



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Salem, Oregon



For
Fiscal Year
Ended
June 30, 2016

**CITY OF SALEM,
OREGON**

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2016

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

November 16, 2016

**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, 2016. 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 Grove, Mueller and Swank P.C., 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, 2016. 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 Uniform Guidance. 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, 2016 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, 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 160,690 and covers 49 square miles. The City operates under a home rule charter available 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 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

Employment levels in many industries improved in 2015, most notably in the areas of construction, manufacturing, health care and education. Nearly all industries increased at least 2% over 2014.

In 2015, industries with the highest levels of employment in the Salem Metropolitan Statistical Area (MSA) were educational and health services (24,800 employees), state government (22,600), and local government and schools (17,900).

The average unemployment rate for the Salem MSA improved significantly in 2015, from 7.4% to 6.1%. However, this level continues to exceed the State of Oregon (5.7%) and national (5.3%) rates.

From 2005 to 2015, nonfarm employment in the Salem MSA has increased from 146,300 to 156,000 (6.6%). During the same period, the civilian labor force residing within the Salem MSA has increased from 183,380 to 187,400 (2.2%).

Marion and Polk Counties are key agricultural producers. Marion County routinely ranks highest among Oregon counties in agricultural sales, with Polk County often in the top ten. 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 City, with major funding assistance secured from federal and state sources and the urban renewal agency, is scheduled to finish construction of the Peter Courtney Minto Island Bridge in spring 2017. 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.

Pringle Square "South Block" project moved into its second phase, bringing more urban apartments and commercial space to north downtown. Pringle Square is a private, mixed-use development of nine acres on the former Boise Cascade site near downtown. The site plans include multiple buildings with residential and office/retail space. The City anticipates construction on the "North Block" portion of the project to begin in 2017 and will include a short-term rehabilitation facility and office uses.

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 – The City's PERS employer contribution rates increased moderately for the biennium beginning July 1, 2015. Due to the Oregon Supreme Court ruling striking down some of the retroactive PERS reforms enacted in 2013, rates effective July 1, 2017 are significantly higher. More information can be found in the notes to the financial statements.

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 funds 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

Council goals for 2016-2017 are safe community, strong neighborhoods, a well-planned community, vibrant economy, and good governance.

The safe community goal strives to ensure people feel safe in our community by focusing on the public's safety, including prevention, and an effective and timely response when an emergency or threat arises.

A bond measure referred to Salem voters in November 2016 proposing the construction of a new police facility financed with a bond not to exceed \$82,088,000 was defeated.

Strong neighborhoods means preserving livability for residents in Salem's strong and distinctive neighborhoods.

A well-planned community provides our community with opportunities for artistic, historic, cultural, and recreational pursuits and preserves our community's natural environment.

A vibrant economy will create the environment and opportunity for smaller traded sector businesses and local companies to remain and expand in Salem and foster strategic partnerships to grow jobs and income, attract visitors, and conduct strategic recruitment of traded sector employers.

Good governance will maintain fiscal sustainability through multi-year financial plans to balance anticipated revenue and long-term facility needs with community-defined service levels, contractual commitments, and regulatory requirements.

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, 2015. The City has received this award 18 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 Dave Hauser, Barbara Brown, Denise John, Jeremy Morgan, 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,



David Hauser
Chief Accountant



Government Finance Officers Association

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

Presented to

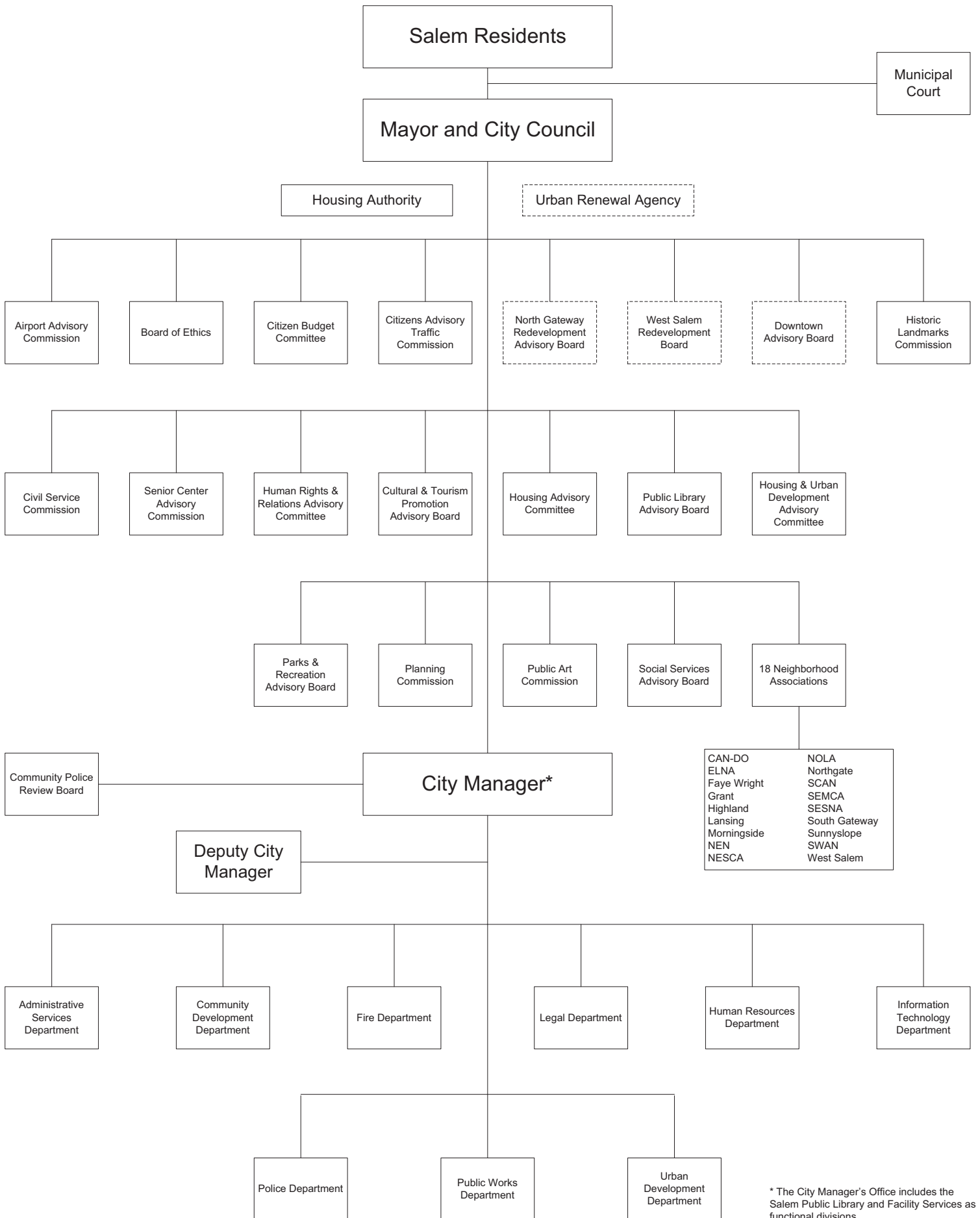
**City of Salem
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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	2016
1	Chuck Bennett	2016
2	Tom Andersen	2018
3	Brad Nanke	2016
4	Steve McCoid	2018
5	Diana Dickey	2016
6	Daniel Benjamin	2018
7	Warren Bednarz	2016
8	Jim Lewis	2018

ADMINISTRATIVE STAFF

City Manager: Steve Powers
Deputy City Manager: Kacey Duncan

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



Financial Section



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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 did not audit the financial statements of Salem Housing Authority, which represent 1.5 percent, 0.1 percent, and 1.7 percent, respectively, of the assets, net position, and revenues of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Salem Housing Authority, is based solely on the report of the other auditors. 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 City'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 City'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, based on our audit and the report of other auditors, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General 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 the management's discussion and analysis (MD&A) (pages 13-27), the defined benefit pension plan (PERS) (page 89), and the schedule of funding progress – OPEB (page 90) 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 the MD&A, the defined benefit pension plan (PERS), and the schedule of funding progress – OPEB 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements, budgetary 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 required parts of the basic financial statements.

The combining statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and budgetary schedules are 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


Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 16, 2016, on our consideration of the City'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.

*GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS*

By: 

Ryan T. Pasquarella, A Shareholder
November 16, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the transmittal letter (beginning on page 1), basic financial statements (beginning on page 31), and notes to the financial statements (beginning on page 54).

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of fiscal year 2015-16 is \$1.1 billion. Of this amount, \$2.2 million, the unrestricted net position, is available to meet the City's ongoing obligations.
- The increase in net position of \$0.4 million for the year is net of a \$6.6 million decrease from governmental activities and a \$7.0 million increase from business-type activities.
- The increase of \$7.1 million in capital assets represents an increase in capital assets for governmental purposes of \$9.5 million and a decrease in business-type capital assets of \$2.4 million. The governmental increase primarily represents increased streets infrastructure. The decrease in business-type capital assets is the 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).
- Long-term liabilities increased \$25.2 million from the previous year. This represents an increase in governmental liabilities of \$24.4 million and an increase of \$0.8 million in business-type liabilities. The increases primarily reflect the pension liability of \$57.8 million offset by the normal reduction of long-term debt of \$33.9 million.
- The government-wide statements reflect the financial aspects of pension liabilities and the resources available to pay them. The government-wide statements report a net pension liability of \$57.8 million, deferred outflows of \$13.2 million and deferred inflows of \$13.6 million, with a net increase to expense of \$46.5 million. (See the PERS note on page 79 for more details.)
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$128.3 million. Of this amount, a total of \$43.5 million (33.9%) is either committed or unassigned and available to fund ongoing activities. Unassigned fund balance increased \$2.7 million from the prior year. Committed fund balances increased \$3.0 million. The remaining fund balance of \$84.8 million (66.1%) is either restricted or is a non-spendable asset. This represents a decrease in restricted/non-spendable assets of \$5.0 million, primarily for funds restricted for capital construction. The increase in fund balance overall is not significant at \$0.8 million, but reflects increases in most funds offset by a decrease of \$8.4 million in the Capital Improvements fund due to spending of street bond proceeds.
- At year-end, the unassigned fund balance in the General fund was \$26.3 million, or 27.1% of total General fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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

Government-wide financial statements (pages 31-33). The government-wide 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 as well as all liabilities and deferred inflows. These statements reflect all revenue and expense regardless of when the cash transaction occurs. 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. These statements separate City activities as follows:

Governmental activities – The City reports most of its basic services in this category including General Government, Public Safety, Transportation Services, 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 reports water, wastewater, and stormwater utilities, emergency medical services, Willamette Valley Public Safety Communications Center, Police Regional Records System, and Salem Convention Center 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 36-46 and 48-51). The fund financial statement section includes statements for each of the three basic fund types: governmental, proprietary, and fiduciary.

Governmental funds – The City reports most of its basic services 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 fund statements measure cash and all other financial assets that can readily be converted to cash using the modified accrual method of accounting. 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 measures the change in available financial resources to finance the City's programs in the near future. A reconciliation follows each of the governmental fund financial statements to explain the differences between the statement 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 report financial transactions 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

Fiduciary funds – The City is the trustee, or fiduciary, for funds held on behalf of individuals, other government entities, and non-public organizations. The Statement of Fiduciary Net Position reports the City's fiduciary activities, which consist of agency funds. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City has a fiduciary responsibility to use these assets for their designated purposes.

Notes to the financial statements (pages 54-88). The notes provide additional, essential information regarding the data provided in the government-wide and fund financial statements. For a fuller understanding of the financial statements, read the notes 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) (pages 89-90). This section presents information about the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Supplemental information (pages 94-136). 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 internal service fund adjustments for preparation of government-wide statements.

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. The analysis presents dollars in millions to reduce the complexity. Insignificant rounding differences may exist between amounts presented here and amounts in the financial statements and the notes to the financial statements.

Financial Position

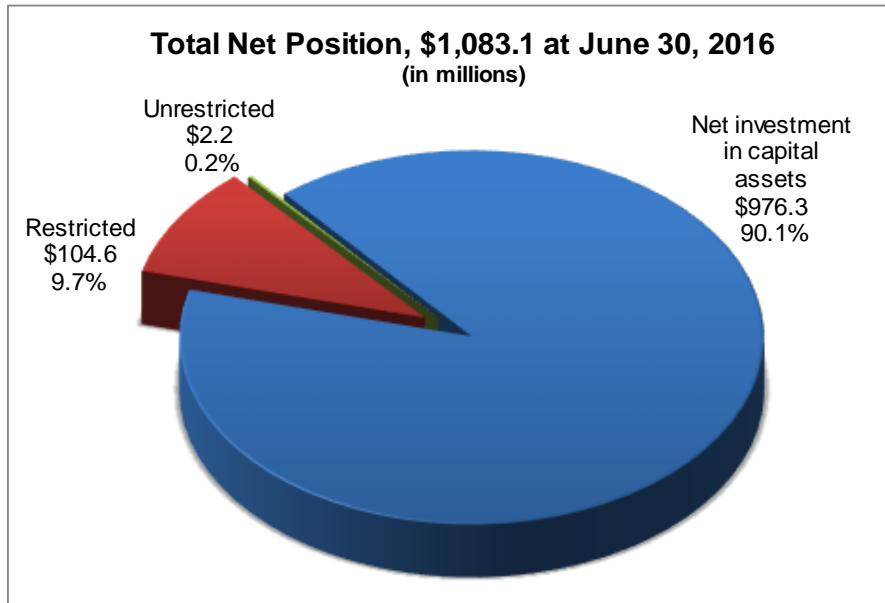
Net position, over time, is a useful indicator of a government's financial position. The following table shows a summary of the Statement of Net Position for the past two years.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 166.7	\$ 159.2	\$ 63.3	\$ 55.3	\$ 230.0	\$ 214.5
Other assets	29.7	49.3	20.5	27.3	50.2	76.6
Capital assets	535.7	526.2	653.9	656.3	1,189.6	1,182.5
Total assets	<u>732.1</u>	<u>734.7</u>	<u>737.7</u>	<u>738.9</u>	<u>1,469.8</u>	<u>1,473.6</u>
Deferred outflows of resources	9.5	7.1	7.9	7.6	17.4	14.7
Other liabilities	14.6	10.1	3.2	3.2	17.8	13.3
Long-term liabilities	206.1	181.7	166.6	165.8	372.7	347.5
Total liabilities	<u>220.7</u>	<u>191.8</u>	<u>169.8</u>	<u>169.0</u>	<u>390.5</u>	<u>360.8</u>
Deferred inflows of resources	9.8	32.3	3.8	12.5	13.6	44.8
Net position:						
Net investment in capital assets	461.1	446.3	515.2	502.3	976.3	948.6
Restricted	88.6	87.1	16.0	16.2	104.6	103.3
Unrestricted	(38.6)	(15.7)	40.8	46.5	2.2	30.8
Total net position	<u>\$ 511.1</u>	<u>\$ 517.7</u>	<u>\$ 572.0</u>	<u>\$ 565.0</u>	<u>\$ 1,083.1</u>	<u>\$ 1,082.7</u>

See the Statement of Net Position (page 31) for more detailed information.



The City ended the year with a net position of \$1.1 billion. \$976.3 million, or 90.1% of this amount represents the City's net investment in capital assets. This includes all capital assets (land, buildings, infrastructure, improvements, and machinery and equipment, net of accumulated depreciation) plus related deferred inflows and less related outstanding debt 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 reports investment in capital assets as 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 the liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

An additional portion of net position, \$104.6 million, or 9.7%, 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 \$2.2 million, or less than 1%, the City may use to meet the ongoing obligations to citizens and creditors. The unrestricted net position is comprised of a negative \$38.6 million for governmental activities and a positive \$40.8 million for business type activities.

Governmental Activities. The total net position from governmental activities decreased \$6.5 million, or 1.3%. The Statement of Net Position shows significant changes as an increase of \$7.5 million in cash and investments, a \$9.5 million increase in capital assets, an \$18.0 million decrease in long-term debt, and \$33.5 million decrease due to changes related to pension obligations.

Business-type Activities. The total net position of business-type activities increased \$7.0 million, or 1.2%. The most significant changes on the Statement of Net Position are an increase in cash and investments of \$8.0 million, a decrease in capital assets of \$2.4 million, and \$12.9 million decrease due to changes related to pension obligations.

Unrestricted Net Position Commitments. The information provided below provides additional information regarding the types of commitments applied to unrestricted net position.

The unrestricted net position balance measures the well-being of the City and its governmental and business-type activities in a corporate-style method. 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 types of commitments shown as follows are the normal types:

- Encumbrances – Represents an existing contract to purchase or acquire an item or construct a capital project after the June 30 statement date.
- Project Commitment – Represents a tentative pre-contract commitment and a related project budget established, for a significant capital or maintenance effort (third party contractor not yet hired).
- Working Capital – Available monies 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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

	Governmental		Business-type Activities		Total Primary	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charge for services	\$ 42.0	\$ 37.9	\$ 105.5	\$ 101.8	\$ 147.5	\$ 139.7
Operating grants and contrib.	12.6	13.8	-	-	12.6	13.8
Capital grants and contrib.	14.1	12.5	10.1	6.2	24.2	18.7
General revenues:						
Taxes and franchise fees	104.6	101.6	-	-	104.6	101.6
Shared state tax revenue	4.8	4.8	-	-	4.8	4.8
Interest	1.3	1.0	0.5	0.4	1.8	1.4
Other	1.0	0.7	0.3	0.8	1.3	1.5
Total revenues	180.4	172.3	116.4	109.2	296.8	281.5
Program expenses						
General government	25.8	19.6	-	-	25.8	19.6
Public safety	83.7	48.3	-	-	83.7	48.3
Community development	25.4	25.6	-	-	25.4	25.6
Community services	10.8	7.4	-	-	10.8	7.4
Engineering and streets	30.0	21.5	-	-	30.0	21.5
Library services	5.8	3.3	-	-	5.8	3.3
Interest on long-term debt	6.3	7.1	-	-	6.3	7.1
Utility	-	-	90.9	70.9	90.9	70.9
Emergency services	-	-	0.9	0.9	0.9	0.9
WVPS communications center	-	-	12.5	7.3	12.5	7.3
Police Regional Records	-	-	0.2	0.2	0.2	0.2
Salem Convention Center	-	-	4.0	4.1	4.0	4.1
Total expenses	187.8	132.8	108.5	83.4	296.3	216.2
Excess before special items and transfers	(7.4)	39.5	7.9	25.8	0.5	65.3
Transfers	0.9	(0.6)	(0.9)	0.6	-	-
Change in net position	(6.5)	38.9	7.0	26.4	0.5	65.3
Net position - beginning	517.7	478.8	565.0	538.6	1,082.7	1,017.4
Prior Period Adjustment	(0.1)	-	-	-	(0.1)	-
Net position - ending	\$ 511.1	\$ 517.7	\$ 572.0	\$ 565.0	\$ 1,083.1	\$ 1,082.7

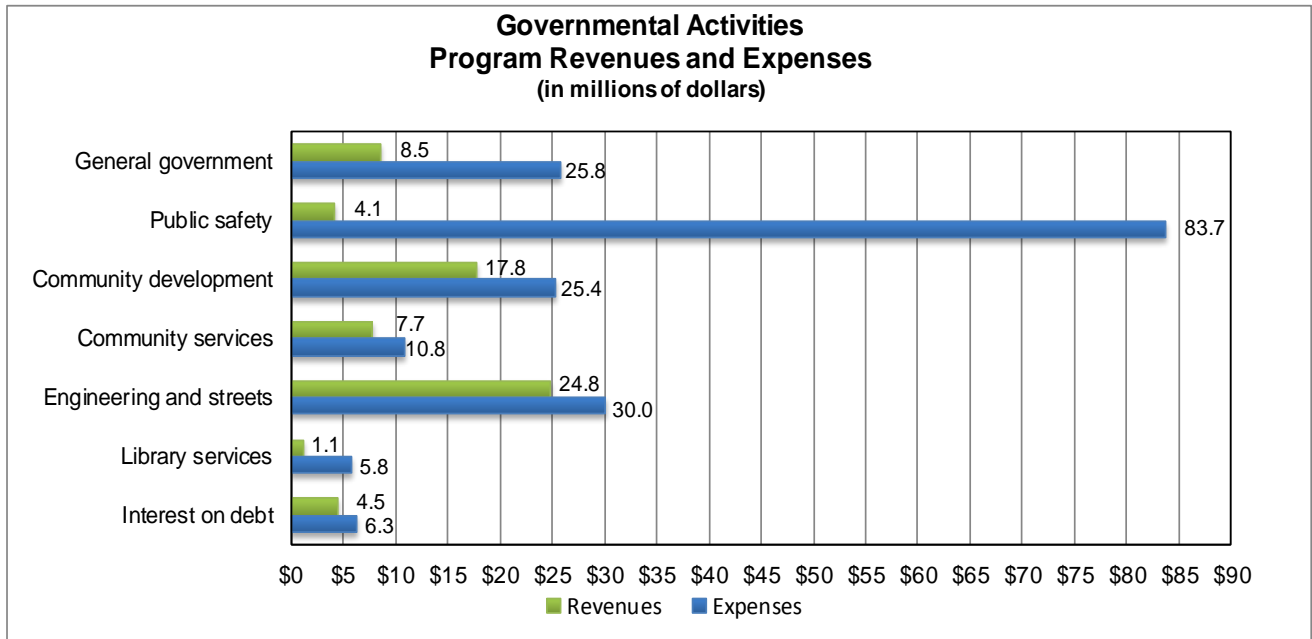
See the Statement of Activities (pages 32-33) for more detailed information.

Governmental Activities. The governmental net position before transfers decreased \$7.4 million compared with an increase of \$39.5 million in the prior year. The decreased change in net position over the prior year's change is primarily related to the following activity.

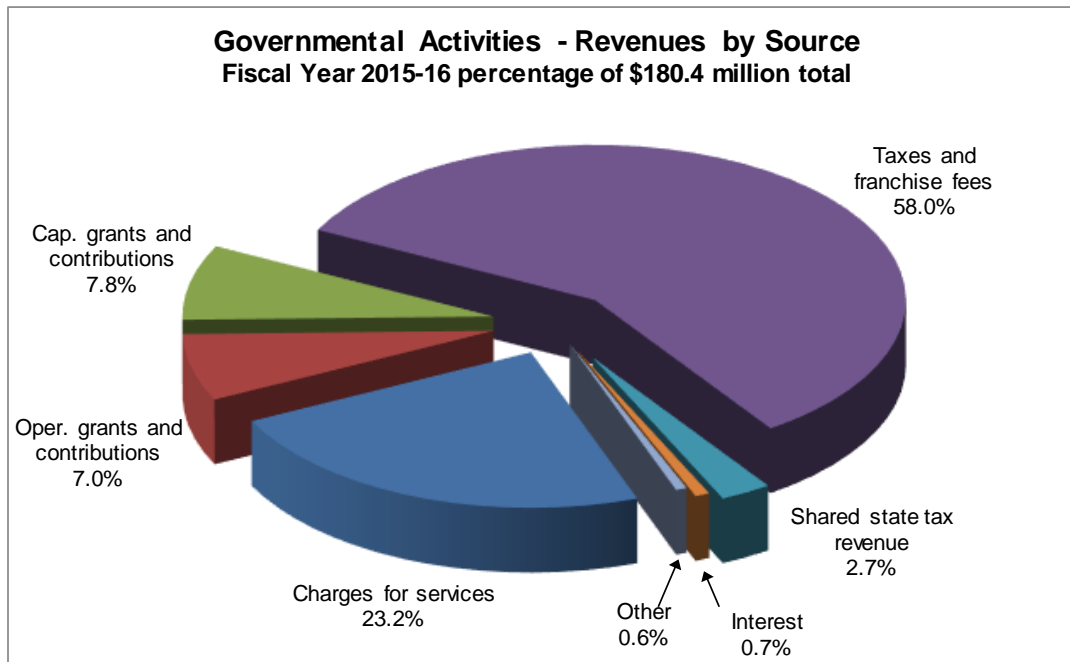
- Program revenues increased \$4.5 million and general revenues increased \$3.6 million which included a \$3.0 million increase in taxes and franchise fees and a \$1.5 million increase for transfers in.
- Program expenses overall were \$55.0 million higher than last year, driven by an increase of \$55.9 million related to the change in the actuarial value of the pension liability.
- Other significant changes to program expenses are associated with construction costs with a decrease of \$3.2 million for Urban Renewal projects offset with an increase of \$6.2 million for street projects which includes costs of assets transferred to the Utility fund for Aumsville Highway and Rosemont Avenue at Edgewater Street projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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.

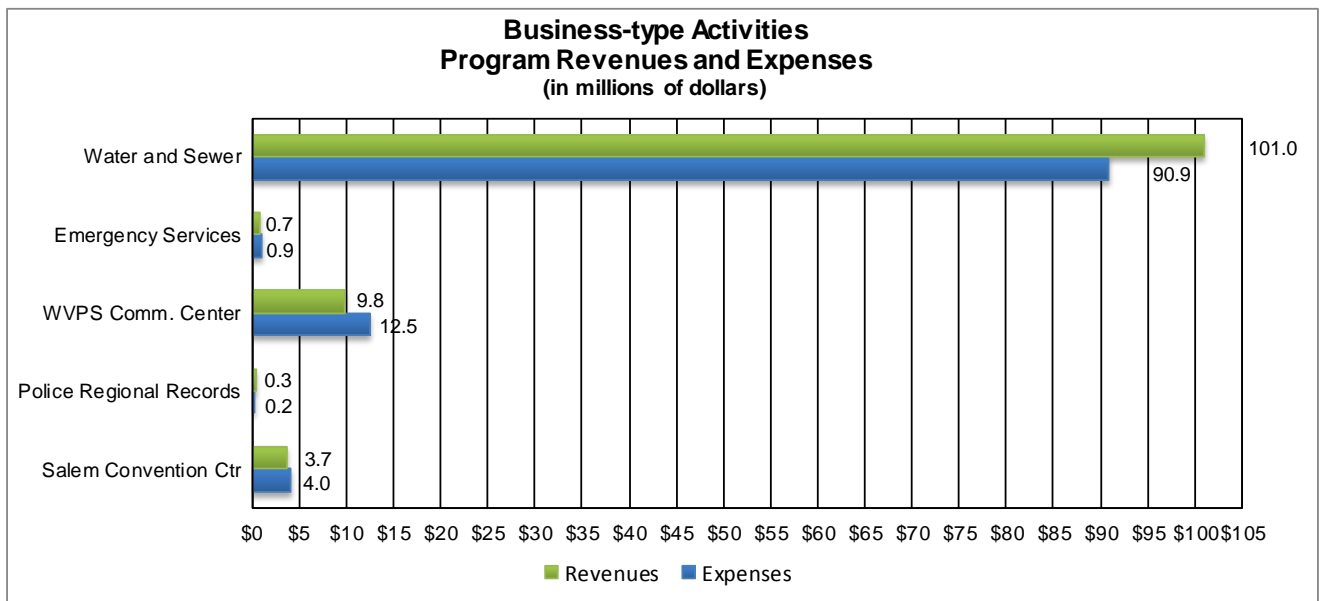


Business-type Activities. The table on page 18 shows the City's net position from business-type activities increased by \$7.9 million before transfers. This is \$17.9 million less than the prior year's change and is primarily related to the following activity.

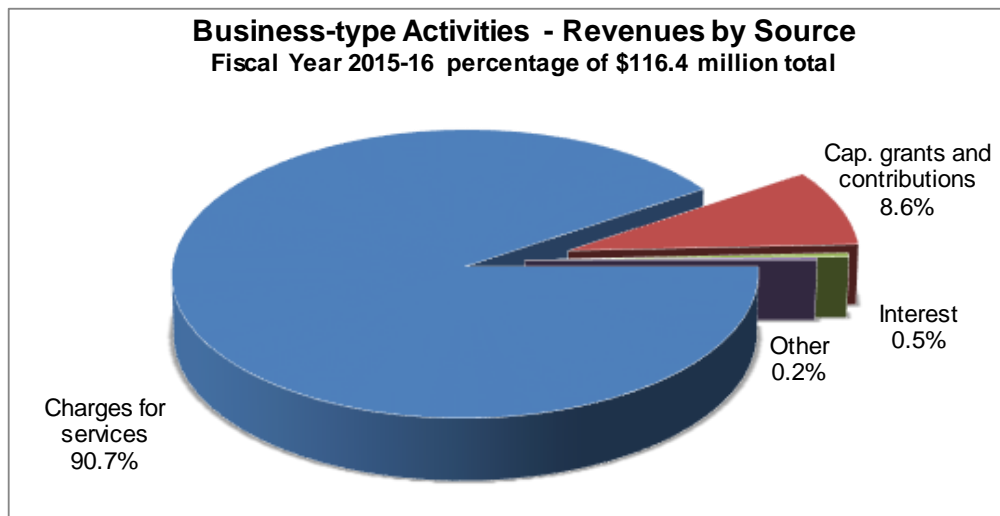
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

- Charges for services increased \$3.7 million, \$1.0 million for the Willamette Valley Communication Center fund and \$2.7 million for the Utility fund.
- Capital grants and contributions increased \$3.9 million, primarily from developer contributions and other street construction projects transferred to the Utility fund from other funds.
- Program expenses increased \$25.1 million, of which \$21.6 million was related to pension costs and the remaining to normal operating costs.

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. Net utility revenue provides funds for utility infrastructure capital projects.



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



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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, 2016, the City's governmental funds reported combined ending fund balances of \$128.3 million, an increase of \$0.8 million, or 0.6%, from last year. The unassigned General fund balance of \$26.3 million, or 20.5% 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 \$0.6 million, or 0.5% and include prepaid expenditures and inventories. Amounts restricted to capital projects, debt service, or with other donor or legal restrictions are \$84.1 million, or 65.5%. Committed fund balances are \$17.3 million, or 13.5%.

The total General fund balance increased \$2.8 million, from \$24.0 million to \$26.8 million, of which \$26.3 million is unassigned. Total revenues increased 5.3% or \$5.0 million. This increase was primarily \$2.6 million from property taxes and franchise fees and \$1.6 million from intergovernmental revenue. Total expenditures increased \$5.2 million, primarily in personal services. The total ending fund balance is 24.0% of the fiscal year 2016-17 budgeted fund revenues and complies with the ending fund balance/reserve policy adopted by the Council.

Capital Improvements fund balance decreased \$8.4 million, from \$34.4 million to \$26.0 million. This was primarily due to the spending of \$3.6 million of streets and bridges bond proceeds, and \$2.2 million for the radio replacement project.

Tax Allocation Improvements fund balance increased \$2.0 million. This change was primarily due to activity in the Riverfront Urban Renewal area with an increase in principal payment revenue from several large loan pay-offs and a decrease in project expenditures.

Proprietary Funds. At June 30, 2016, the City's enterprise funds reported a combined net position of \$569.7 million (excluding the internal service consolidation adjustment), an increase of \$6.9 million. Utility fund increased net position by \$10.3 million which offset a loss of \$2.8 million in Willamette Valley Communications Center, the amount of pension costs for WVCC. Internal service funds increased \$2.1 million to a net position of \$37.6 million.

The Utility fund net position increased \$10.3 million, from \$532.1 million to \$542.4 million. At June 30, 2016, \$489.3 million is the net investment in capital assets, \$16.0 million is restricted for capital projects, and \$37.1 million is unrestricted. Of the unrestricted funds, \$19.8 million are 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 \$9.1 million, which included \$10.0 million in pension expense. The remaining increase in net position is related to infrastructure construction and developer contributed assets.

The City Services and Equipment Replacement Reserve funds combined net position increased \$2.2 million, reflected in \$1.0 million in operating income primarily generated by the Equipment Replacement Reserve fund and capital asset transfers to City Services from other funds, including the Equipment Replacement Reserve fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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. See the budget and actual comparison on pages 44-45 for more detailed information.

General Fund

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

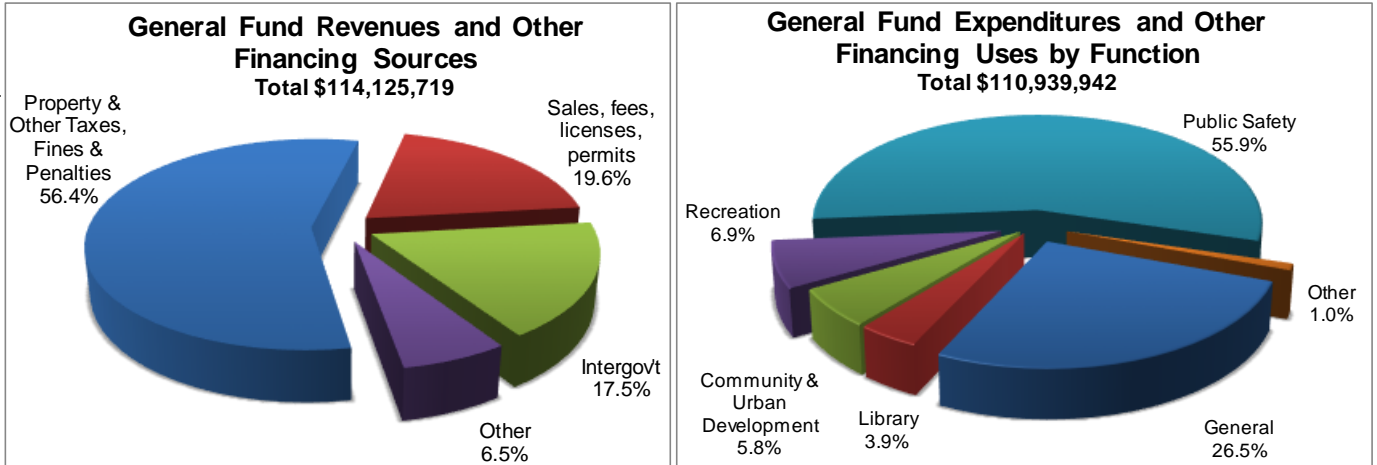
- Added \$500,000 other financing sources for loan proceeds from the Utility fund and \$500,000 in capital outlay for new parking meter technology,
- Transfer of \$52,000 from contingency to capital outlay for new parking meter technology, and
- Transfer of \$20,000 from contingency to materials and services for year-end transfer to maintain compliance with budget law.

Differences between actual results and the final amended budget resulted in the General fund balance ending \$16.1 million greater than originally budgeted. This is primarily due to:

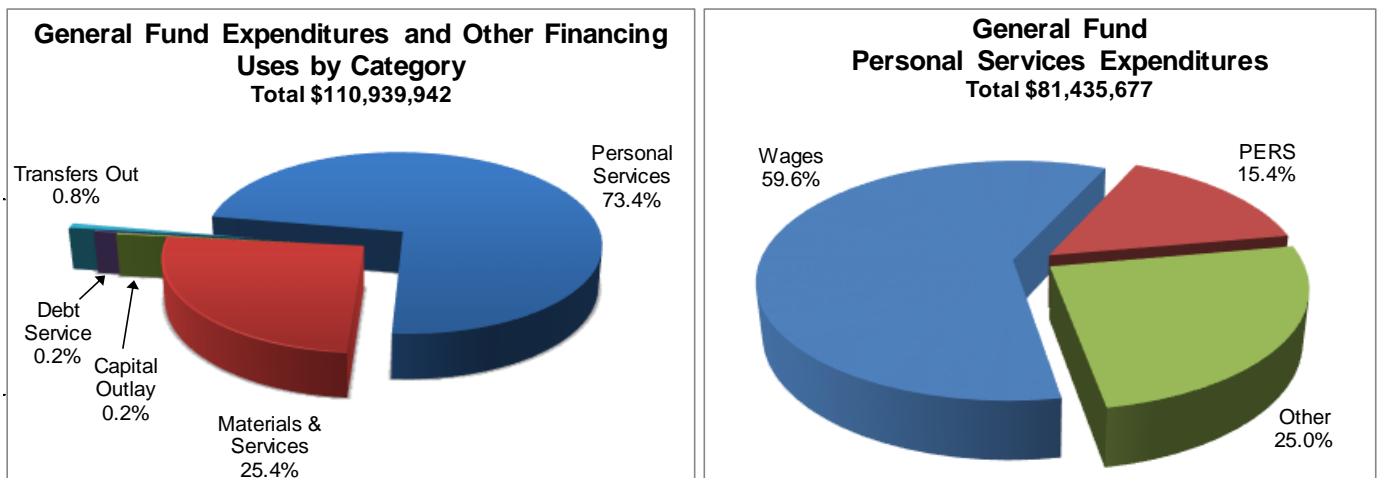
- \$3.0 million larger than budgeted beginning balance due to prior year spending reductions,
- \$1.2 million higher than budgeted property tax revenue,
- \$7.0 million less than budgeted in personal services primarily related to unfilled positions and related expenditures and PERS budgeted at higher than required rates in anticipation of unfavorable PERS reform rulings,
- \$1.7 million less than budgeted in general materials and services savings due to cost reduction efforts,
- \$0.6 million less than budgeted for new parking meter technology, and
- \$2.4 million in unspent contingency.

The following charts show the current year revenues and expenditures, by function, of the General fund. The charts reflect that taxes are the primary source of revenue and public safety is the largest expenditure. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016



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



Capital Assets

As of June 30, 2016, 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 \$7.1 million, or 0.6%, from the prior year. This is represented primarily in additional land and infrastructure, offset by decreases in work in progress. The business-type decrease of \$2.4 million is primarily a utility infrastructure decrease due to depreciation and reduced work in progress exceeding additions to the capitalized water-sewer system.

Additional information on capital assets is in the notes to the financial statements (pages 66-67).

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land, land improvements, and art	\$ 236.8	\$ 233.8	\$ 17.5	\$ 17.1	\$ 254.3	\$ 250.9
Buildings	41.6	41.8	23.8	24.5	65.4	66.3
Improvements	24.3	21.4	-	-	24.3	21.4
Equipment and machinery	8.1	9.0	0.5	0.6	8.6	9.6
Vehicles	9.9	9.2	-	-	9.9	9.2
Infrastructure	151.1	144.1	-	-	151.1	144.1
Utility systems	-	-	589.1	561.4	589.1	561.4
Work-in-progress	63.9	66.9	23.0	52.7	86.9	119.6
Total	\$ 535.7	\$ 526.2	\$ 653.9	\$ 656.3	\$ 1,189.6	\$ 1,182.5

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

Change in Capital Assets for the Fiscal Year Ended June 30, 2016
(in millions)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 526.2	\$ 656.3	\$ 1,182.5
Additions	25.6	15.8	41.4
Retirement	(1.2)	(0.1)	(1.3)
Accumulated depreciation	(14.9)	(18.1)	(33.0)
Ending balance	<u>\$ 535.7</u>	<u>\$ 653.9</u>	<u>\$ 1,189.6</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 are assigned to the appropriate category of capital assets when completed.

Debt Outstanding

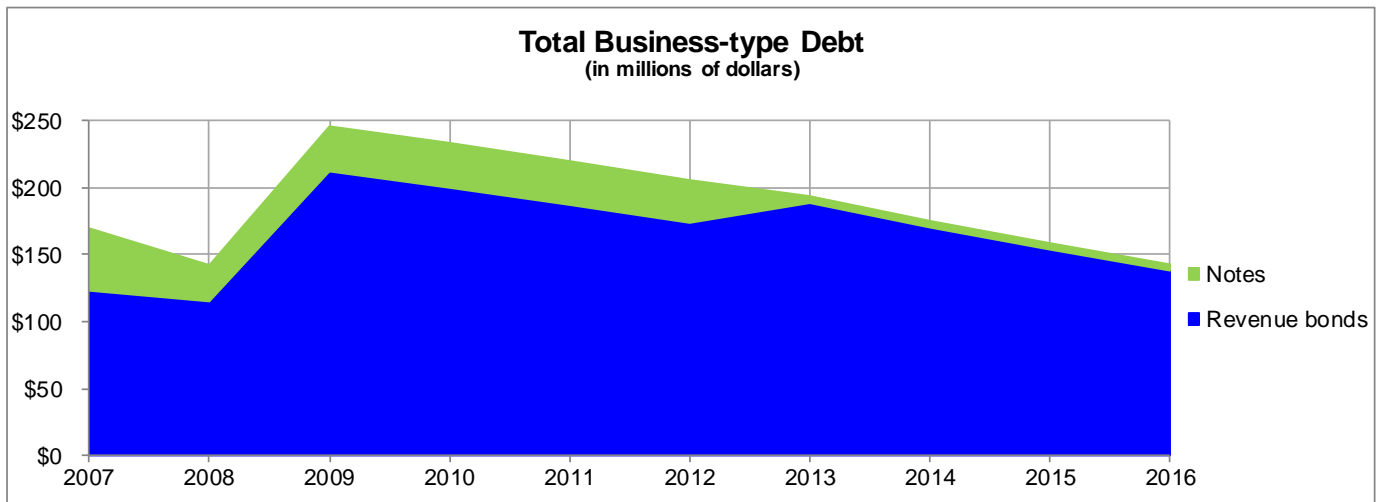
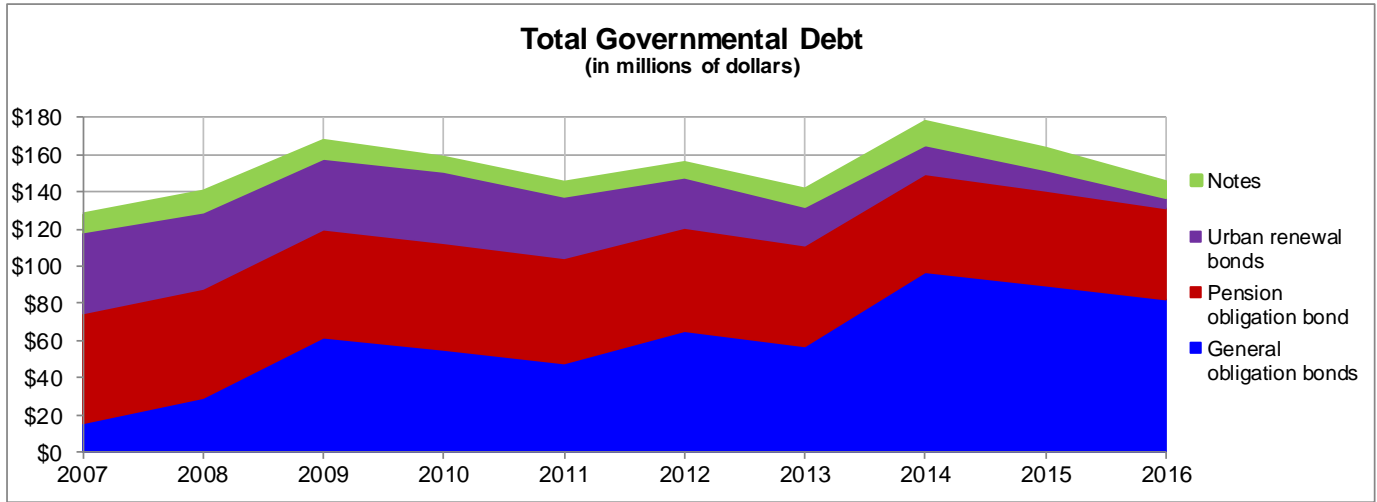
As of June 30, 2016, the City had a total of \$288.3 million in outstanding long-term debt, compared to \$322.2 million last year, a 10.5% net decrease, as illustrated in the following table.

Outstanding Debt as of June 30,
(in millions)

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Bonds:						
General obligation	\$ 82.1	\$ 89.6	\$ -	\$ -	\$ 82.1	\$ 89.6
Revenue	-	-	138.1	153.8	138.1	153.8
Pension obligation	49.0	51.0	-	-	49.0	51.0
Urban Renewal	6.0	11.5	-	-	6.0	11.5
Notes	<u>8.3</u>	<u>11.3</u>	<u>4.8</u>	<u>5.0</u>	<u>13.1</u>	<u>16.3</u>
Total outstanding debt	<u>\$ 145.4</u>	<u>\$ 163.4</u>	<u>\$ 142.9</u>	<u>\$ 158.8</u>	<u>\$ 288.3</u>	<u>\$ 322.2</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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



On August 27, 2015, the City refunded Riverfront/Downtown Series 2003A and 2003B bonds with Series 2015A and 2015B bonds to reduce interest rates. The rates went from 5.35-6.25% to 1.26-1.73% resulting in an estimated savings of \$598,357 in costs over the life of the bonds.

OECD L06001B note from Oregon Economic and Community Development Department decreased \$718,000 based on earned credits for jobs creation.

Additional information on the City's debt is in the notes to the financial statements (pages 70-73) and supplemental information (pages 138-140).

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, 2016 was 0.58% of RMV. The actual levy for GO debt was \$1.0076 for 2015-16.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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. The following table shows data for the City at the end of the fiscal year.

Debt Per Capita, and as a Percent of Real Market Value (RMV)
As of June 30, 2016

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
Population (2015)	160,690		
2015-16 Measure 5 RMV	\$ 13,697,349,090	\$85,241	-
Total bonded debt outstanding	268,411,703 *	1,670	1.96%
Net direct GO debt	78,814,703 *	490	0.58%
Net overlapping debt	295,973,024	1,842	2.16%
Net direct and overlapping debt	374,787,727	2,332	2.74%

*Excludes issuance premium

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2016-17 Adopted Budget - The annual budget for fiscal year 2016-17 for all funds anticipates a personal services increase of 1.0%, materials and services increase of 1.7%, capital outlay increase of 29.6%, and a combined debt service and transfers increase of 15.9%.

Personal services increases include the addition of 34.5 positions over all funds with 12 of the new positions in the fire department. In some cases new full time positions replaced seasonal positions. Increases also include salary changes for market adjustments, collective bargaining agreements, and merit pay increases; lower PERS rates (now based on actual charged rates); and no significant change in health benefit costs. The lower budgeted PERS rates helped offset the anticipated increases in other personal service costs.

Increased interfund transfers are to the construction funds for capital construction costs including \$13.7 million for utility infrastructure improvements; \$1.5 million for the radio replacement project; and \$1.2 million for replacement of the City's telephone system and enhancement to the City's network.

The budget anticipates a 4.6% increase in property tax as a result of decreased property tax compression and an anticipated assessed property value increase of 4.0%.

Utility Fund – The Council adopted a new financial policy for the Utility fund in April 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 investments identified in the Capital Improvement Program, and reserves for operations and debt. In October, 2014 the Council approved increases for City provided utilities that included a 3% increase in January 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 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 last affirmed by Moody's in July 2013. Utility bonds were last 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, and
- Well-managed financial operations; recent reserve growth with planned spend-downs in the medium term future.

GO and Full Faith and Credit ratings were affirmed as AA/Stable by Standard & Poor's in July 2016. Standard & Poor's positive comments regarding these strong ratings include:

- Very strong management, with strong financial policies and practices, under S&P Financial Management Assessment (FMA) methodology,
- Very strong budgetary flexibility due to available fund balance in fiscal 2015 of 25% of operating expenditures,
- Very strong liquidity with total government available cash equal to 113.2% of total fund expenditures and 9.1 times governmental debt service, and strong access to external liquidity,
- A strong economy and institutional framework, and
- Adequate budgetary performance.

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

FINANCIAL CONTACT

The City designs its financial statements 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 Financial Services Administrator at 555 Liberty Street SE, Room 230, Salem, Oregon 97301.



Basic Financial Statements



City of Salem, Oregon
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Salem Housing Authority FYE 9/30/15
Assets				
Current assets				
Cash and investments	\$ 158,544,696	\$ 46,007,596	\$ 204,552,292	\$ 3,372,072
Accounts receivable, net	30,960,068	10,456,853	41,416,921	244,401
Due from other governmental agencies	136,502	68,682	205,184	-
Due from other funds	-	211,542	211,542	-
Internal balances	(3,691,458)	3,691,458	-	-
Inventories and prepayments	1,605,478	1,287,077	2,892,555	122,035
Total current assets	<u>187,555,286</u>	<u>61,723,208</u>	<u>249,278,494</u>	<u>3,738,508</u>
Noncurrent assets				
Restricted cash and investments	8,176,043	17,252,849	25,428,892	964,395
Notes receivable	-	1,271,638	1,271,638	5,386,092
Deferred assessments	719,907	3,578,888	4,298,795	-
Capital assets:				
Land and construction in progress	300,730,132	40,425,312	341,155,444	1,599,457
Other capital assets, net	234,995,085	613,489,664	848,484,749	10,286,096
Total noncurrent assets	<u>544,621,167</u>	<u>676,018,351</u>	<u>1,220,639,518</u>	<u>18,236,040</u>
Total assets	<u>732,176,453</u>	<u>737,741,559</u>	<u>1,469,918,012</u>	<u>21,974,548</u>
Deferred Outflows of Resources				
Deferred charge on refunding	-	4,264,554	4,264,554	-
Deferred outflows related to pensions	9,524,493	3,679,579	13,204,072	205,741
Total deferred outflows of resources	<u>9,524,493</u>	<u>7,944,133</u>	<u>17,468,626</u>	<u>205,741</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	13,675,795	2,749,788	16,425,583	440,852
Interest payable	914,380	515,443	1,429,823	3,279
Due to other agencies	66,341	-	66,341	-
Claims and judgments due within one year	1,800,000	-	1,800,000	-
Long-term debt due within one year	13,570,796	15,927,896	29,498,692	76,424
Compensated absences due within one year	1,229,833	516,101	1,745,934	43,284
Total current liabilities	<u>31,257,145</u>	<u>19,709,228</u>	<u>50,966,373</u>	<u>563,839</u>
Noncurrent liabilities				
Security deposit payable	8,095	136,597	144,692	107,244
Unearned revenue	956,245	1,169,108	2,125,353	79,923
Developer reimbursement	674,889	2,277,063	2,951,952	-
Long-term debt	131,838,621	127,019,500	258,858,121	1,120,237
Net OPEB obligation	4,619,422	1,579,015	6,198,437	257,135
Net pension liability	41,690,026	16,106,025	57,796,051	1,568,635
Claims and judgments payable	4,782,900	-	4,782,900	-
Compensated absences payable	4,886,154	1,850,337	6,736,491	129,852
Total noncurrent liabilities	<u>189,456,352</u>	<u>150,137,645</u>	<u>339,593,997</u>	<u>3,263,026</u>
Total liabilities	<u>220,713,497</u>	<u>169,846,873</u>	<u>390,560,370</u>	<u>3,826,865</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	9,845,632	3,803,642	13,649,274	387,031
Net Position				
Net investment in capital assets	461,124,572	515,232,134	976,356,706	10,771,830
Restricted for:				
Capital projects	49,352,394	15,955,649	65,308,043	356,572
Debt service	17,742,553	-	17,742,553	46,397
Community enhancement	7,280,461	-	7,280,461	-
Community renewal	13,955,465	-	13,955,465	-
Permanent	247,784	-	247,784	-
Permanent - non-expendable	11,000	-	11,000	-
Housing Authority assistance payments	-	-	-	258,590
Unrestricted	(38,572,412)	40,847,394	2,274,982	6,533,004
Total net position	<u>\$ 511,141,817</u>	<u>\$ 572,035,177</u>	<u>\$ 1,083,176,994</u>	<u>\$ 17,966,393</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, 2016

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants/Contributions
Governmental activities			
General government	\$ 25,795,167	\$ 8,489,920	\$ 16,851
Public safety	83,670,810	3,296,684	800,183
Community development	25,365,523	14,672,898	1,792,542
Community services	10,845,896	2,181,302	158,372
Engineering and streets	30,036,926	7,924,516	9,756,401
Library services	5,766,700	857,018	26,743
Interest on debt	6,267,919	4,529,500	-
Total governmental activities	187,748,941	41,951,838	12,551,092
Business-type activities			
Water and sewer	90,890,450	90,920,920	-
Emergency services	928,245	726,734	-
WVPS communications center	12,533,464	9,775,246	-
Police regional records system	149,157	348,058	-
Salem Convention Center	4,002,023	3,729,105	-
Total business-type activities	108,503,339	105,500,063	-
Total	\$ 296,252,280	\$ 147,451,901	\$ 12,551,092
Component unit			
Salem Housing Authority	\$ 21,735,775	\$ 2,028,452	\$ 19,144,868

General revenues

- Property tax
- Transient occupancy tax
- Shared state revenue
- Franchise fees based on gross receipts
- Payment 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

Prior period adjustment

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 9/30/15
\$ -	\$ (17,288,396)	\$ -	\$ (17,288,396)	
-	(79,573,943)	-	(79,573,943)	
1,308,571	(7,591,512)	-	(7,591,512)	
5,375,928	(3,130,294)	-	(3,130,294)	
7,150,453	(5,205,556)	-	(5,205,556)	
250,000	(4,632,939)	-	(4,632,939)	
-	(1,738,419)	-	(1,738,419)	
<u>14,084,952</u>	<u>(119,161,059)</u>	<u>-</u>	<u>(119,161,059)</u>	
10,050,339	-	10,080,809	10,080,809	
-	-	(201,511)	(201,511)	
-	-	(2,758,218)	(2,758,218)	
-	-	198,901	198,901	
-	-	(272,918)	(272,918)	
<u>10,050,339</u>	<u>-</u>	<u>7,047,063</u>	<u>7,047,063</u>	
<u>\$ 24,135,291</u>	<u>(119,161,059)</u>	<u>7,047,063</u>	<u>(112,113,996)</u>	
<u>\$ -</u>				<u>\$ (562,455)</u>
	84,316,404	-	84,316,404	-
	3,612,596	-	3,612,596	-
	4,805,808	-	4,805,808	-
	16,565,567	-	16,565,567	-
	96,571	-	96,571	-
	1,354,500	529,852	1,884,352	244,607
	166,457	-	166,457	277,330
	869,803	295,891	1,165,694	-
	911,634	(911,634)	-	-
	<u>112,699,340</u>	<u>(85,891)</u>	<u>112,613,449</u>	<u>521,937</u>
	(6,461,719)	6,961,172	499,453	(40,518)
	517,671,969	565,074,005	1,082,745,974	18,006,911
	<u>(68,433)</u>	<u>-</u>	<u>(68,433)</u>	<u>-</u>
	<u>\$ 511,141,817</u>	<u>\$ 572,035,177</u>	<u>\$ 1,083,176,994</u>	<u>\$ 17,966,393</u>

Concluded



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 shared revenue, and administrative service charges received from other funds. Primary expenditures are for police and fire protection, community services, general government, information technology, community development, and library services.

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 transportation service, streetlights, 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, 2016

	General Fund	Capital Improvements
Assets		
Cash and investments	\$ 30,157,311	\$ 27,617,160
Accounts receivable, net	6,606,393	1,768,858
Due from other funds	83,209	-
Due from other agencies	136,502	-
Inventories and prepayments	517,256	-
Advances to other funds	-	-
Assessments receivable	-	-
	\$ 37,500,671	\$ 29,386,018
Liabilities		
Accounts payable and accrued liabilities	\$ 6,562,116	\$ 2,568,672
Due to other funds	-	-
Due to other agencies	66,341	-
Advances from other funds	1,344,805	288,523
Security deposit payable	6,600	-
Unearned revenues	78,956	-
Developer reimbursement payable	-	-
	8,058,818	2,857,195
Deferred inflows of resources		
Unavailable revenue	2,660,726	496,502
Fund balances		
Nonspendable	517,256	-
Restricted	-	26,032,321
Committed	-	-
Unassigned	26,263,871	-
	26,781,127	26,032,321
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,500,671	\$ 29,386,018

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>
\$ 20,462,480	\$ -	\$ 54,566,623	\$ 132,803,574
4,685,408	14,095,913	3,789,324	30,945,896
-	-	-	83,209
-	-	-	136,502
-	-	47,816	565,072
-	-	288,523	288,523
-	-	719,907	719,907
<u>\$ 25,147,888</u>	<u>\$ 14,095,913</u>	<u>\$ 59,412,193</u>	<u>\$ 165,542,683</u>
\$ 266,779	\$ 125,144	\$ 1,702,453	\$ 11,225,164
-	83,209	-	83,209
-	-	-	66,341
-	-	-	1,633,328
-	-	1,495	8,095
-	-	45,018	123,974
-	-	674,889	674,889
<u>266,779</u>	<u>208,353</u>	<u>2,423,855</u>	<u>13,815,000</u>
<u>4,673,627</u>	<u>13,871,980</u>	<u>1,720,518</u>	<u>23,423,353</u>
-	-	58,816	576,072
20,207,482	15,580	37,933,479	84,188,862
-	-	17,275,525	17,275,525
-	-	-	26,263,871
<u>20,207,482</u>	<u>15,580</u>	<u>55,267,820</u>	<u>128,304,330</u>
<u>\$ 25,147,888</u>	<u>\$ 14,095,913</u>	<u>\$ 59,412,193</u>	<u>\$ 165,542,683</u>

Concluded

City of Salem, Oregon
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances	\$ 128,304,330
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).	535,725,217
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Notes receivable - earned but unavailable	20,094,594
Property taxes - earned but unavailable	3,328,759
Deferred outflows related to pension	9,524,493
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, liabilities, and deferred inflows and outflows of the internal service funds are included in governmental activities in the statement of net position.	22,759,288
Accrued interest payable	(914,380)
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	(145,409,417)
Compensated absences payable	(6,115,987)
Net OPEB obligation	(4,619,422)
Net pension liability	(41,690,026)
Deferred inflows related to pension	<u>(9,845,632)</u>
Net position of governmental activities	<u>\$ 511,141,817</u>

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



City of Salem, Oregon
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2016

	<u>General Fund</u>	<u>Capital Improvements</u>
Revenues		
Property taxes	\$ 61,290,361	\$ -
Other taxes	-	-
Sales, fees, licenses, and permits	21,125,661	5,000
Special assessments	-	-
Rents	1,278,003	-
Grants	814,004	4,258,108
Intergovernmental	11,647,018	938,484
Fines and penalties	3,023,850	-
Interest on investments	248,276	265,088
Loan payments received	1,413	33,487
Other	310,191	407,618
	<u>99,738,777</u>	<u>5,907,785</u>
Total revenues		
Expenditures		
Current		
General government	16,775,846	-
Community development	6,383,802	-
Community service	7,663,429	-
Public safety	61,778,597	-
Engineering/streets	-	-
Library	4,379,087	-
Capital Outlay	256,780	19,434,095
Debt service		
Principal retirement	-	-
Interest and fiscal charges	6,794	-
	<u>97,244,335</u>	<u>19,434,095</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>2,494,442</u>	<u>(13,526,310)</u>
Other financing sources (uses)		
Issuance of debt	-	-
Sale of capital assets	27,492	-
Transfers in	1,179,350	5,250,259
Transfers out	(920,312)	(156,000)
	<u>286,530</u>	<u>5,094,259</u>
Total other financing sources (uses)		
Net change in fund balances	2,780,972	(8,432,051)
Fund balances - beginning of year	24,000,155	34,464,372
Prior period adjustment	-	-
Fund balances - end of year	<u>\$ 26,781,127</u>	<u>\$ 26,032,321</u>

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
\$ -	\$ -	\$ 22,950,884	\$ 84,241,245
-	-	3,612,596	3,612,596
-	2,100	12,560,849	33,693,610
-	-	514,942	514,942
6,919	-	2,233,899	3,518,821
-	1,374,852	390,648	6,837,612
285,494	2,083,254	17,569,995	32,524,245
-	-	-	3,023,850
147,258	-	456,119	1,116,741
2,114,867	536,911	7,633	2,694,311
900	-	579,039	1,297,748
<u>2,555,438</u>	<u>3,997,117</u>	<u>60,876,604</u>	<u>173,075,721</u>
-	-	242,879	17,018,725
-	1,771,269	8,218,218	16,373,289
-	-	148,820	7,812,249
-	-	154,623	61,933,220
-	-	12,004,928	12,004,928
-	-	54,006	4,433,093
5,644,552	-	4,245,644	29,581,071
-	2,257,484	20,810,974	23,068,458
-	-	6,495,496	6,502,290
<u>5,644,552</u>	<u>4,028,753</u>	<u>52,375,588</u>	<u>178,727,323</u>
<u>(3,089,114)</u>	<u>(31,636)</u>	<u>8,501,016</u>	<u>(5,651,602)</u>
-	-	6,130,000	6,130,000
5,208	-	133,647	166,347
5,075,000	-	1,224,507	12,729,116
-	-	(11,420,579)	(12,496,891)
<u>5,080,208</u>	<u>-</u>	<u>(3,932,425)</u>	<u>6,528,572</u>
1,991,094	(31,636)	4,568,591	876,970
18,216,388	47,216	50,767,662	127,495,793
-	-	(68,433)	(68,433)
<u>\$ 20,207,482</u>	<u>\$ 15,580</u>	<u>\$ 55,267,820</u>	<u>\$ 128,304,330</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, 2016

Net change in fund balances-total governmental funds	\$	876,970
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		16,670,087
Depreciation		(14,466,357)
Various other transactions involving capital assets increase or decrease net assets.		
Developer donated infrastructure and other donated assets		4,302,328
Book value of sold or disposed assets		(14,642)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for program revenue		(2,031,797)
Change in deferred inflows for general revenue		75,159
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 insurance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred or amortized in the Statement of Activities.		
Issuance of debt		(6,130,000)
Principal payments on long-term debt		23,068,457
Amortize bond premium		354,730
Debt forgiven for capital construction at Mill Creek URA		718,000
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.		
		234,371
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.		
		508,633
Net revenue and expense related to net pension activity		
		(32,519,563)
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.		
		(209,973)
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.		
		2,101,878
Change in net position of governmental activities	\$	(6,461,719)

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



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, 2016

	<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				
Property taxes	\$ 60,059,720	\$ 60,059,720	\$ 61,290,361	\$ (1,230,641)
Other taxes	61,630	61,630	-	61,630
Sales, fees, licenses, and permits	20,472,890	20,472,890	21,125,661	(652,771)
Rents	1,708,980	1,708,980	1,278,003	430,977
Grants	816,070	816,070	814,004	2,066
Intergovernmental	19,789,870	19,789,870	19,192,118	597,752
Fines and penalties	2,585,500	2,585,500	3,023,850	(438,350)
Interest on investments	148,000	148,000	248,276	(100,276)
Loan payments received	5,076,950	5,076,950	5,076,413	537
Other	270,150	270,150	310,191	(40,041)
Total revenues	<u>110,989,760</u>	<u>110,989,760</u>	<u>112,358,877</u>	<u>(1,369,117)</u>
Expenditures				
Operations				
Mayor and council	228,270	228,270	180,164	48,106
City manager	1,488,600	1,488,600	1,380,188	108,412
Human resources	1,222,130	1,222,130	1,139,988	82,142
Legal	2,200,290	2,200,290	2,036,615	163,675
Administrative services	5,773,260	5,773,260	5,086,144	687,116
General services	3,841,390	3,841,390	3,733,644	107,746
Information technology	6,542,010	6,542,010	6,133,657	408,353
Non-departmental	9,288,440	9,860,440	8,741,377	1,119,063
Total general government	<u>30,584,390</u>	<u>31,156,390</u>	<u>28,431,777</u>	<u>2,724,613</u>
Community development	3,731,180	3,731,180	3,435,589	295,591
Urban development	5,150,270	5,150,270	3,949,862	1,200,408
Total community development	<u>8,881,450</u>	<u>8,881,450</u>	<u>7,385,451</u>	<u>1,495,999</u>
Community services	8,362,470	8,362,470	7,663,429	699,041
Library	4,817,550	4,817,550	4,379,087	438,463
Police	38,846,430	38,846,430	36,354,827	2,491,603
Fire	27,084,930	27,084,930	25,643,070	1,441,860
Total public safety	<u>65,931,360</u>	<u>65,931,360</u>	<u>61,997,897</u>	<u>3,933,463</u>
Debt service	162,400	162,400	161,989	411
Contingency	2,500,000	2,428,000	-	2,428,000
Total expenditures	<u>121,239,620</u>	<u>121,739,620</u>	<u>110,019,630</u>	<u>11,719,990</u>
Excess (deficiency) of revenues over expenditures	<u>(10,249,860)</u>	<u>(10,749,860)</u>	<u>2,339,247</u>	<u>(13,089,107)</u>

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, 2016

	<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>		
Other financing sources (uses)				
Loan proceeds	60,000	560,000	560,000	-
Sale of capital assets	5,000	5,000	27,492	(22,492)
Transfers in	1,179,350	1,179,350	1,179,350	-
Transfers out	(931,010)	(931,010)	(920,312)	(10,698)
Total other financing sources (uses)	<u>313,340</u>	<u>813,340</u>	<u>846,530</u>	<u>(33,190)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(9,936,520)	(9,936,520)	3,185,777	(13,122,297)
Fund balance - beginning of year	<u>21,976,470</u>	<u>21,976,470</u>	<u>24,940,155</u>	<u>(2,963,685)</u>
Fund balance - end of year	<u>\$ 12,039,950</u>	<u>\$ 12,039,950</u>	<u>28,125,932</u>	<u>\$ (16,085,982)</u>

Reconciliation to generally accepted accounting principles:

Adjustments for indirect cost allocation	
Revenues	7,545,100
Expenditures:	
General government	(7,545,100)
Advance from Utility fund (page 129)	<u>(1,344,805)</u>
Fund balance-end of year (modified accrual)	<u>\$ 26,781,127</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
Community Renewal
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 2,100	\$ (2,100)
Grants	2,543,740	2,543,740	1,374,852	1,168,888
Intergovernmental	2,816,000	2,816,000	2,083,254	732,746
Loan payments received	420,000	420,000	536,911	(116,911)
	5,779,740	5,779,740	3,997,117	1,782,623
Expenditures				
Operations	2,748,740	2,748,740	1,771,269	977,471
Debt service	3,031,000	3,031,000	2,257,484	773,516
	5,779,740	5,779,740	4,028,753	1,750,987
Net change in fund balance	-	-	(31,636)	31,636
Fund balance - beginning of year	-	-	47,216	(47,216)
Fund balance - end of year	\$ -	\$ -	\$ 15,580	\$ (15,580)

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

1 () indicates revenues/expenditures in excess of budget

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) 911 dispatch provided by the 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:

Utility Fund

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, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Utility	Other	Totals	Activities
	Fund	Funds		Internal
				Service Funds
Assets				
Current assets				
Cash and investments	\$ 40,615,347	\$ 5,392,249	\$ 46,007,596	\$ 25,741,122
Accounts receivable, net	9,838,385	618,468	10,456,853	14,172
Due from other governmental agencies	68,682	-	68,682	-
Due from other funds	-	211,542	211,542	-
Inventories and prepayments	1,183,464	103,613	1,287,077	1,040,406
Advances to other funds	1,344,805	-	1,344,805	-
Total current assets	<u>53,050,683</u>	<u>6,325,872</u>	<u>59,376,555</u>	<u>26,795,700</u>
Noncurrent assets				
Restricted cash and investments	17,252,849	-	17,252,849	8,176,043
Notes receivable	1,271,638	-	1,271,638	-
Deferred assessments	3,578,888	-	3,578,888	-
Capital assets:				
Land and construction in progress	38,844,189	1,581,123	40,425,312	3,330,049
Other capital assets, net	589,116,802	24,372,862	613,489,664	10,865,365
Total noncurrent assets	<u>650,064,366</u>	<u>25,953,985</u>	<u>676,018,351</u>	<u>22,371,457</u>
Total assets	<u>703,115,049</u>	<u>32,279,857</u>	<u>735,394,906</u>	<u>49,167,157</u>
Deferred outflows of resources				
Deferred charge on refunding	4,264,554	-	4,264,554	-
Deferred outflows related to pensions	2,846,797	832,782	3,679,579	290,753
Total deferred outflows of resources	<u>7,111,351</u>	<u>832,782</u>	<u>7,944,133</u>	<u>290,753</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	2,288,044	461,744	2,749,788	2,450,631
Interest payable	515,443	-	515,443	-
Claims and judgments due within one year	-	-	-	1,800,000
Unearned revenue due within one year	-	-	-	832,271
Long-term debt due within one year	15,927,896	-	15,927,896	-
Compensated absences due within one year	452,637	63,464	516,101	43,875
Total current liabilities	<u>19,184,020</u>	<u>525,208</u>	<u>19,709,228</u>	<u>5,126,777</u>
Noncurrent liabilities				
Security deposit payable	136,597	-	136,597	-
Unearned revenue	1,169,108	-	1,169,108	-
Developer reimbursement payable	2,277,063	-	2,277,063	-
Long-term debt	127,019,500	-	127,019,500	-
Net OPEB obligation	1,231,182	347,833	1,579,015	230,447
Net pension liability	12,460,829	3,645,196	16,106,025	1,272,669
Claims and judgments payable	-	-	-	4,782,900
Compensated absences payable	1,407,965	442,372	1,850,337	163,611
Total noncurrent liabilities	<u>145,702,244</u>	<u>4,435,401</u>	<u>150,137,645</u>	<u>6,449,627</u>
Total liabilities	<u>164,886,264</u>	<u>4,960,609</u>	<u>169,846,873</u>	<u>11,576,404</u>
Deferred inflows of resources:				
Deferred inflows related to pensions	2,942,783	860,859	3,803,642	300,559
Net Position				
Net investment in capital assets	489,278,149	25,953,985	515,232,134	14,195,414
Restricted for:				
Capital projects	15,955,649	-	15,955,649	5,994,273
Unrestricted	37,163,555	1,337,186	38,500,741	17,391,260
Total net position	<u>\$ 542,397,353</u>	<u>\$ 27,291,171</u>	<u>569,688,524</u>	<u>\$ 37,580,947</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>2,346,653</u>	
Net position of business-type activities			<u>\$ 572,035,177</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, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Operating revenues				
Sales, fees, licenses, and permits	\$ 85,185,877	\$ 3,097,794	\$ 88,283,671	\$ 47,861
Assessments	389	-	389	-
Rents	9,840	1,321,023	1,330,863	1,708,802
Internal and intergovernmental	5,525,068	222,686	5,747,754	35,228,468
Member agencies	-	9,824,482	9,824,482	-
Fines and penalties	-	46,750	46,750	-
Other	8,584	66,408	74,992	952,221
Total operating revenues	<u>90,729,758</u>	<u>14,579,143</u>	<u>105,308,901</u>	<u>37,937,352</u>
Operating expenses				
Personal services	38,584,912	11,386,669	49,971,581	4,219,166
Materials and services	25,702,622	5,372,832	31,075,454	31,142,023
Depreciation	17,314,109	853,388	18,167,497	1,569,612
Total operating expenses	<u>81,601,643</u>	<u>17,612,889</u>	<u>99,214,532</u>	<u>36,930,801</u>
Operating income (loss)	<u>9,128,115</u>	<u>(3,033,746)</u>	<u>6,094,369</u>	<u>1,006,551</u>
Non-operating revenues (expenses)				
Interest on investments	490,321	39,531	529,852	237,759
Other revenue (expenses)	(2,845,560)	(13,107)	(2,858,667)	110
Interest on debt	(5,958,955)	-	(5,958,955)	-
Total non-operating revenues (expenses)	<u>(8,314,194)</u>	<u>26,424</u>	<u>(8,287,770)</u>	<u>237,869</u>
Net income (loss) before capital contributions and transfers	813,921	(3,007,322)	(2,193,401)	1,244,420
Capital contributions	10,050,339	-	10,050,339	193,917
Transfers in	10,400	-	10,400	2,378,153
Transfers out	(619,527)	(302,507)	(922,034)	(1,698,744)
Change in net position	10,255,133	(3,309,829)	6,945,304	2,117,746
Total net position - beginning of year	<u>532,142,220</u>	<u>30,601,000</u>		<u>35,463,201</u>
Total net position - end of year	<u>\$ 542,397,353</u>	<u>\$ 27,291,171</u>		<u>\$ 37,580,947</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>15,868</u>	
Change in net position of business-type activities			<u>\$ 6,961,172</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, 2016

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 86,844,048	\$ 4,397,886	\$ 91,241,934	\$ 2,705,823
Receipts from interfund services provided	5,479,387	222,686	5,702,073	35,228,468
Member agencies	-	9,598,848	9,598,848	-
Payments to suppliers	(26,028,264)	(5,370,673)	(31,398,937)	(30,166,521)
Payments to employees	(28,471,235)	(8,476,278)	(36,947,513)	(3,201,438)
Other receipts (payments)	(1,512,138)	-	(1,512,138)	-
Net cash provided (used) by operating activities	<u>36,311,798</u>	<u>372,469</u>	<u>36,684,267</u>	<u>4,566,332</u>
Cash Flows from Non-capital Financing Activities				
Transfers received	165,595	-	165,595	322,348
Transfers paid	(1,179,527)	(302,507)	(1,482,034)	(262,465)
Net cash provided (used) by non-capital related financing activities	<u>(1,013,932)</u>	<u>(302,507)</u>	<u>(1,316,439)</u>	<u>59,883</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	3,103,221	-	3,103,221	-
Acquisition and construction of capital assets	(9,947,705)	(126,995)	(10,074,700)	(1,635,302)
Principal paid on debt	(15,600,708)	-	(15,600,708)	-
Interest paid on debt	(5,378,147)	-	(5,378,147)	-
Sale of capital assets	-	-	-	69,475
Net cash provided (used) by capital and related financing activities	<u>(27,823,339)</u>	<u>(126,995)</u>	<u>(27,950,334)</u>	<u>(1,565,827)</u>
Cash Flows from Investing Activities				
Interest on investments	490,321	39,531	529,852	237,759
Net increase (decrease) in cash and cash equivalents	<u>7,964,848</u>	<u>(17,502)</u>	<u>7,947,346</u>	<u>3,298,147</u>
Cash and cash equivalents - beginning of year	<u>49,903,348</u>	<u>5,409,751</u>	<u>55,313,099</u>	<u>30,619,018</u>
Cash and cash equivalents - end of year	<u>\$ 57,868,196</u>	<u>\$ 5,392,249</u>	<u>\$ 63,260,445</u>	<u>\$ 33,917,165</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 9,128,115	\$ (3,033,746)	\$ 6,094,369	\$ 1,006,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	17,314,109	853,388	18,167,497	1,569,612
Other income (expense)	(1,512,138)	-	(1,512,138)	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	1,429,334	(359,723)	1,069,611	12,676
Inventories and prepayments	(100,784)	(5,615)	(106,399)	5,195
Deferred outflows of resources	(717,062)	(209,766)	(926,828)	(73,237)
Accounts payable and accrued liabilities	(130,856)	(43,559)	(174,415)	(89,781)
Unearned revenue	-	-	-	(9,552)
Claims reserve	-	-	-	1,029,440
Compensated absences payable	158,108	28,823	186,931	18,208
Net pension liability	17,474,453	5,111,844	22,586,297	1,784,728
Deferred inflows of resources	(6,731,481)	(1,969,177)	(8,700,658)	(687,508)
Net cash provided (used) by operating activities	<u>\$ 36,311,798</u>	<u>\$ 372,469</u>	<u>\$ 36,684,267</u>	<u>\$ 4,566,332</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 2,268,009	\$ -	\$ 2,268,009	\$ 2,055,805
Contribution of capital assets from governmental fund	4,841,723	-	4,841,723	193,917

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, 2016

Assets:

Cash and investments	\$ 1,694,902
Accounts receivable, net	<u>9,576</u>
Total assets	<u><u>\$ 1,704,478</u></u>

Liabilities:

Accounts payable and accrued liabilities	\$ 257,655
Amounts held in trust	1,439,183
Due to other agencies	<u>7,640</u>
Total liabilities	<u><u>\$ 1,704,478</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, 2016

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/AdministrativeServices/Pages/FinancialReports.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, 2015. 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, 2016

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 2015-16, the City paid \$711,298 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 94).

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, 2016

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 shared revenue, and administrative service charges received from other 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.

The City reports one major proprietary fund:

The *Utility fund* (formerly referred to as 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, construction fees, and debt proceeds.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

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, donations to assist low-income residents with payment of city utility bills, and the city cafeteria plan.

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 U.S. Treasury obligations, U.S. Government agency issues, U.S. Instrumentality debt, certain bonded obligations of municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate bonds and commercial paper, collateralized deposit accounts, and the State Treasurer's Local Government Investment Pool (LGIP).

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, which approximates fair value. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value in accordance with GASB Statements 31 and 72.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

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 \$406,385 for fiscal year 2015-16 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 increases to assessed values up to the Measure 5 limitations and from 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.

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

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items and accounted for with the consumption method.

City of Salem, Oregon
Notes to the Financial Statements
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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.

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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

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. Only the General fund can report a positive unassigned balance, though negative amounts could potentially appear in other governmental funds.

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.

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.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS’s fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

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 three supplemental budget appropriations: two in October 2015 for \$500,000 and \$52,000 and one in June 2016 for \$1,260,000.

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 obligated for various construction projects. Cash and investments as of June 30, 2016 consist of the following:

	<u>Book Value</u>
Cash on hand	\$ 11,415
Deposits with financial institutions	20,217,488
Investments	<u>211,447,183</u>
Total cash and investments	<u>\$ 231,676,086</u>

1. Deposits

As of June 30, 2016, City bank deposits had a book balance of \$20,217,488 and a bank balance of \$21,501,821. The difference is due to transactions in transit. The Oregon Public Funds Collateralization Program covers City bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2016, \$250,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

2. Investments

As of June 30, 2016, the City held the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity in Months</u>	<u>% of Investment Portfolio</u>
Commercial paper	\$ 8,236,825	2.822	3.9%
Corporate bonds	22,648,275	23.798	10.7%
Local Government Investment Pool	76,163,648	0.033	35.9%
Municipal bonds	401,500	1.052	0.2%
U.S. Agency securities	12,209,811	19.844	5.8%
U.S. Instrumentality securities	1,755,994	34.422	0.8%
U.S. Treasury securities	90,626,432	16.584	42.7%
Total	<u>\$212,042,485</u>	17.429	<u>100.0%</u>

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.

<u>Investment type</u>	<u>Maximum % of portfolio</u>	<u>Maximum time to maturity</u>
Bankers' acceptances	20%	6 months
Certificates of deposit	25%	2 years
Commercial paper	} 35%	9 months
Corporate bonds		5 years
Local Government Investment Pool	100% *	N/A
Municipal bonds	10%	5 years
Repurchase agreements	10%	3 months
U.S. Agency securities	100%	5 years
U.S. Instrumentality securities	10%	5 years
U.S. Treasury securities	100%	5 years

*Dollar amount limited by ORS 294.810

The City's policy limits are applied at each investment purchase (post-purchase percentages). As maturities occur, the composition of the portfolio can change slightly. If an investment type exceeds the policy maximum due to this development, the portfolio is reviewed and a decision made to continue with the new composition or to rebalance with sales or purchases. The City's investment policy does not require automatic rebalancing. Future purchases will be made with respect to the composition at that time.

ORS 294.810 limits the amount that may be placed in the LGIP. The limit as of June 30, 2016 is \$47,012,858 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, 2016, the book value of the City's LGIP deposits totaled \$46,002,565 of City funds and \$30,161,083 of Agency funds.

City of Salem, Oregon
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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 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, 2016, the only issuer composing more than 5% of the City's portfolio is the U.S. Treasury with 42.7% of the City's total investments.

As of June 30, 2016, the credit risk for the City's investments is as follows:

Investment type	Fair Value	Credit Risk
Commercial paper		
JP Morgan Chase & Co	\$ 5,244,994	A-1/P-1
Bank of Tokyo Mitsubishi NY	748,841	A-1/P-1
BNP Paribas NY	747,008	A-1/P-1
Rabobank Nederland NV NY	748,781	A-1/P-1
Toyota Motor Credit Corp	747,201	A-1+/P-1
Corporate bonds		
Apple	2,506,153	AA+/Aa1
Berkshire Hathaway	3,018,873	AA/Aa2
Chevron	2,022,394	AA-/Aa2
Coca Cola	1,349,367	AA-/Aa3
Exxon-Mobil	2,519,510	AA+/Aaa
General Electric Capital Corp	2,524,940	AA+/A1
IBM	2,510,760	AA-/Aa3
Johnson & Johnson	1,568,418	AAA/Aaa
Microsoft	1,861,756	AAA/Aaa
Toyota	2,766,104	AA-/Aa3
Local Government Investment Pool	76,163,648	Unrated
Municipal Bonds		
Washington State GO	401,500	AA+/Aa1
U.S. Agencies		
Federal Home Loan Mortgage Corporation	3,916,026	AA+/Aaa
Federal National Mortgage Association	8,293,785	AA+/Aaa
U.S. Instrumentality		
Inter-American Development Bank	1,755,994	AAA/Aaa
U.S. Treasury	90,626,432	AA+/Aaa
Total	<u>\$ 212,042,485</u>	

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.

City of Salem, Oregon
Notes to the Financial Statements
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The City categorizes fair value measurements within the hierarchy established by GASB Statement 72. The hierarchy is based on the inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical instruments. The City considers US Treasury obligations to be level 1. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations in which all significant inputs are observable. The City considers all other investments other than the LGIP to be level 2. The LGIP is not required to be categorized.

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 by a third-party custodian in the City's name.

B. Receivables

Receivables as of June 30, 2016 for major governmental funds and nonmajor funds in aggregate, net of allowance for uncollectible accounts, are as follows:

	General	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Funds	Total
Accounts	\$3,138,646	\$ 1,272,356	\$ 11,780	\$ 223,932	\$1,836,481	\$ 6,483,195
Property taxes	3,136,607	-	-	-	1,189,012	4,325,619
Interest	324,578	1,262	69,919	372,260	9,815	777,834
Assessments	6,562	-	-	-	783,080	789,642
Loans and notes	-	495,240	4,603,709	13,499,721	-	18,598,670
Less: Allowance for uncollectible accounts	-	-	-	-	(29,064)	(29,064)
Total	<u>\$6,606,393</u>	<u>\$ 1,768,858</u>	<u>\$ 4,685,408</u>	<u>\$14,095,913</u>	<u>\$3,789,324</u>	<u>\$30,945,896</u>

Approximately \$18.4 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, 2016 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.
- 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 2016-17.
 - 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.

City of Salem, Oregon
Notes to the Financial Statements
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- Mill Creek Industrial Park, McGilchrist, and South Waterfront plan areas will use 100 percent of the amount of their 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 \$11,906,000 for retirement of general obligation long-term debt due in fiscal year 2016-17.

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, 2016, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

	Deferred Inflows
Assessments	\$ 264,523
Community Development Block Grant loans	13,871,980
Cultural/tourism fund loans	15,478
Property taxes (General fund)	2,416,411
Property taxes (Debt service funds)	912,348
System development charges	772,484
Urban renewal loans	5,170,129
Total deferred inflows of resources	\$ 23,423,353

Receivables as of June 30, 2016 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

	Utility	Other Funds	Total Enterprise	Internal Services
Accounts	\$ 9,343,382	\$ 626,563	\$ 9,969,945	\$ 14,172
Assessments	751,955	-	751,955	-
Interest	48,552	-	48,552	-
Less: Allowance for uncollectible accounts	(305,504)	(8,095)	(313,599)	-
Total	\$ 9,838,385	\$ 618,468	\$ 10,456,853	\$ 14,172

Due from other agencies as of June 30, 2016 are as follows:

Agency	Fund	Amount
Salem Housing Authority	General fund	\$ 136,502
City of Turner	Utility	68,682
Total due from other agencies		\$ 205,184

City of Salem, Oregon
Notes to the Financial Statements
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C. Capital assets

1. *Capital asset activity for governmental activities for the year ended June 30, 2016 is as follows:*

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land, land improvements, and art	\$ 233,760,953	\$ 3,065,795	\$ -	\$ 236,826,748
Construction work-in-progress	66,925,304	6,140,887	(9,162,807)	63,903,384
Total non-depreciable	<u>300,686,257</u>	<u>9,206,682</u>	<u>(9,162,807)</u>	<u>300,730,132</u>
Buildings and building improvements	70,938,791	1,246,388	-	72,185,179
Other improvements	44,003,209	4,393,811	-	48,397,020
Motor pool	23,283,280	2,236,472	(806,389)	24,713,363
Equipment and machinery	35,304,248	529,930	(348,197)	35,485,981
Infrastructure	395,475,480	17,168,787	(12,440)	412,631,827
Total depreciable	<u>569,005,008</u>	<u>25,575,388</u>	<u>(1,167,026)</u>	<u>593,413,370</u>
Accumulated depreciation				
Buildings and building improvements	(29,200,398)	(1,403,316)	-	(30,603,714)
Other improvements	(22,642,090)	(1,394,168)	-	(24,036,258)
Motor pool	(14,065,669)	(1,472,127)	738,250	(14,799,546)
Equipment and machinery	(26,216,117)	(1,546,415)	332,331	(27,430,201)
Infrastructure	(251,341,063)	(10,219,943)	12,440	(261,548,566)
Total accumulated depreciation	<u>(343,465,337)</u>	<u>(16,035,969)</u>	<u>1,083,021</u>	<u>(358,418,285)</u>
Governmental activities capital assets, net	<u>\$ 526,225,928</u>	<u>\$ 18,746,101</u>	<u>\$ (9,246,812)</u>	<u>\$ 535,725,217</u>

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

General government	\$ 522,234
Community development	917,793
Community service	1,199,487
Public safety	1,364,123
Engineering and streets	10,256,478
Library	206,242
Capital assets held by the City's internal service funds are charged to the various funds based on their usage of the assets	<u>1,569,612</u>
Total depreciation expense for governmental activities	<u>\$ 16,035,969</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2016

3. Capital asset activity for business-type activities for the year ended June 30, 2016 is as follows:

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 17,089,640	\$ 376,013	\$ -	\$ 17,465,653
Construction work-in-progress	52,692,735	-	(29,733,076)	22,959,659
Total non-depreciable	<u>69,782,375</u>	<u>376,013</u>	<u>(29,733,076)</u>	<u>40,425,312</u>
Buildings and building improvements	31,283,575	-	(6,369)	31,277,206
Equipment and machinery	6,027,072	121,995	(12,480)	6,136,587
Water and sewer system	833,716,404	45,038,206	(29,331)	878,725,279
Total depreciable	<u>871,027,051</u>	<u>45,160,201</u>	<u>(48,180)</u>	<u>916,139,072</u>
Accumulated depreciation				
Buildings and building improvements	(6,753,386)	(677,242)	1,460	(7,429,168)
Equipment and machinery	(5,439,897)	(176,146)	4,280	(5,611,763)
Water and sewer system	(272,323,699)	(17,314,109)	29,331	(289,608,477)
Total accumulated depreciation	<u>(284,516,982)</u>	<u>(18,167,497)</u>	<u>35,071</u>	<u>(302,649,408)</u>
Business-type activities capital assets, net	<u>\$ 656,292,444</u>	<u>\$ 27,368,717</u>	<u>\$ (29,746,185)</u>	<u>\$ 653,914,976</u>

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

Utility	\$ 17,314,109
Emergency Medical Services	75,220
WVPS Communications Center	73,889
Salem Convention Center	704,279
Total depreciation expense for business-type activities	<u>\$ 18,167,497</u>

5. Capital asset activity for discretely presented component unit – Housing Authority of the City of Salem for its fiscal year ended September 30, 2015 is as follows:

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 1,634,454	\$ -	\$ (77,001)	\$ 1,557,453
Construction work-in-progress	19,345	42,004	(19,345)	42,004
Total non-depreciable	<u>1,653,799</u>	<u>42,004</u>	<u>(96,346)</u>	<u>1,599,457</u>
Buildings and improvements	22,411,502	185,271	(706,120)	21,890,653
Equipment and machinery	1,677,680	49,422	(53,222)	1,673,880
Total depreciable	<u>24,089,182</u>	<u>234,693</u>	<u>(759,342)</u>	<u>23,564,533</u>
Accumulated depreciation				
Buildings and improvements	(11,783,304)	(585,534)	414,332	(11,954,506)
Equipment and machinery	(1,294,083)	(83,361)	53,513	(1,323,931)
Total accumulated depreciation	<u>(13,077,387)</u>	<u>(668,895)</u>	<u>467,845</u>	<u>(13,278,437)</u>
Business-type activities, net	<u>\$ 12,665,594</u>	<u>\$ (392,198)</u>	<u>\$ (387,843)</u>	<u>\$ 11,885,553</u>

City of Salem, Oregon
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D. Deferred outflows of resources and deferred inflows 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, 2016 is \$4,264,554 and is reported as a deferred outflow of resources.

Deferred outflows and inflows of resources related to pensions are reported in both business-type and governmental activities. Balances on June 30, 2016 are as follows. Governmental deferred outflows are \$9,524,493, and deferred inflows are \$9,845,633. Business-type deferred outflows are \$3,679,579, and deferred inflows are \$3,803,642. More information on pension related amounts can be found in note IV. C., Defined benefit pension plan (PERS).

E. Interfund receivables, payables, advances, and transfers

The composition of interfund balances as of June 30, 2016, is as follows:

1. Due to/from other funds

A short term loan of \$83,209 was made from General fund to the Community Renewal fund.

2. Advances

An interfund loan of \$594,200 was made from the Community Enhancement fund 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 of return plus 0.50%. The balance as of June 30, 2016 is \$288,523.

An interfund loan of up to \$1,500,000 was approved from the Utility fund to the General fund in fiscal year 2014-15 for purchase of parking meter equipment for the downtown Capitol Mall parking area. In 2014-15, \$940,000 was borrowed, and in 2015-16 \$560,000 was borrowed. This is a six-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2016 is \$1,344,805.

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	Capital Improvements	Tax Allocation Improvement	Nonmajor Governmental	Utility	Internal Services	
General	\$ -	\$ 419,430	\$ -	\$ 441,000	\$ -	\$ 59,882	\$ 920,312
Capital Improvement	-	-	-	156,000	-	-	156,000
Nonmajor governmental	1,179,350	4,830,829	5,075,000	325,000	10,400	-	11,420,579
Utility	-	-	-	-	-	619,527	619,527
Nonmajor business	-	-	-	302,507	-	-	302,507
Internal services	-	-	-	-	-	1,698,744	1,698,744
Total transfers in	\$1,179,350	\$5,250,259	\$5,075,000	\$1,224,507	\$ 10,400	\$2,378,153	\$15,117,669

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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 \$624,905 for the fiscal year ended June 30, 2016. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Payments Due</u>
2017	\$ 635,591
2018	646,460
2019	657,514
2020	668,758
2021	680,194
2022-26	3,587,466
Total	<u>\$ 6,875,983</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	\$ 320,752	\$ 28,175
Liberty parkade, 6.4% leased	147,663	135,740	11,923
Total	<u>\$ 496,590</u>	<u>\$ 456,492</u>	<u>\$ 40,098</u>

Lessor revenues of \$1,816,701 were received by the City for leased office and retail space in two of its parkades and leases for the airport. Lease contracts are for five-year terms.

As of June 30, 2016, 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>
2017	\$ 1,847,767
2018	1,879,364
2019	1,995,001
2020	1,944,188
2021	1,977,253
2022-26	10,405,143
Total	<u>\$ 20,048,716</u>

G. Due to other agencies

Cable franchise fees of \$60,522 are due from the General fund to the Mid-Willamette Valley Cable Regulatory Commission, and \$5,819 in unclaimed property escheatment is due from the General fund to the Oregon Division of State Lands.

City of Salem, Oregon
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H. Compensated absences

In prior years, compensated absences have been liquidated primarily by the General, Transportation Services, and Utility funds. Changes in compensated absences are as follows:

	Balance July 1, 2015	Leave Earned	Leave Taken	Balance June 30, 2016	Due Within One Year
Governmental activities	\$ 5,887,805	\$ 5,681,362	\$ 5,453,180	\$ 6,115,987	\$ 1,229,833
Business-type activities	2,179,507	2,198,268	2,011,337	2,366,438	516,101
Total	<u>\$ 8,067,312</u>	<u>\$ 7,879,630</u>	<u>\$ 7,464,517</u>	<u>\$ 8,482,425</u>	<u>\$ 1,745,934</u>

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, 2016. 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, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities debt						
<u>General obligation bonds:</u>						
Refunding & Streets-Bridges, Ser. 2009 (3.60%)	\$ 34,480,000	\$ 21,685,000	\$ -	\$ 1,665,000	\$ 20,020,000	\$ 1,825,000
Streets-Bridges, Ser. 2012 (2.62%)	25,000,000	13,335,000	-	930,000	12,405,000	985,000
Streets-Bridges, Ser. 2013 (2.82%)	43,665,000	38,760,000	-	2,665,000	36,095,000	2,785,000
Refunding Fire Bond Ser. 2012 (2.25%)	18,289,298	12,168,669	-	1,873,966	10,294,703	1,916,368
Subtotal general obligation bonds		85,948,669	-	7,133,966	78,814,703	7,511,368
Premium		3,648,943	-	354,730	3,294,213	-
Total general obligation bonds		89,597,612	-	7,488,696	82,108,916	7,511,368
<u>Limited tax pension obligation, 2005 (5.04%)</u>	61,685,000	51,015,000	-	1,995,000	49,020,000	2,270,000
<u>Urban renewal bonds:</u>						
Riverfront/Downtown, Ser. 2003A (5.35%)	3,425,000	905,000	-	905,000	-	-
Riverfront/Downtown, Ser. 2003B (6.25%)	24,925,000	7,275,000	-	7,275,000	-	-
Riverfront/Downtown, Ser. 2009 (4.35%)	3,660,000	2,435,000	-	225,000	2,210,000	235,000
West Salem, Ser. 2013 (1.90%)	1,500,000	912,000	-	299,000	613,000	304,000
Riverfront/Downtown, Ser. 2015A (1.26%)	649,000	-	649,000	326,000	323,000	323,000
Riverfront/Downtown, Ser. 2015B (1.73%)	5,481,000	-	5,481,000	2,652,000	2,829,000	2,676,000
Total urban renewal bonds		11,527,000	6,130,000	11,682,000	5,975,000	3,538,000
Total governmental bonds		152,139,612	6,130,000	21,165,696	137,103,916	13,319,368
<u>Notes:</u>						
HUD Sec108, Ser. 2015A (1.46%)	2,730,000	2,508,912	-	2,257,484	251,428	251,428
OECD L06001A, Mill Creek, Ser. 2007 (4.41%)	4,000,000	3,999,999	-	7	3,999,992	-
OECD L06001B, Mill Creek, Ser. 2007 (4.41%)	1,000,000	1,000,000	-	718,000	282,000	-
OECD L06001C, Mill Creek, Ser. 2007 (5.00%)	3,772,081	3,772,081	-	-	3,772,081	-
Total notes		11,280,992	-	2,975,491	8,305,501	251,428
Total governmental activities long-term debt		<u>\$ 163,420,604</u>	<u>\$ 6,130,000</u>	<u>\$ 24,141,187</u>	<u>\$ 145,409,417</u>	<u>\$ 13,570,796</u>

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	Original Amount	Balance June 30, 2015	Reductions	Balance June 30, 2016	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	\$ 78,285,000	\$ 4,105,000	\$ 74,180,000	\$ 4,310,000
Series 2012 A refunding (2.22%)	63,360,000	60,422,000	-	60,422,000	11,442,000
Series 2012 B refunding (0.97%)	49,361,000	11,326,000	11,326,000	-	-
Subtotal revenue bonds		150,033,000	15,431,000	134,602,000	15,752,000
Premiums		3,821,312	272,951	3,548,361	-
Total revenue bonds		153,854,312	15,703,951	138,150,361	15,752,000
<u>Notes</u>					
Oregon ECDD G09001 (4.17%)	5,875,000	4,966,743	169,708	4,797,035	175,896
Total business-type activities long-term debt		<u>\$ 158,821,055</u>	<u>\$ 15,873,659</u>	<u>\$ 142,947,396</u>	<u>\$ 15,927,896</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 payment toward 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. On December 5, 2013, Moody's 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.

On August 27, 2015, the Riverfront/Downtown Series 2003 A and B bonds were refunded by Series 2015 A and B in order to reduce the interest rate. Debt service reserves of \$2.05 million set aside as required on the 2003 bonds were available to be used to reduce the principal amount of the new bonds. This refunding resulted in a net present value savings of \$598,357 over the life of the bonds and a reduction of \$2,942,464 in future interest payments.

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

Riverfront/Downtown URA

2015A: \$64,900 2015B: \$548,100 2009: \$335,255

5. Governmental activity notes

The Agency issues notes to provide funds for the acquisition and construction of capital asset improvements. The Agency's currently outstanding notes represent funding primarily for projects associated with economic development and wetland mitigation in the Mill Creek urban renewal area. Mill Creek tax increment revenues are pledged to repay the notes. Note L06001B from the Oregon Economic and Community Development Department (OECD), is potentially forgivable based on job creation in the Mill Creek urban renewal area. To date, \$718,000 of the original \$1,000,000 has been forgiven.

In July 2003, the City executed a 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 loan term is twenty years. The outstanding balance was refinanced at a lower interest rate in May 2015 with all other terms remaining the same. The four sources of funds in priority order for repayment of the loan are 1) Riverfront-Downtown commercial loan repayments, 2) Community Development Block Grant (CDBG) program income, 3) available Riverfront-Downtown urban renewal funds, and 4) CDBG entitlement funds. The City was required to pledge as security its yearly allocation of CDBG entitlement funds. In order to only use those funds as a last resort, the other three sources of income were identified. While the annual entitlement of CDBG funds varies, the amount spent during fiscal year 2015-16 was \$1,162,581. No entitlement funds have been used for loan repayment. The scheduled debt payment for fiscal year 2015-16 was \$404,253.

6. Governmental activity future maturities of long-term debt

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-17	\$ 251,428	\$ 359,830	\$ 13,319,368	\$ 5,468,870	\$ 13,570,796	\$ 5,828,700
2017-18	193,754	356,494	11,181,729	5,017,968	11,375,483	5,374,462
2018-19	330,026	343,667	11,539,071	4,604,474	11,869,097	4,948,141
2019-20	343,955	426,473	12,444,415	4,114,087	12,788,370	4,540,560
2020-21	381,518	314,259	13,505,788	3,581,531	13,887,306	3,895,790
2021-26	2,163,985	1,249,474	61,939,332	9,258,974	64,103,317	10,508,448
2026-31	2,627,286	743,375	9,880,000	665,282	12,507,286	1,408,657
2031-36	1,493,157	254,965	-	-	1,493,157	254,965
2036-38	520,392	30,795	-	-	520,392	30,795
	<u>\$ 8,305,501</u>	<u>\$4,079,332</u>	<u>\$133,809,703</u>	<u>\$32,711,186</u>	<u>\$142,115,204</u>	<u>\$36,790,518</u>

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7. Business-type activity revenue bonds

Revenue bonds are obligations of the City's Utility 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, these bonds were issued with a full faith and credit pledge. In 2012, when the utility system refunded its existing debt, a pledge of all net utility revenues needed to fully service the 2009 full faith and credit bond was formalized.

At June 30, 2016, defeased water and sewer revenue bonds are as follows:

Utility Debt	Defeased Debt in Escrow
Series 2003	\$ 10,245,000
Series 2004	17,965,000
Series 2005	13,255,000
Total defeased debt in escrow	\$ 41,465,000

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 Utility 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

Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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
2021-26	1,198,354	812,770	45,488,000	10,231,801	46,686,354	11,044,571
2026-31	1,524,812	487,987	21,285,000	2,118,625	22,809,812	2,606,612
2031-34	1,106,181	106,794	-	-	1,106,181	106,794
	\$4,797,035	\$2,455,035	\$ 134,602,000	\$32,378,664	\$ 139,399,035	\$ 34,833,699

City of Salem, Oregon
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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, 2016, the following issues are outstanding.

Hospital Facility Authority of the City of Salem

Date Issued	Purpose	Original Amount	Outstanding Balance June 30, 2016
<u>Capital Manor, Inc.</u>			
06/2012	Revenue Bonds, Series 2012 Pay off outstanding balances of the 2004 Bonds, the 2006 bonds and the swap agreements.	\$ 50,135,000	\$ 48,055,000
<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.	120,000,000	113,823,000
10/2008	Revenue Bonds, Series 2008A financing for various capital projects, and establish debt reserve.	59,710,000	39,417,000
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	34,155,000
06/2013	Revenue Bonds, Series 2013B Refinance 2008C and provide financing for various capital projects.	35,000,000	34,160,000
		<u>\$ 374,845,000</u>	<u>\$ 344,610,000</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
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K. Fund balance

Fund balances for governmental funds as of June 30, 2016 are as follows:

	General Fund	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Prepaid Items	\$ 517,256	\$ -	\$ -	\$ -	\$ 47,816	\$ 565,072
Permanent funds principal	-	-	-	-	11,000	11,000
Total nonspendable	<u>517,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,816</u>	<u>576,072</u>
<u>Restricted:</u>						
Capital projects	-	26,032,321	20,207,482	-	12,675,953	58,915,756
Community renewal	-	-	-	15,580	-	15,580
Debt service	-	-	-	-	17,729,281	17,729,281
Permanent funds	-	-	-	-	247,784	247,784
General government	-	-	-	-	57,573	57,573
Community development:						
SCC Gain/Loss	-	-	-	-	4,305,454	4,305,454
Other	-	-	-	-	68,275	68,275
Community services	-	-	-	-	634,139	634,139
Library services	-	-	-	-	39,791	39,791
Public safety	-	-	-	-	527,642	527,642
Engineering/Streets	-	-	-	-	1,647,587	1,647,587
Total restricted	<u>-</u>	<u>26,032,321</u>	<u>20,207,482</u>	<u>15,580</u>	<u>37,933,479</u>	<u>84,188,862</u>
<u>Committed:</u>						
Transportation services	-	-	-	-	5,557,356	5,557,356
Airport	-	-	-	-	951,557	951,557
Downtown parking	-	-	-	-	935,380	935,380
Economic improvement	-	-	-	-	33,276	33,276
Cultural/Tourism	-	-	-	-	1,219,127	1,219,127
Public art	-	-	-	-	32,525	32,525
Parking leasehold	-	-	-	-	668,811	668,811
Building & safety	-	-	-	-	5,358,960	5,358,960
General government	-	-	-	-	1,501,809	1,501,809
Community services	-	-	-	-	29,927	29,927
Library services	-	-	-	-	969,647	969,647
Public safety	-	-	-	-	17,150	17,150
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,275,525</u>	<u>17,275,525</u>
<u>Unassigned:</u>	<u>26,263,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,263,871</u>
Total fund balances	<u>\$26,781,127</u>	<u>\$26,032,321</u>	<u>\$20,207,482</u>	<u>\$ 15,580</u>	<u>\$55,267,820</u>	<u>\$128,304,330</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.

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

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

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Capital assets	\$ 535,725,217	\$ 653,914,976	\$ 1,189,640,193
Capital asset related debt			
Outstanding debt	(96,389,417)	(142,947,396)	(239,336,813)
Deferred outflows related to capital debt	-	4,264,554	4,264,554
Unexpended proceeds	21,788,772	-	21,788,772
Net capital asset related debt	(74,600,645)	(138,682,842)	(213,283,487)
Net investment in capital assets	461,124,572	515,232,134	976,356,706
Restricted:			
Capital projects			
Capital improvements	32,811,619	15,955,649	48,767,268
Extra capacity facilities	11,809,152	-	11,809,152
Tax allocation improvements	24,881,109	-	24,881,109
Development district	1,639,286	-	1,639,286
Unexpended proceeds moved to investment in capital assets	(21,788,772)	-	(21,788,772)
Total capital projects	49,352,394	15,955,649	65,308,043
Debt service			
General debt	1,714,032	-	1,714,032
Tax allocation debt	16,028,521	-	16,028,521
Total debt service	17,742,553	-	17,742,553
Other purposes			
Community enhancement	7,280,461	-	7,280,461
Permanent	247,784	-	247,784
Permanent - non-expendable	11,000	-	11,000
Community renewal	13,955,465	-	13,955,465
Total other purposes	21,494,710	-	21,494,710
Total restricted	88,589,657	15,955,649	104,545,306

Continued

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted:			
General	29,406,459	-	29,406,459
Special revenue			
Transportation services	4,982,959	-	4,982,959
Streetlights	594,605	-	594,605
Airport	951,557	-	951,557
Downtown parking	935,380	-	935,380
Economic improvement	33,276	-	33,276
Cultural and tourism	1,234,605	-	1,234,605
Public art	32,525	-	32,525
Parking leasehold	668,811	-	668,811
Building and safety	5,358,960	-	5,358,960
Community enhancement	2,230,010	-	2,230,010
Internal service	16,765,015	-	16,765,015
Enterprise			
Utility	-	55,158,807	55,158,807
Emergency services	-	2,738,385	2,738,385
WVPS communications center	-	1,298,557	1,298,557
Police regional records system	-	1,317,548	1,317,548
Salem Convention Center	-	509,636	509,636
Net pension asset/liability	(41,690,026)	(16,106,025)	(57,796,051)
Net pension obligation bond	(49,020,000)	-	(49,020,000)
Net OPEB obligation	(4,619,422)	(1,579,015)	(6,198,437)
Compensated absences	(6,115,987)	(2,366,436)	(8,482,423)
Deferred inflows/outflows related to pensions	(321,139)	(124,063)	(445,202)
Total unrestricted	<u>(38,572,412)</u>	<u>40,847,394</u>	<u>2,274,982</u>
Total net position	<u>\$ 511,141,817</u>	<u>\$ 572,035,177</u>	<u>\$ 1,083,176,994</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 City funds and are recorded as revenues in the Self-Insurance fund and expenditures in the funds charged. During the past three years, claims costs have not exceeded the self-insured retention.

The City provides medical benefits for all eligible participants. The monthly member (employee only) medical premiums paid are \$518 for the Kaiser Permanente HMO plan, \$609 for the Preferred Provider Organization (PPO) plan, and \$503 for the High Deductible Health Plan. Additional premiums for vision and dental benefits are also paid, as elected by the employee, up to a maximum of \$1,988 for all medical, vision, and dental plan premiums per employee (including dependents), except as otherwise provided in accordance with collective bargaining agreements. Specific claim stop-loss coverage is purchased for individual claims exceeding \$175,000. During fiscal year 2015-16, total medical, vision, and dental claims expense of \$17,167,149 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 \$1,000,000 of all liability claims. An excess liability insurance policy purchased from a commercial carrier provides coverage for liability claims in excess of \$1,000,000, up to \$10 million per occurrence.

The changes in the aggregate liability (reserves) for workers compensation and general liability/casualty claims for fiscal years 2014-15 and 2015-16 are as follows:

<u>Workers Compensation</u>					
Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2015	\$2,372,420	\$705,013	\$ (754,364)	\$ 794,551	\$3,117,620
2016	3,117,620	390,493	(892,293)	1,511,780	4,127,600

<u>Liability/Casualty</u>					
Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2015	\$2,094,360	\$ 61,450	\$ (414,402)	\$ 694,432	\$2,435,840
2016	2,435,840	92,659	(746,375)	673,176	2,455,300

An independent actuarial study is done every two years for both categories. Each study is used as the basis for determining future liability, including incurred but not reported claims. 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.

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, 2016, reserves have been established to provide for the estimated liability in such cases.

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3. Construction commitments

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2016-17. The reappropriated budget for these projects is \$702,280.

C. Defined benefit pension plan (PERS)

1. Plan description

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

2. Benefits provided

a. Tier One/Tier Two retirement benefit ORS Chapter 238

Pension benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

Death benefits

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

- The member was employed by a PERS employer at the time of death,

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

Disability benefits

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

Benefit Changes

Members that choose to continue participation in a variable equities investment account after retiring may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA will be restored to 2.0 percent for fiscal years 2016 and beyond.

b. Oregon Public Service Retirement Plan (OPSRP) defined benefit pension program

Pension benefits

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

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

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

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

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Death benefits

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

Disability benefits

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

c. OPSRP Individual Account Program (IAP)

Pension benefits

An IAP member becomes vested on the date the employee account is established or the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

Death benefits

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

Record keeping

OPERS contracts with Voya Financial to maintain IAP participant records.

3. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined benefit plan and the other postemployment benefit plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$9,918,275, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 15.82% for Tier One/Tier Two general service and police and fire members, 8.62% for OPSRP general service members, 12.73% for OPSRP police and fire members, and 6% for OPSRP IAP.

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4. Pension assets, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a liability of \$57,796,051 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 1.00664356%, a slight decrease from its proportion as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$46,502,365. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,116,656	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,115,362
Changes in proportionate share	-	330,663
Changes in proportion and differences between City contributions and proportionate share of contributions	169,141	1,203,249
City contributions subsequent to the measurement date	9,918,275	-
Total	\$ 13,204,072	\$ 13,649,274

\$9,918,275 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Year ended June 30:	
2016	\$ (5,373,956)
2017	(5,373,955)
2018	(5,373,955)
2019	5,614,501
2020	143,888
Thereafter	-
Total	\$ (10,363,477)

City of Salem, Oregon
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June 30, 2016

5. Actuarial assumptions

The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP pension program component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2013
Measurement date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return/Discount rate	7.75 percent
Projected salary increases	3.75 percent overall payroll growth
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

City of Salem, Oregon
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6. Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core fixed income	7.20%	4.50%
Short-term bonds	8.00%	3.70%
Intermediate-term bonds	3.00%	4.10%
High yield bonds	1.80%	6.66%
Large-cap US equities	11.65%	7.20%
Mid-cap US equities	3.88%	7.30%
Small-cap US equities	2.27%	7.45%
Developed foreign equities	14.21%	6.90%
Emerging foreign equities	5.49%	7.40%
Private equities	20.00%	8.26%
Hedge funds/Absolute return	5.00%	6.01%
Real estate (Property)	13.75%	6.51%
Real estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	<u>100.00%</u>	
Assumed inflation - mean		2.75%

7. Discount rate

The discount rate used to measure the total pension liability was 7.75% for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

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8. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Decrease 1% (6.75%)	Discount Rate (7.75%)	Increase 1% (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 139,488,617	\$ 57,796,051	\$ (11,049,321)

9. Pension plan fiduciary net position

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

10. Changes in plan provisions subsequent to the measurement date

The PERS board lowered the assumed rate of return to 7.5%, effective January 1, 2016. This change will affect employer contribution rates beginning July 1, 2017.

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.

City of Salem, Oregon
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June 30, 2016

Participating employers are required to contribute to RHIA at a rate assessed by PERS, currently 0.53% of annual covered payroll for Tier I/Tier II employees, and 0.45% 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.

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, 2016, the City contributed \$1,496,727 to the plan.

Since the City is self-insured, the actuarially determined net obligation at June 30, 2016 of \$6,198,437 shown below 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 30 years. The net OPEB obligation is 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 annual OPEB cost for the fiscal year 2015-16, the amount actually contributed to the plan, and changes in the net OPEB obligation.

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June 30, 2016

Annual required contribution	\$ 1,342,120
Interest on net OPEB obligation	258,735
Adjustment to the annual required contribution	<u>(374,067)</u>
	1,226,788
Annual OPEB cost (expense) contributions made	<u>(1,496,727)</u>
Change in net OPEB obligation	(269,939)
Net OPEB obligation, 7/1/2015	<u>6,468,376</u>
Net OPEB obligation, 6/30/2016	<u><u>\$ 6,198,437</u></u>

The net OPEB obligation of \$6,198,437 at June 30, 2016 is recognized as a noncurrent liability 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
2014	\$ 1,117,722	\$ 853,210	76.3 %	\$ 6,955,645
2015	1,113,006	1,600,275	143.8	6,468,376
2016	1,226,788	1,496,727	122.0	6,198,437

4. Funded status and funding progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$11,284,163 and the actuarial value of assets was \$0, resulting in a 100% unfunded actuarial accrued liability (UAAL) of \$11,284,163. The covered payroll (annual payroll of active employees covered by the plan) was \$74,349,495, and the ratio of the UAAL to the covered payroll was 15.2%.

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.

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.

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June 30, 2016

The June 30, 2016 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 2017 reduced by decrements to an ultimate rate of 5% in 2025. 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, 2016, the City has encumbered the following commitments that required reappropriation in the 2016-17 fiscal year budget.

Fund	Amount
General	\$ 728,600
Capital improvements	54,440
Non-major governmental	65,000
Utility	1,036,400
Willamette Valley Communications Center	54,140
Equipment replacement	80,400
Total	\$ 2,018,980

G. Deficit net position

The Willamette Valley Communications Center fund has a deficit net position of \$2,889,204 at June 30, 2016. However, the fund has a positive fund balance. The deficit net position is caused by the pension reporting requirements of GASB Statement 68.

H. Prior period adjustment

It was determined that \$68,433 that was previously reported in the community enhancement fund as money available for use by the police department for operations, is in fact money that is in trust until a judge adjudicates the pending court cases. These funds have been correctly held by the police department in a trustee capacity, but were not correctly classified when presented in the CAFR.

I. New pronouncements

The City has implemented GASB Statement 72, *Fair Value Measurement and Application* as part of the 2015-16 CAFR.

CITY OF SALEM, OREGON
Required Supplementary Information
June 30, 2016

1. Defined Benefit Pension Plan (PERS)

**Schedule of the proportionate share of the net pension liability (PERS)
For the last three fiscal years**

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	1.02590270%	\$ 52,353,318	\$75,971,067	68.91%	91.97%
2015	1.02590270%	(25,254,287)	76,050,011	-33.21%	103.59%
2016	1.00664356%	57,796,051	77,298,240	74.77%	91.88%

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

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

**Schedule of contributions (PERS)
For the last three fiscal years**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2014	\$10,237,304	\$10,237,304	\$ -	\$75,971,067	13.48%
2015	9,471,303	9,471,303	-	76,050,011	12.45%
2016	11,307,191	11,307,191	-	77,298,240	14.63%

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

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

CITY OF SALEM, OREGON
Required Supplementary Information
June 30, 2016

2. 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)
7/1/2011	\$ -	\$ 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
7/1/2015	-	11,284,163	11,284,163	0.00	74,349,495	15.18

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 June 30, 2016.

Supplemental Information



COMBINING STATEMENTS - Nonmajor Governmental Funds

Special Revenue Funds

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

Transportation Services

This fund accounts for the operation and maintenance of the city's transportation infrastructure. The major revenue sources are highway funds and reimbursements from other City funds.

Streetlights

This fund accounts for the operation and maintenance of streetlights. Financing is provided by a utility fee.

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 parkades and 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 improvements to or operations of tourist attractions and 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

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 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 approved infrastructure improvements. Financing is provided primarily from development district fees.

City of Salem, Oregon
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

Special Revenue
 Funds

	Transportation Services	Streetlights	Airport	Downtown Parking	Economic Improvement	Cultural/ Tourism	Public Art	Parking Leasehold
Assets								
Cash and investments	\$ 4,092,167	\$ 427,305	\$ 951,184	\$ 949,715	\$ 36,263	\$ 862,766	\$ 32,585	\$ 665,134
Accounts receivable, net	1,011,636	276,299	6,488	8,876	-	390,032	-	18,944
Inventories and prepayments	30,138	-	2,656	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Assessments receivable	45,018	-	-	-	-	-	-	-
Total assets	\$ 5,178,959	\$ 703,604	\$ 960,328	\$ 958,591	\$ 36,263	\$ 1,252,798	\$ 32,585	\$ 684,078
Liabilities								
Accounts payable and accrued liabilities	\$ 120,349	\$ 108,999	\$ 6,115	\$ 23,211	\$ 2,987	\$ 18,193	\$ 60	\$ 14,267
Security deposit payable	495	-	-	-	-	-	-	1,000
Unearned revenues	45,018	-	-	-	-	-	-	-
Developer reimbursement payable	-	-	-	-	-	-	-	-
Total liabilities	165,862	108,999	6,115	23,211	2,987	18,193	60	15,267
Deferred inflows of resources								
Unavailable revenue	20,208	-	-	-	-	15,478	-	-
Fund balances								
Nonspendable	30,138	-	2,656	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	4,962,751	594,605	951,557	935,380	33,276	1,219,127	32,525	668,811
Total fund balances	4,992,889	594,605	954,213	935,380	33,276	1,219,127	32,525	668,811
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,178,959	\$ 703,604	\$ 960,328	\$ 958,591	\$ 36,263	\$ 1,252,798	\$ 32,585	\$ 684,078

Continued

City of Salem, Oregon
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
	Building and Safety	Community Enhancement	Permanent	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts		
Assets									
Cash and investments	\$ 5,296,918	\$ 10,396,402	\$ 258,784	\$ 1,588,661	\$ 15,863,788	\$ 11,475,068	\$ 1,669,883	\$ 54,566,623	
Accounts receivable, net	88,297	6,874	-	549,236	639,944	778,201	14,497	3,789,324	
Inventories and prepayments	15,022	-	-	-	-	-	-	47,816	
Advances to other funds	-	288,523	-	-	-	-	-	288,523	
Assessments receivable	-	-	-	-	-	674,889	-	719,907	
Total assets	\$ 5,400,237	\$ 10,691,799	\$ 258,784	\$ 2,137,897	\$ 16,503,732	\$ 12,928,158	\$ 1,684,380	\$ 59,412,193	
Liabilities									
Accounts payable and accrued liabilities	\$ 26,255	\$ 892,805	\$ -	\$ -	\$ -	\$ 444,118	\$ 45,094	\$ 1,702,453	
Security deposit payable	-	-	-	-	-	-	-	1,495	
Unearned revenues	-	-	-	-	-	-	-	45,018	
Developer reimbursement payable	-	-	-	-	-	674,889	-	674,889	
Total liabilities	26,255	892,805	-	-	-	1,119,007	45,094	2,423,855	
Deferred inflows of resources									
Unavailable revenue	-	-	-	419,569	492,779	772,484	-	1,720,518	
Fund balances									
Nonspendable	15,022	-	11,000	-	-	-	-	58,816	
Restricted	-	7,280,461	247,784	1,718,328	16,010,953	11,036,667	1,639,286	37,933,479	
Committed	5,358,960	2,518,533	-	-	-	-	-	17,275,525	
Total fund balances	5,373,982	9,798,994	258,784	1,718,328	16,010,953	11,036,667	1,639,286	55,267,820	
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,400,237	\$ 10,691,799	\$ 258,784	\$ 2,137,897	\$ 16,503,732	\$ 12,928,158	\$ 1,684,380	\$ 59,412,193	

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, 2016

	Special Revenue Funds							
	Transportation Services	Streetlights	Airport	Downtown Parking	Economic Improvement	Cultural/Tourism	Public Art	Parking Leasehold
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	3,612,596	-	-
Sales, fees, licenses, and permits	192,741	1,787,028	38,774	10,934	-	-	-	-
Special assessments	1,591	-	-	462,627	1,309	-	-	-
Rents	1,938	-	1,014,319	641,964	-	-	-	562,028
Grants	382,830	-	-	-	-	-	-	-
Intergovernmental	12,585,310	-	-	284,842	-	5,673	630	-
Interest on investments	20,132	1,024	5,827	5,894	719	7,776	67	5,785
Loan payments received	-	-	-	-	-	3,850	-	-
Other	8,556	-	4,165	11,226	-	16,500	-	2,700
Total revenues	13,193,098	1,788,052	1,063,085	1,417,487	2,028	3,646,395	697	570,513
Expenditures								
Current								
General government	-	-	-	-	-	-	278	-
Community development	-	-	906,523	1,103,608	67,633	1,905,519	-	684,948
Community service	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Engineering/Streets	10,575,267	1,413,447	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Capital outlay	136,914	-	2,812	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	3,783	-	-	-	-	-
Total expenditures	10,712,181	1,413,447	913,118	1,103,608	67,633	1,905,519	278	684,948
Excess (deficiency) of revenues over (under) expenditures	2,480,917	374,605	149,967	313,879	(65,605)	1,740,876	419	(114,435)
Other financing sources (uses)								
Issuance of debt	-	-	-	-	-	-	-	-
Sale of property	-	-	132,947	-	-	-	-	-
Transfers in	475,000	220,000	25,000	-	-	-	31,000	-
Transfers out	(1,216,760)	-	(39,036)	-	-	(1,737,970)	-	-
Total other financing sources (uses)	(741,760)	220,000	118,911	-	-	(1,737,970)	31,000	-
Net change in fund balance	1,739,157	594,605	268,878	313,879	(65,605)	2,906	31,419	(114,435)
Fund balances - beginning of year	3,253,732	-	685,335	621,501	98,881	1,216,221	1,106	783,246
Prior period adjustment	-	-	-	-	-	-	-	-
Fund balances - end of year	\$ 4,992,889	\$ 594,605	\$ 954,213	\$ 935,380	\$ 33,276	\$ 1,219,127	\$ 32,525	\$ 668,811

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, 2016

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Building and Safety	Community Enhancement	Permanent	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	Nonmajor Governmental Funds	
Revenues									
Property taxes	\$ -	\$ -	\$ -	\$ 11,205,901	\$ 11,744,983	\$ -	\$ -	\$ -	\$ 22,950,884
Other taxes	-	-	-	-	-	-	-	-	3,612,596
Sales, fees, licenses, and permits	3,574,112	3,094,683	-	-	-	3,659,618	202,959	-	12,560,849
Special assessments	-	-	-	-	-	49,415	-	-	514,942
Rents	-	-	-	-	-	13,650	-	-	2,233,899
Grants	-	7,818	-	-	-	-	-	-	390,648
Intergovernmental	164,040	-	-	4,529,500	-	-	-	-	17,569,995
Interest on investments	40,216	77,689	2,040	47,055	136,894	92,357	12,644	-	456,119
Loan payments received	-	3,783	-	-	-	-	-	-	7,633
Other	93	534,332	1,467	-	-	-	-	-	579,039
Total revenues	3,778,461	3,718,305	3,507	15,782,456	11,881,877	3,815,040	215,603	-	60,876,604
Expenditures									
Current									
General government	-	224,228	-	-	-	-	-	-	242,879
Community development	3,300,933	249,054	-	-	18,373	-	-	-	8,218,218
Community service	-	148,820	-	-	-	-	-	-	148,820
Public safety	-	154,623	-	-	-	-	-	-	154,623
Engineering/Streets	-	16,214	-	-	-	-	-	-	12,004,928
Library	-	53,157	849	-	-	-	-	-	54,006
Capital outlay	4,097	-	-	-	-	3,955,815	146,006	-	4,245,644
Debt service	-	-	-	9,128,967	11,682,007	-	-	-	20,810,974
Principal retirement	-	-	-	5,656,426	835,287	-	-	-	6,495,496
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	3,305,030	846,096	849	14,785,393	12,535,667	3,955,815	146,006	-	52,375,588
Excess (deficiency) of revenues over (under) expenditures	473,431	2,872,209	2,658	997,063	(653,790)	(140,775)	69,597	-	8,501,016
Other financing sources (uses)									
Issuance of debt	-	-	-	-	6,130,000	-	-	-	6,130,000
Sale of property	-	700	-	-	-	-	-	-	133,647
Transfers in	-	473,507	-	-	-	-	-	-	1,224,507
Transfers out	(101,596)	(3,175,217)	-	-	(5,075,000)	(75,000)	-	-	(11,420,579)
Total other financing sources (uses)	(101,596)	(2,701,010)	-	-	1,055,000	(75,000)	-	-	(3,932,425)
Net change in fund balance	371,835	171,199	2,658	997,063	401,210	(215,775)	69,597	-	4,568,591
Fund balances - beginning of year	5,002,147	9,696,228	256,126	721,265	15,609,743	11,252,442	1,569,689	-	50,767,662
Prior period adjustment	-	(68,433)	-	-	-	-	-	-	(68,433)
Fund balances - end of year	\$ 5,373,982	\$ 9,798,994	\$ 258,784	\$ 1,718,328	\$ 16,010,953	\$ 11,036,667	\$ 1,639,286	\$ -	\$ 55,267,820

Concluded



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, 2016

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Assets					
Current assets					
Cash and investments	\$ 2,733,052	\$ 1,070,468	\$ 1,318,023	\$ 270,706	\$ 5,392,249
Accounts receivable, net	16,795	268,916	-	332,757	618,468
Due from other funds	-	-	-	211,542	211,542
Inventories and prepayments	1,986	49,988	-	51,639	103,613
Total current assets	<u>2,751,833</u>	<u>1,389,372</u>	<u>1,318,023</u>	<u>866,644</u>	<u>6,325,872</u>
Noncurrent assets					
Capital assets:					
Land and other construction in progress	-	-	-	1,581,123	1,581,123
Other capital assets, net	530,066	122,934	3,213	23,716,649	24,372,862
Total noncurrent assets	<u>530,066</u>	<u>122,934</u>	<u>3,213</u>	<u>25,297,772</u>	<u>25,953,985</u>
Total assets	<u>3,281,899</u>	<u>1,512,306</u>	<u>1,321,236</u>	<u>26,164,416</u>	<u>32,279,857</u>
Deferred outflows of resources:					
Deferred outflows related to pensions	38,160	794,622	-	-	832,782
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	13,448	90,813	475	357,008	461,744
Compensated absences due within one year	-	63,464	-	-	63,464
Total current liabilities	<u>13,448</u>	<u>154,277</u>	<u>475</u>	<u>357,008</u>	<u>525,208</u>
Noncurrent liabilities					
Net OPEB obligation	29,868	317,965	-	-	347,833
Net pension liability	167,030	3,478,166	-	-	3,645,196
Compensated absences	18,061	424,311	-	-	442,372
Total noncurrent liabilities	<u>214,959</u>	<u>4,220,442</u>	<u>-</u>	<u>-</u>	<u>4,435,401</u>
Total liabilities	<u>228,407</u>	<u>4,374,719</u>	<u>475</u>	<u>357,008</u>	<u>4,960,609</u>
Deferred inflows of resources:					
Deferred inflows related to pensions	39,446	821,413	-	-	860,859
Net Position					
Net investment in capital assets	530,066	122,934	3,213	25,297,772	25,953,985
Other unrestricted	2,522,140	(3,012,138)	1,317,548	509,636	1,337,186
Total net position	<u>\$ 3,052,206</u>	<u>\$ (2,889,204)</u>	<u>\$ 1,320,761</u>	<u>\$ 25,807,408</u>	<u>\$ 27,291,171</u>

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, 2016

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Operating revenues					
Sales, fees, licenses, and permits	\$ 657,895	\$ 18,857	\$ -	\$ 2,421,042	\$ 3,097,794
Rents	500	19,940	-	1,300,583	1,321,023
Internal and intergovernmental	11,577	11,939	199,170	-	222,686
Member agencies	-	9,675,594	148,888	-	9,824,482
Fines and penalties	46,750	-	-	-	46,750
Other	10,012	48,916	-	7,480	66,408
Total operating revenues	<u>726,734</u>	<u>9,775,246</u>	<u>348,058</u>	<u>3,729,105</u>	<u>14,579,143</u>
Operating expenses					
Personal services	486,937	10,899,732	-	-	11,386,669
Materials and services	366,088	1,559,843	149,157	3,297,744	5,372,832
Depreciation	75,220	73,889	-	704,279	853,388
Total operating expenses	<u>928,245</u>	<u>12,533,464</u>	<u>149,157</u>	<u>4,002,023</u>	<u>17,612,889</u>
Operating income (loss)	<u>(201,511)</u>	<u>(2,758,218)</u>	<u>198,901</u>	<u>(272,918)</u>	<u>(3,033,746)</u>
Non-operating revenues (expenses)					
Interest on investments	22,257	8,094	9,180	-	39,531
Other revenue (expenses)	-	-	-	(13,107)	(13,107)
Total non-operating revenues	<u>22,257</u>	<u>8,094</u>	<u>9,180</u>	<u>(13,107)</u>	<u>26,424</u>
Net income (loss) before capital contributions and transfers	<u>(179,254)</u>	<u>(2,750,124)</u>	<u>208,081</u>	<u>(286,025)</u>	<u>(3,007,322)</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302,507)</u>	<u>(302,507)</u>
Change in net position	<u>(179,254)</u>	<u>(2,750,124)</u>	<u>208,081</u>	<u>(588,532)</u>	<u>(3,309,829)</u>
Total net position - beginning of year	<u>3,231,460</u>	<u>(139,080)</u>	<u>1,112,680</u>	<u>26,395,940</u>	<u>30,601,000</u>
Total net position - end of year	<u>\$ 3,052,206</u>	<u>\$ (2,889,204)</u>	<u>\$ 1,320,761</u>	<u>\$ 25,807,408</u>	<u>\$ 27,291,171</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2016

	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	\$ 736,297	\$ 218,094	\$ -	\$ 3,443,495	\$ 4,397,886
Receipts from interfund services provided	11,577	11,939	199,170	-	222,686
Member agencies	-	9,449,960	148,888	-	9,598,848
Payments to suppliers	(358,184)	(1,523,660)	(148,682)	(3,340,147)	(5,370,673)
Payments to employees	(365,137)	(8,111,141)	-	-	(8,476,278)
Net cash provided (used) by operating activities	<u>24,553</u>	<u>45,192</u>	<u>199,376</u>	<u>103,348</u>	<u>372,469</u>
Cash Flows from Non-capital Financing Activities					
Transfers paid	-	-	-	(302,507)	(302,507)
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	-	(126,995)	(126,995)
Cash Flows from Investing Activities					
Interest on investments	22,257	8,094	9,180	-	39,531
Net increase (decrease) in cash and cash equivalents	46,810	53,286	208,556	(326,154)	(17,502)
Cash and cash equivalents - beginning of year	<u>2,686,242</u>	<u>1,017,182</u>	<u>1,109,467</u>	<u>596,860</u>	<u>5,409,751</u>
Cash and cash equivalents - end of year	<u>\$ 2,733,052</u>	<u>\$ 1,070,468</u>	<u>\$ 1,318,023</u>	<u>\$ 270,706</u>	<u>\$ 5,392,249</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (201,511)	\$ (2,758,218)	\$ 198,901	\$ (272,918)	\$ (3,033,746)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	75,220	73,889	-	704,279	853,388
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Accounts receivable	21,140	(95,253)	-	(285,610)	(359,723)
Inventories and prepayments	-	59	-	(5,674)	(5,615)
Deferred outflows of resources	(9,613)	(200,153)	-	-	(209,766)
Accounts payable and accrued liabilities	5,880	(13,185)	475	(36,729)	(43,559)
Compensated absences payable	(10,566)	39,389	-	-	28,823
Net pension liability	234,235	4,877,609	-	-	5,111,844
Deferred inflows of resources	(90,232)	(1,878,945)	-	-	(1,969,177)
Net cash provided (used) by operating activities	<u>\$ 24,553</u>	<u>\$ 45,192</u>	<u>\$ 199,376</u>	<u>\$ 103,348</u>	<u>\$ 372,469</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, 2016

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Assets				
Current assets				
Cash and investments	\$ 5,710,305	\$ 5,005,897	\$ 15,024,920	\$ 25,741,122
Accounts receivable, net	14,172	-	-	14,172
Inventories and prepayments	961,724	-	78,682	1,040,406
Total current assets	6,686,201	5,005,897	15,103,602	26,795,700
Noncurrent assets				
Restricted cash and investments	8,176,043	-	-	8,176,043
Capital assets:				
Land and other construction in progress	3,330,049	-	-	3,330,049
Other capital assets, net	10,864,715	-	650	10,865,365
Total noncurrent assets	22,370,807	-	650	22,371,457
Total assets	29,057,008	5,005,897	15,104,252	49,167,157
Deferred outflows of resources:				
Deferred outflows related to pensions	230,675	-	60,078	290,753
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	2,365,857	23,024	61,750	2,450,631
Claims and judgments due within one year	-	-	1,800,000	1,800,000
Unearned revenue	-	-	832,271	832,271
Compensated absences due within one year	43,875	-	-	43,875
Total current liabilities	2,409,732	23,024	2,694,021	5,126,777
Noncurrent liabilities				
Net OPEB obligation	195,063	-	35,384	230,447
Net pension liability	1,009,697	-	262,972	1,272,669
Claims and judgments payable	-	-	4,782,900	4,782,900
Compensated absences payable	134,979	-	28,632	163,611
Total noncurrent liabilities	1,339,739	-	5,109,888	6,449,627
Total liabilities	3,749,471	23,024	7,803,909	11,576,404
Deferred inflows of resources:				
Deferred inflows related to pensions	238,454	-	62,105	300,559
Net Position				
Net investment in capital assets	14,194,764	-	650	14,195,414
Restricted for:				
Capital projects	5,994,273	-	-	5,994,273
Unrestricted	5,110,721	4,982,873	7,297,666	17,391,260
Total net position	\$ 25,299,758	\$ 4,982,873	\$ 7,298,316	\$ 37,580,947

City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2016

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Operating revenues				
Sales, fees, licenses, and permits	\$ 31,508	\$ 13,655	\$ 2,698	\$ 47,861
Rents	1,708,802	-	-	1,708,802
Internal and intergovernmental	8,207,458	1,788,799	25,232,211	35,228,468
Other	4,143	-	948,078	952,221
Total operating revenues	<u>9,951,911</u>	<u>1,802,454</u>	<u>26,182,987</u>	<u>37,937,352</u>
Operating expenses				
Personal services	3,340,886	-	878,280	4,219,166
Materials and services	5,588,402	15,752	25,537,869	31,142,023
Depreciation	1,569,612	-	-	1,569,612
Total operating expenses	<u>10,498,900</u>	<u>15,752</u>	<u>26,416,149</u>	<u>36,930,801</u>
Operating income (loss)	<u>(546,989)</u>	<u>1,786,702</u>	<u>(233,162)</u>	<u>1,006,551</u>
Non-operating revenues (expenses)				
Interest on investments	100,396	34,633	102,730	237,759
Other revenue (expenses)	(4,490)	4,600	-	110
Total non-operating revenues	<u>95,906</u>	<u>39,233</u>	<u>102,730</u>	<u>237,869</u>
Income (loss) before transfers	(451,083)	1,825,935	(130,432)	1,244,420
Capital contributions	193,917	-	-	193,917
Transfers in	2,055,805	322,348	-	2,378,153
Transfers out	(262,465)	(1,436,279)	-	(1,698,744)
Change in net position	1,536,174	712,004	(130,432)	2,117,746
Total net position - beginning of year	<u>23,763,584</u>	<u>4,270,869</u>	<u>7,428,748</u>	<u>35,463,201</u>
Total net position - end of year	<u>\$ 25,299,758</u>	<u>\$ 4,982,873</u>	<u>\$ 7,298,316</u>	<u>\$ 37,580,947</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2016

	<u>City Services</u>	<u>Equipment Replacement Reserve</u>	<u>Self Insurance</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,741,392	\$ 13,655	\$ 950,776	\$ 2,705,823
Receipts from interfund services provided	8,207,458	1,788,799	25,232,211	35,228,468
Payments to suppliers	(5,585,040)	(15,752)	(24,565,729)	(30,166,521)
Payments to employees	(2,521,670)	-	(679,768)	(3,201,438)
Net cash provided (used) by operating activities	<u>1,842,140</u>	<u>1,786,702</u>	<u>937,490</u>	<u>4,566,332</u>
Cash Flows from Non-capital Financing Activities				
Transfers received	-	322,348	-	322,348
Transfers paid	(262,465)	-	-	(262,465)
Net cash provided (used) by non-capital related financing activities	<u>(262,465)</u>	<u>322,348</u>	<u>-</u>	<u>59,883</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(222,047)	(1,413,255)	-	(1,635,302)
Sale of capital assets	64,875	4,600	-	69,475
Net cash provided (used) by capital and related financing activities	<u>(157,172)</u>	<u>(1,408,655)</u>	<u>-</u>	<u>(1,565,827)</u>
Cash Flows from Investing Activities				
Interest on investments	100,396	34,633	102,730	237,759
Net increase (decrease) in cash and cash equivalents	1,522,899	735,028	1,040,220	3,298,147
Cash and cash equivalents - beginning of year	<u>12,363,449</u>	<u>4,270,869</u>	<u>13,984,700</u>	<u>30,619,018</u>
Cash and cash equivalents - end of year	<u>\$ 13,886,348</u>	<u>\$ 5,005,897</u>	<u>\$ 15,024,920</u>	<u>\$ 33,917,165</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (546,989)	\$ 1,786,702	\$ (233,162)	\$ 1,006,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,569,612	-	-	1,569,612
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	12,676	-	-	12,676
Inventories and prepayments	-	-	5,195	5,195
Deferred outflows of resources	(58,104)	-	(15,133)	(73,237)
Accounts payable and accrued liabilities	(32,110)	-	(57,671)	(89,781)
Unearned revenue	-	-	(9,552)	(9,552)
Claims reserve	-	-	1,029,440	1,029,440
Compensated absences payable	26,554	-	(8,346)	18,208
Net pension liability	1,415,949	-	368,779	1,784,728
Deferred inflows of resources	(545,448)	-	(142,060)	(687,508)
Net cash provided (used) by operating activities	<u>\$ 1,842,140</u>	<u>\$ 1,786,702</u>	<u>\$ 937,490</u>	<u>\$ 4,566,332</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 2,055,805	\$ -	\$ -	\$ 2,055,805
Contributions of capital assets from governmental fund	193,917	-	-	193,917

COMBINING STATEMENT

Agency Funds

Agency funds account for assets held by the City in a trustee capacity. These include court assessments, federal forfeitures, state forfeitures, city civil forfeitures, building permit surcharges held on behalf of other government agencies, money received as restitution for victims of crimes, performance deposits from contractors, donations to assist low-income residents with City utility bills, and the City's cafeteria plan.

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2016</u>
<u>Court Restitution</u>				
Assets				
Cash and investments	\$ 184	\$ 8,869	\$ 7,473	\$ 1,580
Liabilities				
Accounts payable	\$ -	\$ 7,401	\$ 7,401	\$ -
Amount held in trust	184	8,819	7,423	1,580
Total liabilities	<u>\$ 184</u>	<u>\$ 16,220</u>	<u>\$ 14,824</u>	<u>\$ 1,580</u>
<u>Unitary Assessments</u>				
Assets				
Cash and investments	\$ 61,896	\$ 677,288	\$ 681,205	\$ 57,979
Liabilities				
Accounts payable	\$ 61,896	\$ 668,692	\$ 672,609	\$ 57,979
Amount held in trust	-	93,745	93,745	-
Due to other agencies	-	583,542	583,542	-
Total liabilities	<u>\$ 61,896</u>	<u>\$ 1,345,979</u>	<u>\$ 1,349,896</u>	<u>\$ 57,979</u>
<u>County Corrections</u>				
Assets				
Cash and investments	\$ 20,377	\$ 221,920	\$ 223,976	\$ 18,321
Liabilities				
Accounts payable	\$ 20,377	\$ 215,982	\$ 218,038	\$ 18,321
Amount held in trust	-	31,570	31,570	-
Due to other agencies	-	190,350	190,350	-
Total liabilities	<u>\$ 20,377</u>	<u>\$ 437,902</u>	<u>\$ 439,958</u>	<u>\$ 18,321</u>
<u>Police Evidence Hold</u>				
Assets				
Cash and investments	\$ 68,581	\$ 363,694	\$ 37,486	\$ 394,789
Liabilities				
Amount held in trust	\$ 68,581	\$ 373,741	\$ 47,533	\$ 394,789

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2016</u>
<u>Performance Deposits</u>				
Assets				
Cash and investments	\$ 541,855	\$ 1,398,385	\$ 919,770	\$ 1,020,470
Liabilities				
Accounts payable	\$ -	\$ 599,059	\$ 599,059	\$ -
Amount held in trust	541,855	826,487	347,872	1,020,470
Total liabilities	<u>\$ 541,855</u>	<u>\$ 1,425,546</u>	<u>\$ 946,931</u>	<u>\$ 1,020,470</u>
<u>Assistance Programs</u>				
Assets				
Cash and investments	\$ 1,150	\$ 5,389	\$ 5,607	\$ 932
Receivables	124	6,533	6,587	70
Total assets	<u>\$ 1,274</u>	<u>\$ 11,922</u>	<u>\$ 12,194</u>	<u>\$ 1,002</u>
Liabilities				
Amount held in trust	<u>\$ 1,274</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 1,002</u>
<u>Building Permit Surcharge</u>				
Assets				
Cash and investments	\$ 29,316	\$ 259,225	\$ 259,829	\$ 28,712
Receivables	1,748	272,002	265,842	7,908
Total assets	<u>\$ 31,064</u>	<u>\$ 531,227</u>	<u>\$ 525,671</u>	<u>\$ 36,620</u>
Liabilities				
Accounts payable	\$ 29,500	\$ 254,895	\$ 255,415	\$ 28,980
Due to other agencies	1,564	265,403	259,327	7,640
Total liabilities	<u>\$ 31,064</u>	<u>\$ 520,298</u>	<u>\$ 514,742</u>	<u>\$ 36,620</u>
<u>Law Enforcement Medical Liability Assessment</u>				
Assets				
Cash and investments	<u>\$ 197</u>	<u>\$ 2,676</u>	<u>\$ 2,623</u>	<u>\$ 250</u>
Liabilities				
Accounts payable	<u>\$ 197</u>	<u>\$ 2,648</u>	<u>\$ 2,595</u>	<u>\$ 250</u>

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2016</u>
<u>Reimbursement Districts</u>				
Assets				
Cash and investments	\$ 10,864	\$ 200,301	\$ 110,813	\$ 100,352
Receivables	-	204,930	203,332	1,598
Total assets	<u>\$ 10,864</u>	<u>\$ 405,231</u>	<u>\$ 314,145</u>	<u>\$ 101,950</u>
Liabilities				
Accounts payable	\$ 10,701	\$ 178,150	\$ 108,243	\$ 80,608
Amount held in trust	163	21,179	-	21,342
Total liabilities	<u>\$ 10,864</u>	<u>\$ 199,329</u>	<u>\$ 108,243</u>	<u>\$ 101,950</u>
<u>Cafeteria Plan Benefits</u>				
Assets				
Cash and investments	<u>\$ 53,456</u>	<u>\$ 558,337</u>	<u>\$ 540,275</u>	<u>\$ 71,518</u>
Liabilities				
Payroll payable	<u>\$ 53,456</u>	<u>\$ 558,337</u>	<u>\$ 540,275</u>	<u>\$ 71,518</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 787,876	\$ 3,696,084	\$ 2,789,058	\$ 1,694,902
Receivables	1,872	483,465	475,761	9,576
Total assets	<u>\$ 789,748</u>	<u>\$ 4,179,549</u>	<u>\$ 3,264,819</u>	<u>\$ 1,704,478</u>
Liabilities				
Accounts payable	\$ 122,671	\$ 1,926,827	\$ 1,863,361	\$ 186,137
Payroll payable	53,456	558,337	540,275	71,518
Amount held in trust	612,057	1,355,541	528,415	1,439,183
Due to other agencies	1,564	1,039,295	1,033,219	7,640
Total liabilities	<u>\$ 789,748</u>	<u>\$ 4,880,000</u>	<u>\$ 3,965,270</u>	<u>\$ 1,704,478</u>

Concluded

BUDGETARY COMPARISION SCHEDULES

The City's General 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

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

Debt Service Funds

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

Capital Projects Funds

- *Extra Capacity Facilities*
- *Development Districts*

Proprietary Funds

Major Business-type Fund

- *Utility*

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget ¹
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 5,000	\$ (5,000)
Grants	13,736,570	13,736,570	4,262,108	9,474,462
Intergovernmental	10,585,100	10,585,100	946,730	9,638,370
Interest on investments	121,500	121,500	406,777	(285,277)
Loan payments received	33,900	33,900	33,487	413
Other	1,220,000	1,220,000	422,618	797,382
Total revenues	25,697,070	25,697,070	6,076,720	19,620,350
Expenditures				
Operations	89,777,340	89,777,340	29,171,357	60,605,983
Excess (deficiency) of revenues over expenditures	(64,080,270)	(64,080,270)	(23,094,637)	(40,985,633)
Other financing sources (uses)				
Transfers in	12,777,680	12,777,680	12,661,223	116,457
Transfers out	(172,200)	(172,200)	(156,000)	(16,200)
Total other financing sources (uses)	12,605,480	12,605,480	12,505,223	100,257
Net change in fund balance	(51,474,790)	(51,474,790)	(10,589,414)	(40,885,376)
Fund balance - beginning of year	51,474,790	51,474,790	52,921,319	(1,446,529)
Fund balance - end of year	\$ -	\$ -	42,331,905	\$ (42,331,905)
Reconciliation to generally accepted accounting principles:				
			(10,016,789)	
Transfer of net activity and fund balance to Utility fund (page 129)			(5,994,272)	
Transfer of net activity and fund balance to City Services fund (page 134)			(288,523)	
Advance from Community Enhancement fund (page 123)				
Fund balance - end of year (modified accrual)			\$ 26,032,321	

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, 2016

	<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				
Rents	\$ -	\$ -	\$ 6,919	\$ (6,919)
Intergovernmental	-	-	285,494	(285,494)
Interest on investments	65,070	65,070	147,258	(82,188)
Loan payments received	2,845,290	2,845,290	2,114,867	730,423
Other	297,000	297,000	900	296,100
Total revenues	<u>3,207,360</u>	<u>3,207,360</u>	<u>2,555,438</u>	<u>651,922</u>
Expenditures				
Operations	<u>27,731,120</u>	<u>27,731,120</u>	<u>5,644,552</u>	<u>22,086,568</u>
Excess (deficiency) of revenues over expenditures	<u>(24,523,760)</u>	<u>(24,523,760)</u>	<u>(3,089,114)</u>	<u>(21,434,646)</u>
Other financing sources (uses)				
Loan proceeds	6,302,920	6,302,920	5,075,000	1,227,920
Sale of property	-	-	5,208	(5,208)
Total other financing sources (uses)	<u>6,302,920</u>	<u>6,302,920</u>	<u>5,080,208</u>	<u>1,222,712</u>
Net change in fund balance	<u>(18,220,840)</u>	<u>(18,220,840)</u>	<u>1,991,094</u>	<u>(20,211,934)</u>
Fund balance - beginning of year	<u>18,220,840</u>	<u>18,220,840</u>	<u>18,216,388</u>	<u>4,452</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,207,482</u>	<u>\$ (20,207,482)</u>

1 () indicates revenues/expenditures in excess of budget

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

For the fiscal year ended June 30, 2016

	<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	\$ 102,830	\$ 102,830	\$ 192,741	\$ (89,911)
Special assessments	400	400	1,591	(1,191)
Rents	1,200	1,200	1,938	(738)
Grants	382,310	382,310	382,830	(520)
Intergovernmental	12,550,780	12,550,780	12,585,310	(34,530)
Interest on investments	-	-	20,132	(20,132)
Other	1,220	1,220	8,556	(7,336)
Total revenues	<u>13,038,740</u>	<u>13,038,740</u>	<u>13,193,098</u>	<u>(154,358)</u>
Expenditures				
Operations	13,100,000	13,100,000	10,712,181	2,387,819
Contingency	456,800	456,800	-	456,800
Total expenditures	<u>13,556,800</u>	<u>13,556,800</u>	<u>10,712,181</u>	<u>2,844,619</u>
Excess (deficiency) of revenues over expenditures	<u>(518,060)</u>	<u>(518,060)</u>	<u>2,480,917</u>	<u>(2,998,977)</u>
Other financing sources (uses)				
Transfers in	475,000	475,000	475,000	-
Transfers out	(1,216,760)	(1,216,760)	(1,216,760)	-
Total other financing sources (uses)	<u>(741,760)</u>	<u>(741,760)</u>	<u>(741,760)</u>	<u>-</u>
Net change in fund balance	(1,259,820)	(1,259,820)	1,739,157	(2,998,977)
Fund balance - beginning of year	2,517,660	2,517,660	3,253,732	(736,072)
Fund balance - end of year	<u>\$ 1,257,840</u>	<u>\$ 1,257,840</u>	<u>\$ 4,992,889</u>	<u>\$ (3,735,049)</u>

1 () indicates revenues/expenditures in excess of budget

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

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 1,764,820	\$ 1,764,820	\$ 1,787,028	\$ (22,208)
Interest on investments	-	-	1,024	(1,024)
Total revenues	1,764,820	1,764,820	1,788,052	(23,232)
Expenditures				
Operations	1,580,210	1,580,210	1,413,447	166,763
Contingency	200,000	200,000	-	200,000
Total expenditures	1,780,210	1,780,210	1,413,447	366,763
Excess (deficiency) of revenues over expenditures	(15,390)	(15,390)	374,605	(389,995)
Other financing sources (uses)				
Transfers in	220,000	220,000	220,000	-
Net change in fund balance	204,610	204,610	594,605	(389,995)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ 204,610	\$ 204,610	\$ 594,605	\$ (389,995)

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 40,000	\$ 40,000	\$ 38,774	\$ 1,226
Rents	1,014,850	1,014,850	1,014,319	531
Interest on investments	3,500	3,500	5,827	(2,327)
Other	-	-	4,165	(4,165)
Total revenues	1,058,350	1,058,350	1,063,085	(4,735)
Expenditures				
Operations	1,115,120	1,115,120	909,335	205,785
Debt service	42,830	42,830	42,819	11
Contingency	498,230	498,230	-	498,230
Total expenditures	1,656,180	1,656,180	952,154	704,026
Excess (deficiency) of revenues over expenditures	(597,830)	(597,830)	110,931	(708,761)
Other financing sources (uses)				
Sale of property	-	-	132,947	(132,947)
Transfers in	95,000	95,000	25,000	70,000
Total other financing sources (uses)	95,000	95,000	157,947	(62,947)
Net change in fund balance	(502,830)	(502,830)	268,878	(771,708)
Fund balance - beginning of year	502,830	502,830	685,335	(182,505)
Fund balance - end of year	\$ -	\$ -	\$ 954,213	\$ (954,213)

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, 2016

	<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	\$ 10,000	\$ 10,000	\$ 10,934	\$ (934)
Special assessments	455,110	455,110	462,627	(7,517)
Rents	606,440	606,440	641,964	(35,524)
Intergovernmental	544,410	544,410	284,842	259,568
Interest on investments	2,500	2,500	5,894	(3,394)
Other	5,000	5,000	11,226	(6,226)
	<u>1,623,460</u>	<u>1,623,460</u>	<u>1,417,487</u>	<u>205,973</u>
Expenditures				
Operations	1,823,620	1,823,620	1,103,608	720,012
Contingency	279,570	279,570	-	279,570
	<u>2,103,190</u>	<u>2,103,190</u>	<u>1,103,608</u>	<u>999,582</u>
Excess (deficiency) of revenues over expenditures	(479,730)	(479,730)	313,879	(793,609)
Fund balance - beginning of year	479,730	479,730	621,501	(141,771)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 935,380</u>	<u>\$ (935,380)</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, 2016

	<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				
Special assessments	\$ -	\$ -	\$ 1,309	\$ (1,309)
Interest on investments	-	-	719	(719)
Total revenues	-	-	2,028	(2,028)
Expenditures				
Operations	80,600	80,600	67,633	12,967
Net change in fund balance	(80,600)	(80,600)	(65,605)	(14,995)
Fund balance - beginning of year	80,600	80,600	98,881	(18,281)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,276</u>	<u>\$ (33,276)</u>

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Other taxes	\$ 3,243,400	\$ 3,243,400	\$ 3,612,596	\$ (369,196)
Intergovernmental	9,240	9,240	5,673	3,567
Interest on investments	3,800	3,800	7,776	(3,976)
Loan payments received	-	-	3,850	(3,850)
Other	15,000	15,000	16,500	(1,500)
	<u>3,271,440</u>	<u>3,271,440</u>	<u>3,646,395</u>	<u>(374,955)</u>
Expenditures				
Operations	2,034,600	2,034,600	1,905,519	129,081
Contingency	120,000	120,000	-	120,000
	<u>2,154,600</u>	<u>2,154,600</u>	<u>1,905,519</u>	<u>249,081</u>
Excess (deficiency) of revenues over expenditures	<u>1,116,840</u>	<u>1,116,840</u>	<u>1,740,876</u>	<u>(624,036)</u>
Other financing sources (uses)				
Transfers out	<u>(1,884,350)</u>	<u>(1,884,350)</u>	<u>(1,737,970)</u>	<u>(146,380)</u>
Net change in fund balance	(767,510)	(767,510)	2,906	(770,416)
Fund balance - beginning of year	<u>1,077,710</u>	<u>1,077,710</u>	<u>1,216,221</u>	<u>(138,511)</u>
Fund balance - end of year	<u>\$ 310,200</u>	<u>\$ 310,200</u>	<u>\$ 1,219,127</u>	<u>\$ (908,927)</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 630	\$ (630)
Interest on investments	10	10	67	(57)
Total revenues	10	10	697	(687)
Expenditures				
Operations	33,150	33,150	278	32,872
Excess (deficiency) of revenues over expenditures	(33,140)	(33,140)	419	(33,559)
Other financing sources (uses)				
Transfers in	31,000	31,000	31,000	-
Net change in fund balance	(2,140)	(2,140)	31,419	(33,559)
Fund balance - beginning of year	2,140	2,140	1,106	1,034
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,525</u>	<u>\$ (32,525)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Rents	\$ 581,700	\$ 581,700	\$ 562,028	\$ 19,672
Interest on investments	3,100	3,100	5,785	(2,685)
Other	-	-	2,700	(2,700)
	<u>584,800</u>	<u>584,800</u>	<u>570,513</u>	<u>14,287</u>
Expenditures				
Operations	904,990	904,990	684,948	220,042
Contingency	429,180	429,180	-	429,180
	<u>1,334,170</u>	<u>1,334,170</u>	<u>684,948</u>	<u>649,222</u>
Net change in fund balance	(749,370)	(749,370)	(114,435)	(634,935)
Fund balance - beginning of year	<u>749,370</u>	<u>749,370</u>	<u>783,246</u>	<u>(33,876)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,811</u>	<u>\$ (668,811)</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, 2016

	<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	\$ 2,902,300	\$ 2,902,300	\$ 3,574,112	\$ (671,812)
Intergovernmental	164,040	164,040	164,040	-
Interest on investments	21,000	21,000	40,216	(19,216)
Other	-	-	93	(93)
	<u>3,087,340</u>	<u>3,087,340</u>	<u>3,778,461</u>	<u>(691,121)</u>
Expenditures				
Operations	3,472,220	3,472,220	3,305,030	167,190
Contingency	300,000	300,000	-	300,000
	<u>3,772,220</u>	<u>3,772,220</u>	<u>3,305,030</u>	<u>467,190</u>
Excess (deficiency) of revenues over expenditures	<u>(684,880)</u>	<u>(684,880)</u>	<u>473,431</u>	<u>(1,158,311)</u>
Other financing sources (uses)				
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>(101,596)</u>	<u>(28,404)</u>
Net change in fund balance	<u>(814,880)</u>	<u>(814,880)</u>	<u>371,835</u>	<u>(1,186,715)</u>
Fund balance - beginning of year	<u>4,991,400</u>	<u>4,991,400</u>	<u>5,002,147</u>	<u>(10,747)</u>
Fund balance - end of year	<u>\$ 4,176,520</u>	<u>\$ 4,176,520</u>	<u>\$ 5,373,982</u>	<u>\$ (1,197,462)</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, 2016

	<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	\$ 3,000,000	\$ 3,000,000	\$ 3,094,683	\$ (94,683)
Grants	-	-	7,818	(7,818)
Interest on investments	34,300	34,300	77,689	(43,389)
Loan payments received	42,830	42,830	42,819	11
Other	1,025,340	1,025,340	534,332	491,008
	<u>4,102,470</u>	<u>4,102,470</u>	<u>3,757,341</u>	<u>345,129</u>
Expenditures				
Operations	<u>2,570,980</u>	<u>2,530,980</u>	<u>846,096</u>	<u>1,684,884</u>
Excess (deficiency) of revenues over expenditures	<u>1,531,490</u>	<u>1,571,490</u>	<u>2,911,245</u>	<u>(1,339,755)</u>
Other financing sources (uses)				
Sale of property	-	-	700	(700)
Transfers in	485,000	485,000	473,507	11,493
Transfers out	(3,136,000)	(3,176,000)	(3,175,217)	(783)
Total other financing sources (uses)	<u>(2,651,000)</u>	<u>(2,691,000)</u>	<u>(2,701,010)</u>	<u>10,010</u>
Net change in fund balance	(1,119,510)	(1,119,510)	210,235	(1,329,745)
Fund balance - beginning of year	<u>9,286,580</u>	<u>9,286,580</u>	<u>9,368,669</u>	<u>(82,089)</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(68,433)</u>	<u>68,433</u>
Fund balance - end of year	<u>\$ 8,167,070</u>	<u>\$ 8,167,070</u>	<u>9,510,471</u>	<u>\$ (1,343,401)</u>
Reconciliation to generally accepted accounting principles:				
Advance to Capital Improvements fund (page 112)			<u>288,523</u>	
Fund balance - end of year (modified accrual)			<u>\$ 9,798,994</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, 2016

	<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				
Interest on investments	\$ 210	\$ 210	\$ 2,040	\$ (1,830)
Other	8,550	8,550	1,467	7,083
Total revenues	<u>8,760</u>	<u>8,760</u>	<u>3,507</u>	<u>5,253</u>
Expenditures				
Operations	<u>6,000</u>	<u>6,000</u>	<u>849</u>	<u>5,151</u>
Net change in fund balance	2,760	2,760	2,658	102
Fund balance - beginning of year	<u>252,700</u>	<u>252,700</u>	<u>256,126</u>	<u>(3,426)</u>
Fund balance - end of year	<u>\$ 255,460</u>	<u>\$ 255,460</u>	<u>\$ 258,784</u>	<u>\$ (3,324)</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, 2016

	<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				
Property taxes	\$ 11,092,550	\$ 11,092,550	\$ 11,205,901	\$ (113,351)
Intergovernmental	4,529,500	4,529,500	4,529,500	-
Interest on investments	25,000	25,000	47,055	(22,055)
	<u>15,647,050</u>	<u>15,647,050</u>	<u>15,782,456</u>	<u>(135,406)</u>
Expenditures				
Debt service	<u>15,785,940</u>	<u>15,785,940</u>	<u>14,785,393</u>	<u>1,000,547</u>
Net change in fund balance	(138,890)	(138,890)	997,063	(1,135,953)
Fund balance - beginning of year	<u>535,850</u>	<u>535,850</u>	<u>721,265</u>	<u>(185,415)</u>
Fund balance - end of year	<u>\$ 396,960</u>	<u>\$ 396,960</u>	<u>\$ 1,718,328</u>	<u>\$ (1,321,368)</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, 2016

	<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				
Property taxes	\$ 11,443,740	\$ 11,443,740	\$ 11,744,983	\$ (301,243)
Interest on investments	98,310	98,310	136,894	(38,584)
Total revenues	<u>11,542,050</u>	<u>11,542,050</u>	<u>11,881,877</u>	<u>(339,827)</u>
Expenditures				
Operations	24,090	24,090	18,373	5,717
Debt service	9,315,550	9,315,550	17,592,294	(8,276,744) ²
Total expenditures	<u>9,339,640</u>	<u>9,339,640</u>	<u>17,610,667</u>	<u>(8,271,027)</u>
Excess (deficiency) of revenues over expenditures	2,202,410	2,202,410	(5,728,790)	7,931,200
Other financing sources (uses)				
Bond proceeds	-	-	6,130,000	(6,130,000)
Net change in fund balance	2,202,410	2,202,410	401,210	1,801,200
Fund balance - beginning of year	<u>15,640,290</u>	<u>15,640,290</u>	<u>15,609,743</u>	<u>30,547</u>
Fund balance - end of year	<u>\$ 17,842,700</u>	<u>\$ 17,842,700</u>	<u>\$ 16,010,953</u>	<u>\$ 1,831,747</u>

1 () indicates revenues/expenditures in excess of budget.

2 Exceeded budget due to bond refunding. Allowable per ORS 294.338(4)(c).

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, 2016

	<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	\$ 5,008,000	\$ 5,008,000	\$ 6,605,308	\$ (1,597,308)
Special assessments	-	-	85,665	(85,665)
Rents	-	-	13,650	(13,650)
Grants	1,346,500	1,346,500	-	1,346,500
Intergovernmental	500,000	500,000	-	500,000
Interest on investments	-	-	141,806	(141,806)
Total revenues	<u>6,854,500</u>	<u>6,854,500</u>	<u>6,846,429</u>	<u>8,071</u>
Expenditures				
Operations	<u>25,182,100</u>	<u>25,182,100</u>	<u>7,410,051</u>	<u>17,772,049</u>
Excess (deficiency) of revenues over expenditures	(18,327,600)	(18,327,600)	(563,622)	(17,763,978)
Other financing sources (uses)				
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Net change in fund balance	(18,402,600)	(18,402,600)	(638,622)	(17,763,978)
Fund balance - beginning of year	<u>18,402,600</u>	<u>18,402,600</u>	<u>17,614,150</u>	<u>788,450</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>16,975,528</u>	<u>\$ (16,975,528)</u>
Reconciliation to generally accepted accounting principles:				
Transfer of net activity and fund balance to Utility fund (page 129)			<u>(5,938,861)</u>	
Fund balance - end of year (modified accrual)			<u>\$ 11,036,667</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, 2016

	<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	\$ 500,000	\$ 500,000	\$ 202,959	\$ 297,041
Interest on investments	7,500	7,500	12,644	(5,144)
Total revenues	<u>507,500</u>	<u>507,500</u>	<u>215,603</u>	<u>291,897</u>
Expenditures				
Operations	<u>2,075,940</u>	<u>2,075,940</u>	<u>146,006</u>	<u>1,929,934</u>
Excess (deficiency) of revenues over expenditures	(1,568,440)	(1,568,440)	69,597	(1,638,037)
Fund balance - beginning of year	<u>1,568,440</u>	<u>1,568,440</u>	<u>1,569,689</u>	<u>(1,249)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,639,286</u>	<u>\$ (1,639,286)</u>

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Utility Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 81,595,610	\$ 81,595,610	\$ 85,182,197	\$ (3,586,587)
Special assessments	20,000	20,000	389	19,611
Rents	15,020	15,020	9,840	5,180
Intergovernmental	6,500,550	6,500,550	5,525,068	975,482
Interest on investments	200,000	200,000	363,397	(163,397)
Loan payments received	204,370	204,370	223,419	(19,049)
Other	136,000	136,000	214,102	(78,102)
Total revenues	88,671,550	88,671,550	91,518,412	(2,846,862)
Expenditures				
Operations	64,950,020	64,950,020	56,728,569	8,221,451
Debt service	20,978,870	20,978,870	20,978,855	15
Contingency	3,500,000	3,500,000	-	3,500,000
Total expenditures	89,428,890	89,428,890	77,707,424	11,721,466
Excess (deficiency) of revenues over expenditures	(757,340)	(757,340)	13,810,988	(14,568,328)
Other financing sources (uses)				
Sale of capital assets	2,000	2,000	-	2,000
Transfers in	10,400	10,400	10,400	-
Transfers out	(7,450,000)	(7,450,000)	(7,450,000)	-
Total other financing sources (uses)	(7,437,600)	(7,437,600)	(7,439,600)	2,000
Net change in fund balance	(8,194,940)	(8,194,940)	6,371,388	(14,566,328)
Fund balance - beginning of year	41,495,220	41,495,220	40,653,566	841,654
Fund balance - end of year	<u>\$ 33,300,280</u>	<u>\$ 33,300,280</u>	47,024,954	<u>\$ (13,724,674)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 112)	10,016,789
Transfer of net activity and fund balance from Extra Capacity Facilities (page 127)	5,938,861
Inventories	929,723
Advances to General fund (page 45)	1,344,805
Capital assets	627,960,991
Deferred outflows related to pension	2,846,797
Deferred charge on refunding	4,264,554
OPEB obligation	(1,231,182)
Deferred inflows related to pension	(2,942,783)
Accrued revenue from deferred inflows	2,167,512
Net pension liability	(12,460,829)
Interest payable	(515,443)
Long-term obligations	<u>(142,947,396)</u>
Net position at end of year	<u>\$ 542,397,353</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 770,040	\$ 770,040	\$ 657,895	\$ 112,145
Rents	-	-	500	(500)
Intergovernmental	-	-	11,577	(11,577)
Fines and penalties	36,000	36,000	46,750	(10,750)
Interest on investments	15,000	15,000	22,257	(7,257)
Other	2,000	2,000	10,012	(8,012)
	<u>823,040</u>	<u>823,040</u>	<u>748,991</u>	<u>74,049</u>
Expenditures				
Operations	866,010	866,010	720,660	145,350
Contingency	60,000	60,000	-	60,000
	<u>926,010</u>	<u>926,010</u>	<u>720,660</u>	<u>205,350</u>
Net change in fund balance	(102,970)	(102,970)	28,331	(131,301)
Fund balance - beginning of year	<u>2,710,230</u>	<u>2,710,230</u>	<u>2,691,993</u>	<u>18,237</u>
Fund balance - end of year	<u>\$ 2,607,260</u>	<u>\$ 2,607,260</u>	<u>2,720,324</u>	<u>\$ (113,064)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			530,066	
Net pension liability			(167,030)	
Deferred outflows related to pensions			38,160	
Deferred inflows related to pensions			(39,446)	
OPEB obligation			<u>(29,868)</u>	
Net position at end of year			<u>\$ 3,052,206</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, 2016

	<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	\$ 16,600	\$ 16,600	\$ 18,857	\$ (2,257)
Rents	19,940	19,940	19,940	-
Intergovernmental	-	-	11,939	(11,939)
Member agencies	9,588,970	9,588,970	9,675,594	(86,624)
Interest on investments	7,000	7,000	8,094	(1,094)
Other	-	-	48,916	(48,916)
Total revenues	<u>9,632,510</u>	<u>9,632,510</u>	<u>9,783,340</u>	<u>(150,830)</u>
Expenditures				
Operations	10,075,450	10,175,450	9,710,373	465,077
Contingency	203,870	103,870	-	103,870
Total expenditures	<u>10,279,320</u>	<u>10,279,320</u>	<u>9,710,373</u>	<u>568,947</u>
Net change in fund balance	(646,810)	(646,810)	72,967	(719,777)
Fund balance - beginning of year	646,810	646,810	737,817	(91,007)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	810,784	<u>\$ (810,784)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	122,934
Net pension liability	(3,478,166)
Deferred outflows related to pensions	794,622
Deferred inflows related to pensions	(821,413)
OPEB obligation	<u>(317,965)</u>
Net position at end of year	<u>\$ (2,889,204)</u>

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Intergovernmental	\$ 199,170	\$ 199,170	\$ 199,170	\$ -
Member agencies	150,000	150,000	148,888	1,112
Interest on investments	5,500	5,500	9,180	(3,680)
Total revenues	354,670	354,670	357,238	(2,568)
Expenditures				
Operations	1,435,780	1,435,780	149,157	1,286,623
Contingency	30,000	30,000	-	30,000
Total expenditures	1,465,780	1,465,780	149,157	1,316,623
Excess (deficiency) of revenues over expenditures	(1,111,110)	(1,111,110)	208,081	(1,319,191)
Fund balance - beginning of year	1,111,110	1,111,110	1,109,467	1,643
Fund balance - end of year	\$ -	\$ -	1,317,548	\$ (1,317,548)
Reconciliation to generally accepted accounting principles:				
Capital assets			3,213	
Net position at end of year			\$ 1,320,761	

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, 2016

	<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	\$ 2,340,000	\$ 2,340,000	\$ 2,421,042	\$ (81,042)
Rents	960,000	960,000	1,300,583	(340,583)
Intergovernmental	450,000	450,000	-	450,000
Other	297,000	297,000	7,480	289,520
Total revenues	<u>4,047,000</u>	<u>4,047,000</u>	<u>3,729,105</u>	<u>317,895</u>
Expenditures				
Operations	3,732,600	3,732,600	3,424,739	307,861
Contingency	497,670	497,670	-	497,670
Total expenditures	<u>4,230,270</u>	<u>4,230,270</u>	<u>3,424,739</u>	<u>805,531</u>
Excess (deficiency) of revenues over expenditures	(183,270)	(183,270)	304,366	(487,636)
Other financing sources (uses)				
Transfers out	(314,000)	(314,000)	(302,507)	(11,493)
Net change in fund balance	(497,270)	(497,270)	1,859	(499,129)
Fund balance - beginning of year	497,270	497,270	507,777	(10,507)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	509,636	<u>\$ (509,636)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>25,297,772</u>	
Net position at end of year			<u>\$ 25,807,408</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 31,508	\$ (31,508)
Rents	1,686,800	1,686,800	1,708,802	(22,002)
Intergovernmental	8,225,780	8,225,780	8,207,458	18,322
Interest on investments	26,250	26,250	36,182	(9,932)
Other	-	-	4,143	(4,143)
Total revenues	9,938,830	9,938,830	9,988,093	(49,263)
Expenditures				
Operations	10,313,900	10,313,900	8,206,966	2,106,934
Excess (deficiency) of revenues over expenditures	(375,070)	(375,070)	1,781,127	(2,156,197)
Other financing sources (uses)				
Sale of capital assets	-	-	64,875	(64,875)
Transfers out	(300,000)	(300,000)	(262,465)	(37,535)
Total other financing sources (uses)	(300,000)	(300,000)	(197,590)	(102,410)
Net change in fund balance	(675,070)	(675,070)	1,583,537	(2,258,607)
Fund balance - beginning of year	4,340,110	4,340,110	4,520,599	(180,489)
Fund balance - end of year	<u>\$ 3,665,040</u>	<u>\$ 3,665,040</u>	6,104,136	<u>\$ (2,439,096)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 112)	5,994,272
Inventories	219,125
Capital assets	14,194,764
Deferred outflows related to pensions	230,675
Net OPEB obligation	(195,063)
Net pension liability	(1,009,697)
Deferred inflows related to pensions	(238,454)
Net position at end of year	<u>\$ 25,299,758</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, 2016

	<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	\$ -	\$ -	\$ 13,655	\$ (13,655)
Intergovernmental	2,248,200	2,248,200	1,788,799	459,401
Interest on investments	9,260	9,260	34,633	(25,373)
Total revenues	<u>2,257,460</u>	<u>2,257,460</u>	<u>1,837,087</u>	<u>420,373</u>
Expenditures				
Operations	2,665,150	2,665,150	1,452,031	1,213,119
Excess (deficiency) of revenues over expenditures	<u>(407,690)</u>	<u>(407,690)</u>	<u>385,056</u>	<u>(792,746)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	4,600	(4,600)
Transfers in	335,890	335,890	322,348	13,542
Total other financing sources (uses)	<u>335,890</u>	<u>335,890</u>	<u>326,948</u>	<u>8,942</u>
Net change in fund balance	<u>(71,800)</u>	<u>(71,800)</u>	<u>712,004</u>	<u>(783,804)</u>
Fund balance - beginning of year	<u>3,931,880</u>	<u>3,931,880</u>	<u>4,270,869</u>	<u>(338,989)</u>
Fund balance - end of year	<u>\$ 3,860,080</u>	<u>\$ 3,860,080</u>	<u>\$ 4,982,873</u>	<u>\$ (1,122,793)</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 2,698	\$ (2,698)
Intergovernmental	27,005,870	27,005,870	25,232,211	1,773,659
Interest on investments	56,550	56,550	102,730	(46,180)
Other	280,000	280,000	948,078	(668,078)
Total revenues	27,342,420	27,342,420	26,285,717	1,056,703
Expenditures				
Operations	38,527,580	38,527,580	25,179,851	13,347,729
Excess (deficiency) of revenues over expenditures	(11,185,160)	(11,185,160)	1,105,866	(12,291,026)
Fund balance - beginning of year	11,185,160	11,185,160	13,075,083	(1,889,923)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	14,180,949	<u>\$ (14,180,949)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			650	
Deferred outflows related to pensions			60,078	
Net OPEB obligation			(35,384)	
Net pension liability			(262,972)	
Claims and judgments			(6,582,900)	
Deferred inflows related to pensions			(62,105)	
Net position at end of year			<u>\$ 7,298,316</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, 2016

	<u>Issued/ Maturity Date</u>	<u>True Interest Cost</u>	<u>Original Amount</u>	<u>Principal Balance June 30, 2015</u>	<u>Additions</u>
<u>Governmental activity</u>					
General obligation bonds					
Refunding and Streets-Bridges, Series 2009	06/01/09-24	3.60	\$ 34,480,000	\$ 21,685,000	\$ -
Streets-Bridges, Series 2012	01/26/12-26	2.62	25,000,000	13,335,000	-
Refunding Fire Bond, Series 2012	04/25/12-21	2.25	18,289,298	12,168,669	-
Streets-Bridges, Series 2013	08/20/13-24	2.82	43,665,000	38,760,000	-
Subtotal general obligation bonds				85,948,669	-
Premium				3,648,943	-
Total general obligation bonds				89,597,612	-
Limited tax pension obligation, Series 2005	09/23/05-28	5.04	61,685,000	51,015,000	-
Urban renewal bonds					
Riverfront/Downtown, Series 2003A	07/29/03-18	5.35	3,425,000	905,000	-
Riverfront/Downtown, Series 2003B	07/29/03-18	6.25	24,925,000	7,275,000	-
Riverfront/Downtown, Series 2009	09/17/09-24	4.35	3,660,000	2,435,000	-
West Salem, Series 2013	07/23/13-18	1.90	1,500,000	912,000	-
Riverfront/Downtown, Series 2015A	8/27/15-17	1.26	649,000	-	649,000
Riverfront/Downtown, Series 2015B	8/27/15-18	1.73	5,481,000	-	5,481,000
Total urban renewal bonds				11,527,000	6,130,000
Total governmental bonds				152,139,612	6,130,000
Notes					
HUD Sec 108, Series 2015A	05/28/15-23	1.46	2,730,000	2,508,912	-
OECD L06001A, Mill Creek, Series 2007	06/23/11-35	4.41	3,999,999	3,999,999	-
OECD L06001B, Mill Creek, Series 2007	10/20/10-21	4.41	1,000,000	1,000,000	-
OECD L06001C, Mill Creek, Series 2007	10/17/13-33	5.00	3,772,081	3,772,081	-
Total notes				11,280,992	-
Total governmental activity long-term debt				<u>\$ 163,420,604</u>	<u>\$ 6,130,000</u>
<u>Business-type activity</u>					
Revenue bonds - water and sewer					
Full Faith and Credit, Series 2009	05/12/09-29	4.07	100,075,000	\$ 78,285,000	\$ -
Series 2012 A refunding	10/16/12-25	2.22	63,360,000	60,422,000	-
Series 2012 B refunding	10/16/12-16	0.97	49,361,000	11,326,000	-
Subtotal revenue bonds				150,033,000	-
Premiums				3,821,312	-
Total revenue bonds				153,854,312	-
Notes					
Oregon Econ & Comm Dev Dept G09001	05/12/09-33	4.17	5,875,000	4,966,743	-
Total business-type activity long-term debt				<u>\$ 158,821,055</u>	<u>\$ -</u>
Total long-term debt				<u>\$ 322,241,659</u>	<u>\$ 6,130,000</u>

Continued

Refunding/ Reductions	Principal Paid	Principal Balance June 30, 2016	Interest Paid	Total Principal and Interest Paid	Current Portion	
					Principal	Interest
\$ -	\$ 1,665,000	\$ 20,020,000	\$ 1,005,988	\$ 2,670,988	\$ 1,825,000	\$ 929,388
-	930,000	12,405,000	349,377	1,279,377	985,000	325,011
-	1,873,966	10,294,703	263,313	2,137,279	1,916,368	220,912
-	2,665,000	36,095,000	1,503,750	4,168,750	2,785,000	1,397,150
-	7,133,966	78,814,703	3,122,428	10,256,394	7,511,368	2,872,461
-	354,730	3,294,213	-	354,730	-	-
-	7,488,696	82,108,916	3,122,428	10,611,124	7,511,368	2,872,461
-	1,995,000	49,020,000	2,533,999	4,528,999	2,270,000	2,437,061
649,000	256,000	-	11,566	267,566	-	-
5,481,000	1,794,000	-	108,620	1,902,620	-	-
-	225,000	2,210,000	105,923	330,923	235,000	96,135
-	299,000	613,000	15,912	314,912	304,000	10,203
-	326,000	323,000	6,224	332,224	323,000	4,070
-	2,652,000	2,829,000	72,170	2,724,170	2,676,000	48,942
6,130,000	5,552,000	5,975,000	320,415	5,872,415	3,538,000	159,350
6,130,000	15,035,696	137,103,916	5,976,842	21,012,538	13,319,368	5,468,872
-	2,257,484	251,428	-	2,257,484	251,428	35,563
-	7	3,999,992	514,633	514,640	-	176,400
718,000 ¹	-	282,000	-	-	-	-
-	-	3,772,081	-	-	-	147,865
718,000	2,257,491	8,305,501	514,633	2,772,124	251,428	359,828
<u>\$ 6,848,000</u>	<u>\$ 17,293,187</u>	<u>\$ 145,409,417</u>	<u>\$ 6,491,475</u>	<u>\$ 23,784,662</u>	<u>\$ 13,570,796</u>	<u>\$ 5,828,700</u>
-	\$ 4,105,000	\$ 74,180,000	\$ 3,695,425	\$ 7,800,425	\$ 4,310,000	\$ 3,490,175
-	-	60,422,000	1,341,368	1,341,368	11,442,000	1,341,368
-	11,326,000	-	109,862	11,435,862	-	-
-	15,431,000	134,602,000	5,146,655	20,577,655	15,752,000	4,831,543
-	272,951	3,548,361	-	272,951	-	-
-	15,703,951	138,150,361	5,146,655	20,850,606	15,752,000	4,831,543
-	169,708	4,797,035	231,492	401,200	175,896	224,703
<u>\$ -</u>	<u>\$ 15,873,659</u>	<u>\$ 142,947,396</u>	<u>\$ 5,378,147</u>	<u>\$ 21,251,806</u>	<u>\$ 15,927,896</u>	<u>\$ 5,056,246</u>
<u>\$ 6,848,000</u>	<u>\$ 33,166,846</u>	<u>\$ 288,356,813</u>	<u>\$ 11,869,622</u>	<u>\$ 45,036,468</u>	<u>\$ 29,498,692</u>	<u>\$ 10,884,946</u>

¹ Amount forgiven per loan agreement due to job creation in Mill Creek URA

City of Salem, Oregon
Schedule of Future Long-term Debt Service Requirements
June 30, 2016

Governmental Activities

Fiscal Year	Notes		General Obligation, Urban Renewal, & Limited Tax Pension Obligation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-17	\$ 251,428	\$ 359,830	\$ 13,319,368	\$ 5,468,870	\$ 13,570,796	\$ 5,828,700
2017-18	193,754	356,494	11,181,729	5,017,968	11,375,483	5,374,462
2018-19	330,026	343,667	11,539,071	4,604,474	11,869,097	4,948,141
2019-20	343,955	426,473	12,444,415	4,114,087	12,788,370	4,540,560
2020-21	381,518	314,259	13,505,788	3,581,531	13,887,306	3,895,790
2021-22	397,666	289,904	14,684,332	3,022,231	15,081,998	3,312,135
2022-23	414,503	267,686	15,810,000	2,472,560	16,224,503	2,740,246
2023-24	432,051	249,192	17,190,000	1,797,925	17,622,051	2,047,117
2024-25	450,346	230,882	6,830,000	1,136,672	7,280,346	1,367,554
2025-26	469,419	211,810	7,425,000	829,586	7,894,419	1,041,396
2026-27	489,301	191,928	6,465,000	494,395	6,954,301	686,323
2027-28	510,027	171,201	3,415,000	170,887	3,925,027	342,088
2028-29	531,635	149,593	-	-	531,635	149,593
2029-30	554,161	127,068	-	-	554,161	127,068
2030-31	542,162	103,585	-	-	542,162	103,585
2031-32	565,079	80,668	-	-	565,079	80,668
2032-33	218,814	56,780	-	-	218,814	56,780
2033-34	227,391	48,202	-	-	227,391	48,202
2034-35	236,305	39,289	-	-	236,305	39,289
2035-36	245,568	30,026	-	-	245,568	30,026
2036-37	255,194	20,399	-	-	255,194	20,399
2037-38	265,198	10,396	-	-	265,198	10,396
Totals	\$ 8,305,501	\$ 4,079,332	\$ 133,809,703	\$ 32,711,186	\$ 142,115,204	\$ 36,790,518

Business-type Activities

Fiscal Year	Notes		Water/Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 4,797,035	\$ 2,455,035	\$ 134,602,000	\$ 32,378,664	\$ 139,399,035	\$ 34,833,699

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2016

Assets

Current assets	
Cash and investments	\$ 25,741,122
Accounts receivable, net	14,172
Inventories and prepayments	<u>1,040,406</u>
Total current assets	<u>26,795,700</u>
Noncurrent assets	
Restricted cash	8,176,043
Capital assets:	
Land and construction in progress	3,330,049
Other capital assets, net	<u>10,865,365</u>
Total noncurrent assets	<u>22,371,457</u>
Total assets	<u>49,167,157</u>

Deferred outflows of resources:

Deferred outflows related to pensions	<u>290,753</u>
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Liabilities

Current liabilities	
Accounts payable and accrued liabilities	2,450,631
Claims and judgments due within one year	1,800,000
Unearned revenue	832,271
Compensated absences due within one year	<u>43,875</u>
Total current liabilities	<u>5,126,777</u>
Noncurrent liabilities	
Net OPEB obligation	230,447
Net pension liability	1,272,669
Claims and judgments payable	4,782,900
Compensated absences payable	<u>163,611</u>
Total noncurrent liabilities	<u>6,449,627</u>
Total liabilities	<u>11,576,404</u>

Deferred inflows of resources:

Deferred inflows related to pensions	<u>300,559</u>
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Net position

Net investment in capital assets	14,195,414
Restricted for capital projects	5,994,273
Unrestricted	<u>17,391,260</u>
Total net position	<u>\$ 37,580,947</u>

Tie to Government-wide statement

Total net position	\$ 37,580,947
Back out:	
Amount reflected in capital assets	(14,195,414)
Deferred outflows related to pension	(290,753)
Add in:	
Amount due from (to) Business-type funds, June 30, 2015	(2,330,785)
Amount due from (to) Business-type funds for current year	(15,868)
Compensated absences	207,486
Net OPEB obligation	230,447
Net pension liability	1,272,669
Deferred inflows related to pension	<u>300,559</u>

Amount reflected from Internal Service funds (page 38)	<u>\$ 22,759,288</u>
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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, 2016

	<u>Internal Service Funds</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Operating revenues			
Sales, fees, licenses, and permits	\$ 47,861	\$ 30,407	\$ 13,978
Rents	1,708,802	1,085,656	499,055
Internal and intergovernmental	35,228,468	22,381,759	10,288,456
Other revenue	952,221	-	-
	<u>37,937,352</u>	<u>23,497,822</u>	<u>10,801,489</u>
Operating expenses			
Personal services	4,219,166	2,680,569	1,232,205
Materials and services	31,142,023	19,785,511	9,095,012
Depreciation	1,569,612	997,224	458,404
Allocated to programs in governmental activities			
Business type	-	-	-
General governmental	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Engineering and streets	-	-	-
Library	-	-	-
	<u>36,930,801</u>	<u>23,463,304</u>	<u>10,785,621</u>
Total operating expenses	<u>36,930,801</u>	<u>23,463,304</u>	<u>10,785,621</u>
Operating income (loss)	<u>1,006,551</u>	<u>34,518</u>	<u>15,868</u>
Non-Operating revenues (expenses)			
Interest on investments	237,759	-	-
Other revenue (expenses)	110	-	-
	<u>237,869</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>237,869</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	1,244,420	-	-
Capital contributions	193,917	-	-
Transfers in	2,378,153	-	-
Transfers out	(1,698,744)	-	-
	<u>2,117,746</u>	<u>-</u>	<u>-</u>
Change in net position	<u>2,117,746</u>	<u>-</u>	<u>-</u>
Total net position - beginning of year	<u>35,463,201</u>	<u>-</u>	<u>-</u>
Total net position - end of year	<u>\$ 37,580,947</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Other Outside	Allocation Of Loss / Gain To Programs	Governmental Government- wide Statement	Business-type Government- wide Statement
\$ 3,476	\$ -	\$ 3,476	\$ -
124,091	-	124,091	-
2,558,253	-	2,558,253	-
952,221	-	952,221	-
<u>3,638,041</u>	<u>-</u>	<u>3,638,041</u>	<u>-</u>
306,392	-	306,392	-
2,261,500	-	2,261,500	-
113,984	-	113,984	-
-	-	-	(15,868)
-	(8,619)	(8,619)	-
-	(2,727)	(2,727)	-
-	(3,390)	(3,390)	-
-	(15,861)	(15,861)	-
-	(2,986)	(2,986)	-
-	(935)	(935)	-
<u>2,681,876</u>	<u>(34,518)</u>	<u>2,647,358</u>	<u>(15,868)</u>
<u>956,165</u>	<u>34,518</u>	<u>990,683</u>	<u>15,868</u>
-	-	237,759	-
-	-	110	-
-	-	<u>237,869</u>	<u>-</u>
-	-	1,228,552	15,868
-	-	193,917	-
-	-	2,378,153	-
-	-	(1,698,744)	-
-	-	2,101,878	15,868
-	-	<u>35,463,201</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,565,079</u>	<u>\$ 15,868</u>

Concluded



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>	148
Revenue capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	153
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>	158
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>	165
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>	168

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



SCHEDULE 1

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

As of June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 344,710,450	\$ 374,773,296	\$ 390,527,598	\$ 398,944,555	\$ 415,079,585	\$ 421,436,571	\$ 427,554,634	\$ 435,779,633	\$ 446,247,364	\$ 461,124,572
Restricted	76,787,636	76,928,490	72,978,304	83,633,922	77,974,325	77,665,043	78,206,939	79,809,835	87,107,980	88,589,657
Unrestricted ¹	28,051,360	26,915,249	27,997,396	31,944,930	39,973,858	39,406,449	41,659,637	46,783,853	(15,683,375)	(38,572,412)
Total governmental activities net position	449,549,446	478,617,035	491,503,298	514,523,407	533,027,768	538,508,063	547,421,210	562,373,321	517,671,969	511,141,817
Business-type activities										
Net investment in capital assets	428,269,321	473,659,787	468,116,427	468,759,084	464,074,289	472,165,125	474,358,737	487,328,016	502,345,165	515,232,134
Restricted	30,358,017	17,762,194	25,441,205	31,495,476	27,122,086	22,901,553	10,592,627	11,344,749	16,242,400	15,955,649
Unrestricted	37,235,908	31,734,864	29,133,838	32,080,141	32,760,968	35,778,358	53,878,267	51,883,370	46,486,440	40,847,394
Total business-type activities net position	495,863,246	523,156,845	522,691,470	532,334,701	523,957,343	530,845,036	538,829,631	550,556,135	565,074,005	572,035,177
Primary government										
Net investment in capital assets	772,979,771	848,433,083	858,644,025	867,703,639	879,153,874	893,601,696	901,913,371	923,107,649	948,592,529	976,356,706
Restricted	107,145,653	94,690,684	98,419,509	115,129,398	105,096,411	100,566,596	88,799,566	91,154,584	103,350,380	104,545,306
Unrestricted	65,287,268	58,650,113	57,131,234	64,025,071	72,734,826	75,184,807	95,537,904	98,667,223	30,803,065	2,274,982
Total primary government net position	\$ 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	\$ 1,082,745,974	\$ 1,083,176,994

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 2007 through 2010. It is discretely presented from FYE 2011 forward.

Notes: 1 . Negative unrestricted net position in 2015 and 2016 due to pension liability under GASB Statement 68.

SCHEDULE 2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
As of June 30										
Expenses										
Governmental activities:										
General government	\$ 15,129,054	\$ 16,067,657	\$ 12,557,894	\$ 10,662,002	\$ 17,240,091	\$ 21,514,149	\$ 21,296,860	\$ 23,128,615	\$ 19,569,966	\$ 25,795,167
Public safety	49,777,067	53,443,465	53,685,252	53,685,252	56,509,443	59,245,778	58,805,455	60,447,533	48,297,656	83,670,810
Community development	24,130,733	29,606,057	25,988,161	27,700,099	23,810,219	23,353,314	25,641,646	25,640,912	25,365,523	25,365,523
Community services	9,049,614	9,953,583	10,554,331	7,217,375	7,939,666	8,077,160	8,315,343	8,315,343	7,413,884	10,845,896
Engineering and streets	26,560,667	28,372,823	28,064,453	26,271,205	24,500,538	26,825,997	27,175,114	20,886,835	21,531,878	30,036,926
Library services	4,627,364	4,544,617	4,503,422	4,358,817	4,441,872	4,490,150	4,535,827	4,525,863	3,357,157	5,766,700
Interest on debt	6,519,617	7,227,113	7,265,661	7,944,547	7,541,629	7,014,742	6,699,240	8,005,607	7,063,013	6,267,919
Total governmental activities	135,794,116	147,766,466	142,377,387	137,839,297	141,983,459	150,521,290	147,407,942	147,951,442	132,873,566	187,748,941
Business-type activities:										
Water and sewer	58,546,859	69,124,563	72,992,423	69,447,251	67,304,246	67,641,644	72,271,694	78,156,729	70,951,961	90,890,450
Housing Authority	17,590,873	18,759,080	18,749,228	22,869,199	-	-	-	-	-	-
Emergency services	2,205,742	1,923,960	2,265,540	1,483,101	987,118	1,055,673	1,294,706	1,093,116	860,417	928,245
WVPS communications center	5,838,891	6,046,467	6,469,078	6,490,525	6,846,721	7,075,463	8,875,249	8,869,085	7,329,036	12,533,464
Oregon public electronic network	398,259	160,321	-	-	-	-	-	-	-	-
Police regional records system	3,370,621	3,556,028	4,249,083	247,214	239,432	309,859	249,368	239,226	168,121	149,157
Salem Convention Center	87,951,245	99,570,419	104,725,352	104,072,666	79,257,187	3,535,376	3,763,233	3,876,195	4,114,169	4,002,023
Total business-type activities	87,951,245	99,570,419	104,725,352	104,072,666	79,257,187	79,634,044	86,454,250	92,234,351	83,423,704	108,503,339
Total expenses	\$ 223,745,361	\$ 247,336,885	\$ 247,102,739	\$ 241,911,963	\$ 221,240,646	\$ 230,155,334	\$ 233,862,192	\$ 240,185,793	\$ 216,297,270	\$ 296,252,280
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,772,808	\$ 8,274,233	\$ 10,621,057	\$ 9,890,857	\$ 9,636,473	\$ 8,416,253	\$ 9,051,015	\$ 9,727,451	\$ 9,721,341	\$ 8,489,920
Public safety	4,039,897	4,022,978	4,248,201	3,276,484	2,597,900	2,702,450	2,954,822	3,036,252	3,122,368	3,296,684
Community development	12,615,667	12,947,688	8,692,993	13,057,525	9,935,284	8,647,772	9,913,422	13,035,916	10,758,042	14,672,898
Community services	3,298,755	3,228,406	3,183,119	624,081	1,180,119	4,963,753	4,720,655	5,453,282	5,711,620	2,181,302
Engineering and streets	10,184,210	11,122,510	10,482,300	8,465,378	8,398,305	8,702,792	8,673,693	3,086,927	3,437,418	7,924,516
Library services	859,570	792,898	777,889	871,213	833,995	842,339	839,415	839,415	826,307	857,018
Interest on debt	-	2,947,051	2,898,830	2,875,690	2,844,620	2,804,560	2,757,900	2,469,450	4,353,300	4,529,500
Operating grants and contributions	11,266,927	11,609,101	11,141,729	12,115,403	13,352,583	12,395,767	11,438,240	13,339,534	13,840,258	12,551,092
Capital grants and contributions	19,312,072	32,778,270	12,889,532	13,029,362	13,301,390	7,004,622	7,854,947	10,630,480	12,487,837	14,084,952
Total governmental activities	69,349,906	87,723,135	64,935,650	64,205,993	62,080,669	56,480,408	58,209,735	61,618,707	64,258,491	68,587,882
Business-type activities:										
Charges for services:										
Water and sewer	59,168,890	59,313,030	64,745,475	70,711,576	72,440,296	71,066,622	74,458,723	84,279,309	88,106,019	90,920,920
Housing Authority	862,066	1,164,221	1,621,844	1,668,943	-	-	-	-	-	-
Emergency services	980,060	1,150,568	1,381,724	1,446,292	1,170,744	1,119,374	1,117,833	858,984	862,363	726,734
WVPS communications center	5,468,754	5,535,768	6,034,856	6,299,390	6,576,751	6,789,803	8,479,940	8,377,806	8,785,249	9,775,246
Oregon public electronic network	188,420	1,890	-	367,308	383,900	318,694	324,853	311,775	322,900	348,058
Police regional records system	-	3,348,490	3,603,585	2,970,073	3,642,622	3,216,611	3,425,715	3,476,830	3,739,372	3,729,105
Salem Convention Center	17,470,265	17,476,430	16,918,001	17,735,354	56,066	48,828	111,221	62,804	-	-
Operating grants and contributions	18,837,880	34,708,402	8,384,088	10,694,759	4,795,985	3,372,399	5,588,746	5,527,869	6,247,189	10,050,339
Total business-type activities	106,089,118	122,698,799	102,689,573	111,893,695	89,066,344	85,932,331	93,487,031	102,895,377	108,063,092	115,550,402
Total program revenues	\$ 175,439,024	\$ 210,421,934	\$ 167,625,223	\$ 176,099,688	\$ 151,147,013	\$ 142,412,739	\$ 151,696,766	\$ 164,514,084	\$ 172,321,583	\$ 184,138,284

Continued

SCHEDULE 2

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

As of June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$ (66,444,210)	\$ (60,043,331)	\$ (77,441,737)	\$ (73,633,304)	\$ (79,902,790)	\$ (94,040,882)	\$ (89,198,207)	\$ (86,332,735)	\$ (68,615,075)	\$ (119,161,059)
Business-type activities	18,137,873	23,128,380	(2,035,779)	7,821,029	9,809,157	6,298,287	7,032,781	10,661,026	24,639,388	7,047,063
Total net expense	\$ (48,306,337)	\$ (36,914,951)	\$ (79,477,516)	\$ (65,812,275)	\$ (70,093,633)	\$ (87,742,595)	\$ (82,165,426)	\$ (75,671,709)	\$ (43,975,687)	\$ (112,113,996)
General Revenues										
Governmental activities:										
Property tax	\$ 59,199,262	\$ 63,192,216	\$ 65,579,277	\$ 74,042,268	\$ 75,711,745	\$ 77,131,275	\$ 77,692,414	\$ 77,784,406	\$ 82,194,991	\$ 84,316,404
Transient occupancy tax	2,394,765	2,506,226	2,416,440	2,138,196	2,215,001	2,239,286	2,445,339	2,730,822	3,125,123	3,612,596
Shared state revenue	3,686,377	4,831,918	2,276,288	3,936,080	4,048,300	4,349,029	4,494,802	4,686,535	4,821,232	4,805,808
Franchise fees based on gross receipts	13,046,417	13,660,585	14,073,056	13,831,430	13,697,602	14,452,337	15,403,281	15,401,430	16,142,631	16,565,567
Payment in lieu of taxes	96,320	96,820	139,295	108,901	97,143	97,194	94,504	102,646	99,835	96,571
Investment earnings	5,196,018	4,082,322	2,199,541	1,330,733	611,855	759,531	692,002	776,162	1,024,656	1,354,500
Gain on sale of assets	657,993	1,318,527	3,090,684	1,233,877	-	-	3,490	13,160	48,197	166,457
Miscellaneous	3,622,778	791,185	784,077	889,903	555,015	501,675	269,034	217,028	593,905	869,803
Transfers in (out)	(643,343)	(1,368,879)	(230,658)	(857,975)	1,470,490	(9,150)	(2,983,512)	(427,343)	(588,500)	911,634
Total governmental activities	87,256,587	89,110,920	90,328,000	96,653,413	98,407,151	99,521,177	98,111,354	101,284,846	107,465,070	112,699,340
Business-type activities:										
Investment earnings	3,751,647	3,485,243	1,121,690	467,557	238,610	258,335	238,187	315,511	383,525	529,852
Gain or (loss) on sale of assets	-	(59,663)	37,949	45,270	4,121	6,358	16,818	8,150	13,049	-
Miscellaneous	237,381	79,429	180,107	535,878	400,629	315,563	284,196	314,474	795,832	295,891
Transfers in (out)	643,343	1,368,879	230,658	857,975	(1,470,490)	9,150	2,983,512	427,343	585,500	(911,634)
Total business-type activities	4,632,371	4,873,868	1,570,404	1,906,680	(827,130)	589,406	3,522,713	1,065,478	1,777,906	(85,891)
Total primary government	\$ 91,888,958	\$ 93,984,788	\$ 91,898,404	\$ 98,560,093	\$ 97,580,021	\$ 100,110,583	\$ 101,634,067	\$ 102,350,324	\$ 109,242,976	\$ 112,613,449
Change in Net Position										
Governmental activities	\$ 20,812,377	\$ 29,067,589	\$ 12,886,263	\$ 23,020,109	\$ 18,504,361	\$ 5,480,295	\$ 8,913,147	\$ 14,952,111	\$ 38,849,995	\$ (6,461,719)
Business-type activities	22,770,244	28,002,248	(465,375)	9,727,709	8,982,027	6,887,693	10,555,494	11,726,504	26,417,294	6,961,172
Total	\$ 43,582,621	\$ 57,069,837	\$ 12,420,888	\$ 32,747,818	\$ 27,486,388	\$ 12,367,988	\$ 19,468,641	\$ 26,678,615	\$ 65,267,289	\$ 499,453

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 2007 through 2010. It 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	2007	2008	2009	2010	2011
General fund					
Nonspendable:	*	*			
Prepaid items			\$ -	\$ -	\$ -
Long-term receivable			1,411	1,078	733
Restricted for:					
Library services			11	15	9
Unassigned			14,940	17,567	18,257
Unreserved	\$ 11,894	\$ 11,241	n/a	n/a	n/a
Total General Fund	\$ 11,894	\$ 11,241	\$ 16,362	\$ 18,660	\$ 18,999
All other governmental funds					
Nonspendable:					
Prepaid items	*	*	\$ -	\$ -	\$ -
Permanent fund principal			11	11	11
Restricted for:					
Capital projects			70,367	59,667	45,818
Community renewal			-	14	-
Debt service			9,484	15,811	16,499
Permanent funds - spendable			197	202	213
General government			172	178	178
Community development-SCC Gain/Loss			2,387	2,903	3,285
Community development-Other			65	66	66
Community services			598	610	590
Library services			31	35	24
Public safety			560	471	476
Engineering/Streets			856	1,397	1,803
Committed for:					
Public works			1,772	2,589	3,099
Capital projects			109	1,578	-
Airport			374	334	457
Downtown parking			562	445	429
Economic improvement			199	184	-
Cultural/Tourism			618	465	655
Public Art			-	-	1
Parking leasehold			306	346	421
Building & safety			4,081	4,747	4,397
General government-replace phone system			1,133	1,330	1,481
Community services			94	104	236
Library services			1,028	941	914
Public safety			81	76	14
Engineering & streets			163	-	-
Reserved	\$ 16,023	\$ 15,447	n/a	n/a	n/a
Unreserved					
Special revenue funds	10,363	9,856			
Capital projects funds	39,211	46,754			
Total all other governmental funds	\$ 65,597	\$ 72,057	\$ 95,248	\$ 94,504	\$ 81,067

Continued

SCHEDULE 3

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

As of June 30	2012	2013	2014	2015	2016
General fund					
Nonspendable:					
Prepaid items	\$ 409	\$ 420	\$ 452	\$ 484	\$ 517
Long-term receivable	373	-	-	-	-
Restricted for:					
Library services	10	-	-	-	-
Unassigned	17,779	20,379	20,545	23,516	26,264
Unreserved	n/a	n/a	n/a	n/a	n/a
Total General Fund	<u>\$ 18,571</u>	<u>\$ 20,799</u>	<u>\$ 20,997</u>	<u>\$ 24,000</u>	<u>\$ 26,781</u>
All other governmental funds					
Nonspendable:					
Prepaid items	\$ 87	\$ 87	\$ 63	\$ 64	\$ 48
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	54,021	32,438	69,176	65,503	58,916
Community renewal	-	35	25	47	15
Debt service	17,550	17,604	17,121	16,331	17,729
Permanent funds - spendable	217	232	240	245	248
General government	179	179	181	59	58
Community development-SCC Gain/Loss	3,827	3,980	4,065	4,217	4,305
Community development-Other	-	67	67	68	68
Community services	612	685	733	676	634
Library services	28	28	39	36	40
Public safety	582	497	405	544	528
Engineering/Streets	1,792	1,701	1,549	1,448	1,648
Committed for:					
Public works	2,495	1,687	2,024	3,208	5,557
Capital projects	-	-	-	-	-
Airport	531	564	631	683	952
Downtown parking	516	326	376	622	935
Economic improvement	77	183	173	99	33
Cultural/Tourism	557	882	1,266	1,216	1,219
Public Art	1	1	4	1	32
Parking leasehold	500	548	573	783	669
Building & safety	3,555	3,748	4,789	4,987	5,359
General government-replace phone system	1,652	1,692	1,704	1,683	1,502
Community services	-	43	45	25	30
Library services	950	975	881	924	970
Public safety	22	15	16	16	17
Engineering & streets	-	-	-	-	-
Reserved	n/a	n/a	n/a	n/a	n/a
Unreserved					
Special revenue funds					
Capital projects funds					
Total all other governmental funds	<u>\$ 89,762</u>	<u>\$ 68,208</u>	<u>\$ 106,157</u>	<u>\$ 103,496</u>	<u>\$ 101,523</u>

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 2007-2008).
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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
As of June 30										
Revenues										
Property taxes	\$ 59,147,634	\$ 62,534,967	\$ 65,076,281	\$ 73,308,330	\$ 74,888,230	\$ 77,310,933	\$ 77,798,977	\$ 78,604,201	\$ 82,717,374	\$ 84,241,245
Other taxes	2,394,765	2,506,226	2,465,062	2,187,338	2,268,440	2,292,159	2,500,211	2,788,858	3,177,422	3,612,596
Sales, fees, licenses, and permits	27,728,489	27,183,966	23,614,958	25,807,215	22,457,234	22,154,528	24,878,758	27,040,176	25,511,801	33,693,610
Fines and penalties	2,662,454	3,364,017	3,477,483	3,586,829	3,452,573	3,067,266	2,547,538	2,712,724	2,772,139	3,023,850
Special assessments	16,231	220,419	305,709	210,759	62,135	678,843	618,003	767,990	476,972	514,942
Interest on investments	4,227,106	4,082,325	1,751,896	1,048,597	649,822	636,903	577,575	642,954	855,930	1,116,741
Grants	4,468,002	9,498,793	7,583,257	7,122,044	7,615,558	5,823,954	4,773,444	8,631,220	8,140,701	6,837,612
Intergovernmental	32,950,915	32,364,710	32,562,714	29,604,924	29,762,148	35,150,303	35,784,928	32,002,982	38,282,094	32,524,245
Rents	2,867,711	2,821,984	3,150,271	2,969,490	3,185,058	2,922,831	3,222,814	3,281,528	3,552,864	3,518,821
Loan payments received	1,359,957	1,809,555	945,685	1,039,133	775,791	979,261	888,884	1,723,421	1,608,618	2,694,311
Other	2,748,616	1,173,104	2,228,245	1,763,737	1,658,861	1,298,618	1,114,307	1,026,446	946,805	1,297,748
Total revenues	140,571,880	147,560,066	143,161,561	148,648,396	146,775,850	152,315,599	154,705,439	159,222,500	168,042,720	173,075,721
Expenditures										
General government	12,017,046	12,917,309	12,866,024	12,248,432	12,689,597	17,072,868	17,044,104	18,640,507	19,637,379	17,018,725
Community development	16,222,112	18,684,997	16,999,782	18,090,131	17,902,814	16,239,064	15,490,499	16,418,121	17,661,782	16,373,289
Community service	8,596,541	8,904,403	9,065,932	6,226,902	6,703,357	7,038,423	6,550,095	7,055,808	7,059,393	7,812,249
Public safety	49,351,315	50,530,558	52,032,875	52,973,430	54,709,814	57,952,163	57,116,459	59,453,631	60,321,502	61,933,220
Engineering/streets	18,945,244	19,260,210	18,982,507	14,679,516	14,982,329	16,745,253	16,563,872	10,692,492	10,193,376	12,004,928
Library	4,422,147	4,223,940	4,232,387	4,167,415	4,122,063	4,232,024	4,260,510	4,386,708	4,356,433	4,433,093
Capital outlay	23,055,009	38,952,034	27,669,123	23,126,615	27,023,802	28,361,412	35,162,576	32,666,666	27,065,092	29,581,071
Debt service										
Principal retirement	15,017,720	10,848,800	9,745,888	12,643,046	14,170,379	15,530,579	16,535,545	15,754,955	14,016,503	23,068,458
Interest and fiscal charges	6,687,773	6,982,291	7,381,980	7,876,030	7,694,560	6,976,146	6,669,810	7,886,344	6,777,542	6,502,290
Total expenditures	154,314,907	171,304,542	158,976,498	152,031,517	160,008,715	170,147,932	175,393,470	172,955,232	167,089,002	178,727,323
Excess (deficiency) of revenues over (under) expenditures	(13,743,027)	(23,744,476)	(15,814,937)	(3,383,121)	(13,232,865)	(17,832,333)	(20,688,031)	(13,732,732)	963,718	(5,651,602)
Other financing sources (uses)										
Transfers in	4,162,590	7,501,428	11,894,240	7,326,962	12,616,741	7,565,121	6,780,093	7,494,154	11,899,729	12,729,116
Issuance of debt	4,061,026	22,800,000	39,199,000	3,660,000	857,055	26,283,080	2,335,090	49,461,855	-	6,130,000
Issuance of refunding bonds	-	-	-	-	-	18,289,298	-	-	-	-
Bond issuance premium	-	-	2,156,577	-	-	-	-	2,928,425	-	-
Payments to refunded bond escrow agents	-	-	(3,402,175)	-	-	(18,289,298)	-	-	-	-
Sale of capital assets	1,655,711	5,651,681	3,954,736	1,697,190	75,848	34,056	25,000	17,329	6,247	166,347
Transfers out	(4,183,270)	(6,403,037)	(9,675,190)	(7,747,524)	(13,414,877)	(7,782,861)	(7,777,958)	(8,022,063)	(12,517,834)	(12,496,891)
Total other financing sources (uses)	5,696,057	29,550,072	44,127,188	4,936,628	134,767	26,099,396	1,362,225	51,879,700	(611,858)	6,528,572
Net change in fund balances	\$ (8,046,970)	\$ 5,805,596	\$ 28,312,251	\$ 1,553,507	\$ (13,098,098)	\$ 8,267,063	\$ (19,325,806)	\$ 38,146,968	\$ 341,860	\$ 876,970
Debt service as a percentage of non-capital expenditures	15.76%	12.16%	12.44%	14.97%	15.85%	15.06%	15.51%	16.05%	13.65%	18.25%

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 Property ¹	Industrial Property ¹	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
	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
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%
2015	6,942,528	16,764	3,300,222	108,190	320,313	276,310	10,964,327	7.77	12,917,229	16,845,667	65.09%
2016	7,250,682	16,588	3,191,346	333,536	332,086	296,494	11,420,732	7.61	13,697,349	17,708,784	64.49%

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					
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	
2015	5.54	0.97	1.26	7.77	6.12	2.86	1.99	18.74	
2016	5.54	1.00	1.07	7.61	6.26	2.86	2.02	18.75	

Source: Marion County Summary of Tax Roll

SCHEDULE 7

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

	2016				2007			
	Property Taxpayers	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	\$ 94,881,221	1	0.83%	\$ 68,763,900	1	0.83%		
Northwest Natural Gas Company	71,215,700	2	0.62%	58,468,900	4	0.70%		
Lancaster Development Company	58,833,290	3	0.52%	46,529,970	3	0.56%		
Metropolitan Life Insurance Company	45,385,410	4	0.40%	34,365,100	5	0.41%		
CenturyLink	42,287,000	5	0.37%	-	-	-		
State Investments LLC	37,076,432	6	0.32%	-	-	-		
Wal-Mart Real Estate Business	33,706,160	7	0.30%	26,835,980	6	0.32%		
HD Salem OR Landlord LLC	33,954,000	8	0.30%	-	-	-		
Comcast Corporation	32,819,880	9	0.29%	-	-	-		
State Accident Insurance Fund	31,333,530	10	0.27%	24,090,330	7	0.29%		
PPG Industries, Inc	-	-	-	22,010,357	8	0.26%		
Price-ASG LLC	-	-	-	19,042,120	9	0.23%		
Cascadia Canyon LLC	-	-	-	19,316,719	10	0.23%		
Qwest Corporation (US West Comm)	-	-	-	67,541,700	2	0.81%		
All other taxpayers	10,939,239,061		95.78%	7,946,313,954		95.36%		
Total	\$ 11,420,731,684		100.00%	\$ 8,333,279,030		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	
2009-10	76,213,066	2,148,430	74,064,636	70,857,175	92.97%	3,146,830	74,004,005	99.92%	60,631
2010-11	77,615,253	2,098,618	75,516,635	72,262,984	93.10%	3,175,447	75,438,431	99.90%	78,204
2011-12	79,314,605	2,342,806	76,971,799	73,998,354	93.30%	2,870,175	76,868,529	99.87%	103,270
2012-13	79,624,242	2,322,020	77,302,222	74,456,966	93.51%	2,586,979	77,043,945	99.67%	258,277
2013-14	80,026,048	2,328,202	77,697,846	75,270,772	94.06%	1,853,605	77,124,377	99.26%	573,469
2014-15	84,192,771	2,433,706	81,759,065	79,532,985	94.47%	1,229,786	80,762,771	98.78%	996,294
2015-16	86,416,824	2,413,221	84,003,603	81,875,741	94.75%	-	81,875,741	97.47%	2,127,862

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 Bonds⁴	Limited Tax Pension Obligation Bonds	Urban Renewal Tax Increment Bonds	Urban Renewal Bonds	
2007 ²	\$ 15,510,000	\$ 59,065,000	\$ 5,000	\$ 44,015,000	\$ 9,367,536
2008 ²	29,073,499	58,675,000	-	41,495,000	10,510,142
2009 ²	61,614,975	58,140,000	-	38,515,000	9,349,478
2010 ²	55,027,980	57,440,000	-	38,765,000	7,276,887
2011	47,694,890	56,570,000	-	33,475,000	7,330,112
2012	65,054,925	55,510,000	-	27,470,000	7,661,036
2013	56,850,076	54,240,000	-	21,230,000	9,048,890
2014	96,754,845	52,750,000	-	15,956,000	12,330,992
2015	89,597,612	51,015,000	-	11,527,000	11,280,992
2016	82,108,916	49,020,000	-	5,975,000	8,305,501

Continued

SCHEDULE 9

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

Business-Type Activities				Percentage of Total Personal Income³	Per Capita³
Water/Sewer Revenue Bonds	Water/Sewer Revenue / Full Faith and Credit Bonds	Notes	Total		
\$ 123,137,654	\$ -	\$ 46,759,614	\$ 297,859,804	6.85%	\$ 1,995
115,066,951	-	27,362,302	282,182,894	6.10%	1,853
112,125,266	100,075,000	33,897,314	413,717,033	8.36%	2,678
103,136,612	96,895,000	35,555,422	394,096,901	7.77%	2,511
93,782,958	93,390,000	32,925,377	365,168,337	6.92%	2,319
83,979,304	89,780,000	32,139,966	361,595,231	6.85%	2,322
102,609,214	86,060,000	5,287,907	335,326,087	6.19%	2,143
88,081,263	82,230,000	5,130,308	353,233,408	6.37%	2,239
75,569,312	78,285,000	4,966,743	322,241,659	5.72%	2,023
63,970,361	74,180,000	4,797,035	288,356,813	N/A	1,794

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. Salem Housing Authority is included as a blended component unit for FYE 2007 through 2010.
 3. See Statistical Schedule 14 *Demographic and Economic Statistics* for total personal income and population.
 4. 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	General Bonded Debt Per Capita
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%	1,133
2015	159,265	10,964,326,873	89,597,612	78,285,000	693,010	167,189,602	1.52%	1,050
2016	160,690	11,420,731,864	82,108,916	74,180,000	1,680,942	154,607,974	1.35% ⁵	962 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 0.72% for 2016.
6. With only General Obligation bonds, this figure is 511 for 2016.

SCHEDULE 11

**City of Salem, Oregon
 Computation of Direct and Overlapping Debt
 As of June 30, 2016
 (dollars in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Marion County	\$ 9,082	38.7885%	\$ 3,523
Marion County School District 24J	430,397	60.4704%	260,263
Marion County School District 5	25,114	0.0330%	8
Chemeketa Community College	86,615	31.8418%	27,580
Polk County	4,446	33.4170%	1,486
Willamette ESD	10,750	28.9631%	3,114
Subtotal, overlapping debt			295,974
General obligation bonds ²			82,109
Limited tax pension obligation bonds ³			49,020
Urban renewal bonds ⁴			5,975
Notes ⁵			8,305
Subtotal, City direct debt ⁶			145,409
Total direct and overlapping debt			<u>\$ 441,383</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. Includes 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 currently all Urban Renewal Agency notes and therefore are not 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. Includes 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real market value (RMV)	\$ 11,641,957,321	\$ 13,533,996,590	\$ 14,319,704,036	\$ 13,960,557,368
Legal debt margin:				
Debt limit (3% of RMV) ¹	349,258,720	406,019,898	429,591,121	418,816,721
Debt applicable to limit:				
General Obligation Bonds	15,510,000	29,073,499	61,614,975	55,027,980
Less:				
Funds applicable to the payment of principal ²	(1,850,622)	(1,053,411)	(358,059)	(738,810)
Premium received on Refunding and Streets-Bridges, Series 2009 and 2013	-	-	(1,898,110)	(1,771,569)
Total net debt applicable to limit	<u>13,659,378</u>	<u>28,020,088</u>	<u>59,358,806</u>	<u>52,517,601</u>
Legal debt margin ³	<u>\$ 335,599,342</u>	<u>\$ 377,999,810</u>	<u>\$ 370,232,315</u>	<u>\$ 366,299,120</u>
Total net debt applicable to limit as a percentage of limit	<u>3.91%</u>	<u>6.90%</u>	<u>13.82%</u>	<u>12.54%</u>

Continued

SCHEDULE 12

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

2011	2012	2013	2014	2015	2016
\$ 13,414,742,906	\$ 12,756,684,966	\$ 12,267,501,849	\$ 12,243,883,002	\$ 12,917,229,291	\$ 13,697,349,090
402,442,287	382,700,549	368,025,055	367,316,490	387,516,879	410,920,473
47,694,890	65,054,925	56,850,076	96,754,845	89,597,612	82,108,916
(425,307)	(448,927)	(129,392)	(307,721)	(693,010)	(1,680,942)
(1,645,028)	(1,518,487)	(1,391,946)	(4,003,673)	(3,648,943)	(3,294,213)
45,624,555	63,087,511	55,328,738	92,443,451	85,255,659	77,133,761
\$ 356,817,732	\$ 319,613,038	\$ 312,696,317	\$ 274,873,039	\$ 302,261,220	\$ 333,786,712
11.34%	16.48%	15.03%	25.17%	22.00%	18.77%
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 City of Salem 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 Charges²	Less: Operating Expenses³	Net Available Revenue	Debt Service		Coverage¹
				Principal⁴	Interest	
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
2015	89,213	55,242	33,971	12,239	1,570	2.46
2016	91,241	55,663	35,578	11,326	1,451	2.78

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
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	35,133	5,542,933	49	3,220	8.2%
2014-15	159,265	35,360	5,631,610	49	3,250	7.4%
2015-16	160,690	N/A	N/A	49	3,279	6.1%

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**

	2016			2007		
	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	23,100	1	30.09%	20,200	1	27.53%
Salem-Keizer School District ³	4,584	2	5.97%	4,000	2	5.45%
Salem Health/Salem Hospital ³	3,900	3	5.08%	3,500	3	4.77%
Chemeketa Community College ³	1,584	4	2.06%	1,000	8	1.36%
Marion County ³	1,511	5	1.97%	1,562	4	2.13%
Federal Government	1,500	6	1.95%			
City of Salem ^{3,4}	1,327	7	1.73%	1,536	5	2.09%
Kaiser Permanente	1,200	8	1.56%			
Norpac Foods Incorporated ³	1,200	9	1.56%	1,000	7	1.36%
State Accident Insurance Fund	945	10	1.23%			
T Mobile				1,100	6	1.50%
Roth's				1,000	9	1.36%
Wal-Mart				1,000	10	1.36%
Total	40,851		53.20%	35,898		48.91%

Sources: Oregon Employment Department (www.qualityinfo.org)
 Salem Health (www.salemhealth.org)
 Salem-Keizer Public Schools (www.salkeiz.k12.or.us)
 Marion County (www.co.marion.or.us)
 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 2015-16 was 76,764.
 2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2006-07 was 73,374.
 3. Includes full and part-time positions.
 4. City of Salem included Salem Housing Authority employees for years 2007 through 2010.

SCHEDULE 16

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

Function / Program	2007	2008	2009	2010¹	2011	2012	2013	2014	2015	2016
Governmental activities										
General government										
City manager's office ⁵	9	12	9	16	17	16	9	9	37	36
Human resources	7	8	8	8	8	8	8	8	8	8
Legal	13	15	15	14	14	14	13	13	15	15
Administrative services	97	89	89	37	35	35	33	33	33	33
Municipal court	8	10	12	11	13	13	13	14	14	14
City services	40	38	38	38	37	36	32	29	29	29
Self insurance	7	7	7	7	7	7	7	7	7	7
Information technology ⁵	37	41	40	61	61	61	60	62	37	40
Public safety										
Police	233	242	240	234	234	237	227	228	228	228
Fire	164	164	164	163	169	168	160	154	152	152
Community development										
Administrative/planning	19	31	35	36	36	36	30	30	30	30
Airport	5	5	5	4	4	4	5	5	5	4
Building and safety	40	38	33	21	22	19	19	21	22	21
Urban development	24	24	24	46	45	45	32	30	29	33
Community services	64	67	66	-	-	-	-	-	-	-
Engineering and streets ^{3,4,6}	139	144	134	132	135	134	126	77	73	48
Library services	50	52	52	48	46	48	45	45	45	45
Recreation services ^{3,6}	-	-	-	-	-	-	10	10	10	42
Business-type activities										
Water and sewer ⁴	213	217	221	242	248	244	246	296	294	300
Salem Housing Authority ²	64	61	55	54	-	-	-	-	-	-
Emergency services	4	4	5	5	5	5	6	6	2	2
WVPS communications center	59	59	59	60	60	60	60	70	70	73
Total	<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>	<u>1,140</u>	<u>1,160</u>
Entity										
City of Salem	1,232	1,267	1,256	1,183	1,196	1,190	1,141	1,147	1,140	1,160
Salem Housing Authority ²	<u>64</u>	<u>61</u>	<u>55</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<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>	<u>1,140</u>	<u>1,160</u>

Source: City of Salem Budget

- Notes
1. Changes are due to City-wide restructuring and elimination of positions.
 2. Salem Housing Authority was included as a blended component unit for FY 2007 through 2010.
 3. Recreation services separated from Public Works (Engineering & streets) in FY 2012-13.
 4. Engineering services moved from Public Works (Engineering & streets) to Water and sewer fund in FY 2013-14.
 5. Facilities division moved from IT to City Manager's office in FY 2014-15.
 6. Parks maintenance moved from Public Works (Engineering and streets) to Recreation services in FY 2015-16.

SCHEDULE 17

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

Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
F.B.I. Index Crimes reported ¹	8,912	8,684	7,749	7,059	6,680	6,671	7,482	7,476	7,684	7,417
F.B.I. Index Crimes cleared by arrest	2,187	1,808	1,866	1,732	1,615	1,790	2,021	1,831	1,935	1,882
Citations and warnings issued	34,021	34,326	38,735	34,848	33,357	30,145	25,773	25,224	25,059	30,785
Fire										
Emergency & non-emergency responses	17,846	18,630	17,360	16,980	16,825	17,124	16,723	17,960	19,592	20,927
Fires extinguished	609	502	471	415	380	390	434	401	476	477
Inspections-new constr & existing buildings	2,189	2,672	2,739	1,530	1,469	1,066	1,435	1,344	1,312	1,201
Community development										
Plan checks	4,415	4,213	3,175	3,461	2,750	2,992	3,254	3,858	3,807	4,262
Inspections completed	35,535	31,620	22,972	22,707	20,297	21,233	19,957	22,487	22,372	22,097
Building permits issued	2,191	1,898	1,524	1,586	1,506	1,556	1,726	1,892	1,814	1,979
Community services										
Recreation participant/registrations ^{2,6}	241,343	282,549	230,099	207,481	202,038	216,970	217,121	220,005	238,583	246,390
Special activities permits issued ^{3,6}	3,166	2,185	1,021	784	780	757	613	893	963	1,174
Senior Center average daily attendance	-	-	786	746	766	708	726	742	806	856
Ball fields and gymnasiums (hrs used) ⁷	40,958	45,666	40,985	47,395	49,587	54,530	53,917	55,148	55,719	59,324
Engineering and streets										
Street cut permits	87	71	143	121	226	325	357	533	406	477
Street resurfacing (miles)	10	4	2	2	11	8	8	3	4	3
Potholes repaired	4,072	4,339	2,250	1,908	2,072	2,844	1,522	1,638	1,388	1,764
Library services										
Volumes in collection	623,211	625,407	636,971	517,266	528,518	477,873	481,393	404,617	376,016	341,088
Items in circulation	1,385,511	1,312,044	1,330,358	1,331,922	1,411,186	1,421,544	1,336,215	1,226,379	1,235,209	1,203,686
Water and Sewer										
Citizens served-water	180,594	182,885	185,771	188,353	189,008	187,863	188,443	189,829	191,388	192,835
Water utility accounts	47,970	48,049	47,194	50,758	50,449	50,232	51,532	51,491	52,107	52,725
New water connections	775	624	453	417	193	192	249	327	278	308
Water lines repaired	602	761	521	458	334	401	213	235	223	267
Average daily consumption	29	29	29	29	25	26	27	26	26	26
Citizens served-sewer	219,779	221,788	225,298	227,820	228,475	227,775	228,188	229,666	231,152	232,855
Sewer utility accounts	57,745	58,048	58,091	61,582	61,150	60,850	61,772	61,988	62,649	63,320
New sewer connections	779	624	453	469	183	44	67	88	40	79
Sewer lines repaired	217	284	304	361	335	375	330	322	785	244
Average daily sewage treatment (ccf)	52,406	50,401	46,253	54,545	59,919	54,177	38,770	48,342	49,719	55,614
Salem Housing Authority ⁹										
HUD Public housing units	325	310	307	292	-	-	-	-	-	-
Section 8 vouchers issued	2,599	2,750	2,782	2,811	-	-	-	-	-	-
Emergency services										
Total medical aid responses	12,325	12,464	12,572	12,746	12,805	13,018	12,566	13,503	14,638	15,490
Billings ^{4,8}	\$ 479,233	\$ 577,688	\$ 830,841	\$ 915,399	\$ 327,332	\$ 239,057	\$ 199,304	\$ 177,296	\$ 219,841	\$ 42,844
WVPS communications center ⁹										
Emergency calls taken	163,440	161,660	158,377	165,503	147,935	138,771	140,773	145,899	181,789	182,487
Dispatches issued	256,151	278,795	277,784	276,702	257,500	262,743	292,492	300,580	312,108	331,356

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 Recreation, 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 are contracted to a private company.

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 2007-2010.

6. Starting in 2009, senior center is not included in special activity permits.

7. Includes use of Soap Box Derby track, cross country meets, and tennis court.

8. Reduction in FY 2011 is due to changes in renewed contract and lower reimbursements from medicare and auto insurance companies.

9. WVPS served Marion and Polk counties through FY 2012. Lincoln county added in FY 2013.

SCHEDULE 18

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

Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	49	51	50	52	52	50	50	50	53	53
Fire										
Fire stations	10	10	10	11	11	11	11	11	11	11
Fire trucks ¹	13	17	17	17	17	17	17	17	17	17
Community services										
Parks and recreation areas ²	93	93	93	93	93	93	93	93	93	93
Parks and recreation acreage ²	1,839	1,846	1,846	1,846	1,903	1,903	1,903	1,903	2,238	2,265
Swimming pools ³	2	2	2	-	-	-	-	-	-	-
Senior community centers	1	1	1	1	1	1	1	1	1	1
Engineering and streets										
Streets (miles) ⁷	539	543	560	560	560	688	633	639	663	637
Bridges	53	57	57	57	57	57	57	57	57	57
Street lights	7,100	10,724	10,479	10,487	10,503	10,578	11,478	11,500	11,543	11,626
Traffic signals	263	263	266	268	259	255	259	266	266	259
Library services										
Buildings	2	2	2	2	2	2	2	2	2	2
Water and sewer										
Water main (miles)	747	725	720	720	727	737	750	749	754	758
Fire hydrants	4,896	4,701	4,730	4,763	4,882	4,863	4,885	4,930	4,963	4,963
Water storage capacity (ccf)	182,353	185,294	185,294	185,294	180,479	180,749	180,481	181,818	181,818	181,818
Sanitary sewer lines (miles)	780	780	785	785	801	799	800	800	785	796
Storm sewer (miles)	566	587	598	606	603	607	618	620	611	633
Treatment capacity winter (ccf) ⁶	140,385	140,385	274,064	274,064	274,064	274,064	274,064	274,064	274,064	274,064
Salem Housing Authority ⁴										
Apartment complexes	12	12	12	11	-	-	-	-	-	-
Triplexes - 2 & 3 bedrooms	3	3	3	3	-	-	-	-	-	-
Duplexes - 2 & 3 bedrooms	12	12	12	12	-	-	-	-	-	-
Houses - 2, 3 & 4 bedrooms	51	51	51	51	-	-	-	-	-	-
Emergency services										
Ambulances - reserve ⁵	4	4	4	4	4	4	3	3	2	2
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. Includes staffed and unstaffed engines and ladder trucks, including 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 2007 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. Street measurement method was improved in 2016.



SEC Rule 15c2-12 Disclosures



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 2015-16 was performed by Grove, Mueller and Swank, Salem, Oregon, Certified Public Accountants. 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, 2016

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>78,814,703</u>
Net direct debt (debt paid in whole or in part by taxes)		78,814,703
Net overlapping debt		<u>295,973,024</u>
Total net direct and overlapping debt	\$	<u><u>374,787,727</u></u>

Debt Ratio

	<u>Values</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
2015 estimated population	<u>160,690</u>		
2015-16 real market value	<u>\$ 13,697,349,090</u>	<u>\$ 85,241</u>	
Net direct debt (G.O. debt excluding issuance premium)	\$ 78,814,703	\$ 490	0.58%
Net overlapping debt	<u>295,973,024</u>	<u>1,842</u>	<u>2.16%</u>
Net direct debt (G.O.) and overlapping debt	<u>\$ 374,787,727</u>	<u>\$ 2,332</u>	<u>2.74%</u>

Continued

SCHEDULE A

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

2015-16 RMV	\$ 13,697,349,090
Debt limitation (3.00 % of RMV)	\$ 410,920,473
Applicable bonded debt	77,133,761
Debt margin	\$ 333,786,712
Percent of limit issued	19%

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
Q92	S66
R26	S74
R34	S82
R42	S90
R59	T24
R67	T32
R75	T40
R83	T57

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					
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%	N/A
2009	7,810,013,436	1,521,871,699	9,331,885,135	4.95%	57,999,672	6.22	92.91%	N/A
2010	8,196,929,014	1,602,196,633	9,799,125,647	5.01%	63,522,643	6.48	92.97%	99.92%
2011	8,417,665,718	1,649,233,359	10,066,899,077	2.73%	64,605,619	6.42	93.10%	99.90%
2012	8,601,970,661	1,687,634,660	10,289,605,321	2.21%	66,220,745	6.44	93.30%	99.87%
2013	8,673,851,504	1,710,527,450	10,384,378,954	0.92%	66,271,177	6.38	93.51%	99.67%
2014	8,829,264,169	1,729,396,124	10,558,660,293	1.68%	67,531,726	6.40	94.06%	99.26%
2015	9,169,796,837	1,794,530,036	10,964,326,873	3.84%	70,769,411	6.45	94.47%	98.78%
2016	9,536,890,110	1,883,841,574	11,420,731,684	4.16%	74,406,467	6.52	94.75%	97.47%

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

2015-16 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	\$ 5.1700	\$ 2.2601	\$ 7.4301
Local government	10.1152	1.0023	11.1175
Urban Renewal Special Levy	0.0000	0.2534	0.2534
Totals	<u>\$ 15.2852</u>	<u>\$ 3.5158</u>	<u>\$ 18.8010</u>

Source: Marion County Assessor's Office

2015-16 REPRESENTATIVE CONSOLIDATED TAX RATE FOR POLK COUNTY CODE AREA

3201

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1700	\$ 2.2601	\$ 7.4301
Local government	9.1524	1.5047	10.6571
Urban Renewal Special Levy	0.0000	0.2534	0.2534
Totals	<u>\$ 14.3224</u>	<u>\$ 4.0182</u>	<u>\$ 18.3406</u>

Source: Polk County Assessor's Office

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

As of June 30,	2012*	2013	2014	2015	2016
Assets					
Cash and investments	\$ 18,956,712	\$ 21,606,860	\$ 21,630,633	\$ 26,416,270	\$ 30,157,311
Receivables	7,500,976	6,685,617	6,724,722	6,235,693	6,606,393
Due from other funds	215,514	458,208	415,896	-	83,209
Due from other agencies	512,648	140,467	132,756	127,889	136,502
Prepaid items	409,098	419,750	452,297	484,422	517,256
Total assets	\$ 27,594,948	\$ 29,310,902	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671
Liabilities					
Accounts payable	\$ 785,646	\$ 599,703	\$ 523,114	\$ 719,443	\$ 969,272
Payroll, payroll taxes, and withholdings	4,526,588	4,459,202	4,958,022	5,100,141	5,592,844
Due to other funds	46,368	-	-	940,000	1,344,805
Due to other agencies	58,755	60,189	66,982	71,565	66,341
Security deposit payable	-	9,351	7,206	6,449	6,600
Unearned revenue	-	-	-	-	78,956
Deferred revenue	3,606,613	-	-	-	-
Total liabilities	9,023,970	5,128,445	5,555,324	6,837,598	8,058,818
Deferred inflows of resources					
Unavailable revenue	-	3,383,097	2,803,733	2,426,521	2,660,726
Fund balance					
Nonspendable	782,421	419,750	452,297	484,422	517,256
Restricted	9,800	-	-	-	-
Unassigned	17,778,757	20,379,610	20,544,950	23,515,733	26,263,871
Total fund balance	18,570,978	20,799,360	20,997,247	24,000,155	26,781,127
Total liabilities, deferred inflows of resources, and fund balance	\$ 27,594,948	\$ 29,310,902	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671

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,	2012	2013	2014	2015	2016
Revenues					
Property taxes	\$ 54,928,507	\$ 54,972,735	\$ 56,399,018	\$ 59,053,072	\$ 61,290,361
Franchise fees	14,683,975	15,610,240	15,630,348	16,378,032	16,809,874
Other taxes	38,520	46,578	49,065	44,565	-
Licenses and permits	598,359	672,799	780,100	716,558	833,001
Fees	624,506	1,029,179	1,073,873	1,087,717	1,199,928
Fines and forfeitures	3,067,266	2,547,538	2,712,724	2,772,139	3,023,850
Rents	988,329	1,193,609	1,053,355	1,254,898	1,278,003
Charges for services	1,629,198	1,759,165	1,862,196	2,004,622	2,282,858
Other revenues	252,884	283,092	231,882	273,408	310,191
Intergovernmental	5,806,100	6,032,159	6,153,886	6,359,276	6,430,503
Federal grants	1,444,164	1,147,162	1,005,028	920,336	777,561
State grants	22,165	22,718	25,717	34,577	36,443
Intrafund reimbursements	3,894,643	3,713,899	3,338,334	3,644,382	5,216,515
Loan payments received	177	148	17,336	1,384	1,413
Interest on investments	141,888	126,597	147,336	171,231	248,276
Total revenues	<u>88,120,681</u>	<u>89,157,618</u>	<u>90,480,198</u>	<u>94,716,197</u>	<u>99,738,777</u>
Expenditures					
Personal services	73,164,786	71,788,397	74,504,948	76,075,932	81,435,677
Materials and services	13,423,010	14,188,378	15,324,979	15,501,719	15,545,084
Capital outlay	222,241	174,726	286,097	439,148	256,780
Debt service	382,015	380,459	-	-	6,794
Total expenditures	<u>87,192,052</u>	<u>86,531,960</u>	<u>90,116,024</u>	<u>92,016,799</u>	<u>97,244,335</u>
Excess (deficiency) of revenues over expenditures	<u>928,629</u>	<u>2,625,658</u>	<u>364,174</u>	<u>2,699,398</u>	<u>2,494,442</u>
Other financing sources (uses)					
Sale of capital assets	28,295	25,000	2,819	-	27,492
Transfers in	691,276	703,880	825,000	1,145,000	1,179,350
Transfers out	(2,076,365)	(1,126,156)	(994,106)	(841,490)	(920,312)
Total other financing sources (uses)	<u>(1,356,794)</u>	<u>(397,276)</u>	<u>(166,287)</u>	<u>303,510</u>	<u>286,530</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(428,165)</u>	<u>2,228,382</u>	<u>197,887</u>	<u>3,002,908</u>	<u>2,780,972</u>
Fund balance - beginning of year	<u>18,999,143</u>	<u>18,570,978</u>	<u>20,799,360</u>	<u>20,997,247</u>	<u>24,000,155</u>
Fund balance - end of year	<u>\$ 18,570,978</u>	<u>\$ 20,799,360</u>	<u>\$ 20,997,247</u>	<u>\$ 24,000,155</u>	<u>\$ 26,781,127</u>

Source: Derived from audited annual financial statements.

SCHEDULE F

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

As of June 30,	2012*	2013	2014	2015	2016
Assets					
Cash and investments	\$ 302,334	\$ -	\$ 165,005	\$ 556,153	\$ 1,588,661
Receivables	705,241	718,577	627,694	585,363	549,236
Total assets	\$ 1,007,575	\$ 718,577	\$ 792,699	\$ 1,141,516	\$ 2,137,897
Liabilities					
Due to other funds	\$ -	\$ 19,373	\$ -	\$ -	\$ -
Deferred revenue	558,648	-	-	-	-
Total liabilities	558,648	19,373	-	-	-
Deferred inflows of resources					
Unavailable revenue	-	569,812	462,851	420,251	419,569
Fund balance					
Restricted for debt service	448,927	129,392	329,848	721,265	1,718,328
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,007,575	\$ 718,577	\$ 792,699	\$ 1,141,516	\$ 2,137,897

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)**

<u>For fiscal year ending June 30,</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Property taxes	\$ 9,634,368	\$ 9,790,173	\$ 9,903,072	\$ 10,487,759	\$ 11,205,901
Other taxes	6,174	-	-	-	-
Interest on investments	34,561	28,189	27,969	31,091	47,055
Intergovernmental	3,864,660	4,027,900	3,959,450	4,353,300	4,529,500
Total revenues	13,539,763	13,846,262	13,890,491	14,872,150	15,782,456
Expenditures					
Debt service	13,516,143	14,165,797	13,690,035	14,480,733	14,785,393
Excess (deficiency) of revenues over expenditures	23,620	(319,535)	200,456	391,417	997,063
Other financing sources (uses)					
Refunding bonds issued	18,289,298	-	-	-	-
Payment to refunded bond escrow agent	(18,289,298)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	23,620	(319,535)	200,456	391,417	997,063
Fund balance - beginning of year	425,307	448,927	129,392	329,848	721,265
Fund balance - end of year	<u>\$ 448,927</u>	<u>\$ 129,392</u>	<u>\$ 329,848</u>	<u>\$ 721,265</u>	<u>\$ 1,718,328</u>

Source: Derived from audited annual financial statements.



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, 2016

	<u>Carrying Value</u>
Commercial Paper	\$ 8,232,253
Corporate Bonds	22,499,037
Local Government Investment Pool	76,163,648
Municipal Bonds	401,394
U.S. Agencies	12,165,323
U.S. Instrumentalities	1,745,120
U.S. Treasury	<u>90,240,408</u>
Total	<u><u>\$ 211,447,183</u></u>

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 2015-16 was performed by Grove, Mueller and Swank, Salem, Oregon, Certified Public Accountants. 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 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
N20
N38
N46
N53
N61
N79
N87
N95
P28
P36
P44
P51
P69
P77

Continued

SCHEDULE I

THE WATER SYSTEM – SERVICE AREA AND CUSTOMERS

The system provides water service to a total population of approximately 192,835. The total number of accounts was 52,725 at the end of fiscal year 2015-16, 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 45 million gallons.

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

Customer Class	2011-12	2012-13	2013-14	2014-15	2015-16
1. Residential	407,430,990	416,551,600	399,770,600	400,420,800	395,093,100
2. Multiple dwellings	182,917,200	185,183,800	184,594,500	166,210,500	164,372,800
3. Commercial	135,411,797	136,231,400	135,095,200	140,486,209	146,258,800
4. Industrial	108,685,200	53,498,300	50,792,300	57,163,800	52,071,100
5. Institutional ¹	-	45,641,800	43,116,400	45,440,500	43,860,000
6. Wholesale ²	70,555,600	74,060,000	72,062,900	80,530,000	82,328,000
7. Irrigation	39,011,500	44,434,100	41,781,000	48,427,900	49,516,900
8. Public building	16,510,800	16,970,200	16,242,400	17,636,100	18,369,100
Total	960,523,087	972,571,200	943,455,300	956,315,809	951,869,800

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.

2. East Salem, Orchard Heights, and Turner.

Ten Largest Water System Customers

Customer	2015-16 Annual Revenue	Percent of Total Gross Water System Revenue*
Suburban East Salem Water	\$ 731,667	2.7%
State of Oregon Corrections	690,270	2.6%
Salem-Keizer School District	470,476	1.7%
Creekside Golf Course	177,481	0.7%
Salem Hospital	158,487	0.6%
Sundial Mobile Homes	133,928	0.5%
Kettle Foods	121,813	0.5%
Oregon Cherry Growers	115,483	0.4%
City of Turner	110,787	0.4%
Norpac Foods	99,288	0.4%
	\$ 2,809,680	10.5%

*Totals gross water system revenue **\$27,045,471**

Concluded



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, 2016. 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				
	2011-12	2012-13	2013-14	2014-15	2015-16
Rates Implemented on:	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Customer Class:					
Residential, Single Family					
Base Rate - 5/8 - 3/4" Meter	\$ 3.36	\$ 5.87	\$ 6.14	\$ 6.32	\$ 6.51
Volume rate - per ccf ¹	2.50	2.36	2.50	2.58	2.65
Monthly Bill @ 11 ccf	30.86	31.83	33.64	34.70	35.66
Multiple Dwellings					
Base Rate - 1" Meter	4.62	6.41	6.70	6.90	7.11
Volume rate - per ccf	2.16	1.91	2.02	2.08	2.14
Monthly Billing for 10 unit Complex @ 82 ccf	181.74	163.03	172.34	177.46	182.59
Cost Per Unit	18.17	16.30	17.23	17.74	18.26
Commercial					
Base Rate - 2" Meter	9.23	14.58	15.29	15.75	16.22
Volume rate - per ccf	2.18	1.94	2.06	2.12	2.19
Monthly Bill @ 65 ccf	150.93	140.68	149.19	153.55	158.57

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.

SCHEDULE K

WASTEWATER SYSTEM

Service Area and Customers

The system provides wastewater service to a population of approximately 232,855, 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 2015-16 was 63,320, which includes the City of Keizer, which billed 10,437, and the City of Turner, which billed 796.

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, 2016. 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				
	2011-12	2012-13 ¹	2013-14	2014-15	2015-16
Rates implemented on:	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
<u>Customer Class:</u>					
Residential, Single Family					
Base Rate - per account	\$ 22.80	\$ 21.45	\$ 19.34	\$ 16.59	\$ 13.68
Volume Rate - per ccf ²	3.22	3.13	3.22	3.23	3.23
Monthly Bill @ 6.5 ccf	43.73	41.80	40.27	37.59	34.68
Multiple Dwellings					
Base Rate - per account	108.53	61.54	48.31	33.79	18.44
Additional Base Rate - per unit over five	1.63	1.76	1.62	1.41	1.19
Volume Rate - per ccf	3.22	3.13	3.22	3.23	3.23
Monthly Billing for 10 unit @ 82 ccf	380.72	318.20	320.45	305.70	289.25
Cost Per Unit	38.07	31.82	32.05	30.57	28.93
Commercial					
Base Rate - per account	27.32	27.57	25.69	23.17	20.49
Volume Rate - per ccf	4.62	4.22	4.37	4.42	4.45
Monthly Bill @ 65 ccf ¹	327.62	301.87	309.74	310.47	289.74

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
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	2015-16 Annual Revenue	Percent of Total Gross Wastewater Revenue¹
City of Keizer	\$ 5,140,016	12.3%
State of Oregon Corrections	1,431,273	3.4%
Norpac Foods	743,952	1.8%
Oregon Cherry Growers	637,355	1.5%
Yamasa	359,758	0.9%
Salem-Keizer School District	315,520	0.8%
Salem Hospital	232,494	0.6%
Oregon State Hospital	228,544	0.5%
City of Turner	206,984	0.5%
Kerr Concentrates	195,393	0.5%
Totals	\$ 9,491,289	22.8%

¹Total gross wastewater revenue \$ 41,718,979

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, 2016. 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 43,625 stormwater accounts inside the Salem City limits. Of these, 38,436 are single family residential accounts and 4,664 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				
	2011-12	2012-13¹	2013-14¹	2014-15	2015-16
Rates implemented on:	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
<u>Customer Class:</u>					
Residential, Single Family					
Base Rate - per account	\$ -	\$ 2.45	\$ 4.89	\$ 7.34	\$ 9.79
Volume Rate - per EDU	-	1.27	2.54	3.80	5.07
Monthly Bill @ 1 EDU	-	3.72	7.43	11.14	14.86
All Other Classes (Commercial, Multifamily, Industrial, Institutional)					
Base Rate - per account	-	2.45	4.89	7.34	9.79
Volume Rate - per EDU	-	1.27	2.54	3.80	5.07
Monthly Bill @ 20 EDU	-	27.85	55.69	83.34	111.79

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	2015-16 Annual Revenue	Percent of Total Gross Stormwater Revenue¹
Salem-Keizer School District	\$ 173,530	1.8%
State of Oregon Corrections	85,966	0.9%
Oregon State Fair	62,894	0.5%
Oregon State Military Department	41,412	0.4%
River Bend Sand and Gravel	40,616	0.4%
Oregon State Hospital	39,819	0.4%
DAS Receipts and Disbursements	36,361	0.4%
Lancaster Development Co.	35,569	0.4%
Norpac	27,408	0.3%
Home Depot	26,398	0.3%
Totals	\$ 569,973	5.8%

¹ Total gross stormwater revenue \$ 9,839,844

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 UTILITY FUND CONSECUTIVE NET POSITION

As of June 30,	2012*	2013	2014	2015	2016
Assets					
Current assets					
Cash and investments	\$ 31,300,605	\$ 33,175,767	\$ 31,442,120	\$ 32,751,441	\$ 40,615,347
Accounts receivable, net	8,109,905	9,277,437	10,462,590	11,427,270	9,838,385
Due from other agencies	79,403	95,268	91,574	80,128	68,682
Inventories and prepayments	1,124,125	1,025,601	1,060,349	1,082,680	1,183,464
Advances to other funds	-	-	-	940,000	1,344,805
Total current assets	<u>40,614,038</u>	<u>43,574,073</u>	<u>43,056,633</u>	<u>46,281,519</u>	<u>53,050,683</u>
Noncurrent assets					
Restricted cash and investments ¹	10,961,939	10,071,435	11,841,721	17,151,907	17,252,849
Notes receivable	2,856,329	2,581,599	1,432,044	1,345,768	1,271,638
Deferred assessments	4,475,320	3,163,522	2,875,514	3,037,130	3,578,888
Net pension asset	-	-	-	5,013,624	-
Capital assets:					
Land and construction in progress	164,226,565	57,074,130	65,559,284	68,206,252	38,844,189
Other capital assets, net	484,387,086	582,776,953	569,683,432	561,392,705	589,116,802
Other assets	2,570,899	-	-	-	-
Total noncurrent assets	<u>669,478,138</u>	<u>655,667,639</u>	<u>651,391,995</u>	<u>656,147,386</u>	<u>650,064,366</u>
Total assets	<u>710,092,176</u>	<u>699,241,712</u>	<u>694,448,628</u>	<u>702,428,905</u>	<u>703,115,049</u>
Deferred outflows of resources					
Deferred outflows related to pensions	-	-	-	2,129,735	2,846,797
Deferred charge on refunding	-	6,092,220	5,482,998	4,873,776	4,264,554
Total deferred outflows of resources	-	<u>6,092,220</u>	<u>5,482,998</u>	<u>7,003,511</u>	<u>7,111,351</u>
Total assets and deferred outflows of resources	<u>\$ 710,092,176</u>	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 1,371,089	\$ 1,220,864	\$ 1,763,039	\$ 2,193,348	\$ 2,288,044
Interest payable	1,078,992	593,028	569,669	543,857	515,443
Long-term debt-due within one year	15,327,252	18,242,599	16,347,565	15,600,708	15,927,896
Compensated absences-due within one year	394,750	328,318	440,302	440,460	452,637
Total current liabilities	<u>18,172,083</u>	<u>20,384,809</u>	<u>19,120,575</u>	<u>18,778,373</u>	<u>19,184,020</u>
Noncurrent liabilities					
Security deposit payable	-	36,597	36,597	36,597	136,597
Unearned revenue	1,703,372	1,354,354	1,193,395	1,173,345	1,169,108
Developer reimbursement payable ²	2,708,864	1,722,594	1,562,771	1,749,238	2,277,063
Long-term debt	190,572,018	175,714,522	159,094,006	143,220,347	127,019,500
Net OPEB obligation	1,061,668	1,338,993	1,395,998	1,395,998	1,231,182
Net pension liability	-	-	-	-	12,460,829
Compensated absences payable	930,035	961,692	1,180,596	1,262,034	1,407,965
Total noncurrent liabilities	<u>196,975,957</u>	<u>181,128,752</u>	<u>164,463,363</u>	<u>148,837,559</u>	<u>145,702,244</u>
Total liabilities	<u>215,148,040</u>	<u>201,513,561</u>	<u>183,583,938</u>	<u>167,615,932</u>	<u>164,886,264</u>
Deferred inflows of resources					
Deferred inflows related to pensions	-	-	-	9,674,264	2,942,783
Net position:					
Net investment in capital assets	442,714,381	445,893,962	459,801,145	475,651,678	489,278,149
Restricted for:					
Capital projects	10,518,735	10,592,627	11,344,749	16,242,400	15,955,649
Debt reserve	12,382,818	-	-	-	-
Unrestricted					
Water and sewer rate stabilization	6,900,000	6,900,000	6,900,000	6,900,000	6,900,000
Other unrestricted	22,428,202	40,433,782	38,301,794	33,348,142	30,263,555
Total net position	<u>494,944,136</u>	<u>503,820,371</u>	<u>516,347,688</u>	<u>532,142,220</u>	<u>542,397,353</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 710,092,176</u>	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>

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 UTILITY FUND HISTORICAL OPERATING RESULTS

Reported in Accordance with Bond Master Resolution¹

For fiscal year ending June 30,	2012	2013	2014	2015	2016
Gross Revenues	\$ 72,183,930	\$ 75,488,621	\$ 85,322,142	\$ 89,212,723	\$ 91,241,114
Rate Stabilization Account (RSA)					
Transfer to	(2,900,000)	-	-	-	-
Total Gross Revenues	69,283,930	75,488,621	85,322,142	89,212,723	91,241,114
Operating Expenses	45,073,113	45,697,678	53,515,139	55,241,733	55,662,580
Net Revenues	24,210,817	29,790,943	31,807,003	33,970,990	35,578,534
Annual Debt Service					
<i>Parity Obligations</i>					
Series 2002 Bonds (Refinance)	2,666,494	-	-	-	-
Series 2003 Bonds	2,291,781	-	-	-	-
Series 2004 Bonds (Refinance)	6,788,425	-	-	-	-
Series 2005 Bonds	1,856,669	-	-	-	-
Series 2012 Bonds A & B (Refinance)	-	15,657,371	15,963,222	13,808,949	12,777,230
Total Parity Annual Debt Service	13,603,369	15,657,371	15,963,222	13,808,949	12,777,230
Parity Debt Service Coverage ¹	1.78	1.90	1.99	2.46	2.78
Net Revenues less Parity Debt Service	\$ 10,607,448	\$ 14,133,572	\$ 15,843,781	\$ 20,162,041	\$ 22,801,304
<i>Subordinate Obligations</i>					
DEQ (subordinate In 2003)	\$ 201,934	\$ -	\$ -	\$ -	\$ -
DEQ (subordinate In 2005)	420,320	-	-	-	-
DEQ (subordinate In 2006)	378,655	-	-	-	-
DEQ (subordinate In 2006)	426,870	318,758	-	-	-
OECDD	404,274	400,525	401,149	401,599	401,200
Full Faith and Credit Bond	7,799,725	7,799,725	7,798,125	7,798,225	7,800,425
Total Subordinate Debt Service	\$ 9,631,778	\$ 8,519,008	\$ 8,199,274	\$ 8,199,824	\$ 8,201,625
Debt Service Coverage (incl. RSA Transfer)²	1.10	1.66	1.93	2.46	2.78

1. 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.
2. Subordinate Debt Service Coverage Ratio (Net Revenues Less Parity Debt Service/Total Subordinate Debt Service) is not required by the Master Resolution.



Auditor's Comments and Disclosures



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Salem, Oregon (the City) as of and for the year ended June 30, 2016, and have issued our report thereon dated November 16, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 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:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **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, 279C).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.


Internal Control Over Financial Reporting

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

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
November 16, 2016