 201,934	\$ -	\$ -
DEQ (subordinate In 2005)	420,637	420,638	420,320	-	-
DEQ (subordinate In 2006)	379,980	379,980	378,655	-	-
DEQ (subordinate In 2006)	427,149	427,868	426,870	318,758	-
OECDD	292,409	402,874	404,274	400,525	401,149
Full Faith and Credit Bond	7,800,194	7,798,025	7,799,725	7,799,725	7,798,125
Total Subordinate Debt Service	\$ 9,523,099	\$ 9,632,115	\$ 9,631,778	\$ 8,519,008	\$ 8,199,274
Debt Service Coverage (incl. RSA Transfer) ³	1.80	1.71	1.10	1.66	1.93

- Gross Revenues and Operating Expenses have been adjusted to correspond to definitions in the new Bond Declaration included with Master Resolution 2012-13 adopted September 12, 2012. Beginning with the new resolution, Gross Revenues do not include SDC fees nor certain grants included in previous years. Operating Expenses do not include expenses paid with grant monies. Beginning in FY 2012-13, Gross Revenues and Operating Expenses have been reduced by items identified and excluded in the Bond Declaration.
- The Master Resolution requires the debt coverage ratio on Parity Obligations (Net Revenues/Annual Debt Service on Parity Debt) be equal to or greater than 1.25.
- Subordinate Debt Service Coverage Ratio (Net Revenues Less Parity Debt Service/Total Subordinate Debt Service) is not required by the Master Resolution.

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Auditor's Comments and Disclosures

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

We have audited the basic financial statements of the City of Salem, Oregon, as of and for the year ended June 30, 2014 and have issued our report thereon dated November 26, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Salem, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity 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 (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the City of Salem, Oregon was not in substantial compliance with certain provisions of laws, regulations,

contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered City of Salem, Oregon's internal control over financial reporting (internal control) to determine the 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 of Salem, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Salem, Oregon'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 may exist that have not been identified.

We have noted certain matters that we reported to management of City of Salem, Oregon in a separate letter to management dated November 26, 2014.

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



Merina & Company, LLP
West Linn, Oregon
November 26, 2014