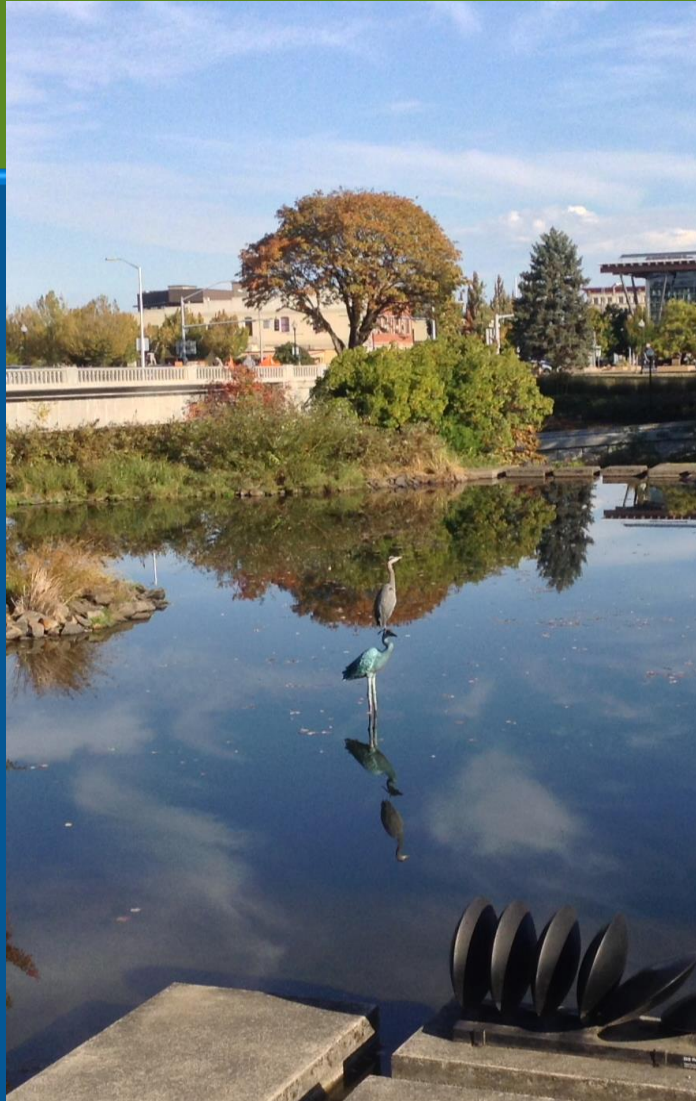


Comprehensive Annual Financial Report

For
Fiscal Year
Ended
June 30,
2017



City of Salem, Oregon

CITY OF SALEM, OREGON

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2017

Prepared by the City Manager's Office, Finance Division

CITY OF SALEM, OREGON
Comprehensive Annual Financial Report
Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1
Certificate of Achievement	7
Organization of the City of Salem, Oregon	8
List of Officials	9

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	11
---	----

MANAGEMENT’S DISCUSSION AND ANALYSIS	15
---	----

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position	33
Statement of Activities	34

Fund Financial Statements

Governmental Funds:

Balance Sheet	38
Reconciliation of the Balance Sheet to the Statement of Net Position	40
Statement of Revenues, Expenditures, and Changes in Fund Balances	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	44
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual	
General Fund	46
Community Renewal	48

Proprietary Funds:

Statement of Net Position	50
Statement of Revenues, Expenses, and Changes in Net Position	51
Statement of Cash Flows	52
Statement of Fiduciary Net Position	53

Notes to the Financial Statements	54
--	----

REQUIRED SUPPLEMENTARY INFORMATION

Defined Benefit Pension Plan (PERS)	93
Schedule of Funding Progress – OPEB	94

SUPPLEMENTAL INFORMATION

COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	100

COMBINING STATEMENTS – NONMAJOR PROPRIETARY FUNDS

Combining Statement of Net Position	104
Combining Statement of Revenues, Expenses, and Changes in Net Position	105
Combining Statement of Cash Flows	106

COMBINING STATEMENTS – INTERNAL SERVICE FUNDS	
Combining Statement of Net Position	108
Combining Statement of Revenues, Expenses, and Changes in Net Position	109
Combining Statement of Cash Flows	110
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS	112
BUDGETARY COMPARISON SCHEDULES	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Major Governmental Funds:	
Capital Improvements	118
Tax Allocation Improvements	119
Nonmajor Governmental Funds:	
Special Revenue Funds	
Transportation Services	120
Streetlights	121
Airport	122
Downtown Parking	123
Economic Improvement District	124
Cultural/Tourism	125
Public Art	126
Parking Leasehold	127
Building and Safety	128
Community Enhancement	129
Permanent	130
Debt Service Funds	
General Debt	131
Tax Allocation Bond Debt	132
Capital Projects Funds	
Extra Capacity Facilities	133
Development Districts	134
Major Proprietary Fund:	
Utility	135
Nonmajor Proprietary Funds:	
Emergency Services	136
Willamette Valley Public Safety (WVPS) Communications Center	137
Police Regional Records System	138
Salem Convention Center	139
Internal Service Funds:	
City Services	140
Equipment Replacement Reserve	141
Self-Insurance	142
OTHER FINANCIAL SCHEDULES	
Schedule of Bond Principal and Bond Interest Transactions – Governmental Activity	144
Schedule of Bond Principal and Bond Interest Transactions – Business-type Activity	144
Schedule of Future Long-term Debt Service Requirements	146
Schedule of Internal Service Funds Adjustments for Preparation of	
Government-wide Statement of Net Position	147
Schedule of Internal Service Funds Adjustments for Preparation of	
Government-wide Statement of Activities	148

STATISTICAL SECTION

1	Net Position by Component	153
2	Changes in Net Position	154
3	Fund Balance of Governmental Funds	156
4	Changes in Fund Balance of Governmental Funds	158
5	Assessed Value and Estimated Real Market Value of Taxable Property	159
6	Direct and Overlapping Property Tax Rates	160
7	Principal Property Taxpayers	161
8	Property Tax Levies and Collections	162
9	Ratios of Outstanding Debt by Type	164
10	Ratios of General Bonded Debt Outstanding	166
11	Computation of Direct and Overlapping Debt	167
12	Legal Debt Margin Information	168
13	Pledged-Revenue Coverage	170
14	Demographic and Economic Statistics	171
15	Major Area Employers	172
16	Full Time Equivalent City Government Employees by Function/Program and Entity	173
17	Operating Indicators by Function/Program	174
18	Capital Asset Statistics by Function/Program	176

SEC RULE 15c2-12 DISCLOSURES

A	General Information	178
B	Tax Collection Record	180
C	Representative Consolidated Tax Rate By County	181
D	Five-Year General Fund Consecutive Balance Sheets (Modified accrual)	182
E	Five-Year General Fund Statement of Revenues and Expenditures (Modified accrual) .	183
F	Five-Year General Debt Service Fund Consecutive Balance Sheets (Modified accrual) .	184
G	Five-Year General Debt Service Fund Consecutive Statement of Revenues and Expenditures (Modified accrual)	185
H	Investments	186
I	Annual Disclosure Information	187
J	Water System	188
K	Wastewater System	190
L	Stormwater Rates	192
M	Five-year Utility Fund Consecutive Net Position	193
N	Five-year Utility Fund Historical Operating Results	194

AUDITOR'S COMMENTS AND DISCLOSURES

Independent Auditor's Report Required by Oregon State Regulations	195
---	-----

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



555 Liberty St. SE, Room 230 Salem, OR 97301-3513
(503) 588-6040 finance@cityofsalem.net

December 5, 2017

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

The City Manager's Office, 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, 2017. 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 the component unit 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, 2017. 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, 2017 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 162,060 and covers 49 square miles. The City operates under a home rule charter available at <http://www.cityofsalem.net/Pages/City-Charter.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 component unit. 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.

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 funds or 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 2016, most notably in the areas of construction, local government, health care and education. Nearly all industries increased at least 2.4% over 2015.

In 2016, industries with the highest levels of employment in the Salem Metropolitan Statistical Area (MSA) were educational and health services (25,600 employees), state government (21,400), and local government and schools (20,100).

The average unemployment rate for the Salem MSA improved significantly in 2016, from 6.1% to 5.1%. However, this level continues to exceed the State of Oregon (4.9%) and national (4.9%) rates.

From 2005 to 2016, nonfarm employment in the Salem MSA has increased from 146,300 to 161,200 (10%). During the same period, the civilian labor force residing within the Salem MSA has increased from 183,380 to 196,681 (7%).

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.

System-wide streetlight fixture conversion to light emitting diodes (LEDs) commenced in February 2017 and will be completed by December 2017. The new LED lights will result in savings of up to \$500,000 a year in operating and maintenance costs. The LED lights use almost 50 percent less energy, are more reliable, and last four times longer than high pressure sodium.

In April 2017, the Information Technology department launched a new and improved website. The website redesign makes it easier to browse, is action-oriented with a focus on topics of most interest to the community, and offers a consistent message across all content. The site is device and mobile friendly, increasing the City's ability to reach out to the community using technology. By developing the community-centric website project internally, IT has been able to reduce consulting costs, manage scope, and completely revamp the existing layout and navigation of City webpages to deliver materials to the public by targeting the needs of the community and focusing on a user-centric model.

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 on page 81 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

Vision: A safe and livable capital city with a sustainable economy and environment that is open to all.

Mission: The City of Salem provides fiscally sustainable and quality services to enrich the lives of present and future residents, the quality of the environment and neighborhoods, and the vitality of our economy.

Values:

Opportunity – Salem is proactive and forward thinking

Compassion – Salem is fair, equitable, and safe

Responsiveness – Salem is at your service, with capacity and partnerships to prepare for the future

Accessibility – Salem is open and inclusive

City Council has selected from the strategic plan, *A Vision for Growth and Development*, as one of the issues for further work. An update to the City's Comprehensive Plan is a specific action to help guide future growth and development.

Affordable Housing, Social Services, and Homelessness is an issue from the strategic plan. The Salem Housing Authority has proposed a joint community program to assist the hardest-to-house persons. The overall program is \$2.9 million annually. The City's portion is \$1.4 million. The funding would be for temporary housing and additional support to non-profit organizations for services to house 100 persons.

Critical infrastructure is an issue from the strategic plan. In the past, streets and bridges, fire Stations, and equipment have been funded through dedicated, voter-approved bond measures. The Continuation Budget funds minimal maintenance. The level is insufficient for the City's physical and technological infrastructure. Unmet infrastructure needs include City buildings and facilities, parks, and sidewalks. The \$350,000 is the annual debt service for a \$3,800,000 financing issue.

In May 2017, Salem voters approved a \$61.8 million bond to fund a new police facility. Work will immediately begin on design and engineering with construction to follow in 2018 for this multi-year endeavor. The FY 2018 adopted budget includes \$8.2 million in anticipated bond proceeds to initiate the project, including purchase of the building site. This new facility is expected to meet the needs of the community for decades to come.

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, 2016. The City has received this award 19 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 Anthony Turley, Jeremy Morgan, Denise John, Randal Chittenden, Donna Baker and Brett Tieszen. 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



Anthony Turley, CPA
Financial Reporting Manager



Kacey Duncan
Deputy City Manager





Government Finance Officers Association

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

Presented to

**City of Salem
Oregon**

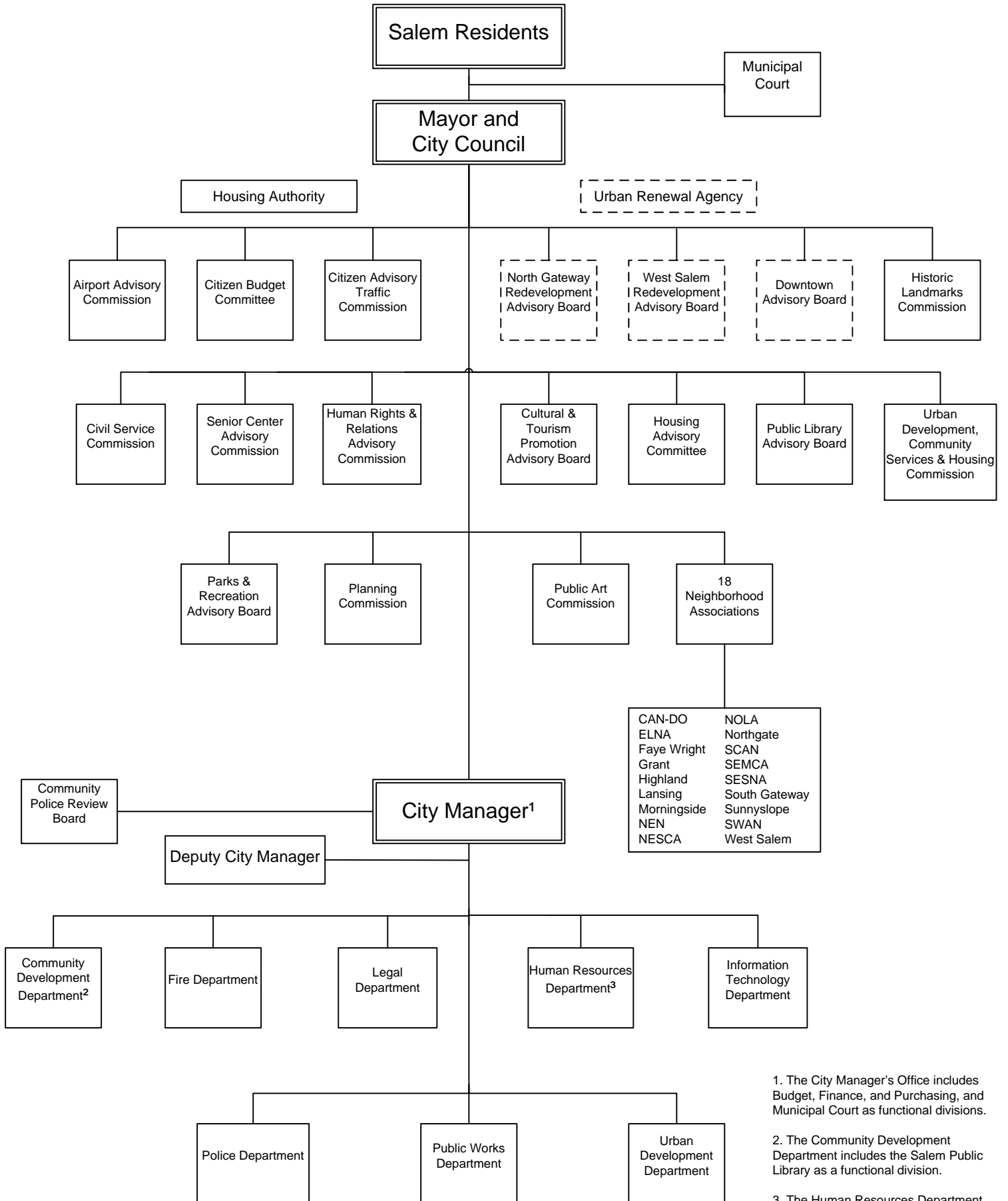
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Organization of the City of Salem, Oregon

July 1, 2017



1. The City Manager's Office includes Budget, Finance, and Purchasing, and Municipal Court as functional divisions.

2. The Community Development Department includes the Salem Public Library as a functional division.

3. The Human Resources Department includes Fleet and Facilities Services as functional divisions.

CITY OF SALEM, OREGON

CITY COUNCIL

<u>Ward No.</u>	<u>Name</u>	<u>Term Expires December 31,</u>
Mayor	Chuck Bennett	2018
1	Cara Kaser	2020
2	Tom Andersen	2018
3	Brad Nanke	2020
4	Steve McCoid	2018
5	Matt Ausec	2020
6	Chris Hoy	2018
7	Sally Cook	2020
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 (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 15-29), the defined benefit pension plan (PERS) (page 93), and other post-employment benefits – (OPEB) (page 94) 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 a required part of the basic financial statements.

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


Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, 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 December 5, 2017, 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
December 5, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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, 2017. Please read it in conjunction with the transmittal letter (beginning on page 1), basic financial statements (beginning on page 33), and notes to the financial statements (beginning on page 54).

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of fiscal year 2016-17 is \$1.1 billion. Of this amount, \$(4.6) million is the unrestricted net position. This is negative due to pension and other post-employment benefits (OPEB) liabilities.
- The increase in net position of \$41.5 million for the year represents a \$1.2 million increase from governmental activities and a \$40.3 million increase from business-type activities.
- The increase of \$12.9 million in capital assets represents an increase in capital assets for governmental purposes of \$6.8 million and an increase in business-type capital assets of \$6.1 million. The governmental increase primarily represents increased streets infrastructure. The increase in business-type capital assets is the result of utility system infrastructure additions net of current year depreciation (see the Capital Asset discussion on page 25 for more details).
- Long-term liabilities increased \$52.2 million from the previous year. This represents an increase in governmental liabilities of \$49.1 million and an increase of \$3.1 million in business-type liabilities. The increases primarily reflect the increase in the pension and OPEB liabilities respectively of \$88 million and \$7 million, offset by the normal reduction of long-term debt of \$37 million and the early pay-off of the Oregon Economic and Community Development loan of \$4.7 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 \$146.3 million, deferred outflows of \$75.6 million and deferred inflows of \$2.9 million, with a net increase to expense of \$15.5 million. (See the PERS note on page 81 for more details.)
- The government-wide statements reflect the financial aspects of OPEB liabilities and the resources available to pay them. The government-wide statements report a net OPEB liability of \$13.2 million, deferred outflows of \$0.5 million and deferred inflows of \$0.3 million, with a net increase to expense of \$0.8 million. (See the OPEB note on page 88 for more details.)
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$117.8 million. Of this amount, a total of \$42.2 million (35.8%) is either committed, assigned, or unassigned and available to fund ongoing activities. Unassigned fund balance decreased \$0.6 million from the prior year. Committed fund balances decreased \$0.8 million. The remaining fund balance of \$75.6 million (64.2%) is either restricted or is a non-spendable asset. This represents a decrease in restricted/non-spendable assets of \$9.2 million, primarily for funds restricted for capital construction. The decrease in fund balance of \$10.5 million overall is primarily composed of a decrease of \$1.1 million in the general fund due to increased public safety personnel costs, a decrease of \$10.9 million in the Capital Improvements fund due to spending of street bond proceeds, and a \$1.3 million increase in nonmajor funds.
- At year-end, the unassigned fund balance in the General fund was \$24.7 million, or 23.7% of total General fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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.

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

Government-wide financial statements (pages 33-35). 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.

Fund financial statements (pages 38-48 and 50-53). 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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.

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 54-92). 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 93-94). 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 97-149). 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

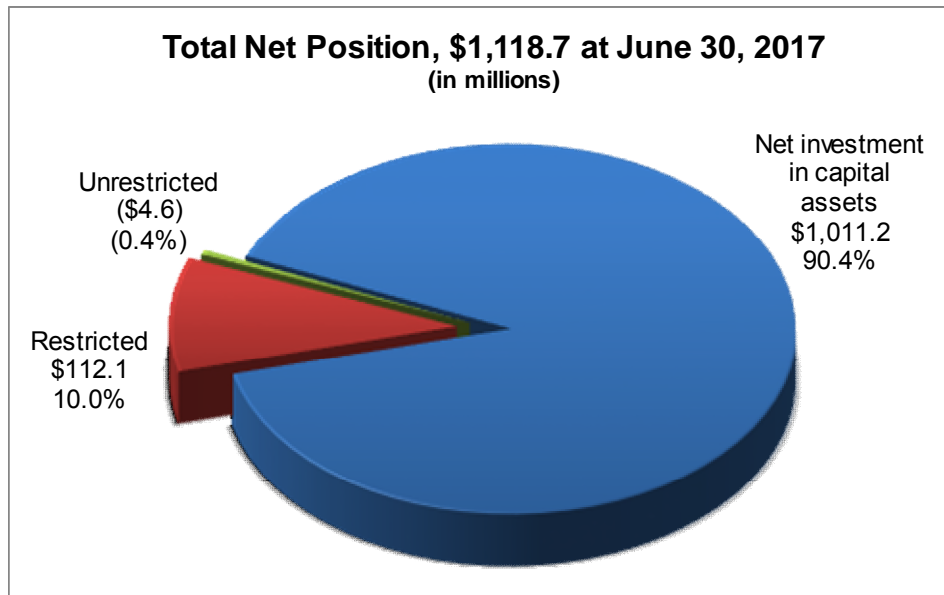
Net position, over time, is a useful indicator of a government's financial position. The following table shows a summary of the Statement of Net Position for the past two years.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

Statement of Net Position as of June 30, 2017
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 161.1	\$ 166.7	\$ 67.4	\$ 63.3	\$ 228.5	\$ 230.0
Other assets	23.5	29.7	36.3	20.5	59.8	50.2
Capital assets	542.5	535.7	660.0	653.9	1,202.5	1,189.6
Total assets	<u>727.1</u>	<u>732.1</u>	<u>763.7</u>	<u>737.7</u>	<u>1,490.8</u>	<u>1,469.8</u>
Deferred outflows of resources	55.4	9.8	24.4	8.1	79.8	17.9
Other liabilities	12.7	14.6	5.0	3.2	17.7	17.8
Long-term liabilities	258.8	209.7	172.1	169.0	430.9	378.7
Total liabilities	<u>271.5</u>	<u>224.3</u>	<u>177.1</u>	<u>172.2</u>	<u>448.6</u>	<u>396.5</u>
Deferred inflows of resources	2.3	10.1	1.0	3.9	3.3	14.0
Net position:						
Net investment in capital assets	469.7	461.1	541.5	515.2	1,011.2	976.3
Restricted	90.9	88.6	21.2	16.0	112.1	104.6
Unrestricted	(51.9)	(42.2)	47.3	38.5	(4.6)	(3.7)
Total net position	<u>\$ 508.7</u>	<u>\$ 507.5</u>	<u>\$ 610.0</u>	<u>\$ 569.7</u>	<u>\$ 1,118.7</u>	<u>\$ 1,077.2</u>

See the Statement of Net Position (page 33) for more detailed information.



The City ended the year with a net position of \$1.1 billion. \$1.0 billion, or 90.4% 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, 2017

An additional portion of net position, \$112.1 million, or 10.0%, 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 totals a negative \$4.6 million, or less than 1%. The unrestricted net position is comprised of a negative \$51.9 million for governmental activities and a positive \$47.3 million for business type activities.

Governmental Activities. The total net position from governmental activities increased \$1.2 million, or 0.2%. The Statement of Net Position shows significant changes as a decrease of \$5.6 million in cash and investments, a \$6.8 million increase in capital assets, a \$16.4 million increase in net position due to reduction of long-term debt, and \$16.4 million decrease in net position due to changes related to pension obligations.

Business-type Activities. The total net position of business-type activities increased \$40.3 million, or 7.1%. The most significant changes on the Statement of Net Position are an increase in cash and investments of \$4.1 million, an increase in other assets of \$15.8, an increase in capital assets of \$6.1 million, a \$21.0 million increase in net position due to reduction of long-term debt, and \$7.0 million decrease in net position due to changes related to pension and OPEB 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 decisions, 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, 2017

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

	Governmental Activities		Business-type Activities		Total Primary	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charge for services	\$ 38.9	\$ 42.0	\$ 110.0	\$ 105.5	\$ 148.9	\$ 147.5
Operating grants and contrib.	14.0	12.6	-	-	14.0	12.6
Capital grants and contrib.	11.3	14.1	18.2	10.1	29.5	24.2
General revenues						
Taxes and franchise fees	108.8	104.6	-	-	108.8	104.6
Shared state tax revenue	5.2	4.8	-	-	5.2	4.8
Interest	1.9	1.3	0.8	0.5	2.7	1.8
Other	1.7	1.0	16.5	0.3	18.2	1.3
Total revenues	<u>181.8</u>	<u>180.4</u>	<u>145.5</u>	<u>116.4</u>	<u>327.3</u>	<u>296.8</u>
Program expenses						
General government	21.5	26.5	-	-	21.5	26.5
Public safety	76.7	85.6	-	-	76.7	85.6
Community development	28.8	25.8	-	-	28.8	25.8
Community services	10.1	11.0	-	-	10.1	11.0
Transportation	33.6	30.2	-	-	33.6	30.2
Library services	5.0	6.0	-	-	5.0	6.0
Interest on long-term debt	5.5	6.3	-	-	5.5	6.3
Utility	-	-	88.1	92.7	88.1	92.7
Emergency services	-	-	0.8	0.9	0.8	0.9
WVPS communications center	-	-	10.9	13.0	10.9	13.0
Police Regional Records	-	-	0.3	0.2	0.3	0.2
Salem Convention Center	-	-	4.5	4.0	4.5	4.0
Total expenses	<u>181.2</u>	<u>191.4</u>	<u>104.6</u>	<u>110.8</u>	<u>285.8</u>	<u>302.2</u>
Excess before special items and transfers	0.6	(11.0)	40.9	5.6	41.5	(5.4)
Transfers	0.6	0.9	(0.6)	(0.9)	-	-
Change in net position	<u>1.2</u>	<u>(10.1)</u>	<u>40.3</u>	<u>4.7</u>	<u>41.5</u>	<u>(5.4)</u>
Net position - beginning	507.5	517.7	569.7	565.0	1,077.2	1,082.7
<i>Prior Period Adjustment</i>	-	(0.1)	-	-	-	(0.1)
Net position - beginning	<u>507.5</u>	<u>517.6</u>	<u>569.7</u>	<u>565.0</u>	<u>1,077.2</u>	<u>1,082.6</u>
Net position - ending	<u>\$ 508.7</u>	<u>\$ 507.5</u>	<u>\$ 610.0</u>	<u>\$ 569.7</u>	<u>\$ 1,118.7</u>	<u>\$ 1,077.2</u>

*The effect on FY17 beginning balances due to implementation of GASB statement 75. More detail is available in the notes.

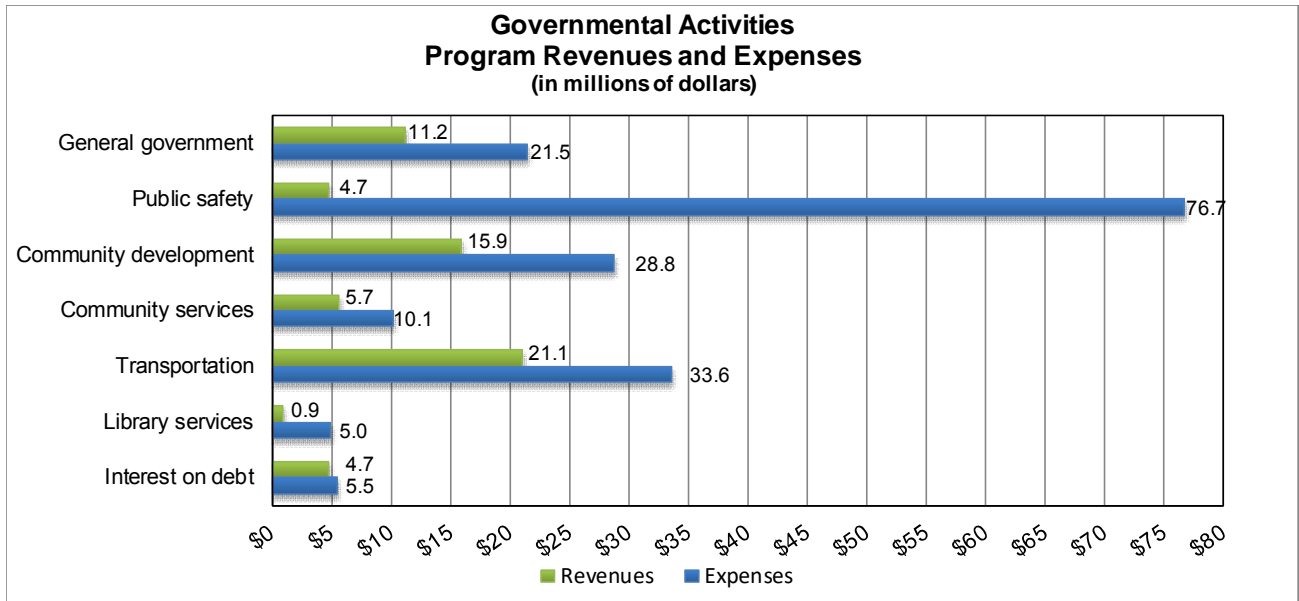
See the Statement of Activities (pages 34-35) for more detailed information.

Governmental Activities. The governmental net position before transfers increased \$0.6 million compared with a decrease of \$11.0 million in the prior year. The increased change in net position over the prior year's change is primarily related to the following activity.

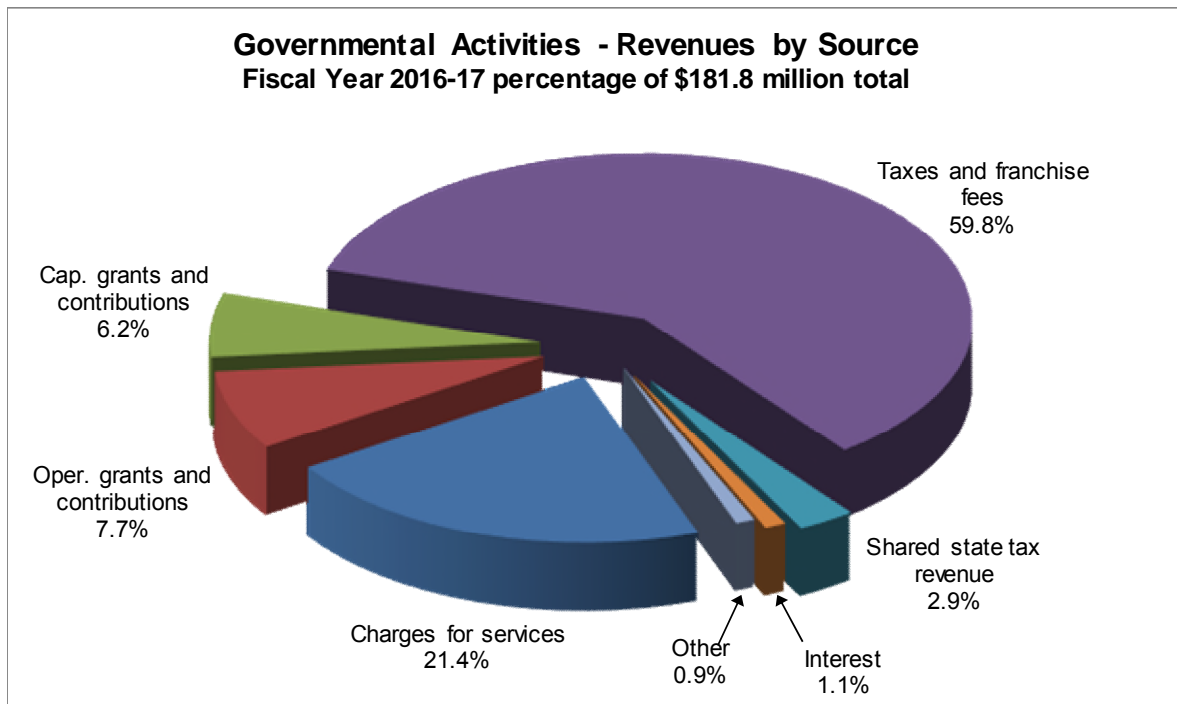
- Program revenues decreased \$4.5 million and general revenues increased \$5.9 million, which included a \$4.2 million increase in taxes and franchise fees.
- Program expenses overall were \$10.2 million lower than last year, primarily due to reduced pension expense compared to last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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.

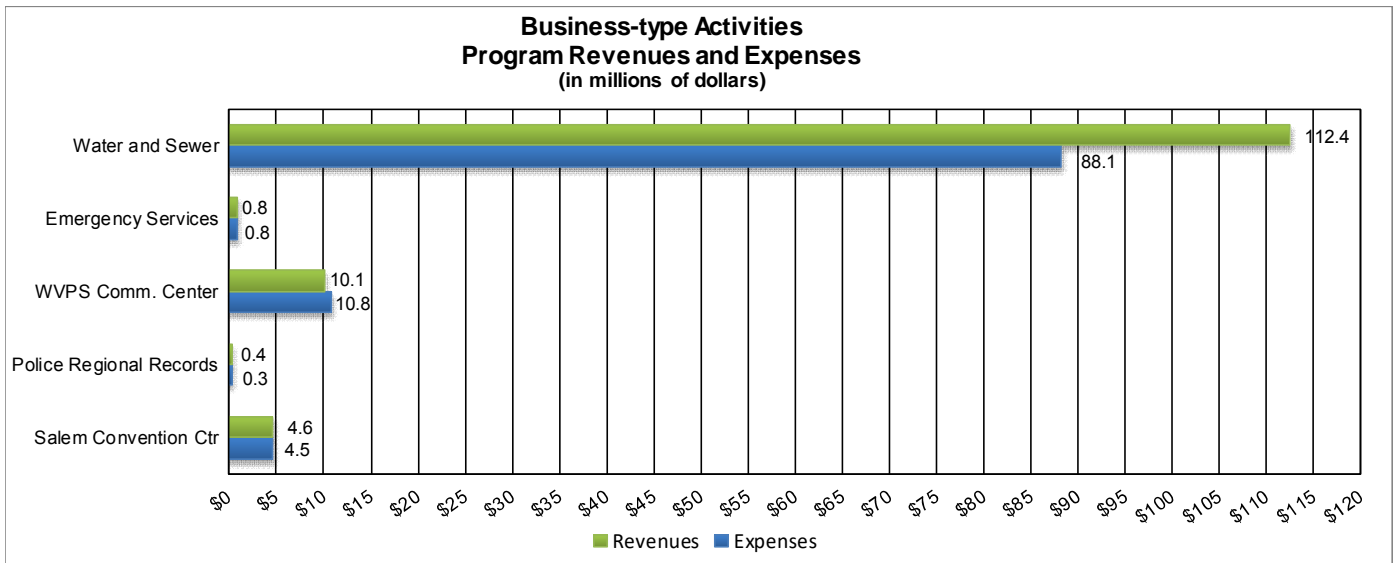


MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

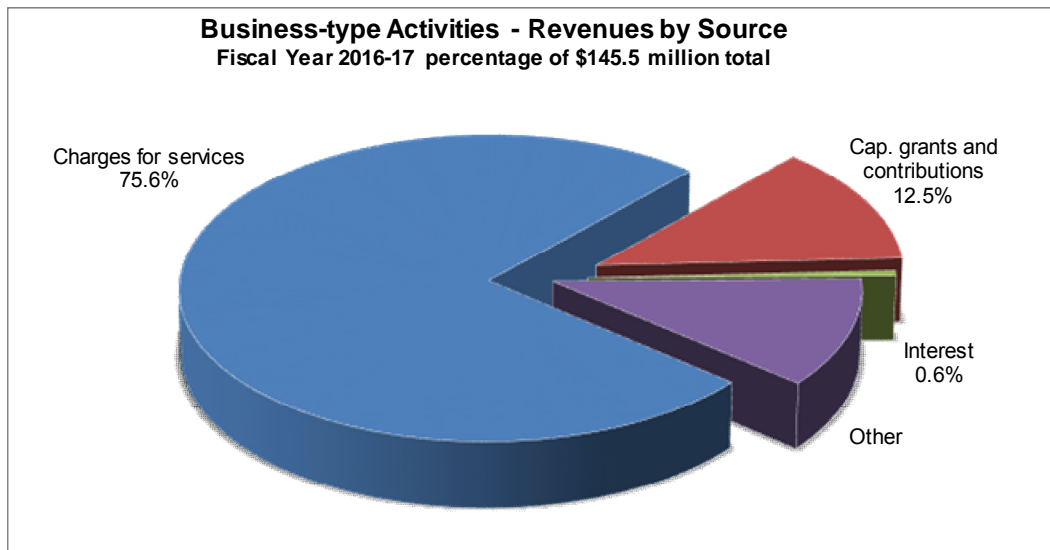
Business-type Activities. The table on page 20 shows the City's net position from business-type activities increased by \$40.9 million before transfers. This is \$35.3 million more than the prior year's change and is primarily related to the following activity.

- Charges for services increased \$4.5 million, \$3.2 million for the Utility fund and \$0.9 million for the Salem Convention Center.
- Capital grants and contributions increased \$8.1 million, primarily developer contributions and other street construction projects transferred to the Utility fund from other funds.
- Other revenue increased by \$16.2 million due to a gain on sale of water rights.
- Program expenses decreased \$6.2 million, primarily in the Utility fund and Willamette Valley Communications Center (WVCC) due to a decrease pension expense.

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, 2017

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, 2017, the City's governmental funds reported combined ending fund balances of \$117.8 million, a decrease of \$10.5 million, or 8.1%, from last year. The unassigned General fund balance of \$24.7 million, or 21.0% of the total governmental fund balance, is available for spending at the City's discretion. The remainder of the balance is constrained as follows: restricted to capital projects, debt service, or with other donor or legal restrictions is \$75.6 million, or 64.1%. Committed fund balances are \$16.5 million, or 14.0%. Assigned fund balances are \$1.0 million, or 0.9%.

The total General fund balance decreased \$1.1 million, from \$26.8 million to \$25.7 million. Total revenues increased 5.7% or \$5.7 million. This increase was primarily \$2.7 million from property taxes and \$1.4 million from intergovernmental revenue. Total expenditures increased \$7.5 million, primarily in public safety personal services due to normal pay increases and reopening a fire station. Public safety materials and services also increased due to grant funded purchase of equipment. The total ending fund balance is 19.8% of the fiscal year 2017-18 budgeted fund revenues and complies with the ending fund balance/reserve policy adopted by the Council.

Capital Improvements fund balance decreased \$12.2 million, from \$26.0 million to \$13.8 million. This was primarily due to the spending down of streets and bridges bond proceeds originally issued in 2009.

Tax Allocation Improvements fund balance increased \$1.3 million. This change was primarily due to increased transfers-in related to duJour loans, which exceeded construction expenditures. Increased construction and grant activity in North Gateway offset decreased construction in Riverfront, while construction increased slightly in the West Salem and Mill Creek areas.

Proprietary Funds. At June 30, 2017, the City's enterprise funds reported a combined net position of \$606.8 million (excluding the internal service consolidation adjustment), an increase of \$39.5 million primarily due to the Utility Fund. Internal service funds increased \$6.7 million to a net position of \$44.2 million.

The Utility fund net position increased \$40.3 million, from \$540.5 million to \$580.8 million. At June 30, 2017, \$516.2 million is the net investment in capital assets, \$21.2 million is restricted for capital projects, and \$43.4 million is unrestricted. Of the unrestricted funds, \$20.9 million is designated by management 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 primarily generated by operating income of \$13.8 million, infrastructure construction and developer contributed assets of \$18.2 million, \$5.7 million debt service interest, and a \$16.2 million sale of excess water rights.

The City Services and Equipment Replacement Reserve funds combined net position increased \$5.3 million, generated by \$3.5 million in operating income in the Equipment Replacement Reserve fund and a net of \$1.8 million in capital asset transfers and contributions to City Services from other funds, including the Equipment Replacement Reserve fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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 46-47 for more detailed information.

General Fund

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

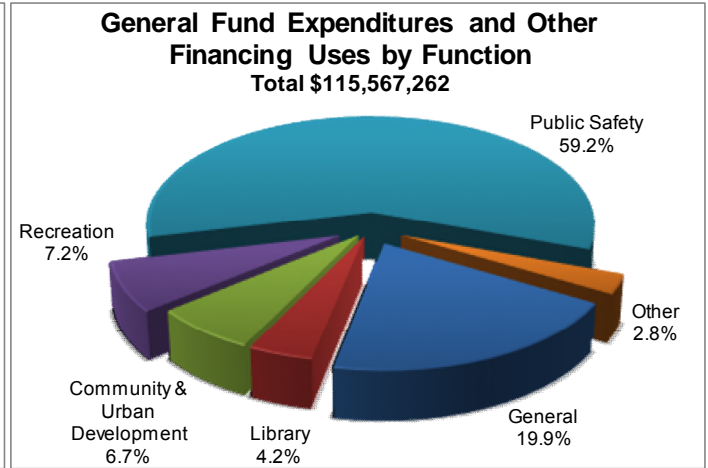
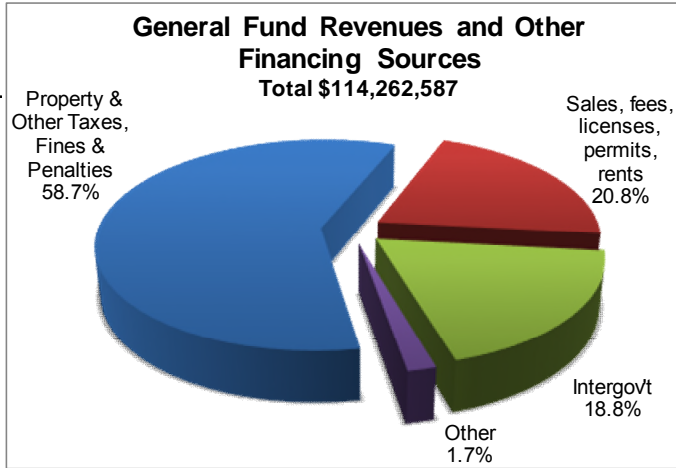
- Transfer of \$954,000 from contingency to transfers out for a new chiller at City Hall,
- Transfer of \$63,000 from contingency to Materials & Services for design of a new City Hall cooling system,
- Transfer of \$37,500 from contingency to Materials & Services for strategic planning,
- Transfer of \$109,000 from contingency to Materials & Services for radio frequency identification technology at the library,
- Transfer of \$193,000 from contingency to transfers out for the Airport runway project,
- Transfer of \$384,500 from contingency to Personal Services for early opening of a fire station,
- Transfer of \$25,000 from contingency to Materials & Services to ensure budgetary compliance,
- Addition of \$77,300 in Materials and Services for acceptance of a grant, and
- Addition of \$156,370 in Personal Services, \$8,000 in Materials and Services, and \$45,000 in Capital Outlay to fund a mobile response crisis team.

Differences between actual results and the final amended budget resulted in the General fund balance ending \$9.3 million greater than originally budgeted. This is primarily due to:

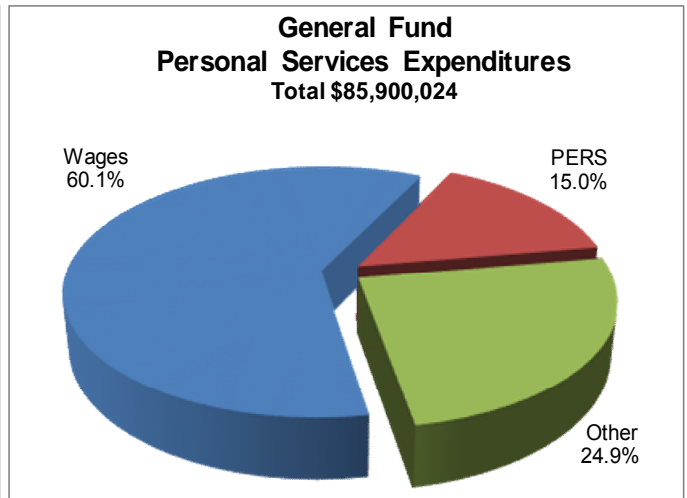
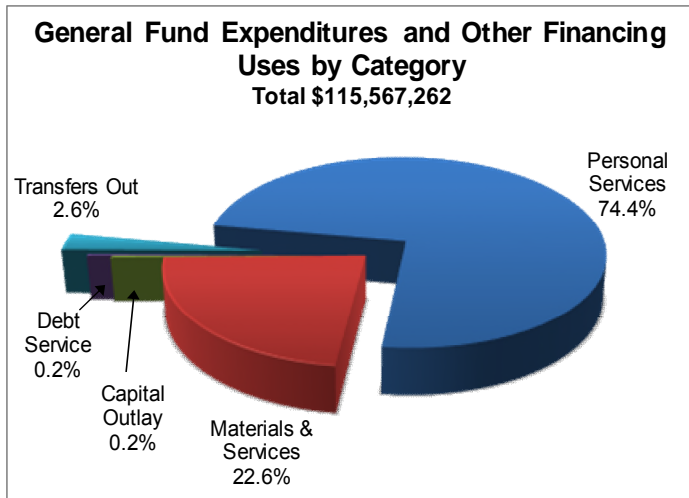
- \$2.1 million larger than budgeted beginning balance due to prior year spending reductions,
- \$1.0 million higher than budgeted property tax revenue,
- \$1.0 million higher than budgeted in sales, fees, licenses and permits revenue, mainly related to franchise fees,
- \$4.3 million less than budgeted 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,
- \$1.2 million in unspent contingency.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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.



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, 2017, 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 \$12.9 million, or 1.1%, from the prior year. Governmental assets increased \$6.8 million, primarily in streets infrastructure. The business-type increase of \$6.1 million is utility infrastructure additions exceeding depreciation.

Additional information on capital assets is in the notes to the financial statements (pages 68-69).

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land, land improvements, and art	\$ 242.7	\$ 236.8	\$ 17.8	\$ 17.5	\$ 260.5	\$ 254.3
Buildings	40.2	41.6	23.2	23.8	63.4	65.4
Improvements	23.6	24.3	-	-	23.6	24.3
Equipment and machinery	7.2	8.1	0.5	0.5	7.7	8.6
Vehicles	11.7	9.9	-	-	11.7	9.9
Infrastructure	155.7	151.1	-	-	155.7	151.1
Utility systems	-	-	597.4	589.1	597.4	589.1
Work-in-progress	61.4	63.9	21.1	23.0	82.5	86.9
Total	<u>\$ 542.5</u>	<u>\$ 535.7</u>	<u>\$ 660.0</u>	<u>\$ 653.9</u>	<u>\$ 1,202.5</u>	<u>\$ 1,189.6</u>

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

Change in Capital Assets for the Fiscal Year Ended June 30, 2017
(in millions)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 535.7	\$ 653.9	\$ 1,189.6
Additions	23.7	24.7	48.4
Retirement	(2.1)	(0.1)	(2.2)
Accumulated depreciation	<u>(14.8)</u>	<u>(18.5)</u>	<u>(33.3)</u>
Ending balance	<u>\$ 542.5</u>	<u>\$ 660.0</u>	<u>\$ 1,202.5</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

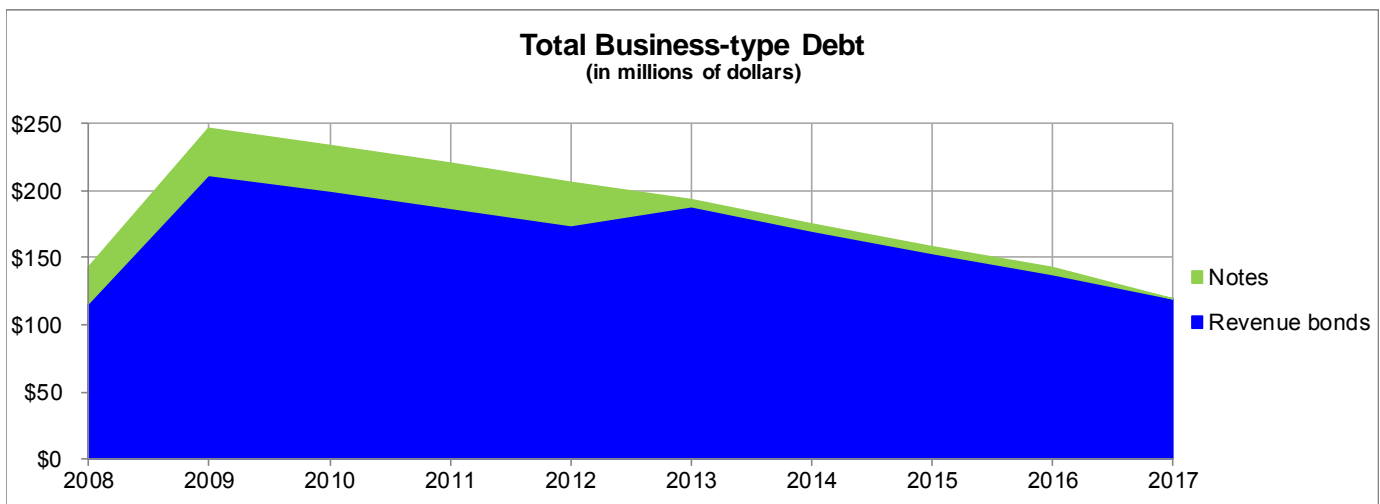
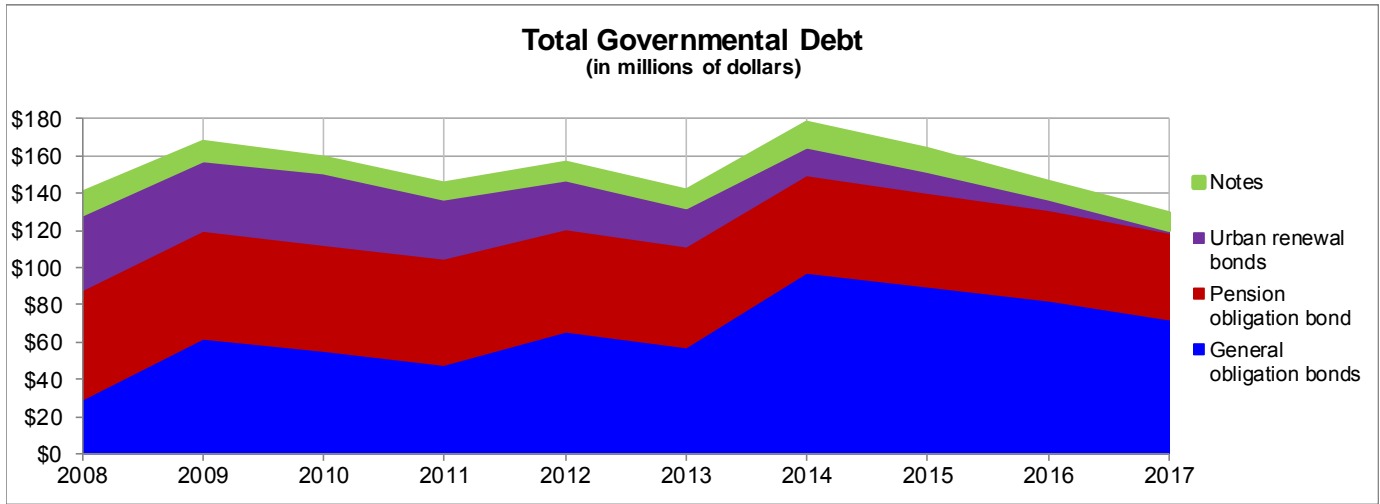
As of June 30, 2017, the City had a total of \$245.0 million in outstanding long-term debt, compared to \$281.5 million last year, a 13.0% net decrease, as illustrated in the following table.

Outstanding Debt as of June 30,
(in millions)

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Bonds:						
General obligation	\$ 68.8	\$ 78.8	\$ -	\$ -	\$ 68.8	\$ 78.8
Revenue	-	-	118.9	134.6	118.9	134.6
Pension obligation	46.8	49.0	-	-	46.8	49.0
Urban Renewal	2.1	6.0	-	-	2.1	6.0
Notes	<u>8.4</u>	<u>8.3</u>	<u>-</u>	<u>4.8</u>	<u>8.4</u>	<u>13.1</u>
Total outstanding debt	<u>\$ 126.1</u>	<u>\$ 142.1</u>	<u>\$ 118.9</u>	<u>\$ 139.4</u>	<u>\$ 245.0</u>	<u>\$ 281.5</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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



OECD L06001B note from Oregon Economic and Community Development Department decreased \$47,370 based on earned credits for jobs creation.

Additional information on the City's debt is in the notes to the financial statements (pages 72-75) and supplemental information (pages 144-146).

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, 2017 was 0.47% of RMV. The actual levy for GO debt was \$1.0100 for 2016-17.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

Debt Per Capita, and as a Percent of Real Market Value (RMV)
As of June 30, 2017

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
Population (2016)	162,060		
2016-17 Measure 5 RMV	\$ 14,782,421,957	\$91,216	-
Total bonded debt outstanding	236,559,147 *	1,460	1.60%
Net direct GO debt	68,831,147 *	425	0.47%
Net overlapping debt	275,330,176	1,699	1.86%
Net direct and overlapping debt	344,161,323	2,124	2.33%

*Excludes issuance premium

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2017-18 Adopted Budget - The annual budget for fiscal year 2017-18 for all funds anticipates a personal services increase of 7.6%, materials and services increase of 1.6%, capital outlay increase of 57.8%, debt service decrease of 10.6%, and transfers decrease of 16.2%.

Personal services increases include the addition of 16.5 positions over all funds. The most significant additions are in the utility fund (6), information technology (5), and police (3). Cost increases also include salary changes for market adjustments, collective bargaining agreements, and merit pay increases, and an increase in health benefit costs of 6.5%.

Debt service is reduced by \$4.7 million due to maturing of existing debt.

Interfund transfers to construction funds for capital construction costs are reduced by \$3.7 million.

The budget anticipates a 4.1% increase in property tax receipts as a result of decreased property tax compression and an anticipated assessed property value increase of 4.1%.

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, 2016 the Council approved increases for City provided utilities that included 3% increases in January 2017 and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2017

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	Aa2	-
Standard & Poor's	AA	AA	AA

GO bond ratings were last affirmed by Moody's in July 2017. Utility bonds were rated Aa2 in June 2017. Moody's comments regarding the City's strong GO bond ratings included the City's:

- Large tax base that serves as the state capitol and continues to diversify, and
- Stable financial operations with healthy reserve levels.

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 Finance Division at 555 Liberty Street SE, Room 230, Salem, Oregon 97301.



Basic Financial Statements



City of Salem, Oregon
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 153,716,917	\$ 45,311,493	\$ 199,028,410
Accounts receivable, net	28,141,709	13,307,218	41,448,927
Due from other governmental agencies	103,402	57,236	160,638
Due from other funds	7,394	265,106	272,500
Internal balances	(6,339,218)	6,339,218	-
Inventories and prepayments	1,003,840	1,077,467	2,081,307
Assessments receivable	635,893	-	635,893
Total current assets	<u>177,269,937</u>	<u>66,357,738</u>	<u>243,627,675</u>
Noncurrent assets			
Restricted cash and investments	7,404,603	22,165,185	29,569,788
Notes receivable	-	11,877,069	11,877,069
Deferred assessments	-	3,391,917	3,391,917
Capital assets:			
Land and construction in progress	304,097,660	38,852,287	342,949,947
Other capital assets, net	238,361,603	621,140,450	859,502,053
Total noncurrent assets	<u>549,863,866</u>	<u>697,426,908</u>	<u>1,247,290,774</u>
Total assets	<u>727,133,803</u>	<u>763,784,646</u>	<u>1,490,918,449</u>
Deferred Outflows of Resources			
Deferred charge on refunding	-	3,655,332	3,655,332
Deferred outflows related to OPEB	374,568	169,874	544,442
Deferred outflows related to pensions	55,006,423	20,572,581	75,579,004
Total deferred outflows of resources	<u>55,380,991</u>	<u>24,397,787</u>	<u>79,778,778</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11,875,983	4,650,144	16,526,127
Interest payable	923,146	350,958	1,274,104
Due to other agencies	5,634	-	5,634
Claims and judgments due within one year	1,800,000	-	1,800,000
Advances from other funds	-	7,394	7,394
Long-term debt due within one year	11,332,364	14,720,000	26,052,364
Compensated absences due within one year	1,308,124	553,580	1,861,704
Total current liabilities	<u>27,245,251</u>	<u>20,282,076</u>	<u>47,527,327</u>
Noncurrent liabilities			
Security deposit payable	12,320	36,597	48,917
Unearned revenue	45,018	1,148,793	1,193,811
Developer reimbursement	664,201	2,093,239	2,757,440
Long-term debt	117,641,204	107,405,410	225,046,614
Net OPEB liability	9,114,877	4,133,758	13,248,635
Net pension liability	106,193,480	40,064,047	146,257,527
Claims and judgments payable	5,299,970	-	5,299,970
Compensated absences payable	5,371,083	1,941,458	7,312,541
Total noncurrent liabilities	<u>244,342,153</u>	<u>156,823,302</u>	<u>401,165,455</u>
Total liabilities	<u>271,587,404</u>	<u>177,105,378</u>	<u>448,692,782</u>
Deferred Inflows of Resources			
Deferred inflows related to OPEB	238,336	108,090	346,426
Deferred inflows related to pensions	2,028,865	900,322	2,929,187
Total deferred inflows of resources	<u>2,267,201</u>	<u>1,008,412</u>	<u>3,275,613</u>
Net Position			
Net investment in capital assets	469,688,116	541,522,659	1,011,210,775
Restricted for:			
Capital projects	50,769,402	21,197,516	71,966,918
Debt service	19,150,453	-	19,150,453
Community enhancement	7,469,913	-	7,469,913
Community renewal	13,293,319	-	13,293,319
Permanent	201,188	-	201,188
Permanent - non-expendable	11,000	-	11,000
Unrestricted	(51,923,202)	47,348,468	(4,574,734)
Total net position	<u>\$ 508,660,189</u>	<u>\$ 610,068,643</u>	<u>\$ 1,118,728,832</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, 2017

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants/Contributions
Governmental activities			
General government	\$ 21,541,066	\$ 10,762,231	\$ 361,512
Public safety	76,681,588	3,457,819	1,280,986
Community development	28,815,600	11,308,266	2,358,210
Community services	10,130,824	2,955,417	114,933
Transportation	33,579,815	4,796,272	9,890,513
Library services	4,951,828	869,078	26,750
Interest on debt	5,494,769	4,707,090	-
Total governmental activities	181,195,490	38,856,173	14,032,904
Business-type activities			
Utilities	88,133,117	94,173,227	-
Emergency services	765,666	775,125	-
WVPS communications center	10,847,295	10,094,981	-
Police regional records system	260,572	359,880	-
Salem Convention Center	4,540,244	4,631,840	-
Total business-type activities	104,546,894	110,035,053	-
Total	\$ 285,742,384	\$ 148,891,226	\$ 14,032,904

General revenues

Property tax
 Transient occupancy tax
 Other taxes
 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

Restated net position - beginning of year

Net position - end of year

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

Continued

**Net (Expense) Revenue and
Changes in Net Position**

Capital Grants/ Contributions	Governmental Activities	Business-type Activities	Total
\$ 79,006	\$ (10,338,317)	\$ -	\$ (10,338,317)
-	(71,942,783)	-	(71,942,783)
2,266,810	(12,882,314)	-	(12,882,314)
2,585,101	(4,475,373)	-	(4,475,373)
6,371,776	(12,521,254)	-	(12,521,254)
-	(4,056,000)	-	(4,056,000)
-	(787,679)	-	(787,679)
<u>11,302,693</u>	<u>(117,003,720)</u>	<u>-</u>	<u>(117,003,720)</u>
18,221,138	-	24,261,248	24,261,248
-	-	9,459	9,459
-	-	(752,314)	(752,314)
-	-	99,308	99,308
-	-	91,596	91,596
<u>18,221,138</u>	<u>-</u>	<u>23,709,297</u>	<u>23,709,297</u>
<u>\$ 29,523,831</u>	<u>(117,003,720)</u>	<u>23,709,297</u>	<u>(93,294,423)</u>
	87,593,537	-	87,593,537
	3,943,285	-	3,943,285
	121,502	-	121,502
	5,175,176	-	5,175,176
	16,991,335	-	16,991,335
	106,006	-	106,006
	1,901,542	791,230	2,692,772
	239,594	16,217,200	16,456,794
	1,478,317	308,438	1,786,755
	625,778	(625,778)	-
	<u>118,176,072</u>	<u>16,691,090</u>	<u>134,867,162</u>
	1,172,352	40,400,387	41,572,739
	<u>507,487,837</u>	<u>569,668,256</u>	<u>1,077,156,093</u>
	<u>\$ 508,660,189</u>	<u>\$ 610,068,643</u>	<u>\$ 1,118,728,832</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 Fund

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 Fund

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 Fund

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

Community Renewal Fund

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, 2017

	General Fund	Capital Improvements
Assets		
Cash and investments	\$ 27,588,352	\$ 18,004,199
Accounts receivable, net	6,675,314	538,856
Due from other funds	-	-
Due from other agencies	103,402	-
Inventories and prepayments	8,767	-
Advances to other funds	-	-
Assessments receivable	-	-
	\$ 34,375,835	\$ 18,543,055
Liabilities		
Accounts payable and accrued liabilities	\$ 4,924,233	\$ 2,044,796
Due to other agencies	5,634	-
Advances from other funds	1,076,426	2,249,238
Security deposit payable	10,600	-
Unearned revenues	-	-
Developer reimbursement payable	-	-
	6,016,893	4,294,034
Deferred inflows of resources		
Unavailable revenue	2,614,111	474,393
Fund balances		
Nonspendable	8,767	-
Restricted	-	13,774,628
Committed	-	-
Assigned	1,008,040	-
Unassigned	24,728,024	-
	25,744,831	13,774,628
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,375,835	\$ 18,543,055

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
\$ 22,005,947	\$ 220,872	\$ 55,928,667	\$ 123,748,037
3,387,140	13,165,775	4,279,814	28,046,899
-	-	7,394	7,394
-	-	-	103,402
-	-	-	8,767
-	-	249,238	249,238
-	-	635,893	635,893
<u>\$ 25,393,087</u>	<u>\$ 13,386,647</u>	<u>\$ 61,101,006</u>	<u>\$ 152,799,630</u>
\$ 523,450	\$ 79,414	\$ 1,693,339	\$ 9,265,232
-	-	-	5,634
-	-	-	3,325,664
-	-	1,720	12,320
-	-	45,018	45,018
-	-	664,201	664,201
<u>523,450</u>	<u>79,414</u>	<u>2,404,278</u>	<u>13,318,069</u>
<u>3,379,471</u>	<u>13,023,084</u>	<u>2,141,470</u>	<u>21,632,529</u>
-	-	11,000	19,767
21,490,166	284,149	40,051,044	75,599,987
-	-	16,493,214	16,493,214
-	-	-	1,008,040
-	-	-	24,728,024
<u>21,490,166</u>	<u>284,149</u>	<u>56,555,258</u>	<u>117,849,032</u>
<u>\$ 25,393,087</u>	<u>\$ 13,386,647</u>	<u>\$ 61,101,006</u>	<u>\$ 152,799,630</u>

Concluded

City of Salem, Oregon
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances	\$	117,849,032
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).		542,459,263
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Notes receivable - earned but unavailable		18,452,371
Property taxes - earned but unavailable		3,180,158
Deferred outflows related to OPEB		374,568
Deferred outflows related to pension		55,006,423
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.		25,489,853
Accrued interest payable		(923,146)
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		(128,973,568)
Compensated absences payable		(6,679,207)
Net OPEB liability		(9,114,877)
Net pension liability		(106,193,480)
Deferred inflows related to OPEB		(238,336)
Deferred inflows related to pension		(2,028,865)
Net position of governmental activities	\$	<u>508,660,189</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, 2017

	General Fund	Capital Improvements
Revenues		
Property taxes	\$ 63,986,373	\$ -
Other taxes	121,502	-
Sales, fees, licenses, and permits	21,958,944	10,400
Special assessments	-	-
Rents	1,807,586	-
Grants	1,311,051	3,502,385
Intergovernmental	12,515,455	178,271
Fines and penalties	2,963,967	-
Interest on investments	395,561	265,447
Loan payments received	18,226	36,722
Other	337,952	120,668
	<u>105,416,617</u>	<u>4,113,893</u>
Expenditures		
Current		
General government	16,597,471	-
Community development	6,531,950	-
Community service	8,289,415	-
Public safety	68,244,202	-
Transportation	-	-
Library	4,759,982	-
Capital Outlay	280,882	22,811,284
Debt service		
Principal retirement	-	-
Interest and fiscal charges	10,151	-
	<u>104,714,053</u>	<u>22,811,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>702,564</u>	<u>(18,697,391)</u>
Other financing sources (uses)		
Sale of capital assets	-	49,462
Transfers in	1,250,800	6,430,235
Transfers out	(2,989,660)	(40,000)
	<u>(1,738,860)</u>	<u>6,439,697</u>
Net change in fund balances	(1,036,296)	(12,257,694)
Fund balances - beginning of year	<u>26,781,127</u>	<u>26,032,322</u>
Fund balances - end of year	<u>\$ 25,744,831</u>	<u>\$ 13,774,628</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
\$ -	\$ -	\$ 23,755,764	\$ 87,742,137
-	-	3,943,285	4,064,787
-	600	10,619,168	32,589,112
-	-	487,167	487,167
10,478	-	2,417,016	4,235,080
-	1,950,621	320,068	7,084,125
494,178	97,437	17,458,560	30,743,901
-	-	9,057	2,973,024
206,934	-	707,375	1,575,317
1,553,597	664,375	32,290	2,305,210
1,000	-	705,284	1,164,904
<u>2,266,187</u>	<u>2,713,033</u>	<u>60,455,034</u>	<u>174,964,764</u>
-	-	161,809	16,759,280
-	2,347,027	8,406,957	17,285,934
-	-	172,378	8,461,793
-	-	198,193	68,442,395
-	-	13,804,079	13,804,079
-	-	82,472	4,842,454
6,683,503	-	3,992,766	33,768,435
-	97,437	16,100,556	16,197,993
-	-	5,475,852	5,486,003
<u>6,683,503</u>	<u>2,444,464</u>	<u>48,395,062</u>	<u>185,048,366</u>
<u>(4,417,316)</u>	<u>268,569</u>	<u>12,059,972</u>	<u>(10,083,602)</u>
-	-	160,935	210,397
5,700,000	-	1,017,714	14,398,749
-	-	(11,951,183)	(14,980,843)
<u>5,700,000</u>	<u>-</u>	<u>(10,772,534)</u>	<u>(371,697)</u>
1,282,684	268,569	1,287,438	(10,455,299)
<u>20,207,482</u>	<u>15,580</u>	<u>55,267,820</u>	<u>128,304,331</u>
<u>\$ 21,490,166</u>	<u>\$ 284,149</u>	<u>\$ 56,555,258</u>	<u>\$ 117,849,032</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, 2017

Net change in fund balances-total governmental funds	\$	(10,455,299)
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		14,944,859
Depreciation		(15,039,561)
Various other transactions involving capital assets increase or decrease net assets.		
Developer donated infrastructure and other donated assets		3,491,627
Book value of sold or disposed assets		(10,102)
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		(1,642,224)
Change in deferred inflows for general revenue		(148,600)
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.		
Principal payments on long-term debt		16,197,993
Amortize bond premium		475,347
Capitalized interest		(284,861)
Debt forgiven for capital construction at Mill Creek URA		47,370
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.		
		(8,765)
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.		
Net expense related to net pension activity		(10,892,513)
Net expense related to net OPEB activity		(738,982)
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.		
		(563,172)
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.		
		5,799,235
Change in net position of governmental activities	\$	1,172,352

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Property taxes	\$ 62,975,660	\$ 62,975,660	\$ 63,986,373	\$ (1,010,713)
Other taxes	72,230	72,230	121,502	(49,272)
Sales, fees, licenses, and permits	20,965,000	20,965,000	21,958,944	(993,944)
Rents	1,596,300	1,596,300	1,807,586	(211,286)
Grants	1,419,610	1,419,610	1,311,051	108,559
Intergovernmental	19,977,280	20,186,650	20,110,625	76,025
Fines and penalties	3,056,910	3,056,910	2,963,967	92,943
Interest on investments	233,470	233,470	395,561	(162,091)
Loan payments received	-	-	18,226	(18,226)
Other	266,300	266,300	337,952	(71,652)
Total revenues	110,562,760	110,772,130	113,011,787	(2,239,657)
Expenditures				
Operations				
Mayor and council	225,990	225,990	218,929	7,061
City manager	1,719,480	1,719,480	1,687,641	31,839
Human resources	1,248,110	1,273,110	1,227,507	45,603
Legal	2,147,000	2,147,000	2,013,745	133,255
Administrative services	5,215,460	5,215,460	4,520,977	694,483
General services	3,897,790	3,961,040	3,845,077	115,963
Information technology	6,914,600	6,914,600	6,766,062	148,538
Non-departmental	2,750,000	2,787,500	2,721,940	65,560
Total general government	24,118,430	24,244,180	23,001,878	1,242,302
Community development	3,768,150	3,768,150	3,656,442	111,708
Urban development	4,947,530	4,947,530	4,134,387	813,143
Total community development	8,715,680	8,715,680	7,790,829	924,851
Community services	8,439,340	8,439,340	8,337,527	101,813
Library	4,828,910	4,938,800	4,788,689	150,111
Police	39,650,890	39,937,610	39,172,310	765,300
Fire	29,513,080	29,897,610	29,207,839	689,771
Total public safety	69,163,970	69,835,220	68,380,149	1,455,071
Debt service	280,000	280,000	278,530	1,470
Contingency	3,000,000	1,155,080	-	1,155,080
Total expenditures	118,546,330	117,608,300	112,577,602	5,030,698
Excess (deficiency) of revenues over expenditures	(7,983,570)	(6,836,170)	434,185	(7,270,355)

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, 2017

	<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)				
Transfers in	1,250,800	1,250,800	1,250,800	-
Transfers out	(1,842,260)	(2,989,660)	(2,989,660)	-
Total other financing sources (uses)	<u>(591,460)</u>	<u>(1,738,860)</u>	<u>(1,738,860)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(8,575,030)	(8,575,030)	(1,304,675)	(7,270,355)
Fund balance - beginning of year	<u>26,047,730</u>	<u>26,047,730</u>	<u>28,125,932</u>	<u>(2,078,202)</u>
Fund balance - end of year	<u>\$ 17,472,700</u>	<u>\$ 17,472,700</u>	26,821,257	<u>\$ (9,348,557)</u>

Reconciliation to generally accepted accounting principles:

Adjustments for indirect cost allocation	
Revenues	7,595,170
Expenditures:	
General government	(7,595,170)
Advance from Utility fund (page 135)	<u>(1,076,426)</u>
Fund balance-end of year (modified accrual)	<u>\$ 25,744,831</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, 2017

	<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	\$ -	\$ -	\$ 600	\$ (600)
Grants	3,583,470	3,583,470	1,950,621	1,632,849
Intergovernmental	217,920	217,920	97,437	120,483
Loan payments received	385,000	385,000	664,375	(279,375)
Total revenues	<u>4,186,390</u>	<u>4,186,390</u>	<u>2,713,033</u>	<u>1,473,357</u>
Expenditures				
Operations	3,793,470	3,793,470	2,347,027	1,446,443
Debt service	392,920	392,920	97,437	295,483
Total expenditures	<u>4,186,390</u>	<u>4,186,390</u>	<u>2,444,464</u>	<u>1,741,926</u>
Net change in fund balance	-	-	268,569	(268,569)
Fund balance - beginning of year	-	-	15,580	(15,580)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,149</u>	<u>\$ (284,149)</u>

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 Funds

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, 2017

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Assets				
Current assets				
Cash and investments	\$ 38,917,405	\$ 6,394,088	\$ 45,311,493	\$ 29,968,880
Accounts receivable, net	12,714,741	592,477	13,307,218	94,810
Due from other governmental agencies	57,236	-	57,236	-
Due from other funds	-	265,106	265,106	-
Inventories and prepayments	1,012,475	64,992	1,077,467	995,073
Advances to other funds	3,076,426	-	3,076,426	-
Total current assets	<u>55,778,283</u>	<u>7,316,663</u>	<u>63,094,946</u>	<u>31,058,763</u>
Noncurrent assets				
Restricted cash and investments	22,165,185	-	22,165,185	7,404,603
Notes receivable	11,877,069	-	11,877,069	-
Deferred assessments	3,391,917	-	3,391,917	-
Capital assets:				
Land and construction in progress	37,256,164	1,596,123	38,852,287	4,888,477
Other capital assets, net	597,454,393	23,686,057	621,140,450	12,654,162
Total noncurrent assets	<u>672,144,728</u>	<u>25,282,180</u>	<u>697,426,908</u>	<u>24,947,242</u>
Total assets	<u>727,923,011</u>	<u>32,598,843</u>	<u>760,521,854</u>	<u>56,006,005</u>
Deferred outflows of resources				
Deferred charge on refunding	3,655,332	-	3,655,332	-
Deferred outflows related to OPEB	134,111	35,763	169,874	12,235
Deferred outflows related to pensions	15,924,949	4,647,632	20,572,581	1,558,211
Total deferred outflows of resources	<u>19,714,392</u>	<u>4,683,395</u>	<u>24,397,787</u>	<u>1,570,446</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	4,093,685	556,459	4,650,144	2,610,751
Interest payable	350,958	-	350,958	-
Claims and judgments due within one year	-	-	-	1,800,000
Due to other funds	-	7,394	7,394	-
Long-term debt due within one year	14,720,000	-	14,720,000	-
Compensated absences due within one year	489,311	64,269	553,580	74,119
Total current liabilities	<u>19,653,954</u>	<u>628,122</u>	<u>20,282,076</u>	<u>4,484,870</u>
Noncurrent liabilities				
Security deposit payable	36,597	-	36,597	-
Unearned revenue	1,148,793	-	1,148,793	-
Developer reimbursement payable	2,093,239	-	2,093,239	-
Long-term debt	107,405,410	-	107,405,410	-
Net OPEB liability	3,263,493	870,265	4,133,758	297,722
Net pension liability	31,008,547	9,055,500	40,064,047	3,070,206
Claims and judgments payable	-	-	-	5,299,970
Compensated absences payable	1,442,467	498,991	1,941,458	133,415
Total noncurrent liabilities	<u>146,398,546</u>	<u>10,424,756</u>	<u>156,823,302</u>	<u>8,801,313</u>
Total liabilities	<u>166,052,500</u>	<u>11,052,878</u>	<u>177,105,378</u>	<u>13,286,183</u>
Deferred inflows of resources:				
Deferred inflows related to OPEB	85,334	22,756	108,090	7,785
Deferred inflows related to pensions	695,103	205,219	900,322	82,727
Total deferred inflows of resources	<u>780,437</u>	<u>227,975</u>	<u>1,008,412</u>	<u>90,512</u>
Net Position				
Net investment in capital assets	516,240,479	25,282,180	541,522,659	17,542,639
Restricted for:				
Capital projects	21,197,516	-	21,197,516	6,415,762
Unrestricted	43,366,471	719,205	44,085,676	20,241,355
Total net position	<u>\$ 580,804,466</u>	<u>\$ 26,001,385</u>	<u>606,805,851</u>	<u>\$ 44,199,756</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>3,262,792</u>	
Net position of business-type activities			<u>\$ 610,068,643</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, 2017

	Business-type Activities - Enterprise Funds			Governmental
	Utility	Other	Totals	Activities
	Fund	Funds		Internal
				Service Funds
Operating revenues				
Sales, fees, licenses, and permits	\$ 88,334,634	\$ 3,787,237	\$ 92,121,871	\$ 31,958
Assessments	389	-	389	-
Rents	15,784	1,561,326	1,577,110	1,787,645
Internal and intergovernmental	5,493,533	298,370	5,791,903	38,015,459
Member agencies	-	10,107,404	10,107,404	-
Fines and penalties	-	69,100	69,100	-
Other	6,831	38,389	45,220	1,321,785
Total operating revenues	<u>93,851,171</u>	<u>15,861,826</u>	<u>109,712,997</u>	<u>41,156,847</u>
Operating expenses				
Personal services	33,268,260	9,672,877	42,941,137	3,562,672
Materials and services	29,028,500	5,942,906	34,971,406	31,305,998
Depreciation	17,795,596	797,994	18,593,590	1,776,644
Total operating expenses	<u>80,092,356</u>	<u>16,413,777</u>	<u>96,506,133</u>	<u>36,645,314</u>
Operating income (loss)	<u>13,758,815</u>	<u>(551,951)</u>	<u>13,206,864</u>	<u>4,511,533</u>
Non-operating revenues (expenses)				
Interest on investments	733,203	58,027	791,230	326,225
Other revenue (expenses)	13,562,323	-	13,562,323	29,197
Interest on debt	(5,671,529)	-	(5,671,529)	-
Total non-operating revenues (expenses)	<u>8,623,997</u>	<u>58,027</u>	<u>8,682,024</u>	<u>355,422</u>
Net income (loss) before capital contributions and transfers	22,382,812	(493,924)	21,888,888	4,866,955
Capital contributions	18,221,138	-	18,221,138	640,547
Transfers in	50,400	-	50,400	4,456,386
Transfers out	(371,811)	(304,367)	(676,178)	(3,248,514)
Change in net position	40,282,539	(798,291)	39,484,248	6,715,374
Restated total net position - beginning of year	<u>540,521,927</u>	<u>26,799,676</u>		<u>37,484,382</u>
Total net position - end of year	<u>\$ 580,804,466</u>	<u>\$ 26,001,385</u>		<u>\$ 44,199,756</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>916,139</u>	
Change in net position of business-type activities			<u>\$ 40,400,387</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, 2017

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 74,949,764	\$ 5,620,674	\$ 80,570,438	\$ 3,060,783
Receipts from interfund services provided	5,322,903	298,370	5,621,273	38,015,459
Member agencies	-	6,169,064	6,169,064	-
Payments to suppliers	(26,844,440)	(2,056,030)	(28,900,470)	(30,230,850)
Payments to employees	(29,753,994)	(8,657,711)	(38,411,705)	(3,276,119)
Other receipts (payments)	(2,904,764)	-	(2,904,764)	-
Net cash provided (used) by operating activities	<u>20,769,469</u>	<u>1,374,367</u>	<u>22,143,836</u>	<u>7,569,273</u>
Cash Flows from Non-capital Financing Activities				
Transfers received	318,779	-	318,779	949,250
Transfers paid	(2,371,811)	(304,367)	(2,676,178)	(299,261)
Net cash provided (used) by non-capital related financing activities	<u>(2,053,032)</u>	<u>(304,367)</u>	<u>(2,357,399)</u>	<u>649,989</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	3,822,432	-	3,822,432	-
Acquisition and construction of capital assets	(10,499,051)	(126,188)	(10,625,239)	(5,432,460)
Principal paid on debt	(20,549,035)	-	(20,549,035)	-
Interest paid on debt	(5,226,792)	-	(5,226,792)	-
Sale of capital assets	16,217,200	-	16,217,200	343,291
Net cash provided (used) by capital and related financing activities	<u>(16,235,246)</u>	<u>(126,188)</u>	<u>(16,361,434)</u>	<u>(5,089,169)</u>
Cash Flows from Investing Activities				
Interest on investments	733,203	58,026	791,229	326,225
Net increase (decrease) in cash and cash equivalents	3,214,394	1,001,838	4,216,232	3,456,318
Cash and cash equivalents - beginning of year	57,868,196	5,392,250	63,260,446	33,917,165
Cash and cash equivalents - end of year	<u>\$ 61,082,590</u>	<u>\$ 6,394,088</u>	<u>\$ 67,476,678</u>	<u>\$ 37,373,483</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 13,758,815	\$ (551,951)	\$ 13,206,864	\$ 4,511,533
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	17,795,596	797,994	18,593,590	1,776,644
Other income (expense)	(2,904,764)	-	(2,904,764)	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	(13,097,294)	(27,573)	(13,124,867)	(80,605)
Inventories and prepayments	170,989	38,621	209,610	45,300
Deferred outflows for OPEB	14,954	4,511	19,465	3,456
Deferred outflows for pension	(13,078,152)	(3,814,850)	(16,893,002)	(1,267,458)
Accounts payable and accrued liabilities	1,644,957	102,109	1,747,066	1,353,047
Unearned revenue	-	-	-	(832,271)
Claims reserve	-	-	-	517,070
Compensated absences payable	71,176	57,424	128,600	48
Net OPEB liability	102,669	16,288	118,957	(34,996)
Net pension liability	18,547,718	5,410,304	23,958,022	1,797,537
Deferred inflows for OPEB	(9,515)	(2,870)	(12,385)	(2,200)
Deferred inflows for pension	(2,247,680)	(655,640)	(2,903,320)	(217,832)
Net cash provided (used) by operating activities	<u>\$ 20,769,469</u>	<u>\$ 1,374,367</u>	<u>\$ 22,143,836</u>	<u>\$ 7,569,273</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 4,034,807	\$ -	\$ 4,034,807	\$ 3,321,064
Contribution of capital assets from governmental funds	10,354,894	-	10,354,894	640,547

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, 2017

Assets:

Cash and investments	\$ 1,702,540
Accounts receivable, net	<u>5,978</u>
Total assets	<u><u>\$ 1,708,518</u></u>

Liabilities:

Accounts payable and accrued liabilities	\$ 322,715
Amounts held in trust	1,380,327
Due to other agencies	<u>5,476</u>
Total liabilities	<u><u>\$ 1,708,518</u></u>

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

CITY OF SALEM, OREGON

Notes to the Financial Statements

NOTES INDEX

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity	56
B. Government-wide and fund financial statements	56
C. Measurement focus, basis of accounting, and financial statement presentation ..	57
D. Assets, liabilities, deferred outflows/inflows, and net position/fund balance	59
Deposits and investments	59
Receivables and payables	59
Restricted assets	60
Inventories and prepaid items	60
Capital assets	60
Deferred outflows and inflows of resources	61
Compensated absences	61
Long-term obligations	61
Fund equity	61
Fund reserves	62
Use of estimates	62
Pensions	62

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget policies and budgetary control	62
---	----

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments	63
Deposits	63
Investments	63
B. Receivables	66
C. Capital assets	68
Capital asset activity for governmental activities	68
Depreciation expense for governmental activities	68
Capital asset activity for business-type activities	69
Depreciation expense for business-type activities	69
D. Deferred outflows of resources and deferred inflows of resources	69
E. Interfund receivables, payables, advances, and transfers	70
Due to/from other funds	70
Advances	70
Transfers	70
F. Leases	71
Operating leases	71
G. Due to other agencies	72
H. Compensated absences	72

I. Debt	72
Changes in long-term debt	72
Governmental activity general obligation bonds	73
Limited tax pension obligation	73
Governmental activity urban renewal bonds	73
Governmental activity notes	74
Governmental activity future maturities of long-term debt	74
Business-type activity revenue bonds	74
Business-type activity notes	75
Business-type activity future maturities of long-term debt	75
J. Conduit debt obligations	76
Hospital Facility Authority of the City of Salem	76
K. Fund balance	77
L. Net position	77
IV. OTHER INFORMATION	
A. Risk management	79
B. Commitments and contingencies	80
Grants	80
Litigation matters	80
Construction commitments	81
C. Defined benefit pension plan (PERS)	81
Plan description	81
Benefits provided	81
Contributions	84
Pension assets, liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions	84
Actuarial assumptions	85
Long-term expected rate of return	86
Discount rate	87
Sensitivity of City's proportionate share of the net pension liability to changes in the discount rate	87
Pension plan fiduciary net position	87
Changes in plan provisions subsequent to measurement date	87
D. Defined benefit pension plan (RHIA)	87
Plan description	88
Funding policy	88
E. Postemployment Benefits Other Than Pensions (OPEB)	88
General Information about the OPEB Plan	88
Total OPEB Liability	89
Changes in the Total OPEB Liability	90
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB	90
F. Outstanding encumbrances	91
G. Deficit net position	91
H. Budget Violation	91
I. Tax Abatement Disclosure	91
J. Subsequent Events	92
K. New Pronouncements	92
L. Change in Accounting Principle	92

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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 unit. 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.

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 <https://www.cityofsalem.net/Pages/view-city-of-salem-financial-reports.aspx>.

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 2016-17, the City paid \$758,837 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 unit. 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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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 97).

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.

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 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 60 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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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.

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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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 to all funds, including the Agency. Interest earned on the pooled cash and investments is allocated to funds monthly based on average balances of cash and investments as a proportion of the total.

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

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Property taxes receivable collected within 30 days of fiscal year end are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred inflows and accordingly have not been recorded as revenue in the governmental fund financial statements. Property taxes are assessed and become a lien against 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 \$302,020 for fiscal year 2016-17 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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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.

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 acquisition value at the date of donation.

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

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

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

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

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

6. Deferred outflows and inflows of resources

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

7. Compensated absences

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

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

8. Long-term obligations

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

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

9. Fund equity

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

- Non-spendable – not in a spendable form, such as inventories, long-term receivables, or permanent fund principal.
- Restricted – legally constrained to specific purposes by external creditors, grantors, or state or federal law. These resources may not be spent in another manner without an act of the providers.
- Committed – committed by the City Council through passage of an ordinance. Committed amounts may only be modified or rescinded through passage of a new ordinance.
- Assigned – amounts management intends to use for specific purposes that are neither restricted nor committed. The City has not established a policy regarding the assignment of funds. However, the City regards reappropriated purchase orders 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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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.

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 two supplemental budget appropriations: one in September 2016 for \$209,370 and one in June 2017 for \$77,300.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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, 2017 consist of the following:

	Book Value
Cash on hand	\$ 11,445
Deposits with financial institutions	13,740,425
Investments	216,548,868
Total cash and investments	\$ 230,300,738

1. Deposits

As of June 30, 2017, City bank deposits had a book balance of \$13,740,425 and a bank balance of \$15,429,345. 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, 2017, \$250,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

2. Investments

As of June 30, 2017, the City held the following investments and maturities:

Investment type	Fair Value	Weighted Avg. Maturity in Months	% of Investment Portfolio
Commercial paper	\$ 19,359,057	3.124	9.0%
Corporate bonds	19,978,011	17.967	9.2%
Local Government Investment Pool	78,938,384	5.063	36.5%
U.S. Agency securities	53,358,427	23.578	24.7%
U.S. Instrumentality securities	2,696,151	23.951	1.3%
U.S. Treasury securities	41,660,927	22.562	19.3%
Total	\$ 215,990,957	12.430	100.0%

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

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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, 2017 is \$47,390,998 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, 2017, the book value of the City's LGIP deposits totaled \$42,277,957 of City funds and \$36,660,427 of Agency funds.

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, 2017, the only issuers composing more than 5% of the City's portfolio are the U.S. Treasury with 19.3% of the City's total investments, the Federal Home Loan Bank with 9.9% of the City's total investments, the Federal Home Loan Mortgage Corporation with 8.2% of the City's total investments, and the Federal National Mortgage Association with 6.7% of the City's total investments.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

As of June 30, 2017, the credit risk for the City's investments is as follows:

Investment type	Fair Value	Credit Risk
Commercial paper		
BNP Paribas NY	\$ 3,491,041	A-1/P-1
Credit Agricole SA	5,968,181	A-1/P-1
JP Morgan Chase & Co	4,738,823	A-1/P-1
Mitsubishi UFJ Financial Group Inc	3,164,710	A-1/P-1
Toyota Motor Credit Corp	1,996,302	A-1+/P-1
Corporate bonds		
Apple Inc.	2,511,990	AA+/Aa1
Berkshire Hathaway	2,996,751	AA/Aa2
Chevron Corp	1,994,174	AA-/Aa2
Coca-Cola Co	1,329,740	AA-/Aa3
Exxon Mobil Corp	2,498,485	AA+/Aaa
Johnson & Johnson	1,558,918	AAA/Aaa
Microsoft Corp	1,842,068	AAA/Aaa
Toyota Motor Corp	2,733,365	AA-/Aa3
Wells Fargo & Company	2,512,520	A/A2
Local Government Investment Pool	78,938,384	Unrated
U.S. Agencies		
Federal Home Loan Bank	21,354,745	AA+/Aaa
Federal Home Loan Mortgage Corporation	17,636,597	AA+/Aaa
Federal National Mortgage Association	14,367,085	AA+/Aaa
U.S. Instrumentality		
African Development Bank	964,771	AAA/Aaa
Inter-American Development Bank	1,731,380	AAA/Aaa
U.S. Treasury	41,660,927	AA+/Aaa
Total	<u>\$ 215,990,957</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
June 30, 2017

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, 2017 for major governmental funds and nonmajor funds in aggregate, net of allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Improvements</u>	<u>Tax Allocation Improvement</u>	<u>Community Renewal</u>	<u>Other Funds</u>	<u>Total</u>
Accounts	\$ 3,323,262	\$ 64,463	\$ 7,669	\$ 142,691	\$ 1,898,865	\$ 5,436,950
Property Taxes	2,981,390				1,112,804	4,094,194
Interest	364,524	429	22,567	372,178	16,493	776,191
Assessments	6,138				1,251,652	1,257,790
Loans and notes		473,964	3,356,904	12,650,906		16,481,774
Total	<u><u>\$ 6,675,314</u></u>	<u><u>\$ 538,856</u></u>	<u><u>\$ 3,387,140</u></u>	<u><u>\$ 13,165,775</u></u>	<u><u>\$ 4,279,814</u></u>	<u><u>\$ 28,046,899</u></u>

Approximately \$21.6 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, 2017 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.
 - West Salem plan area will use 100 percent of the amount of its authority under the standard rate plan of ORS 457.445(2) as selected by the Agency for the retirement of debt obligations.
 - Mill Creek Industrial Park, 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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

- In addition, the City will levy \$14,126,390 for retirement of general obligation long-term debt due in fiscal year 2017-18.

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, 2017, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

	Deferred Inflows
Assessments	\$ 308,306
Community Development Block Grant loans	13,023,084
Cultural/tourism fund loans	11,366
Property taxes (General fund)	2,318,002
Property taxes (Debt service funds)	862,156
System development charges	1,255,751
Urban renewal loans	3,853,864
Total deferred inflows of resources	\$ 21,632,529

Receivables as of June 30, 2017 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

	Utility	Other Funds	Total Enterprise	Internal Services
Accounts	\$ 12,987,003	\$ 603,709	\$ 13,590,712	\$ 94,810
Assessments	9,650	-	9,650	-
Interest	21,145	-	21,145	-
Less: Allowance for uncollectible accounts	(303,057)	(11,232)	(314,289)	-
Total	\$ 12,714,741	\$ 592,477	\$ 13,307,218	\$ 94,810

Due from other agencies as of June 30, 2017 are as follows:

Agency	Fund	Amount
Salem Housing Authority	General fund	\$ 103,402
City of Turner	Utility	57,236
Total due from other agencies		\$ 160,638

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

C. Capital assets

1. *Capital asset activity for governmental activities for the year ended June 30, 2017 is as follows:*

<u>Governmental activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 236,826,748	\$ 5,856,228	\$ (1,480)	\$ 242,681,496
Construction work-in-progress	63,903,384	27,861,170	(30,348,390)	61,416,164
Total non-depreciable	<u>300,730,132</u>	<u>33,717,398</u>	<u>(30,349,870)</u>	<u>304,097,660</u>
Buildings and building improvements	72,185,179	-	-	72,185,179
Other improvements	48,397,020	835,286	-	49,232,306
Motor pool	24,713,363	3,562,907	(1,571,514)	26,704,756
Equipment and machinery	35,485,981	642,369	(205,551)	35,922,799
Infrastructure	412,631,827	15,280,283	(339,462)	427,572,648
Total depreciable	<u>593,413,370</u>	<u>20,320,845</u>	<u>(2,116,527)</u>	<u>611,617,688</u>
Accumulated depreciation				
Buildings and building improvements	(30,603,714)	(1,421,217)	-	(32,024,931)
Other improvements	(24,036,258)	(1,565,727)	-	(25,601,985)
Motor pool	(14,799,546)	(1,678,505)	1,443,494	(15,034,557)
Equipment and machinery	(27,430,201)	(1,462,967)	195,449	(28,697,719)
Infrastructure	(261,548,566)	(10,687,789)	339,462	(271,896,893)
Total accumulated depreciation	<u>(358,418,285)</u>	<u>(16,816,205)</u>	<u>1,978,405</u>	<u>(373,256,085)</u>
Governmental activities capital assets, net	<u>\$ 535,725,217</u>	<u>\$ 37,222,038</u>	<u>\$ (30,487,992)</u>	<u>\$ 542,459,263</u>

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

General government	\$ 479,496
Community development	995,983
Community service	1,328,989
Public safety	1,343,487
Transportation	10,687,789
Library	203,817
Capital assets held by the City's internal service funds are charged to the various funds based on their usage of the assets	<u>1,776,644</u>
Total depreciation expense for governmental activities	<u>\$ 16,816,205</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

3. Capital asset activity for business-type activities for the year ended June 30, 2017 is as follows:

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land, land improvements, and art	\$ 17,465,653	\$ 309,021	\$ (1,265)	\$ 17,773,409
Construction work-in-progress	22,959,659	10,957,199	(12,837,980)	21,078,878
Total non-depreciable	<u>40,425,312</u>	<u>11,266,220</u>	<u>(12,839,245)</u>	<u>38,852,287</u>
Buildings and building improvements	31,277,206	28,365	-	31,305,571
Equipment and machinery	6,136,587	99,148	-	6,235,735
Water and sewer system	878,725,279	26,116,865	(121,641)	904,720,503
Total depreciable	<u>916,139,072</u>	<u>26,244,378</u>	<u>(121,641)</u>	<u>942,261,809</u>
Accumulated depreciation				
Buildings and building improvements	(7,429,168)	(674,178)	-	(8,103,346)
Equipment and machinery	(5,611,763)	(123,951)	-	(5,735,714)
Water and sewer system	(289,608,477)	(17,795,461)	121,639	(307,282,299)
Total accumulated depreciation	<u>(302,649,408)</u>	<u>(18,593,590)</u>	<u>121,639</u>	<u>(321,121,359)</u>
Business-type activities capital assets, net	<u>\$ 653,914,976</u>	<u>\$ 18,917,008</u>	<u>\$ (12,839,247)</u>	<u>\$ 659,992,737</u>

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

Utility	\$ 17,795,596
Emergency Medical Services	33,493
WVPS Communications Center	46,726
Salem Convention Center	<u>717,775</u>
Total depreciation expense for business-type activities	<u>\$ 18,593,590</u>

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, 2017 is \$3,655,332 and is reported as a deferred outflow of resources.

Deferred outflows and inflows of resources related to pensions and OPEB are reported in both business-type and governmental activities. Balances on June 30, 2017 are as follows. Governmental deferred outflows are \$55,006,422 for pensions and \$374,568 for OPEB, and deferred inflows are \$2,028,867 for pensions and \$238,336 for OPEB. Business-type deferred outflows are \$20,572,581 for pensions and \$169,874 for OPEB, and deferred inflows are \$900,322 for pensions and \$108,090 for OPEB. More information on pension related amounts can be found in note IV. C., Defined benefit pension plan (PERS). More information on OPEB related amounts can be found in note IV. E., Postemployment benefits other than pensions (OPEB).

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

E. Interfund receivables, payables, advances, and transfers

The composition of interfund balances as of June 30, 2017, is as follows:

1. *Due to/from other funds*

A reimbursement of \$7,394 of unused marketing funds is due from the Salem Convention Center to the Cultural Tourism 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, 2017 is \$249,238.

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, 2017 is \$1,076,427.

An interfund loan of \$2,000,000 was made from the Utility fund to the Capital Improvements fund in fiscal year 2016-17 for new and replacement streetlights. 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, 2017 is \$2,000,000.

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	\$ -	\$ 2,233,410	\$ -	\$ 417,000	\$ -	\$ 339,250	\$ 2,989,660
Capital Improvement	-	-	-	-	40,000	-	40,000
Nonmajor governmental	1,250,800	4,196,825	5,700,000	293,158	10,400	500,000	11,951,183
Utility	-	-	-	-	-	371,811	371,811
Nonmajor business	-	-	-	304,367	-	-	304,367
Internal services	-	-	-	3,189	-	3,245,325	3,248,514
Total transfers in	<u>\$ 1,250,800</u>	<u>\$ 6,430,235</u>	<u>\$ 5,700,000</u>	<u>\$ 1,017,714</u>	<u>\$ 50,400</u>	<u>\$ 4,456,386</u>	<u>\$ 18,905,535</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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 \$634,589 for the fiscal year ended June 30, 2017. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Payments</u> <u>Due</u>
2018	\$ 656,799
2019	679,787
2020	703,579
2021	728,205
2022	753,692
2023-27	<u>4,183,103</u>
Total	<u>\$ 7,705,165</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	\$ 328,119	\$ 20,808
Liberty parkade, 6.4% leased	147,663	138,857	8,806
Total	<u>\$ 496,590</u>	<u>\$ 466,976</u>	<u>\$ 29,614</u>

Lessor revenues of \$1,853,627 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 with options for renewal.

As of June 30, 2017, 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</u>
2018	\$ 2,060,876
2019	2,133,007
2020	2,207,662
2021	2,284,930
2022	2,364,269
2023-27	<u>13,122,051</u>
Total	<u>\$ 24,172,795</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

G. Due to other agencies

\$5,634 in unclaimed property is due from the General fund to the Oregon Division of State Lands or other state agencies.

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, 2016	Leave Earned	Leave Taken	Balance June 30, 2017	Due Within One Year
Governmental activities	\$ 6,115,987	\$ 8,522,287	\$ 7,959,067	\$ 6,679,207	\$ 1,308,124
Business-type activities	2,366,438	1,215,164	1,086,564	2,495,038	553,580
Total	<u>\$ 8,482,425</u>	<u>\$ 9,737,451</u>	<u>\$ 9,045,631</u>	<u>\$ 9,174,245</u>	<u>\$ 1,861,704</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, 2017. 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, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>Governmental activities debt</u>						
<u>General obligation bonds:</u>						
Refunding & Streets-Bridges, Ser. 2009 (3.60%)	\$ 34,480,000	\$ 20,020,000	\$ -	\$ 1,825,000	\$ 18,195,000	\$ 2,000,000
Streets-Bridges, Ser. 2012 (2.62%)	25,000,000	12,405,000	-	985,000	11,420,000	1,035,000
Streets-Bridges, Ser. 2013 (2.82%)	43,665,000	36,095,000	-	2,785,000	33,310,000	2,910,000
Refunding Fire Bond Ser. 2012 (2.25%)	18,289,298	10,294,703	-	4,388,556	5,906,147	1,959,729
Subtotal general obligation bonds		78,814,703	-	9,983,556	68,831,147	7,904,729
Premium		3,294,213	-	475,347	2,818,866	-
Total general obligation bonds		<u>82,108,916</u>	-	<u>10,458,903</u>	<u>71,650,013</u>	<u>7,904,729</u>
Limited tax pension obligation, 2005 (5.04%)	61,685,000	49,020,000	-	2,270,000	46,750,000	2,570,000
<u>Urban renewal bonds:</u>						
Riverfront/Downtown, Ser. 2009 (4.35%)	3,660,000	2,210,000	-	235,000	1,975,000	245,000
West Salem, Ser. 2013 (1.90%)	1,500,000	613,000	-	613,000	-	-
Riverfront/Downtown, Ser. 2015A (1.26%)	649,000	323,000	-	323,000	-	-
Riverfront/Downtown, Ser. 2015B (1.73%)	5,481,000	2,829,000	-	2,676,000	153,000	153,000
Total urban renewal bonds		<u>5,975,000</u>	-	<u>3,847,000</u>	<u>2,128,000</u>	<u>398,000</u>
Total governmental bonds		<u>137,103,916</u>	-	<u>16,575,903</u>	<u>120,528,013</u>	<u>10,872,729</u>
<u>Notes:</u>						
HUD Sec108, Ser. 2015A (1.46%)	2,730,000	251,428	-	97,437	153,991	153,991
OECD L06001A, Mill Creek, Ser. 2007 (4.41%)	4,000,000	3,999,992	284,861	-	4,284,853	305,644
OECD L06001B, Mill Creek, Ser. 2007 (4.41%)	1,000,000	282,000	-	47,370	234,630	-
OECD L06001C, Mill Creek, Ser. 2007 (5.00%)	3,772,081	3,772,081	-	-	3,772,081	-
Total notes		<u>8,305,501</u>	<u>284,861</u>	<u>144,807</u>	<u>8,445,555</u>	<u>459,635</u>
Total governmental activities long-term debt		<u>\$ 145,409,417</u>	<u>\$ 284,861</u>	<u>\$ 16,720,710</u>	<u>\$ 128,973,568</u>	<u>\$ 11,332,364</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

	Original Amount	Balance June 30, 2016	Reductions	Balance June 30, 2017	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	\$ 74,180,000	\$ 4,310,000	\$ 69,870,000	\$ 4,485,000
Series 2012 A refunding (2.22%)	63,360,000	60,422,000	11,442,000	48,980,000	10,235,000
Subtotal revenue bonds		134,602,000	15,752,000	118,850,000	14,720,000
Premiums		3,548,361	272,951	3,275,410	-
Total revenue bonds		138,150,361	16,024,951	122,125,410	14,720,000
<u>Notes</u>					
Oregon ECDD G09001 (4.17%)	5,875,000	4,797,035	4,797,035	-	-
Total business-type activities long-term debt		\$ 142,947,396	\$ 20,821,986	\$ 122,125,410	\$ 14,720,000

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.

4. Governmental activity urban renewal bonds

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

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

<u>Riverfront/Downtown URA</u>	
2009:	\$335,255
2015B:	548,100

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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 L06001A unpaid accrued interest as of December 1, 2016 was capitalized into the principal balance. Note L06001B is potentially forgivable based on job creation in the Mill Creek urban renewal area. To date, \$765,370 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 2016-17 was \$791,758. No entitlement funds have been used for loan repayment. The scheduled debt payment for fiscal year 2016-17 was \$414,564.

6. Governmental activity future maturities of long-term debt

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017-18	\$ 459,635	\$ 260,927	\$ 10,872,729	\$ 5,013,560	\$ 11,332,364	\$ 5,274,487
2018-19	338,722	351,295	11,539,071	4,604,476	11,877,793	4,955,771
2019-20	353,034	416,222	12,337,347	4,109,495	12,690,381	4,525,717
2020-21	387,126	319,014	11,410,000	3,540,040	11,797,126	3,859,054
2021-22	403,523	294,412	14,415,000	3,019,200	14,818,523	3,313,612
2022-27	2,289,008	1,169,927	53,720,000	6,731,137	56,009,008	7,901,064
2027-32	2,766,037	642,242	3,415,000	170,887	6,181,037	813,129
2032-37	1,183,272	194,696	-	-	1,183,272	194,696
2037-38	265,198	10,396	-	-	265,198	10,396
	<u>\$ 8,445,555</u>	<u>\$ 3,659,131</u>	<u>\$ 117,709,147</u>	<u>\$ 27,188,795</u>	<u>\$ 126,154,702</u>	<u>\$ 30,847,926</u>

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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

At June 30, 2017, defeased water and sewer revenue bonds are as follows:

Utility Debt	Defeased Debt in Escrow
Series 2003	\$ 8,960,000
Series 2004	11,820,000
Series 2005	12,015,000
Total defeased debt in escrow	\$ 32,795,000

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	Bonds		Total	
	Principal	Interest	Principal	Interest
2017-18	\$ 14,720,000	\$ 4,405,131	\$ 14,720,000	\$ 4,405,131
2018-19	13,743,000	3,998,514	13,743,000	3,998,514
2019-20	13,201,000	3,610,471	13,201,000	3,610,471
2020-21	10,413,000	3,182,579	10,413,000	3,182,579
2021-22	10,768,000	2,809,909	10,768,000	2,809,909
2022-27	41,500,000	8,443,765	41,500,000	8,443,765
2027-32	14,505,000	1,096,750	14,505,000	1,096,750
	\$ 118,850,000	\$ 27,547,119	\$ 118,850,000	\$ 27,547,119

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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, 2017, the following issues are outstanding.

Hospital Facility Authority of the City of Salem

Date Issued	Purpose	Original Amount	Outstanding Balance June 30, 2017
<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	\$ 47,480,000
<u>Salem Hospital</u>			
11/2006	Revenue Bonds, Series 2016A Refinance a portion of the 2013, 2008 and 2006 bonds.	214,722,000	209,804,000
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
		<u>\$ 339,857,000</u>	<u>\$ 332,284,000</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
Notes to the Financial Statements
June 30, 2017

K. Fund balance

Fund balances for governmental funds as of June 30, 2017 are as follows:

	General Fund	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Prepaid Items	\$ 8,767	\$ -	\$ -	\$ -	\$ -	\$ 8,767
Permanent funds principal	-	-	-	-	11,000	11,000
Total nonspendable	<u>8,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>19,767</u>
<u>Restricted:</u>						
Capital projects	-	13,774,628	21,490,166	-	13,182,414	48,447,208
Community renewal	-	-	-	284,149	-	284,149
Debt service	-	-	-	-	19,197,529	19,197,529
Permanent funds	-	-	-	-	201,188	201,188
General government	-	-	-	-	57,622	57,622
Community development:						
SCC Gain/Loss	-	-	-	-	4,397,504	4,397,504
Other	-	-	-	-	68,962	68,962
Community services	-	-	-	-	565,048	565,048
Library services	-	-	-	-	48,463	48,463
Public safety	-	-	-	-	705,574	705,574
Transportation services	-	-	-	-	1,626,740	1,626,740
Total restricted	<u>-</u>	<u>13,774,628</u>	<u>21,490,166</u>	<u>284,149</u>	<u>40,051,044</u>	<u>75,599,987</u>
<u>Committed:</u>						
Transportation services	-	-	-	-	4,879,684	4,879,684
Airport	-	-	-	-	921,302	921,302
Downtown parking	-	-	-	-	668,670	668,670
Cultural/Tourism	-	-	-	-	545,515	545,515
Public art	-	-	-	-	43,412	43,412
Parking leasehold	-	-	-	-	748,080	748,080
Building & safety	-	-	-	-	6,156,499	6,156,499
General government	-	-	-	-	1,545,157	1,545,157
Community services	-	-	-	-	42,172	42,172
Library services	-	-	-	-	936,785	936,785
Public safety	-	-	-	-	5,938	5,938
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,493,214</u>	<u>16,493,214</u>
<u>Assigned:</u>						
General government	299,220	-	-	-	-	299,220
Community development	301,700	-	-	-	-	301,700
Community services	35,000	-	-	-	-	35,000
Public safety	372,120	-	-	-	-	372,120
Total assigned	<u>1,008,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,040</u>
<u>Unassigned:</u>						
	<u>24,728,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,728,024</u>
Total fund balances	<u>\$ 25,744,831</u>	<u>\$ 13,774,628</u>	<u>\$ 21,490,166</u>	<u>\$ 284,149</u>	<u>\$ 56,555,258</u>	<u>\$ 117,849,032</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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets	\$ 542,459,263	\$ 659,992,737	\$ 1,202,452,000
Capital asset related debt			
Outstanding debt	(82,223,568)	(122,125,410)	(204,348,978)
Deferred outflows related to capital debt	-	3,655,332	3,655,332
Unexpended proceeds	9,452,421	-	9,452,421
Net capital asset related debt	<u>(72,771,147)</u>	<u>(118,470,078)</u>	<u>(191,241,225)</u>
Net investment in capital assets	<u>469,688,116</u>	<u>541,522,659</u>	<u>1,011,210,775</u>
Restricted:			
Capital projects			
Capital improvements	20,914,021	21,197,516	42,111,537
Extra capacity facilities	12,369,599	-	12,369,599
Tax allocation improvements	24,869,637	-	24,869,637
Development district	2,068,566	-	2,068,566
Unexpended proceeds moved to investment in capital assets	<u>(9,452,421)</u>	<u>-</u>	<u>(9,452,421)</u>
Total capital projects	<u>50,769,402</u>	<u>21,197,516</u>	<u>71,966,918</u>
Debt service			
General debt	600,595	-	600,595
Tax allocation debt	<u>18,549,858</u>	<u>-</u>	<u>18,549,858</u>
Total debt service	<u>19,150,453</u>	<u>-</u>	<u>19,150,453</u>
Other purposes			
Community enhancement	7,469,913	-	7,469,913
Permanent	201,188	-	201,188
Permanent - non-expendable	11,000	-	11,000
Community renewal	<u>13,293,319</u>	<u>-</u>	<u>13,293,319</u>
Total other purposes	<u>20,975,420</u>	<u>-</u>	<u>20,975,420</u>
Total restricted	<u>90,895,275</u>	<u>21,197,516</u>	<u>112,092,791</u>

Continued

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted:			
General	28,358,942	-	28,358,942
Special revenue			
Transportation services	4,660,757	-	4,660,757
Streetlights	231,124	-	231,124
Airport	921,302	-	921,302
Downtown parking	668,670	-	668,670
Cultural and tourism	556,881	-	556,881
Public art	43,412	-	43,412
Parking leasehold	748,080	-	748,080
Building and safety	6,156,499	-	6,156,499
Community enhancement	2,280,814	-	2,280,814
Internal service	19,074,091	-	19,074,091
Enterprise			
Utility	-	67,554,458	67,554,458
Emergency services	-	2,862,372	2,862,372
WVPS communications center	-	1,570,429	1,570,429
Police regional records system	-	1,431,557	1,431,557
Salem Convention Center	-	888,452	888,452
Net pension liability	(106,193,480)	(40,064,047)	(146,257,527)
Pension obligation bond	(46,750,000)	-	(46,750,000)
Net OPEB liability	(9,114,877)	(4,133,758)	(13,248,635)
Compensated absences	(6,679,207)	(2,495,038)	(9,174,245)
Deferred inflows/outflows related to pensions	52,977,558	19,672,259	72,649,817
Deferred inflows/outflows related to OPEB	136,232	61,784	198,016
Total unrestricted	<u>(51,923,202)</u>	<u>47,348,468</u>	<u>(4,574,734)</u>
Total net position	<u>\$ 508,660,189</u>	<u>\$ 610,068,643</u>	<u>\$ 1,118,728,832</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 \$548 for the Kaiser Permanente HMO plan, \$640 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 \$2,076 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 2016-17, total medical, vision, and dental claims expense of \$16,710,191 was incurred.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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

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

The changes in the aggregate liability (reserves) for workers compensation and general liability/casualty claims for fiscal years 2016-17 and 2017-18 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,
2016	\$ 3,117,620	\$ 390,493	\$ (892,293)	\$ 1,511,780	\$ 4,127,600
2017	4,127,600	583,839	(785,625)	1,195,486	5,121,300

<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,
2016	\$ 2,435,840	\$ 92,659	\$ (746,375)	\$ 673,176	\$ 2,455,300
2017	2,455,300	94,484	(1,215,667)	644,553	1,978,670

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, 2017, reserves have been established to provide for the estimated liability in such cases.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

3. Construction commitments

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2017-18. The reappropriated budget for these projects is \$1,703,100.

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/Financials/Actuarial-Financial-Information.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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

Death benefits

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

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

Disability benefits

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

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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.

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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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, 2014 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$10,550,085, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 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.

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

At June 30, 2017, the City reported a liability of \$146,257,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.97424987%, a slight decrease from its proportion as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$15,501,274. At June 30, 2017, 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	\$ 4,838,838	\$ -
Changes in assumptions	31,193,216	-
Net difference between projected and actual earnings on investments	28,894,351	-
Changes in proportionate share	-	1,999,404
Difference between employer contributions and employer's proportionate share of system contributions	553,321	929,783
City contributions subsequent to the measurement date	10,099,278	-
Total	\$ 75,579,004	\$ 2,929,187

\$10,099,278 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, 2018. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

<u>Year ended June 30:</u>	
2017	\$ 11,077,783
2018	11,077,783
2019	21,712,027
2020	16,423,282
2021	2,259,664
Thereafter	-
Total	<u>\$ 62,550,539</u>

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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

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.

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.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.12%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	3.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.62%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

7. Discount rate

The discount rate used to measure the total pension liability was 7.5% 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.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 236,157,139	\$ 146,257,527	\$ 71,117,180

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 7.2%, effective January 1, 2018. This change will affect employer contribution rates beginning July 1, 2019.

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.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

2. Funding policy

Contribution requirements of plan members and participating employers were established in law and may be amended only by the Oregon Legislature. ORS require that the lesser of \$60 or the total monthly cost of Medicare companion health insurance premiums coverage shall be paid from the RHIA established by the employer. Any excess cost shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS; (2) receive both Medicare Parts A and B coverage; and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS, or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are required to contribute to RHIA at a rate assessed by PERS, currently 0.50% of annual covered payroll for Tier I/Tier II employees, and 0.43% 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. Postemployment Benefits Other Than Pensions (OPEB)

1. General Information about the OPEB Plan

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.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Retired employees or beneficiaries currently receiving benefits	94
Active Employees	1,129
Total	<u>1,223</u>

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

2. Total OPEB Liability

The City's total OPEB liability of \$13,248,635 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3.50%
Salary increases, average, including inflation	3.50%
Discount rate	3.56%
Healthcare cost trend rates, FY 2018, decreasing 0.5% per year, to an ultimate rate of 5.00% from 2026 and forward.	9.00%
Retirees' share of benefit-related costs	100%

The discount rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The index used is the *Fidelity 20-Year GO Municipal Bond Index*.

Employer funding policy is the Pay-as-you-go cash basis.

Mortality rates were based on the RTH-2016 Total Dataset Mortality Table, Fully Generational, using scale MP-2016.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

3. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 6/30/2016	<u>\$ 12,432,574</u>
Changes for the year:	
Service cost	833,406
Interest	355,158
Changes of benefit terms	(42,568)
Differences between expected and actual experience	(373,074)
Changes in assumptions or other inputs	586,322
Benefit payments	<u>(543,183)</u>
Net changes	<u>816,061</u>
Balance at 6/30/2017	<u><u>\$ 13,248,635</u></u>

Changes in assumptions and benefit terms reflect a change in the discount rate from 2.92% in 2016 to 3.56% in 2017. All other changes reflect the early implementation of GASB Statement 75 in 2017.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 14,350,654	\$ 13,248,635	\$ 12,210,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8 percent decreasing to 4 percent) or 1-percentage-point higher (10 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
Total OPEB Liability	\$ 11,663,936	\$ 13,248,635	\$ 15,127,663

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the City recognized OPEB expense of \$1,161,228. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 544,442	\$ -
Changes of assumptions or other inputs	-	346,426
Total	\$ 544,442	\$ 346,426

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

Year Ended June 30:	
2018	\$ 15,232
2019	15,232
2020	15,232
2021	15,232
2022	15,232
Thereafter	121,856
Total	\$ 198,016

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

F. Outstanding encumbrances

At June 30, 2017, the City has encumbered the following commitments that required reappropriation in the 2017-18 fiscal year budget.

Fund	Amount
General	\$ 1,008,040
Public Works	95,900
Capital improvements	11,990
Non-major governmental	138,700
Utility	2,266,520
Willamette Valley Communications Center	7,000
Equipment replacement	384,440
Total	\$ 3,912,590

G. Deficit net position

The Willamette Valley Communications Center fund has a deficit net position of \$4,128,538 at June 30, 2017, which is caused by the pension and OPEB reporting requirements of GASB Statements 68 and 75. However, the fund has a positive fund balance of \$1,028,775.

H. Budget Violation

The Salem Convention Center fund exceeded budget authority in operations expenditures by \$99,817. Revenue was also over budget due to unexpectedly high volume of business activity late in the year. Future Convention Center budgets will include appropriation authority for this situation. Monitoring will also be increased to ensure compliance with budget law.

I. Tax Abatement Disclosure

As of June 30, 2017, the City of Salem and its discretely presented component unit entered into an agreement for one tax abatement program: Multiple-Unit Housing ORS 307.600 to 307.637 which reduce property tax revenues.

Per City of Salem’s Resolution 2014-8, this is a full tax abatement. To be eligible for this abatement, the structure needs to contain at least two dwelling units, construction started prior to January 2012 and completed on or before January 2022, and it needs to be located in the core area designated by the City. The program requires that the project must include at least one design element benefitting the public as outlined in SRC 2.815, and the applicant identified eight public benefits. Based on the findings above, the application from Pringle Square South, LLC was approved for a period of ten years as provided in ORS 307.612. This resolution was signed and adopted on January 27, 2017.

In addition, there were agreements entered into by Polk County and the State of Oregon for three tax abatement programs: Historical Property ORS 307.630, Enterprise Zone Full Exempt ORS Chapter 285C, and Enterprise Zone Partial Exempt ORS Chapter 285C, which also reduced the City’s property tax revenues.

The only impact on the City’s financial statements as a result of the implementation of GASB Statement 77 is this note disclosure.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2017

<u>Government</u>	<u>Company</u>	<u>Purpose</u>	<u>Agreement Date</u>	<u>Percentage of Property Taxes Abated</u>	<u>Taxes Abated during Fiscal Year 2017</u>
City of Salem	Pringle Square South LLC	Multiple Unit Housing	3/12/2014	100%	\$ 84,316
State of Oregon		Historical Property	Various	100%	102,404
		Enterprise Zone	Various	100%	253,852
		Enterprise Zone	Various	Partial	143,011
Polk County		Enterprise Zone	2014	29%-51%	19,241
					\$ 602,824

J. Subsequent Events

On July 18, 2017, the Utility Fund of the City of Salem refunded Water/Sewer Revenue/Full Faith and Credit Bonds Series 2009 by issuing Water and Sewer Revenue Refunding Bonds Series 2017 with a par amount of \$55,990,000 and a premium of \$9,349,880. The refunding will result in net present value (NPV) interest savings of \$9,484,225.

On August 24, 2017, the City of Salem issued City General Obligation Project and Refunding bonds, Series 2017 in accordance with the voter approved ballot measure 24-420 from the May 2017 election. The ballot measure approved the sale of bonds not to exceed \$61,800,000. The General Obligation Project Portion of the bond sale resulted in a par amount of \$61,800,000 and a premium of \$5,111,398 and will be used for the acquisition of land and the design/build of a new police facility. The City has entered into a purchase agreement on the land for the new police facility in the amount of \$5,600,000, contingent on the environmental impact study. The sale is scheduled to close in January 2018. The refunding portion is an advance refunding of the Streets and Bridges Series 2009 bonds with a par amount of \$12,975,000 and a premium of \$2,082,606 and will result in a NPV interest savings of \$1,305,386.

K. New pronouncements

The City has implemented GASB Statement 77, *Tax Abatement Disclosures*; and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as part of the 2016-17 CAFR. GASB Statement 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to postemployment benefits other than pensions.

L. Change in Accounting Principle

Based on the implementation of GASB Statement 75, the City restated the beginning net position for governmental activities and business-type activities. Net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position - beginning (as originally reported)	\$ 511,141,817	\$ 572,035,177	\$ 1,083,176,994
Cumulative effect of change in accounting	(3,653,980)	(2,366,921)	(6,020,901)
Net position - beginning (as restated)	\$ 507,487,837	\$ 569,668,256	\$ 1,077,156,093

City of Salem, Oregon
Required Supplementary Information
June 30, 2017

1. Defined Benefit Pension Plan (PERS)

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

Year Ended June 30,	City's	City's	City's covered payroll	City's	Plan fiduciary net position as a percentage of the total pension liability
	proportion of the net pension liability (asset)	proportionate share of the net pension liability (asset)		proportionate share of the net pension liability (asset) as a percentage of its covered payroll	
	(a)	(b)	(c)	(b/c)	
2017	0.97424987%	\$ 146,257,527	\$ 76,521,581	191.13%	91.90%
2016	1.00664356%	57,796,051	76,037,921	76.01%	91.88%
2015	1.02590270%	(23,254,287)	77,123,538	-30.58%	103.60%
2014	1.02590270%	52,353,318	75,971,067	68.91%	91.97%

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

Schedule of contributions (PERS)
For the last four fiscal years

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2017	\$ 10,099,278	\$ 10,099,278	\$ -	\$ 76,521,581	13.20%
2016	11,307,191	11,307,191	-	76,037,921	14.87%
2015	9,471,303	9,471,303	-	77,123,538	12.45%
2014	10,237,304	10,237,304	-	75,971,067	13.48%

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

These schedules are 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, 2017

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

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Total OPEB Liability	2017
Service Cost	\$ 833,406
Interest	355,158
Changes of benefit terms	(42,568)
Differences between expected and actual experience	(373,074)
Changes in assumptions or other inputs	586,322
Benefit Payments	(543,183)
Net Changes	816,061
Total OPEB Liability Beginning	12,432,574
Total OPEB Liability Ending	\$ 13,248,635
 Covered-employee Payroll	74,652,261
 Total OPEB Liability as a percentage of covered-employee payroll	17.7%

Changes in benefit terms. 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, 2017.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

2017	3.56%
------	-------

This schedule is presented to illustrate the requirement 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.

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, 2017

	Special Revenue Funds							
	Transportation Services	Streetlights	Airport	Downtown Parking	Economic Improvement	Cultural/Tourism	Public Art	Parking Leasehold
Assets								
Cash and investments	\$ 3,944,777	\$ 20,416	\$ 907,590	\$ 685,474	\$ -	\$ 176,095	\$ 43,412	\$ 678,419
Accounts receivable, net	988,282	297,223	35,925	11,276	-	418,638	-	78,448
Due from other funds	-	-	-	-	-	7,394	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Assessments receivable	45,018	-	-	-	-	-	-	-
Total assets	\$ 4,978,077	\$ 317,639	\$ 943,515	\$ 696,750	\$ -	\$ 602,127	\$ 43,412	\$ 756,867
Liabilities								
Accounts payable and accrued liabilities	\$ 271,582	\$ 86,515	\$ 22,213	\$ -	\$ -	\$ -	\$ -	\$ 7,787
Security deposit payable	720	-	-	-	-	-	-	1,000
Unearned revenues	45,018	-	-	-	-	-	-	-
Developer reimbursement payable	-	-	-	28,080	-	45,246	-	-
Total liabilities	317,320	86,515	22,213	28,080	-	45,246	-	8,787
Deferred inflows of resources								
Unavailable revenue	12,197	-	-	-	-	11,366	-	-
Fund balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	4,648,560	231,124	921,302	668,670	-	545,515	43,412	748,080
Total fund balances	4,648,560	231,124	921,302	668,670	-	545,515	43,412	748,080
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,978,077	\$ 317,639	\$ 943,515	\$ 696,750	\$ -	\$ 602,127	\$ 43,412	\$ 756,867

Continued

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	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	\$ 6,129,894	\$ 10,939,294	\$ 212,188	\$ 464,421	\$ 18,482,267	\$ 11,164,132	\$ 2,080,288	\$ 55,928,667
Accounts receivable, net	59,024	3,731	-	529,615	583,382	1,274,270	-	4,279,814
Due from other funds	-	-	-	-	-	-	-	7,394
Advances to other funds	-	249,238	-	-	-	-	-	249,238
Assessments receivable	-	-	-	-	-	590,875	-	635,893
Total assets	<u>\$ 6,188,918</u>	<u>\$ 11,192,263</u>	<u>\$ 212,188</u>	<u>\$ 994,036</u>	<u>\$ 19,065,649</u>	<u>\$ 13,029,277</u>	<u>\$ 2,080,288</u>	<u>\$ 61,101,006</u>
Liabilities								
Accounts payable and accrued liabilities	\$ 32,419	\$ 1,192,298	\$ -	\$ -	\$ -	\$ 68,803	\$ 11,722	\$ 1,693,339
Security deposit payable	-	-	-	-	-	-	-	1,720
Unearned revenues	-	-	-	-	-	-	-	45,018
Developer reimbursement payable	-	-	-	-	-	590,875	-	664,201
Total liabilities	<u>32,419</u>	<u>1,192,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>659,678</u>	<u>11,722</u>	<u>2,404,278</u>
Deferred inflows of resources								
Unavailable revenue	-	-	-	409,595	452,561	1,255,751	-	2,141,470
Fund balances								
Nonspendable	-	-	11,000	-	-	-	-	11,000
Restricted	-	7,469,913	201,188	584,441	18,613,088	11,113,848	2,068,566	40,051,044
Committed	<u>6,156,499</u>	<u>2,530,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,493,214</u>
Total fund balances	<u>6,156,499</u>	<u>9,999,965</u>	<u>212,188</u>	<u>584,441</u>	<u>18,613,088</u>	<u>11,113,848</u>	<u>2,068,566</u>	<u>56,555,258</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,188,918</u>	<u>\$ 11,192,263</u>	<u>\$ 212,188</u>	<u>\$ 994,036</u>	<u>\$ 19,065,649</u>	<u>\$ 13,029,277</u>	<u>\$ 2,080,288</u>	<u>\$ 61,101,006</u>

Concluded

City of Salem, Oregon
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2017

**Special Revenue
Funds**

	Transportation Services	Streetlights	Airport	Downtown Parking	Economic Improvement	Cultural/ Tourism	Public Art	Parking Leasehold
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	3,943,285	-	-
Sales, fees, licenses, and permits	230,428	1,844,393	42,559	9,746	-	-	-	-
Special assessments	11,066	-	-	440,994	-	-	-	-
Rents	1,409	-	1,122,843	656,176	-	-	-	586,738
Grants	238,544	-	-	-	-	-	-	-
Intergovernmental	12,270,464	-	-	309,804	-	5,779	-	-
Fines and penalties	-	-	-	-	-	-	-	-
Interest on investments	42,753	3,121	11,633	11,139	-	10,354	348	7,876
Loan payments received	24,141	-	65	-	-	4,550	-	-
Other	-	-	7,100	7,086	-	56,068	-	-
Total revenues	12,818,805	1,847,514	1,184,200	1,434,945	-	4,020,036	348	594,614
Expenditures								
Current								
General government	-	-	-	-	-	-	19,461	-
Community development	-	-	1,174,292	1,083,835	33,276	2,172,898	-	315,345
Community service	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Transportation	12,279,976	1,380,995	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Capital outlay	444,556	-	-	-	-	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	3,534	-	-	-	-	-
Total expenditures	12,724,532	1,380,995	1,177,826	1,083,835	33,276	2,172,898	19,461	315,345
Excess (deficiency) of revenues over (under) expenditures	94,273	466,519	6,374	351,110	(33,276)	1,847,138	(19,113)	279,269
Other financing sources (uses)								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	663,158	-	-	-	-	-	30,000	-
Transfers out	(1,101,760)	(830,000)	(39,285)	(617,820)	-	(2,520,750)	-	(200,000)
Total other financing sources (uses)	(438,602)	(830,000)	(39,285)	(617,820)	-	(2,520,750)	30,000	(200,000)
Net change in fund balances	(344,329)	(363,481)	(32,911)	(266,710)	(33,276)	(673,612)	10,887	79,269
Fund balances - beginning of year	4,992,889	594,605	954,213	935,380	33,276	1,219,127	32,525	668,811
Fund balances - end of year	\$ 4,648,560	\$ 231,124	\$ 921,302	\$ 668,670	\$ -	\$ 545,515	\$ 43,412	\$ 748,080

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, 2017

	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	
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ 11,670,914	\$ 12,084,850	\$ -	\$ -	\$ 23,755,764
Other taxes	-	-	-	-	-	-	-	3,943,285
Sales, fees, licenses, and permits	4,720,541	107,857	-	-	-	2,957,406	706,238	10,619,168
Special assessments	-	-	-	-	-	35,107	-	487,167
Rents	-	-	-	-	-	49,850	-	2,417,016
Grants	-	56,461	-	-	-	25,063	-	320,068
Intergovernmental	165,423	-	-	4,707,090	-	-	-	17,458,560
Fines and penalties	-	9,057	-	-	-	-	-	9,057
Interest on investments	61,112	115,930	2,764	79,399	223,991	119,032	17,923	707,375
Loan payments received	-	3,534	-	-	-	-	-	32,290
Other	5	633,408	1,617	-	-	-	-	705,284
Total revenues	4,947,081	926,247	4,381	16,457,403	12,308,841	3,186,458	724,161	60,455,034
Expenditures								
Current								
General government	-	117,226	-	25,122	-	-	-	161,809
Community development	3,364,564	262,747	-	-	-	-	-	8,406,957
Community service	-	172,371	7	-	-	-	-	172,378
Public safety	-	198,193	-	-	-	-	-	198,193
Transportation	-	143,108	-	-	-	-	-	13,804,079
Library	-	81,502	970	-	-	-	-	82,472
Capital outlay	-	27,900	-	-	-	3,225,428	294,882	3,992,766
Debt service								
Principal retirement	-	-	-	12,253,556	3,847,000	-	-	16,100,556
Interest and fiscal charges	-	-	-	5,312,612	159,706	-	-	5,475,852
Total expenditures	3,364,564	1,003,047	977	17,591,290	4,006,706	3,225,428	294,882	48,395,062
Excess (deficiency) of revenues over (under) expenditures	1,582,517	(76,800)	3,404	(1,133,887)	8,302,135	(38,970)	429,279	12,059,972
Other financing sources (uses)								
Sale of capital assets	-	1,625	-	-	-	159,310	-	160,935
Transfers in	-	324,556	-	-	-	-	-	1,017,714
Transfers out	(800,000)	(48,410)	(50,000)	-	(5,700,000)	(43,158)	-	(11,951,183)
Total other financing sources (uses)	(800,000)	277,771	(50,000)	-	(5,700,000)	116,152	-	(10,772,534)
Net change in fund balances	782,517	200,971	(46,596)	(1,133,887)	2,602,135	77,182	429,279	1,287,438
Fund balances - beginning of year	5,373,982	9,798,994	258,784	1,718,328	16,010,953	11,036,666	1,639,287	55,267,820
Fund balances - end of year	\$ 6,156,499	\$ 9,999,965	\$ 212,188	\$ 584,441	\$ 18,613,088	\$ 11,113,848	\$ 2,068,566	\$ 56,555,258

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, 2017

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Assets					
Current assets					
Cash and investments	\$ 2,860,965	\$ 1,477,799	\$ 1,432,201	\$ 623,123	\$ 6,394,088
Accounts receivable, net	9,051	201,510	-	381,916	592,477
Due from other funds	-	-	-	265,106	265,106
Inventories and prepayments	-	-	-	64,992	64,992
Total current assets	2,870,016	1,679,309	1,432,201	1,335,137	7,316,663
Noncurrent assets					
Capital assets:					
Land and other construction in progress	-	-	-	1,596,123	1,596,123
Other capital assets, net	496,573	76,209	3,213	23,110,062	23,686,057
Total noncurrent assets	496,573	76,209	3,213	24,706,185	25,282,180
Total assets	3,366,589	1,755,518	1,435,414	26,041,322	32,598,843
Deferred outflows of resources:					
Deferred outflows related to pensions	224,660	4,422,972	-	-	4,647,632
Deferred outflows related to OPEB	941	34,822	-	-	35,763
Total deferred outflows of resources	225,601	4,457,794	-	-	4,683,395
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	7,644	108,880	644	439,291	556,459
Due to other funds	-	-	-	7,394	7,394
Compensated absences due within one year	-	64,269	-	-	64,269
Total current liabilities	7,644	173,149	644	446,685	628,122
Noncurrent liabilities					
Net OPEB liability	22,902	847,363	-	-	870,265
Net pension liability	431,530	8,623,970	-	-	9,055,500
Compensated absences	21,606	477,385	-	-	498,991
Total noncurrent liabilities	476,038	9,948,718	-	-	10,424,756
Total liabilities	483,682	10,121,867	644	446,685	11,052,878
Deferred inflows of resources:					
Deferred inflows related to pensions	7,393	197,826	-	-	205,219
Deferred inflows related to OPEB	599	22,157	-	-	22,756
Total deferred inflows of resources	7,992	219,983	-	-	227,975
Net Position					
Net investment in capital assets	496,573	76,209	3,213	24,706,185	25,282,180
Other unrestricted	2,603,943	(4,204,747)	1,431,557	888,452	719,205
Total net position	\$ 3,100,516	\$ (4,128,538)	\$ 1,434,770	\$ 25,594,637	\$ 26,001,385

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, 2017

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Operating revenues					
Sales, fees, licenses, and permits	\$ 680,906	\$ 21,805	\$ -	\$ 3,084,526	\$ 3,787,237
Rents	-	19,890	-	1,541,436	1,561,326
Internal and intergovernmental	11,851	4,659	281,860	-	298,370
Member agencies	-	10,029,384	78,020	-	10,107,404
Fines and penalties	69,100	-	-	-	69,100
Other	13,268	19,243	-	5,878	38,389
Total operating revenues	<u>775,125</u>	<u>10,094,981</u>	<u>359,880</u>	<u>4,631,840</u>	<u>15,861,826</u>
Operating expenses					
Personal services	437,767	9,235,110	-	-	9,672,877
Materials and services	294,406	1,565,459	260,572	3,822,469	5,942,906
Depreciation	33,493	46,726	-	717,775	797,994
Total operating expenses	<u>765,666</u>	<u>10,847,295</u>	<u>260,572</u>	<u>4,540,244</u>	<u>16,413,777</u>
Operating income (loss)	<u>9,459</u>	<u>(752,314)</u>	<u>99,308</u>	<u>91,596</u>	<u>(551,951)</u>
Non-operating revenues (expenses)					
Interest on investments	<u>30,784</u>	<u>12,542</u>	<u>14,701</u>	<u>-</u>	<u>58,027</u>
Net income (loss) before capital contributions and transfers	40,243	(739,772)	114,009	91,596	(493,924)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,367)</u>	<u>(304,367)</u>
Change in net position	40,243	(739,772)	114,009	(212,771)	(798,291)
Restated total net position - beginning of year	<u>3,060,273</u>	<u>(3,388,766)</u>	<u>1,320,761</u>	<u>25,807,408</u>	<u>26,799,676</u>
Total net position - end of year	<u>\$ 3,100,516</u>	<u>\$ (4,128,538)</u>	<u>\$ 1,434,770</u>	<u>\$ 25,594,637</u>	<u>\$ 26,001,385</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2017

	<u>Emergency Services</u>	<u>WVPS Communications Center</u>	<u>Police Regional Records System</u>	<u>Salem Convention Center</u>	<u>Total Nonmajor Business-type Funds</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 771,018	\$ 320,539	\$ -	\$ 4,529,117	\$ 5,620,674
Receipts from interfund services provided	11,851	4,659	281,860	-	298,370
Member agencies	-	9,837,189	78,020	(3,746,145)	6,169,064
Payments to suppliers	(298,223)	(1,497,404)	(260,403)	-	(2,056,030)
Payments to employees	(387,517)	(8,270,194)	-	-	(8,657,711)
Net cash provided (used) by operating activities	<u>97,129</u>	<u>394,789</u>	<u>99,477</u>	<u>782,972</u>	<u>1,374,367</u>
Cash Flows from Non-capital Financing Activities					
Transfers paid	-	-	-	(304,367)	(304,367)
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	-	(126,188)	(126,188)
Cash Flows from Investing Activities					
Interest on investments	30,784	12,542	14,700	-	58,026
Net increase (decrease) in cash and cash equivalents	127,913	407,331	114,177	352,417	1,001,838
Cash and cash equivalents - beginning of year	2,733,052	1,070,468	1,318,024	270,706	5,392,250
Cash and cash equivalents - end of year	<u>\$ 2,860,965</u>	<u>\$ 1,477,799</u>	<u>\$ 1,432,201</u>	<u>\$ 623,123</u>	<u>\$ 6,394,088</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 9,459	\$ (752,314)	\$ 99,308	\$ 91,596	\$ (551,951)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	33,493	46,726	-	717,775	797,994
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Accounts receivable	7,744	67,406	-	(102,723)	(27,573)
Inventories and prepayments	1,986	49,988	-	(13,353)	38,621
Deferred outflows related to pensions	(186,500)	(3,628,350)	-	-	(3,814,850)
Deferred outflows related to OPEB	105	4,406	-	-	4,511
Accounts payable and accrued liabilities	(5,804)	18,067	169	89,677	102,109
Compensated absences payable	3,545	53,879	-	-	57,424
Net pension liability	264,500	5,145,804	-	-	5,410,304
Net OPEB liability	721	15,567	-	-	16,288
Deferred inflows related to pensions	(32,053)	(623,587)	-	-	(655,640)
Deferred inflows related to OPEB	(67)	(2,803)	-	-	(2,870)
Net cash provided (used) by operating activities	<u>\$ 97,129</u>	<u>\$ 394,789</u>	<u>\$ 99,477</u>	<u>\$ 782,972</u>	<u>\$ 1,374,367</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, 2017

	<u>City Services</u>	<u>Equipment Replacement Reserve</u>	<u>Self Insurance</u>	<u>Totals</u>
Assets				
Current assets				
Cash and investments	\$ 5,604,450	\$ 6,733,154	\$ 17,631,276	\$ 29,968,880
Accounts receivable, net	94,777	-	33	94,810
Inventories and prepayments	937,625	-	57,448	995,073
Total current assets	<u>6,636,852</u>	<u>6,733,154</u>	<u>17,688,757</u>	<u>31,058,763</u>
Noncurrent assets				
Restricted cash and investments	7,404,603	-	-	7,404,603
Capital assets:				
Land and other construction in progress	4,888,477	-	-	4,888,477
Other capital assets, net	12,653,512	-	650	12,654,162
Total noncurrent assets	<u>24,946,592</u>	<u>-</u>	<u>650</u>	<u>24,947,242</u>
Total assets	<u>31,583,444</u>	<u>6,733,154</u>	<u>17,689,407</u>	<u>56,006,005</u>
Deferred outflows of resources:				
Deferred outflows related to OPEB	8,941	-	3,294	12,235
Deferred outflows related to pensions	1,276,703	-	281,508	1,558,211
Total deferred outflows of resources	<u>1,285,644</u>	<u>-</u>	<u>284,802</u>	<u>1,570,446</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	1,154,951	-	1,455,800	2,610,751
Claims and judgments due within one year	-	-	1,800,000	1,800,000
Compensated absences due within one year	74,119	-	-	74,119
Total current liabilities	<u>1,229,070</u>	<u>-</u>	<u>3,255,800</u>	<u>4,484,870</u>
Noncurrent liabilities				
Net OPEB liability	217,566	-	80,156	297,722
Net pension liability	2,493,196	-	577,010	3,070,206
Claims and judgments payable	-	-	5,299,970	5,299,970
Compensated absences payable	102,024	-	31,391	133,415
Total noncurrent liabilities	<u>2,812,786</u>	<u>-</u>	<u>5,988,527</u>	<u>8,801,313</u>
Total liabilities	<u>4,041,856</u>	<u>-</u>	<u>9,244,327</u>	<u>13,286,183</u>
Deferred inflows of resources:				
Deferred inflows related to OPEB	5,689	-	2,096	7,785
Deferred inflows related to pensions	58,678	-	24,049	82,727
Total deferred inflows of resources	<u>64,367</u>	<u>-</u>	<u>26,145</u>	<u>90,512</u>
Net Position				
Net investment in capital assets	17,541,989	-	650	17,542,639
Restricted for:				
Capital projects	6,415,762	-	-	6,415,762
Unrestricted	4,805,114	6,733,154	8,703,087	20,241,355
Total net position	<u>\$ 28,762,865</u>	<u>\$ 6,733,154</u>	<u>\$ 8,703,737</u>	<u>\$ 44,199,756</u>

City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2017

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Operating revenues				
Sales, fees, licenses, and permits	\$ 31,958	\$ -	\$ -	\$ 31,958
Rents	1,787,645	-	-	1,787,645
Internal and intergovernmental	8,234,382	3,542,963	26,238,114	38,015,459
Other	5,217	-	1,316,568	1,321,785
Total operating revenues	<u>10,059,202</u>	<u>3,542,963</u>	<u>27,554,682</u>	<u>41,156,847</u>
Operating expenses				
Personal services	2,770,466	-	792,206	3,562,672
Materials and services	5,826,334	9,679	25,469,985	31,305,998
Depreciation	1,776,644	-	-	1,776,644
Total operating expenses	<u>10,373,444</u>	<u>9,679</u>	<u>26,262,191</u>	<u>36,645,314</u>
Operating income (loss)	<u>(314,242)</u>	<u>3,533,284</u>	<u>1,292,491</u>	<u>4,511,533</u>
Non-operating revenues (expenses)				
Interest on investments	141,448	30,928	153,849	326,225
Other revenue (expenses)	29,197	-	-	29,197
Total non-operating revenues (expenses)	<u>170,645</u>	<u>30,928</u>	<u>153,849</u>	<u>355,422</u>
Net income (loss) before transfers and capital contributions	<u>(143,597)</u>	<u>3,564,212</u>	<u>1,446,340</u>	<u>4,866,955</u>
Capital contributions	640,547	-	-	640,547
Transfers in	3,321,064	1,135,322	-	4,456,386
Transfers out	(299,261)	(2,949,253)	-	(3,248,514)
Change in net position	3,518,753	1,750,281	1,446,340	6,715,374
Restated total net position - beginning of year	<u>25,244,112</u>	<u>4,982,873</u>	<u>7,257,397</u>	<u>37,484,382</u>
Total net position - end of year	<u>\$ 28,762,865</u>	<u>\$ 6,733,154</u>	<u>\$ 8,703,737</u>	<u>\$ 44,199,756</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2017

	<u>City Services</u>	<u>Equipment Replacement Reserve</u>	<u>Self Insurance</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,744,215	\$ -	\$ 1,316,568	\$ 3,060,783
Receipts from interfund services provided	8,234,382	3,542,963	26,238,114	38,015,459
Payments to suppliers	(5,828,212)	(32,703)	(24,369,935)	(30,230,850)
Payments to employees	(2,543,879)	-	(732,240)	(3,276,119)
Net cash provided (used) by operating activities	<u>1,606,506</u>	<u>3,510,260</u>	<u>2,452,507</u>	<u>7,569,273</u>
Cash Flows from Non-capital Financing Activities				
Transfers received	-	949,250	-	949,250
Transfers paid	(299,261)	-	-	(299,261)
Net cash provided (used) by non-capital related financing activities	<u>(299,261)</u>	<u>949,250</u>	<u>-</u>	<u>649,989</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(2,483,207)	(2,949,253)	-	(5,432,460)
Sale of capital assets	157,219	186,072	-	343,291
Net cash provided (used) by capital and related financing activities	<u>(2,325,988)</u>	<u>(2,763,181)</u>	<u>-</u>	<u>(5,089,169)</u>
Cash Flows from Investing Activities				
Interest on investments	141,448	30,928	153,849	326,225
Net increase (decrease) in cash and cash equivalents	(877,295)	1,727,257	2,606,356	3,456,318
Cash and cash equivalents - beginning of year	13,886,348	5,005,897	15,024,920	33,917,165
Cash and cash equivalents - end of year	<u>\$ 13,009,053</u>	<u>\$ 6,733,154</u>	<u>\$ 17,631,276</u>	<u>\$ 37,373,483</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (314,242)	\$ 3,533,284	\$ 1,292,491	\$ 4,511,533
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,776,644	-	-	1,776,644
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	(80,605)	-	-	(80,605)
Inventories and prepayments	24,099	-	21,201	45,300
Deferred outflows for OPEB	3,089	-	367	3,456
Deferred outflows for pension	(1,046,028)	-	(221,430)	(1,267,458)
Accounts payable and accrued liabilities	(17,979)	(23,024)	1,394,050	1,353,047
Unearned revenue	-	-	(832,271)	(832,271)
Claims reserve	-	-	517,070	517,070
Compensated absences payable	(2,711)	-	2,759	48
Net OPEB liability	(37,518)	-	2,522	(34,996)
Net pension liability	1,483,499	-	314,038	1,797,537
Deferred inflows for OPEB	(1,966)	-	(234)	(2,200)
Deferred inflows for pension	(179,776)	-	(38,056)	(217,832)
Net cash provided (used) by operating activities	<u>\$ 1,606,506</u>	<u>\$ 3,510,260</u>	<u>\$ 2,452,507</u>	<u>\$ 7,569,273</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 3,321,064	\$ -	\$ -	\$ 3,321,064
Contributions of capital assets from governmental funds	640,547	-	-	640,547

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, 2017

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017
<u>Court Restitution</u>				
Assets				
Cash and investments	\$ 1,580	\$ 11,027	\$ 10,052	\$ 2,555
Liabilities				
Accounts payable	\$ -	\$ 9,340	\$ 9,340	\$ -
Amount held in trust	1,580	11,348	10,373	2,555
Total liabilities	\$ 1,580	\$ 20,688	\$ 19,713	\$ 2,555
<u>Unitary Assessments</u>				
Assets				
Cash and investments	\$ 57,979	\$ 620,903	\$ 633,448	\$ 45,434
Liabilities				
Accounts payable	\$ 57,979	\$ 614,223	\$ 626,768	\$ 45,434
Amount held in trust	-	94,924	94,924	-
Due to other agencies	-	525,979	525,979	-
Total liabilities	\$ 57,979	\$ 1,235,126	\$ 1,247,671	\$ 45,434
<u>County Corrections</u>				
Assets				
Cash and investments	\$ 18,321	\$ 194,598	\$ 198,467	\$ 14,452
Liabilities				
Accounts payable	\$ 18,321	\$ 214,709	\$ 218,578	\$ 14,452
Amount held in trust	-	25,035	25,035	-
Due to other agencies	-	169,563	169,563	-
Total liabilities	\$ 18,321	\$ 409,307	\$ 413,176	\$ 14,452

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2017

	<u>Balances July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2017</u>
<u>Police Evidence Hold</u>				
Assets				
Cash and investments	\$ 394,789	\$ 52,857	\$ 203,207	\$ 244,439
Receivables	-	215,594	215,594	-
Total assets	<u>\$ 394,789</u>	<u>\$ 268,451</u>	<u>\$ 418,801</u>	<u>\$ 244,439</u>
Liabilities				
Accounts payable	\$ -	\$ 206,708	\$ 206,708	\$ -
Amount held in trust	394,789	49,903	200,253	244,439
Total liabilities	<u>\$ 394,789</u>	<u>\$ 256,611</u>	<u>\$ 406,961</u>	<u>\$ 244,439</u>
<u>Performance Deposits</u>				
Assets				
Cash and investments	\$ 1,020,470	\$ 518,352	\$ 422,321	\$ 1,116,501
Receivables	-	630,233	630,233	-
Total assets	<u>\$ 1,020,470</u>	<u>\$ 1,148,585</u>	<u>\$ 1,052,554</u>	<u>\$ 1,116,501</u>
Liabilities				
Accounts payable	\$ -	\$ 366,381	\$ 366,381	\$ -
Amount held in trust	1,020,470	459,412	363,381	1,116,501
Total liabilities	<u>\$ 1,020,470</u>	<u>\$ 825,793</u>	<u>\$ 729,762</u>	<u>\$ 1,116,501</u>
<u>Assistance Programs</u>				
Assets				
Cash and investments	\$ 932	\$ 52,705	\$ 49,130	\$ 4,507
Receivables	70	46,387	46,200	257
Total assets	<u>\$ 1,002</u>	<u>\$ 99,092</u>	<u>\$ 95,330</u>	<u>\$ 4,764</u>
Liabilities				
Accounts payable	\$ -	\$ 6,517	\$ 6,517	\$ -
Amount held in trust	1,002	3,762	-	4,764
Total liabilities	<u>\$ 1,002</u>	<u>\$ 10,279</u>	<u>\$ 6,517</u>	<u>\$ 4,764</u>

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017
<u>Building Permit Surcharge</u>				
Assets				
Cash and investments	\$ 28,712	\$ 360,456	\$ 363,146	\$ 26,022
Receivables	7,908	378,543	380,730	5,721
Total assets	\$ 36,620	\$ 738,999	\$ 743,876	\$ 31,743
Liabilities				
Accounts payable	\$ 28,980	\$ 348,674	\$ 351,387	\$ 26,268
Due to other agencies	7,640	365,009	367,173	5,475
Total liabilities	\$ 36,620	\$ 713,683	\$ 718,560	\$ 31,743
<u>Law Enforcement Medical Liability Assessment</u>				
Assets				
Cash and investments	\$ 250	\$ 2,153	\$ 2,241	\$ 162
Liabilities				
Accounts payable	\$ 250	\$ 2,093	\$ 2,181	\$ 162
Amount held in trust	-	2,153	2,153	-
Total liabilities	\$ 250	\$ 4,246	\$ 4,334	\$ 162
<u>Reimbursement Districts</u>				
Assets				
Cash and investments	\$ 100,352	\$ 226,155	\$ 153,730	\$ 172,777
Receivables	1,598	254,747	256,345	-
Total assets	\$ 101,950	\$ 480,902	\$ 410,075	\$ 172,777
Liabilities				
Accounts payable	\$ 80,608	\$ 204,174	\$ 124,073	\$ 160,709
Amount held in trust	21,342	-	9,274	12,068
Total liabilities	\$ 101,950	\$ 204,174	\$ 133,347	\$ 172,777

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balances July 1, 2016	Additions	Deductions	Balances June 30, 2017
<u>Cafeteria Plan Benefits</u>				
Assets				
Cash and investments	\$ 71,518	\$ 1,079,682	\$ 1,075,509	\$ 75,691
Total assets	\$ 71,518	\$ 1,079,682	\$ 1,075,509	\$ 75,691
Liabilities				
Payroll payable	\$ 71,518	\$ 750,008	\$ 745,835	\$ 75,691
Total liabilities	\$ 71,518	\$ 750,008	\$ 745,835	\$ 75,691
 <u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 1,694,903	\$ 3,118,888	\$ 3,111,251	\$ 1,702,540
Receivables	9,576	1,525,504	1,529,102	5,978
Total assets	\$ 1,704,479	\$ 4,644,392	\$ 4,640,353	\$ 1,708,518
Liabilities				
Accounts payable	\$ 186,138	\$ 1,972,819	\$ 1,911,933	\$ 247,024
Payroll payable	71,518	750,008	745,835	75,691
Amount held in trust	1,439,183	646,537	705,393	1,380,327
Due to other agencies	7,640	1,060,551	1,062,715	5,476
Total liabilities	\$ 1,704,479	\$ 4,429,915	\$ 4,425,876	\$ 1,708,518

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget ¹
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 10,400	\$ (10,400)
Grants	4,935,240	4,935,240	3,575,687	1,359,553
Intergovernmental	12,433,340	12,433,340	178,271	12,255,069
Interest on investments	9,750	9,750	468,614	(458,864)
Loan payments received	36,310	36,310	36,722	(412)
Other	363,000	363,000	175,643	187,357
Total revenues	17,777,640	17,777,640	4,445,337	13,332,303
Expenditures				
Operations	87,262,740	88,753,550	34,994,504	53,759,046
Excess (deficiency) of revenues over expenditures	(69,485,100)	(70,975,910)	(30,549,167)	(40,426,743)
Other financing sources (uses)				
Loan proceeds	2,000,000	2,000,000	2,000,000	-
Sale of capital assets	-	-	49,462	(49,462)
Transfers in	21,539,890	23,030,700	21,597,050	1,433,650
Transfers out	(40,600)	(40,600)	(40,000)	(600)
Total other financing sources (uses)	23,499,290	24,990,100	23,606,512	1,383,588
Net change in fund balance	(45,985,810)	(45,985,810)	(6,942,655)	(39,043,155)
Fund balance - beginning of year	45,985,810	45,985,810	42,331,905	3,653,905
Fund balance - end of year	\$ -	\$ -	35,389,250	\$ (35,389,250)
Reconciliation to generally accepted accounting principles:				
			(14,949,622)	
Transfer of net activity and fund balance to Utility fund (page 135)			(6,415,762)	
Transfer of net activity and fund balance to City Services fund (page 140)			(249,238)	
Advance from Community Enhancement fund (page 129)				
Fund balance - end of year (modified accrual)			\$ 13,774,628	

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, 2017

	<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	\$ -	\$ -	\$ 10,478	\$ (10,478)
Intergovernmental	-	-	494,178	(494,178)
Interest on investments	100,330	100,330	206,934	(106,604)
Loan payments received	247,210	247,210	1,553,597	(1,306,387)
Other	298,590	298,590	1,000	297,590
Total revenues	646,130	646,130	2,266,187	(1,620,057)
Expenditures				
Operations	27,589,990	27,589,990	6,683,503	20,906,487
Excess (deficiency) of revenues over expenditures	(26,943,860)	(26,943,860)	(4,417,316)	(22,526,544)
Other financing sources (uses)				
Loan proceeds	6,927,920	6,927,920	5,700,000	1,227,920
Net change in fund balance	(20,015,940)	(20,015,940)	1,282,684	(21,298,624)
Fund balance - beginning of year	20,015,940	20,015,940	20,207,482	(191,542)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,490,166</u>	<u>\$ (21,490,166)</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, 2017

	<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	\$ 115,100	\$ 115,100	\$ 230,428	\$ (115,328)
Special assessments	400	400	11,066	(10,666)
Rents	2,100	2,100	1,409	691
Grants	274,300	274,300	238,544	35,756
Intergovernmental	12,567,930	12,567,930	12,270,464	297,466
Interest on investments	-	-	42,753	(42,753)
Other	2,000	2,000	24,141	(22,141)
	<u>12,961,830</u>	<u>12,961,830</u>	<u>12,818,805</u>	<u>143,025</u>
Expenditures				
Operations	15,324,650	15,024,650	12,724,532	2,300,118
Contingency	500,000	500,000	-	500,000
	<u>15,824,650</u>	<u>15,524,650</u>	<u>12,724,532</u>	<u>2,800,118</u>
Excess (deficiency) of revenues over expenditures	<u>(2,862,820)</u>	<u>(2,562,820)</u>	<u>94,273</u>	<u>(2,657,093)</u>
Other financing sources (uses)				
Transfers in	695,000	695,000	663,158	31,842
Transfers out	(926,760)	(1,226,760)	(1,101,760)	(125,000)
	<u>(231,760)</u>	<u>(531,760)</u>	<u>(438,602)</u>	<u>(93,158)</u>
Net change in fund balance	(3,094,580)	(3,094,580)	(344,329)	(2,750,251)
Fund balance - beginning of year	4,377,000	4,377,000	4,992,889	(615,889)
Fund balance - end of year	<u>\$ 1,282,420</u>	<u>\$ 1,282,420</u>	<u>\$ 4,648,560</u>	<u>\$ (3,366,140)</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, 2017

	<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	\$ 1,782,430	\$ 1,782,430	\$ 1,844,393	\$ (61,963)
Interest on investments	500	500	3,121	(2,621)
Total revenues	<u>1,782,930</u>	<u>1,782,930</u>	<u>1,847,514</u>	<u>(64,584)</u>
Expenditures				
Operations	1,356,930	1,381,930	1,380,995	935
Contingency	200,000	175,000	-	175,000
Total expenditures	<u>1,556,930</u>	<u>1,556,930</u>	<u>1,380,995</u>	<u>175,935</u>
Excess (deficiency) of revenues over expenditures	226,000	226,000	466,519	(240,519)
Other financing sources (uses)				
Transfers out	(830,000)	(830,000)	(830,000)	-
Net change in fund balance	(604,000)	(604,000)	(363,481)	(240,519)
Fund balance - beginning of year	604,000	604,000	594,605	9,395
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,124</u>	<u>\$ (231,124)</u>

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, 2017

	<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	\$ 38,000	\$ 38,000	\$ 42,559	\$ (4,559)
Rents	1,016,370	1,016,370	1,122,843	(106,473)
Interest on investments	3,800	3,800	11,633	(7,833)
Loan payments received	-	-	65	(65)
Other	-	-	7,100	(7,100)
Total revenues	<u>1,058,170</u>	<u>1,058,170</u>	<u>1,184,200</u>	<u>(126,030)</u>
Expenditures				
Operations	1,148,930	1,348,930	1,174,292	174,638
Debt service	42,830	42,830	42,819	11
Contingency	756,210	556,210	-	556,210
Total expenditures	<u>1,947,970</u>	<u>1,947,970</u>	<u>1,217,111</u>	<u>730,859</u>
Excess (deficiency) of revenues over expenditures	<u>(889,800)</u>	<u>(889,800)</u>	<u>(32,911)</u>	<u>(856,889)</u>
Fund balance - beginning of year	<u>889,800</u>	<u>889,800</u>	<u>954,213</u>	<u>(64,413)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 921,302</u>	<u>\$ (921,302)</u>

1 () indicates revenue/expenditures in excess of budget

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

For the fiscal year ended June 30, 2017

	<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	\$ 9,746	\$ 254
Special assessments	476,580	476,580	440,994	35,586
Rents	636,670	636,670	656,176	(19,506)
Intergovernmental	297,000	297,000	309,804	(12,804)
Interest on investments	3,000	3,000	11,139	(8,139)
Other	5,000	5,000	7,086	(2,086)
Total revenues	<u>1,428,250</u>	<u>1,428,250</u>	<u>1,434,945</u>	<u>(6,695)</u>
Expenditures				
Operations	1,315,150	1,315,150	1,083,835	231,315
Contingency	250,000	250,000	-	250,000
Total expenditures	<u>1,565,150</u>	<u>1,565,150</u>	<u>1,083,835</u>	<u>481,315</u>
Excess (deficiency) of revenues over expenditures	(136,900)	(136,900)	351,110	(488,010)
Other financing sources (uses)				
Transfers out	(617,820)	(617,820)	(617,820)	-
Net change in fund balance	<u>(754,720)</u>	<u>(754,720)</u>	<u>(266,710)</u>	<u>(488,010)</u>
Fund balance - beginning of year	<u>754,720</u>	<u>754,720</u>	<u>935,380</u>	<u>(180,660)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,670</u>	<u>\$ (668,670)</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, 2017

	<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				
	\$ -	\$ -	\$ -	\$ -
Expenditures				
Operations	36,720	36,720	33,276	3,444
Net change in fund balance	(36,720)	(36,720)	(33,276)	(3,444)
Fund balance - beginning of year	36,720	36,720	33,276	3,444
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Other taxes	\$ 3,948,940	\$ 3,948,940	\$ 3,943,285	\$ 5,655
Intergovernmental	5,200	5,200	5,779	(579)
Interest on investments	3,800	3,800	10,354	(6,554)
Loan payments received	-	-	4,550	(4,550)
Other	15,000	15,000	56,068	(41,068)
Total revenues	3,972,940	3,972,940	4,020,036	(47,096)
Expenditures				
Operations	2,368,430	2,368,430	2,172,898	195,532
Contingency	120,000	120,000	-	120,000
Total expenditures	2,488,430	2,488,430	2,172,898	315,532
Excess (deficiency) of revenues over expenditures	1,484,510	1,484,510	1,847,138	(362,628)
Other financing sources (uses)				
Transfers out	(2,528,800)	(2,528,800)	(2,520,750)	(8,050)
Net change in fund balance	(1,044,290)	(1,044,290)	(673,612)	(370,678)
Fund balance - beginning of year	1,267,810	1,267,810	1,219,127	48,683
Fund balance - end of year	<u>\$ 223,520</u>	<u>\$ 223,520</u>	<u>\$ 545,515</u>	<u>\$ (321,995)</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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Interest on investments	\$ 150	\$ 150	\$ 348	\$ (198)
Expenditures				
Operations	63,300	63,300	19,461	43,839
Excess (deficiency) of revenues over expenditures	(63,150)	(63,150)	(19,113)	(44,037)
Other financing sources (uses)				
Transfers in	30,000	30,000	30,000	-
Net change in fund balance	(33,150)	(33,150)	10,887	(44,037)
Fund balance - beginning of year	33,150	33,150	32,525	625
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,412</u>	<u>\$ (43,412)</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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Rents	\$ 576,390	\$ 576,390	\$ 586,738	\$ (10,348)
Interest on investments	3,100	3,100	7,876	(4,776)
Total revenues	<u>579,490</u>	<u>579,490</u>	<u>594,614</u>	<u>(15,124)</u>
Expenditures				
Operations	485,870	485,870	315,345	170,525
Contingency	641,610	641,610	-	641,610
Total expenditures	<u>1,127,480</u>	<u>1,127,480</u>	<u>315,345</u>	<u>812,135</u>
Other financing sources (uses)				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	(747,990)	(747,990)	79,269	(827,259)
Fund balance - beginning of year	<u>747,990</u>	<u>747,990</u>	<u>668,811</u>	<u>79,179</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,080</u>	<u>\$ (748,080)</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, 2017

	<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	\$ 3,045,470	\$ 3,045,470	\$ 4,720,541	\$ (1,675,071)
Intergovernmental	165,320	165,320	165,423	(103)
Interest on investments	21,420	21,420	61,112	(39,692)
Other	-	-	5	(5)
	<u>3,232,210</u>	<u>3,232,210</u>	<u>4,947,081</u>	<u>(1,714,871)</u>
Expenditures				
Operations	3,754,700	3,754,700	3,364,564	390,136
Contingency	300,000	300,000	-	300,000
	<u>4,054,700</u>	<u>4,054,700</u>	<u>3,364,564</u>	<u>690,136</u>
Excess (deficiency) of revenues over expenditures	<u>(822,490)</u>	<u>(822,490)</u>	<u>1,582,517</u>	<u>(2,405,007)</u>
Other financing sources (uses)				
Transfers out	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Net change in fund balance	(1,622,490)	(1,622,490)	782,517	(2,405,007)
Fund balance - beginning of year	<u>5,111,700</u>	<u>5,111,700</u>	<u>5,373,982</u>	<u>(262,282)</u>
Fund balance - end of year	<u>\$ 3,489,210</u>	<u>\$ 3,489,210</u>	<u>\$ 6,156,499</u>	<u>\$ (2,667,289)</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, 2017

	<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	\$ -	\$ -	\$ 107,857	\$ (107,857)
Grants	-	-	56,461	(56,461)
Fines and penalties	-	-	9,057	(9,057)
Interest on investments	53,230	52,960	115,930	(62,970)
Loan payments received	42,820	42,820	42,819	1
Other	1,222,250	1,222,225	633,408	588,817
Total revenues	<u>1,318,300</u>	<u>1,318,005</u>	<u>965,532</u>	<u>352,473</u>
Expenditures				
Operations	<u>2,742,550</u>	<u>2,699,140</u>	<u>1,003,047</u>	<u>1,696,093</u>
Excess (deficiency) of revenues over expenditures	<u>(1,424,250)</u>	<u>(1,381,135)</u>	<u>(37,515)</u>	<u>(1,343,620)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	1,625	(1,625)
Transfers in	367,000	367,000	324,556	42,444
Transfers out	<u>(1,305,000)</u>	<u>(1,348,410)</u>	<u>(48,410)</u>	<u>(1,300,000)</u>
Total other financing sources (uses)	<u>(938,000)</u>	<u>(981,410)</u>	<u>277,771</u>	<u>(1,259,181)</u>
Net change in fund balance	<u>(2,362,250)</u>	<u>(2,362,545)</u>	<u>240,256</u>	<u>(2,602,801)</u>
Fund balance - beginning of year	<u>9,447,840</u>	<u>9,447,840</u>	<u>9,510,471</u>	<u>(62,631)</u>
Fund balance - end of year	<u>\$ 7,085,590</u>	<u>\$ 7,085,295</u>	<u>9,750,727</u>	<u>\$ (2,665,432)</u>
Reconciliation to generally accepted accounting principles:				
Advance to Capital Improvements fund (page 118)			<u>249,238</u>	
Fund balance - end of year (modified accrual)			<u>\$ 9,999,965</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget ¹</u>
Revenues				
Interest on investments	\$ 1,470	\$ 1,470	\$ 2,764	\$ (1,294)
Other	8,100	8,100	1,617	6,483
Total revenues	<u>9,570</u>	<u>9,570</u>	<u>4,381</u>	<u>5,189</u>
Expenditures				
Operations	<u>6,000</u>	<u>6,000</u>	<u>977</u>	<u>5,023</u>
Excess (deficiency) of revenues over expenditures	3,570	3,570	3,404	166
Other financing sources (uses)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(46,430)	(46,430)	(46,596)	166
Fund balance - beginning of year	<u>264,640</u>	<u>264,640</u>	<u>258,784</u>	<u>5,856</u>
Fund balance - end of year	<u><u>\$ 218,210</u></u>	<u><u>\$ 218,210</u></u>	<u><u>\$ 212,188</u></u>	<u><u>\$ 6,022</u></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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Property taxes	\$ 11,465,880	\$ 11,465,880	\$ 11,670,914	\$ (205,034)
Intergovernmental	4,707,070	4,707,070	4,707,090	(20)
Interest on investments	39,000	39,000	79,399	(40,399)
Total revenues	16,211,950	16,211,950	16,457,403	(245,453)
Expenditures				
Operations	-	-	25,122	(25,122) ²
Debt service	17,615,930	17,615,930	17,566,168	49,762
Total expenditures	17,615,930	17,615,930	17,591,290	24,640
Net change in fund balance	(1,403,980)	(1,403,980)	(1,133,887)	(270,093)
Fund balance - beginning of year	1,671,680	1,671,680	1,718,328	(46,648)
Fund balance - end of year	\$ 267,700	\$ 267,700	\$ 584,441	\$ (316,741)

1 () indicates revenues/expenditures in excess of budget

2 Fees associated with additional principal payment

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget¹</u>
Revenues				
Property taxes	\$ 12,528,730	\$ 12,528,730	\$ 12,084,850	\$ 443,880
Interest on investments	101,220	101,220	223,991	(122,771)
Total revenues	<u>12,629,950</u>	<u>12,629,950</u>	<u>12,308,841</u>	<u>321,109</u>
Expenditures				
Debt service	<u>9,715,180</u>	<u>9,715,180</u>	<u>9,706,706</u>	<u>8,474</u>
Excess (deficiency) of revenues over expenditures	<u>2,914,770</u>	<u>2,914,770</u>	<u>2,602,135</u>	<u>312,635</u>
Net change in fund balance	2,914,770	2,914,770	2,602,135	312,635
Fund balance - beginning of year	<u>16,128,680</u>	<u>16,128,680</u>	<u>16,010,953</u>	<u>117,727</u>
Fund balance - end of year	<u>\$ 19,043,450</u>	<u>\$ 19,043,450</u>	<u>\$ 18,613,088</u>	<u>\$ 430,362</u>

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

City of Salem, Oregon
Extra Capacity Facilities
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget ¹</u>
Revenues				
Sales, fees, licenses, and permits	\$ 4,776,000	\$ 4,776,000	\$ 6,267,361	\$ (1,491,361)
Special assessments	-	-	67,418	(67,418)
Rents	-	-	49,850	(49,850)
Grants	3,286,500	3,286,500	25,063	3,261,437
Intergovernmental	500,000	500,000	-	500,000
Interest on investments	-	-	190,356	(190,356)
Total revenues	<u>8,562,500</u>	<u>8,562,500</u>	<u>6,600,048</u>	<u>1,962,452</u>
Expenditures				
Operations	<u>23,489,060</u>	<u>23,489,060</u>	<u>4,329,986</u>	<u>19,159,074</u>
Excess (deficiency) of revenues over expenditures	(14,926,560)	(14,926,560)	2,270,062	(17,196,622)
Other financing sources (uses)				
Sale of capital assets	-	-	159,310	(159,310)
Transfers out	<u>(160,760)</u>	<u>(160,760)</u>	<u>(43,158)</u>	<u>(117,602)</u>
Total other financing sources (uses)	<u>(160,760)</u>	<u>(160,760)</u>	<u>116,152</u>	<u>(276,912)</u>
Net change in fund balance	<u>(15,087,320)</u>	<u>(15,087,320)</u>	<u>2,386,214</u>	<u>(17,473,534)</u>
Fund balance - beginning of year	<u>15,087,320</u>	<u>15,087,320</u>	<u>16,975,528</u>	<u>(1,888,208)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>19,361,742</u>	<u>\$ (19,361,742)</u>
Reconciliation to generally accepted accounting principles:				
Transfer of net activity and fund balance to Utility fund (page 135)			<u>(8,247,894)</u>	
Fund balance - end of year (modified accrual)			<u>\$ 11,113,848</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, 2017

	<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	\$ 797,000	\$ 797,000	\$ 706,238	\$ 90,762
Interest on investments	10,000	10,000	17,923	(7,923)
Total revenues	<u>807,000</u>	<u>807,000</u>	<u>724,161</u>	<u>82,839</u>
Expenditures				
Operations	<u>2,338,240</u>	<u>2,338,240</u>	<u>294,882</u>	<u>2,043,358</u>
Excess (deficiency) of revenues over expenditures	(1,531,240)	(1,531,240)	429,279	(1,960,519)
Fund balance - beginning of year	<u>1,531,240</u>	<u>1,531,240</u>	<u>1,639,287</u>	<u>(108,047)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,068,566</u>	<u>\$ (2,068,566)</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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 85,875,210	\$ 85,875,210	\$ 88,372,420	\$ (2,497,210)
Special assessments	11,000	11,000	389	10,611
Rents	10,000	10,000	15,784	(5,784)
Intergovernmental	6,289,040	6,289,040	5,493,533	795,507
Interest on investments	315,000	315,000	539,926	(224,926)
Loan payments received	261,900	261,900	418,977	(157,077)
Other	145,000	145,000	357,543	(212,543)
Total revenues	92,907,150	92,907,150	95,198,572	(2,291,422)
Expenditures				
Operations	69,832,450	69,832,450	62,685,347	7,147,103
Debt service	20,984,170	25,784,170	25,775,827	8,343
Contingency	8,500,000	3,700,000	-	3,700,000
Total expenditures	99,316,620	99,316,620	88,461,174	10,855,446
Excess (deficiency) of revenues over expenditures	(6,409,470)	(6,409,470)	6,737,398	(13,146,868)
Other financing sources (uses)				
Sale of capital assets	10,000	10,000	2,786,200	(2,776,200)
Transfers in	96,160	96,160	10,400	85,760
Transfers out	(13,666,100)	(13,666,100)	(13,666,100)	-
Total other financing sources (uses)	(13,559,940)	(13,559,940)	(10,869,500)	(2,690,440)
Net change in fund balance	(19,969,410)	(19,969,410)	(4,132,102)	(15,837,308)
Fund balance - beginning of year	47,056,750	47,056,750	47,024,954	31,796
Fund balance - end of year	\$ 27,087,340	\$ 27,087,340	42,892,852	\$ (15,805,512)

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 118)	14,949,622
Transfer of net activity and fund balance from Extra Capacity Facilities (page 133)	8,247,894
Inventories	963,713
Advances to General fund (page 46)	1,076,426
Note receivable	13,431,000
Capital assets	634,710,557
Deferred outflows related to pension	15,924,949
Deferred outflows related to OPEB	134,111
Deferred charge on refunding	3,655,332
Net OPEB liability	(3,263,493)
Deferred inflows related to pension	(695,103)
Deferred inflows related to OPEB	(85,334)
Accrued revenue from deferred inflows	2,346,855
Net pension liability	(31,008,547)
Interest payable	(350,958)
Long-term obligations	(122,125,410)
Net position at end of year	\$ 580,804,466

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales, fees, licenses, and permits	\$ 651,540	\$ 651,540	\$ 680,906	\$ (29,366)
Intergovernmental	1,010	1,010	11,851	(10,841)
Fines and penalties	48,000	48,000	69,100	(21,100)
Interest on investments	16,000	16,000	30,784	(14,784)
Other	1,000	1,000	13,268	(12,268)
	<u>717,550</u>	<u>717,550</u>	<u>805,909</u>	<u>(88,359)</u>
Expenditures				
Operations	725,900	745,900	685,467	60,433
Contingency	58,000	38,000	-	38,000
	<u>783,900</u>	<u>783,900</u>	<u>685,467</u>	<u>98,433</u>
Net change in fund balance	(66,350)	(66,350)	120,442	(186,792)
Fund balance - beginning of year	<u>2,717,720</u>	<u>2,717,720</u>	<u>2,720,324</u>	<u>(2,604)</u>
Fund balance - end of year	<u>\$ 2,651,370</u>	<u>\$ 2,651,370</u>	2,840,766	<u>\$ (189,396)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	496,573
Net pension liability	(431,530)
Deferred outflows related to pensions	224,660
Deferred outflows related to OPEB	941
Deferred inflows related to pensions	(7,393)
Deferred inflows related to OPEB	(599)
Net OPEB liability	<u>(22,902)</u>
Net position at end of year	<u>\$ 3,100,516</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, 2017

	<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	\$ 16,000	\$ 16,000	\$ 21,805	\$ (5,805)
Rents	19,890	19,890	19,890	-
Intergovernmental	-	-	4,659	(4,659)
Member agencies	9,928,240	9,928,240	10,029,384	(101,144)
Interest on investments	8,510	8,510	12,542	(4,032)
Other	-	-	19,243	(19,243)
Total revenues	<u>9,972,640</u>	<u>9,972,640</u>	<u>10,107,523</u>	<u>(134,883)</u>
Expenditures				
Operations	10,275,900	10,275,900	9,889,532	386,368
Contingency	434,280	434,280	-	434,280
Total expenditures	<u>10,710,180</u>	<u>10,710,180</u>	<u>9,889,532</u>	<u>820,648</u>
Net change in fund balance	<u>(737,540)</u>	<u>(737,540)</u>	<u>217,991</u>	<u>(955,531)</u>
Fund balance - beginning of year	<u>737,540</u>	<u>737,540</u>	<u>810,784</u>	<u>(73,244)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>1,028,775</u>	<u>\$ (1,028,775)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	76,209
Net pension liability	(8,623,970)
Deferred outflows related to pensions	4,422,972
Deferred outflows related to OPEB	34,822
Deferred inflows related to pensions	(197,826)
Deferred inflows related to OPEB	(22,157)
Net OPEB liability	<u>(847,363)</u>
Net position at end of year	<u>\$ (4,128,538)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget ¹</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 281,860	\$ 281,860	\$ 281,860	\$ -
Member agencies	77,770	77,770	78,020	(250)
Interest on investments	10,000	10,000	14,701	(4,701)
 Total revenues	 369,630	 369,630	 374,581	 (4,951)
Expenditures				
Operations	1,657,720	1,657,720	260,572	1,397,148
 Excess (deficiency) of revenues over expenditures	 (1,288,090)	 (1,288,090)	 114,009	 (1,402,099)
Fund balance - beginning of year	1,288,090	1,288,090	1,317,548	(29,458)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	1,431,557	<u>\$ (1,431,557)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			3,213	
Net position at end of year			<u>\$ 1,434,770</u>	

1 () indicates revenues/expenditures in excess of budget

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

For the fiscal year ended June 30, 2017

	<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	\$ 2,390,000	\$ 2,390,000	\$ 3,084,526	\$ (694,526)
Rents	1,010,000	1,010,000	1,541,436	(531,436)
Intergovernmental	450,000	450,000	-	450,000
Other	298,590	298,590	5,878	292,712
Total revenues	<u>4,148,590</u>	<u>4,148,590</u>	<u>4,631,840</u>	<u>(483,250)</u>
Expenditures				
Operations	3,848,840	3,848,840	3,948,657	(99,817) ²
Contingency	463,120	463,120	-	463,120
Total expenditures	<u>4,311,960</u>	<u>4,311,960</u>	<u>3,948,657</u>	<u>363,303</u>
Excess (deficiency) of revenues over expenditures	(163,370)	(163,370)	683,183	(846,553)
Other financing sources (uses)				
Transfers out	(350,000)	(350,000)	(304,367)	(45,633)
Net change in fund balance	(513,370)	(513,370)	378,816	(892,186)
Fund balance - beginning of year	513,370	513,370	509,636	3,734
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	888,452	<u>(888,452)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>24,706,185</u>	
Net position at end of year			<u>\$ 25,594,637</u>	

1 () indicates revenues/expenditures in excess of budget

2 Budget violation. See note on page 91

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 31,958	\$ (31,958)
Rents	1,756,620	1,756,620	1,787,645	(31,025)
Intergovernmental	8,400,920	8,400,920	8,234,382	166,538
Interest on investments	21,800	21,800	60,235	(38,435)
Other	-	-	5,217	(5,217)
Total revenues	10,179,340	10,179,340	10,119,437	59,903
Expenditures				
Operations	10,884,100	10,884,100	8,501,949	2,382,151
Excess (deficiency) of revenues over expenditures	(704,760)	(704,760)	1,617,488	(2,322,248)
Other financing sources (uses)				
Sale of capital assets	-	-	157,218	(157,218)
Transfers out	(1,800,000)	(1,800,000)	(1,799,261)	(739)
Net change in fund balance	(2,504,760)	(2,504,760)	(24,555)	(2,480,205)
Fund balance - beginning of year	5,631,580	5,631,580	6,104,135	(472,555)
Fund balance - end of year	<u>\$ 3,126,820</u>	<u>\$ 3,126,820</u>	6,079,580	<u>\$ (2,952,760)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 118)	6,415,762
Inventories	215,019
Capital assets	17,541,989
Deferred outflows related to pensions	1,276,703
Deferred outflows related to OPEB	8,941
Net OPEB Liability	(217,566)
Net pension liability	(2,493,196)
Deferred inflows related to OPEB	(5,689)
Deferred inflows related to pensions	(58,678)
Net position at end of year	<u><u>\$ 28,762,865</u></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, 2017

	<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				
Intergovernmental	\$ 2,590,150	\$ 2,590,150	\$ 3,542,963	\$ (952,813)
Interest on investments	20,000	20,000	30,928	(10,928)
Total revenues	<u>2,610,150</u>	<u>2,610,150</u>	<u>3,573,891</u>	<u>(963,741)</u>
Expenditures				
Operations	<u>4,943,230</u>	<u>4,943,230</u>	<u>2,958,932</u>	<u>1,984,298</u>
Excess (deficiency) of revenues over expenditures	<u>(2,333,080)</u>	<u>(2,333,080)</u>	<u>614,959</u>	<u>(2,948,039)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	186,072	(186,072)
Transfers in	<u>1,139,250</u>	<u>1,139,250</u>	<u>949,250</u>	<u>190,000</u>
Total other financing sources (uses)	<u>1,139,250</u>	<u>1,139,250</u>	<u>1,135,322</u>	<u>3,928</u>
Net change in fund balance	(1,193,830)	(1,193,830)	1,750,281	(2,944,111)
Fund balance - beginning of year	<u>4,651,850</u>	<u>4,651,850</u>	<u>4,982,873</u>	<u>(331,023)</u>
Fund balance - end of year	<u>\$ 3,458,020</u>	<u>\$ 3,458,020</u>	<u>\$ 6,733,154</u>	<u>\$ (3,275,134)</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, 2017

	<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				
Intergovernmental	\$ 27,228,230	\$ 27,228,230	\$ 26,238,114	\$ 990,116
Interest on investments	70,550	70,550	153,849	(83,299)
Other	372,230	372,230	1,316,568	(944,338)
Total revenues	<u>27,671,010</u>	<u>27,671,010</u>	<u>27,708,531</u>	<u>(37,521)</u>
Expenditures				
Operations	39,900,770	39,900,770	25,687,914	14,212,856
Excess (deficiency) of revenues over expenditures	(12,229,760)	(12,229,760)	2,020,617	(14,250,377)
Fund balance - beginning of year	12,229,760	12,229,760	14,180,949	(1,951,189)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	16,201,566	<u>\$ (16,201,566)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			650	
Deferred outflows related to pensions			281,508	
Deferred outflows related to OPEB			3,294	
Net OPEB liability			(80,156)	
Net pension liability			(577,010)	
Claims and judgments			(7,099,970)	
Deferred inflows related to OPEB			(2,096)	
Deferred inflows related to pensions			<u>(24,049)</u>	
Net position at end of year			<u>\$ 8,703,737</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, 2017

	<u>Issued/ Maturity Date</u>	<u>True Interest Cost</u>	<u>Original Amount</u>	<u>Principal Balance June 30, 2016</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	\$ 20,020,000	\$ -
Streets-Bridges, Series 2012	01/26/12-26	2.62	25,000,000	12,405,000	-
Refunding Fire Bond, Series 2012	04/25/12-21	2.25	18,289,298	10,294,703	-
Streets-Bridges, Series 2013	08/20/13-24	2.82	43,665,000	36,095,000	-
Subtotal general obligation bonds				78,814,703	-
Premium				3,294,213	-
Total general obligation bonds				82,108,916	-
Limited tax pension obligation, Series 2005	09/23/05-28	5.04	61,685,000	49,020,000	-
Urban renewal bonds					
Riverfront/Downtown, Series 2009	09/17/09-24	4.35	3,660,000	2,210,000	-
West Salem, Series 2013	07/23/13-18	1.90	1,500,000	613,000	-
Riverfront/Downtown, Series 2015A	8/27/15-17	1.26	649,000	323,000	-
Riverfront/Downtown, Series 2015B	8/27/15-18	1.73	5,481,000	2,829,000	-
Total urban renewal bonds				5,975,000	-
Total governmental bonds				137,103,916	-
Notes					
HUD Sec 108, Series 2015A	05/28/15-23	1.46	2,730,000	251,428	-
OECDL L06001A, Mill Creek, Series 2007	06/23/11-35	4.41	3,999,999	3,999,992	284,861 ¹
OECDL L06001B, Mill Creek, Series 2007	10/20/10-21	4.41	1,000,000	282,000	-
OECDL L06001C, Mill Creek, Series 2007	10/17/13-33	5.00	3,772,081	3,772,081	-
Total notes				8,305,501	284,861
Total governmental activity long-term debt				\$ 145,409,417	\$ 284,861
<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	\$ 74,180,000	\$ -
Series 2012 A refunding	10/16/12-25	2.22	63,360,000	60,422,000	-
Subtotal revenue bonds				134,602,000	-
Premiums				3,548,361	-
Total revenue bonds				138,150,361	-
Notes					
Oregon Econ & Comm Dev Dept G09001	05/12/09-33	4.17	5,875,000	4,797,035	-
Total business-type activity long-term debt				\$ 142,947,396	\$ -
Total long-term debt				\$ 288,356,813	\$ 284,861

¹ Increase was due to capitalized interest

Continued

Refunding/ Reductions	Principal Paid	Principal Balance June 30, 2017	Interest Paid	Total Principal and Interest Paid	Current Portion	
					Principal	Interest
\$ -	\$ 1,825,000	\$ 18,195,000	\$ 929,388	\$ 2,754,388	\$ 2,000,000	\$ 838,137
-	985,000	11,420,000	325,011	1,310,011	1,035,000	299,204
-	4,388,556	5,906,147	224,002	4,612,558	1,959,729	177,551
-	2,785,000	33,310,000	1,397,150	4,182,150	2,910,000	1,285,750
-	9,983,556	68,831,147	2,875,551	12,859,107	7,904,729	2,600,642
-	475,347	2,818,866	-	475,347	-	-
-	10,458,903	71,650,013	2,875,551	13,334,454	7,904,729	2,600,642
-	2,270,000	46,750,000	2,437,062	4,707,062	2,570,000	2,326,762
-	235,000	1,975,000	96,135	331,135	245,000	85,913
-	613,000	-	10,203	623,203	-	-
-	323,000	-	4,070	327,070	-	-
-	2,676,000	153,000	48,942	2,724,942	153,000	243
-	3,847,000	2,128,000	159,350	4,006,350	398,000	86,156
-	16,575,903	120,528,013	5,471,963	22,047,866	10,872,729	5,013,560
-	97,437	153,991	-	97,437	153,991	32,229
-	-	4,284,853	-	-	305,644	80,833
47,370 ²	-	234,630	-	-	-	-
-	-	3,772,081	-	-	-	147,865
47,370	97,437	8,445,555	-	97,437	459,635	260,927
<u>\$ 47,370</u>	<u>\$ 16,673,340</u>	<u>\$ 128,973,568</u>	<u>\$ 5,471,963</u>	<u>\$ 22,145,303</u>	<u>\$ 11,332,364</u>	<u>\$ 5,274,487</u>
-	\$ 4,310,000	\$ 69,870,000	\$ 3,490,175	\$ 7,800,175	\$ 4,485,000	3,317,775
-	11,442,000	48,980,000	1,341,368	12,783,368	10,235,000	1,087,356
-	15,752,000	118,850,000	4,831,543	20,583,543	14,720,000	4,405,131
-	272,951	3,275,410	-	272,951	-	-
-	16,024,951	122,125,410	4,831,543	20,856,494	14,720,000	4,405,131
-	4,797,035	-	395,248	5,192,283	-	-
<u>\$ -</u>	<u>\$ 20,821,986</u>	<u>\$ 122,125,410</u>	<u>\$ 5,226,791</u>	<u>\$ 26,048,777</u>	<u>\$ 14,720,000</u>	<u>\$ 4,405,131</u>
<u>\$ 47,370</u>	<u>\$ 37,495,326</u>	<u>\$ 251,098,978</u>	<u>\$ 10,698,754</u>	<u>\$ 48,194,080</u>	<u>\$ 26,052,364</u>	<u>\$ 9,679,618</u>

² Amount forgiven per loan agreement due to job creation in Mill Creek URA

Concluded

City of Salem, Oregon
Schedule of Future Long-term Debt Service Requirements
June 30, 2017

Governmental Activities

Fiscal Year	Notes		General Obligation, Urban Renewal, & Limited Tax Pension Obligation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017-18	\$ 459,635	\$ 260,927	\$ 10,872,729	\$ 5,013,560	\$ 11,332,364	\$ 5,274,487
2018-19	338,722	351,295	11,539,071	4,604,476	11,877,793	4,955,771
2019-20	353,034	416,222	12,337,347	4,109,495	12,690,381	4,525,717
2020-21	387,126	319,014	11,410,000	3,540,040	11,797,126	3,859,054
2021-22	403,523	294,412	14,415,000	3,019,200	14,818,523	3,313,612
2022-23	420,616	271,936	15,810,000	2,472,559	16,230,616	2,744,495
2023-24	438,435	253,171	17,190,000	1,797,925	17,628,435	2,051,096
2024-25	457,012	234,580	6,830,000	1,136,672	7,287,012	1,371,252
2025-26	476,378	215,215	7,425,000	829,586	7,901,378	1,044,801
2026-27	496,567	195,025	6,465,000	494,395	6,961,567	689,420
2027-28	517,613	173,978	3,415,000	170,887	3,932,613	344,865
2028-29	539,557	152,036	-	-	539,557	152,036
2029-30	562,431	129,161	-	-	562,431	129,161
2030-31	556,758	105,314	-	-	556,758	105,314
2031-32	589,678	81,753	-	-	589,678	81,753
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	\$ 8,445,555	\$ 3,659,131	\$ 117,709,147	\$ 27,188,795	\$ 126,154,702	\$ 30,847,926

Business-type Activities

Fiscal Year	Notes		Water/Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017-18	\$ -	\$ -	\$ 14,720,000	\$ 4,405,131	\$ 14,720,000	\$ 4,405,131
2018-19	-	-	13,743,000	3,998,514	13,743,000	3,998,514
2019-20	-	-	13,201,000	3,610,471	13,201,000	3,610,471
2020-21	-	-	10,413,000	3,182,579	10,413,000	3,182,579
2021-22	-	-	10,768,000	2,809,909	10,768,000	2,809,909
2022-23	-	-	11,158,000	2,422,268	11,158,000	2,422,268
2023-24	-	-	9,822,000	2,018,463	9,822,000	2,018,463
2024-25	-	-	7,285,000	1,636,534	7,285,000	1,636,534
2025-26	-	-	6,455,000	1,344,625	6,455,000	1,344,625
2026-27	-	-	6,780,000	1,021,875	6,780,000	1,021,875
2027-28	-	-	7,075,000	725,250	7,075,000	725,250
2028-29	-	-	7,430,000	371,500	7,430,000	371,500
Totals	\$ -	\$ -	\$ 118,850,000	\$ 27,547,119	\$ 118,850,000	\$ 27,547,119

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2017

Assets

Current assets	
Cash and investments	\$ 29,968,880
Accounts receivable, net	94,810
Inventories and prepayments	995,073
Total current assets	<u>31,058,763</u>
Noncurrent assets	
Restricted cash	7,404,603
Capital assets:	
Land and construction in progress	4,888,477
Other capital assets, net	12,654,162
Total noncurrent assets	<u>24,947,242</u>
Total assets	<u>56,006,005</u>

Deferred outflows of resources:

Deferred outflows related to OPEB	12,235
Deferred outflows related to pensions	1,558,211
Total deferred outflows of resources	<u>1,570,446</u>

Liabilities

Current liabilities	
Accounts payable and accrued liabilities	2,610,751
Claims and judgments due within one year	1,800,000
Compensated absences due within one year	74,119
Total current liabilities	<u>4,484,870</u>
Noncurrent liabilities	
Net OPEB liability	297,722
Net pension liability	3,070,206
Claims and judgments payable	5,299,970
Compensated absences payable	133,415
Total noncurrent liabilities	<u>8,801,313</u>
Total liabilities	<u>13,286,183</u>

Deferred inflows of resources:

Deferred inflows related to OPEB	7,785
Deferred inflows related to pensions	82,727
Total deferred inflows of resources	<u>90,512</u>

Net position

Net investment in capital assets	17,542,639
Restricted for capital projects	6,415,762
Unrestricted	20,241,355
Total net position	<u>\$ 44,199,756</u>

Tie to Government-wide statement

Total net position	\$ 44,199,756
Back out:	
Amount reflected in capital assets	(17,542,639)
Deferred outflows	(1,570,446)
Add in:	
Amount due from (to) Business-type funds, June 30, 2016	(2,346,653)
Amount due from (to) Business-type funds for current year	(916,139)
Compensated absences	207,534
Net OPEB liability	297,722
Net pension liability	3,070,206
Deferred inflows	90,512
Amount reflected from Internal Service funds (page 40)	<u>\$ 25,489,853</u>

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Activities
For the fiscal year ended June 30, 2017

	<u>Internal Service Funds</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Operating revenues			
Sales, fees, licenses, and permits	\$ 31,958	\$ 20,773	\$ 9,179
Rents	1,787,645	1,161,974	513,436
Internal and intergovernmental	38,015,459	24,710,157	10,918,567
Other revenue	1,321,785	-	-
	<u>41,156,847</u>	<u>25,892,904</u>	<u>11,441,182</u>
Operating expenses			
Personal services	3,562,672	2,315,747	1,023,249
Materials and services	31,305,998	20,348,988	8,991,517
Depreciation	1,776,644	1,154,824	510,277
Allocated to programs in governmental activities			
Business type	-	-	-
General governmental	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Transportation	-	-	-
Library	-	-	-
	<u>36,645,314</u>	<u>23,819,559</u>	<u>10,525,043</u>
Total operating expenses	<u>36,645,314</u>	<u>23,819,559</u>	<u>10,525,043</u>
Operating income (loss)	<u>4,511,533</u>	<u>2,073,345</u>	<u>916,139</u>
Non-Operating revenues (expenses)			
Interest on investments	326,225	-	-
Other revenue (expenses)	29,197	-	-
	<u>355,422</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>355,422</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	4,866,955	-	-
Capital contributions	640,547	-	-
Transfers in	4,456,386	-	-
Transfers out	(3,248,514)	-	-
	<u>6,715,374</u>	<u>-</u>	<u>-</u>
Change in net position	<u>6,715,374</u>	<u>-</u>	<u>-</u>
Restated total net position - beginning of year	<u>37,484,382</u>	<u>-</u>	<u>-</u>
Total net position - end of year	<u>\$ 44,199,756</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Other Outside	Allocation Of Loss / Gain To Programs	Governmental Government- wide Statement	Business-type Government- wide Statement
\$ 2,006	\$ -	\$ 2,006	\$ -
112,235	-	112,235	-
2,386,735	-	2,386,735	-
1,321,785	-	1,321,785	-
<u>3,822,761</u>	<u>-</u>	<u>3,822,761</u>	<u>-</u>
223,676	-	223,676	-
1,965,493	-	1,965,493	-
111,543	-	111,543	-
-	-	-	(916,139)
-	(512,116)	(512,116)	-
-	(150,732)	(150,732)	-
-	(160,062)	(160,062)	-
-	(968,667)	(968,667)	-
-	(225,580)	(225,580)	-
-	(56,188)	(56,188)	-
<u>2,300,712</u>	<u>(2,073,345)</u>	<u>227,367</u>	<u>(916,139)</u>
<u>1,522,049</u>	<u>2,073,345</u>	<u>3,595,394</u>	<u>916,139</u>
-	-	326,225	-
-	-	29,197	-
-	-	<u>355,422</u>	-
-	-	3,950,816	916,139
-	-	640,547	-
-	-	4,456,386	-
-	-	(3,248,514)	-
-	-	5,799,235	916,139
-	-	<u>37,484,382</u>	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,283,617</u>	<u>\$ 916,139</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>	153
Revenue capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	159
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>	164
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>	171
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>	174

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 469,688,116
Restricted	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	90,895,275
Unrestricted ¹	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)	(51,923,202)
Total governmental activities net position	<u>478,617,035</u>	<u>491,503,298</u>	<u>514,523,407</u>	<u>533,027,768</u>	<u>538,508,063</u>	<u>547,421,210</u>	<u>562,373,321</u>	<u>517,671,969</u>	<u>511,141,817</u>	<u>508,660,189</u>
Business-type activities										
Net investment in capital assets	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	541,522,659
Restricted	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	21,197,516
Unrestricted	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	47,348,468
Total business-type activities net position	<u>523,156,845</u>	<u>522,691,470</u>	<u>532,334,701</u>	<u>523,957,343</u>	<u>530,845,036</u>	<u>538,829,631</u>	<u>550,556,135</u>	<u>565,074,005</u>	<u>572,035,177</u>	<u>610,068,643</u>
Primary government										
Net investment in capital assets	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	1,011,210,775
Restricted	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	112,092,791
Unrestricted	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	(4,574,734)
Total primary government net position	<u>\$ 1,001,773,880</u>	<u>\$ 1,014,194,768</u>	<u>\$ 1,046,858,108</u>	<u>\$ 1,056,985,111</u>	<u>\$ 1,069,353,099</u>	<u>\$ 1,086,250,841</u>	<u>\$ 1,112,929,456</u>	<u>\$ 1,082,745,974</u>	<u>\$ 1,083,176,994</u>	<u>\$ 1,118,728,832</u>

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 2008 through 2010. It is discretely presented from FYE 2011 to 2016. As of 2017 it is neither a blended component unit nor discretely presented.

Notes: 1. Negative unrestricted net position in 2015 to 2017 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)

<u>As of June 30</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 21,541,066
Public safety	51,994,616	53,443,465	53,685,252	56,509,443	59,245,778	58,805,455	60,447,533	48,297,656	83,670,810	76,681,588
Community development	29,606,057	25,988,161	27,700,099	23,810,219	23,353,314	20,991,991	22,641,646	25,640,012	25,365,523	28,815,600
Community services	9,953,583	10,554,331	7,217,375	7,939,666	8,077,160	7,903,455	8,315,343	7,413,884	10,845,896	10,130,824
Transportation	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	33,579,815
Library services	4,544,617	4,503,422	4,358,817	4,441,873	4,490,150	4,535,827	4,525,863	3,357,157	5,766,700	4,951,828
Interest on debt	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	5,494,769
Total governmental activities	<u>147,766,466</u>	<u>142,377,387</u>	<u>137,839,297</u>	<u>141,983,459</u>	<u>150,521,290</u>	<u>147,407,942</u>	<u>147,951,442</u>	<u>132,873,566</u>	<u>187,748,941</u>	<u>181,195,490</u>
Business-type activities:										
Water and sewer	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	88,133,117
Housing Authority	18,759,080	18,749,228	22,869,199	-	-	-	-	-	-	-
Emergency services	1,923,960	2,265,540	1,483,101	987,118	1,055,673	1,294,706	1,093,116	860,417	928,245	765,666
WVPS communications center	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	10,847,295
Police regional records system	-	-	247,214	239,432	309,859	249,368	239,226	168,121	149,157	260,572
Salem Convention Center	3,556,028	4,249,083	3,535,376	3,879,670	3,551,405	3,763,233	3,876,195	4,114,169	4,002,023	4,540,244
Total business-type activities	<u>99,570,419</u>	<u>104,725,352</u>	<u>104,072,666</u>	<u>79,257,187</u>	<u>79,634,044</u>	<u>86,454,250</u>	<u>92,234,351</u>	<u>83,423,704</u>	<u>108,503,339</u>	<u>104,546,894</u>
Total expenses	<u>\$ 247,336,885</u>	<u>\$ 247,102,739</u>	<u>\$ 241,911,963</u>	<u>\$ 221,240,646</u>	<u>\$ 230,155,334</u>	<u>\$ 233,862,192</u>	<u>\$ 240,185,793</u>	<u>\$ 216,297,270</u>	<u>\$ 296,252,280</u>	<u>\$ 285,742,384</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 10,762,231
Public safety	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	3,457,819
Community development	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	11,308,266
Community services	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	2,955,417
Transportation	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	4,796,272
Library services	792,898	777,889	871,213	833,995	842,339	845,041	839,415	826,307	857,018	869,078
Interest on debt	2,947,051	2,898,830	2,875,690	2,844,620	2,804,660	2,757,900	2,469,450	4,353,300	4,529,500	4,707,090
Operating grants and contributions	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	14,032,904
Capital grants and contributions	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	11,302,693
Total governmental activities	<u>87,723,135</u>	<u>64,935,650</u>	<u>64,205,993</u>	<u>62,080,669</u>	<u>56,480,408</u>	<u>58,209,735</u>	<u>61,618,707</u>	<u>64,258,491</u>	<u>68,587,882</u>	<u>64,191,770</u>
Business-type activities:										
Charges for services:										
Water and sewer	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	94,173,227
Housing Authority	1,164,221	1,621,844	1,668,943	-	-	-	-	-	-	-
Emergency services	1,150,568	1,381,724	1,446,292	1,170,744	1,119,374	1,117,833	858,984	862,363	726,734	775,125
WVPS communications center	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	10,094,981
Police regional records system	-	-	367,308	383,900	318,694	324,853	311,775	322,900	348,058	359,880
Salem Convention Center	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	4,631,840
Operating grants and contributions	17,476,430	16,918,001	17,735,354	56,066	48,828	111,221	62,804	-	-	-
Capital grants and contributions	34,708,402	8,384,088	10,694,759	4,795,965	3,372,399	5,568,746	5,527,869	6,247,189	10,050,339	18,221,138
Total business-type activities	<u>122,698,799</u>	<u>102,689,573</u>	<u>111,893,695</u>	<u>89,066,344</u>	<u>85,932,331</u>	<u>93,487,031</u>	<u>102,895,377</u>	<u>108,063,092</u>	<u>115,550,402</u>	<u>128,256,191</u>
Total program revenues	<u>\$ 210,421,934</u>	<u>\$ 167,625,223</u>	<u>\$ 176,099,688</u>	<u>\$ 151,147,013</u>	<u>\$ 142,412,739</u>	<u>\$ 151,696,766</u>	<u>\$ 164,514,084</u>	<u>\$ 172,321,583</u>	<u>\$ 184,138,284</u>	<u>\$ 192,447,961</u>

Continued

SCHEDULE 2

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

As of June 30	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (117,003,720)
Business-type activities	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	23,709,297
Total net expense	<u>\$ (36,914,951)</u>	<u>\$ (79,477,516)</u>	<u>\$ (65,812,275)</u>	<u>\$ (70,093,633)</u>	<u>\$ (87,742,595)</u>	<u>\$ (82,165,426)</u>	<u>\$ (75,671,709)</u>	<u>\$ (43,975,687)</u>	<u>\$ (112,113,996)</u>	<u>\$ (93,294,423)</u>
General Revenues										
Governmental activities:										
Property tax	\$ 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	\$ 87,593,537
Transient occupancy tax	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	3,943,285
Other taxes	-	-	-	-	-	-	-	-	-	121,502
Shared state revenue	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	5,175,176
Franchise fees based on gross receipts	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	16,991,335
Payment in lieu of taxes	96,820	139,295	108,901	97,143	97,194	94,504	102,646	99,835	96,571	106,006
Investment earnings	4,082,322	2,199,541	1,330,733	611,855	759,531	692,002	776,162	1,024,656	1,354,500	1,901,542
Gain on sale of assets	1,318,527	3,090,684	1,233,877	-	-	3,490	13,160	48,197	166,457	239,594
Miscellaneous	791,185	784,077	889,903	555,015	501,675	269,034	217,028	593,905	869,803	1,478,317
Transfers in (out)	(1,368,879)	(230,658)	(857,975)	1,470,490	(9,150)	(2,983,512)	(427,343)	(585,500)	911,634	625,778
Total governmental activities	<u>89,110,920</u>	<u>90,328,000</u>	<u>96,653,413</u>	<u>98,407,151</u>	<u>99,521,177</u>	<u>98,111,354</u>	<u>101,284,846</u>	<u>107,465,070</u>	<u>112,699,340</u>	<u>118,176,072</u>
Business-type activities:										
Investment earnings	3,485,243	1,121,690	467,557	238,610	258,335	238,187	315,511	383,525	529,852	791,230
Gain or (loss) on sale of assets	(59,683)	37,949	45,270	4,121	6,358	16,818	8,150	13,049	-	16,217,200
Miscellaneous	79,429	180,107	535,878	400,629	315,563	284,196	314,474	795,832	295,891	308,438
Transfers in (out)	1,368,879	230,658	857,975	(1,470,490)	9,150	2,983,512	427,343	585,500	(911,634)	(625,778)
Total business-type activities	<u>4,873,868</u>	<u>1,570,404</u>	<u>1,906,680</u>	<u>(827,130)</u>	<u>589,406</u>	<u>3,522,713</u>	<u>1,065,478</u>	<u>1,777,906</u>	<u>(85,891)</u>	<u>16,691,090</u>
Total primary government	<u>\$ 93,984,788</u>	<u>\$ 91,898,404</u>	<u>\$ 98,560,093</u>	<u>\$ 97,580,021</u>	<u>\$ 100,110,583</u>	<u>\$ 101,634,067</u>	<u>\$ 102,350,324</u>	<u>\$ 109,242,976</u>	<u>\$ 112,613,449</u>	<u>\$ 134,867,162</u>
Change in Net Position										
Governmental activities	\$ 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)	\$ 1,172,352
Business-type activities	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	40,400,387
Total	<u>\$ 57,069,837</u>	<u>\$ 12,420,888</u>	<u>\$ 32,747,818</u>	<u>\$ 27,486,388</u>	<u>\$ 12,367,988</u>	<u>\$ 19,468,641</u>	<u>\$ 26,678,615</u>	<u>\$ 65,267,289</u>	<u>\$ 499,453</u>	<u>\$ 41,572,739</u>

Concluded

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

*Salem Housing Authority was included as a blended component unit for FYE 2008 through 2010. It is discretely presented from FYE 2011 to 2016. As of 2017 it is neither a blended component unit nor discretely presented.

SCHEDULE 3

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

As of June 30	2008	2009	2010	2011	2012
General fund					
Nonspendable:	*				
Prepaid items		\$ -	\$ -	\$ -	\$ 409
Long-term receivable		1,411	1,078	733	373
Restricted for:					
Library services		11	15	9	10
Assigned to:					
General government		-	-	-	-
Community development		-	-	-	-
Community services		-	-	-	-
Public safety		-	-	-	-
Unassigned		14,940	17,567	18,257	17,779
Unreserved	\$ 11,241	n/a	n/a	n/a	n/a
Total General Fund	\$ 11,241	\$ 16,362	\$ 18,660	\$ 18,999	\$ 18,571
All other governmental funds					
Nonspendable:	*				
Prepaid items		\$ -	\$ -	\$ -	\$ 87
Permanent fund principal		11	11	11	11
Restricted for:					
Capital projects		70,367	59,667	45,818	54,021
Community renewal		-	14	-	-
Debt service		9,484	15,811	16,499	17,550
Permanent funds - spendable		197	202	213	217
General government		172	178	178	179
Community development-SCC Gain/Loss		2,387	2,903	3,285	3,827
Community development-Other		65	66	66	-
Community services		598	610	590	612
Library services		31	35	24	28
Public safety		560	471	476	582
Transportation		856	1,397	1,803	1,792
Committed for:					
Public works		1,772	2,589	3,099	2,495
Capital projects		109	1,578	-	-
Airport		374	334	457	531
Downtown parking		562	445	429	516
Economic improvement		199	184	-	77
Cultural/Tourism		618	465	655	557
Public Art		-	-	1	1
Parking leasehold		306	346	421	500
Building & safety		4,081	4,747	4,397	3,555
General government-replace phone system		1,133	1,330	1,481	1,652
Community services		94	104	236	-
Library services		1,028	941	914	950
Public safety		81	76	14	22
Transportation		163	-	-	-
Reserved	\$ 15,447	n/a	n/a	n/a	n/a
Unreserved					
Special revenue funds	9,856				
Capital projects funds	46,754				
Total all other governmental funds	\$ 72,057	\$ 95,248	\$ 94,504	\$ 81,067	\$ 89,762

Continued

SCHEDULE 3

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

As of June 30	2013	2014	2015	2016	2017
General fund					
Nonspendable:					
Prepaid items	\$ 420	\$ 452	\$ 484	\$ 517	\$ 9
Long-term receivable	-	-	-	-	-
Restricted for:					
Library services	-	-	-	-	-
Assigned to:					
General government	-	-	-	-	299
Community development	-	-	-	-	302
Community services	-	-	-	-	35
Public safety	-	-	-	-	372
Unassigned	20,379	20,545	23,516	26,264	24,728
Unreserved	n/a	n/a	n/a	n/a	n/a
Total General Fund	\$ 20,799	\$ 20,997	\$ 24,000	\$ 26,781	\$ 25,745
All other governmental funds					
Nonspendable:					
Prepaid items	\$ 87	\$ 63	\$ 64	\$ 48	\$ -
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	32,438	69,176	65,503	58,916	48,447
Community renewal	35	25	47	15	284
Debt service	17,604	17,121	16,331	17,729	19,198
Permanent funds - spendable	232	240	245	248	201
General government	179	181	59	58	58
Community development-SCC Gain/Loss	3,980	4,065	4,217	4,305	4,397
Community development-Other	67	67	68	68	69
Community services	685	733	676	634	565
Library services	28	39	36	40	48
Public safety	497	405	544	528	706
Transportation	1,701	1,549	1,448	1,648	1,627
Committed for:					
Public works	1,687	2,024	3,208	5,557	4,880
Capital projects	-	-	-	-	-
Airport	564	631	683	952	921
Downtown parking	326	376	622	935	669
Economic improvement	183	173	99	33	-
Cultural/Tourism	882	1,266	1,216	1,219	546
Public Art	1	4	1	32	43
Parking leasehold	548	573	783	669	748
Building & safety	3,748	4,789	4,987	5,359	6,156
General government-replace phone system	1,692	1,704	1,683	1,502	1,545
Community services	43	45	25	30	42
Library services	975	881	924	970	937
Public safety	15	16	16	17	6
Transportation	-	-	-	-	-
Reserved	n/a	n/a	n/a	n/a	n/a
Unreserved	n/a	n/a	n/a	n/a	n/a
Special revenue funds	n/a	n/a	n/a	n/a	n/a
Capital projects funds	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	\$ 68,208	\$ 106,157	\$ 103,496	\$ 101,523	\$ 92,104

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 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)

<u>As of June 30</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Property taxes	\$ 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	\$ 87,742,137
Other taxes	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	4,064,787
Sales, fees, licenses, and permits	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	32,589,112
Fines and penalties	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	2,973,024
Special assessments	220,419	305,709	210,759	62,135	678,843	618,003	767,990	476,972	514,942	487,167
Interest on investments	4,082,325	1,751,896	1,048,597	649,822	636,903	577,575	642,954	855,930	1,116,741	1,575,317
Grants	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	7,084,125
Intergovernmental	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	30,743,901
Rents	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	4,235,080
Loan payments received	1,809,555	945,685	1,039,133	775,791	979,261	888,884	1,723,421	1,608,618	2,694,311	2,305,210
Other	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	1,164,904
Total revenues	<u>147,560,066</u>	<u>143,161,561</u>	<u>148,648,396</u>	<u>146,775,850</u>	<u>152,315,599</u>	<u>154,705,439</u>	<u>159,222,500</u>	<u>168,042,720</u>	<u>173,075,721</u>	<u>174,964,764</u>
Expenditures										
General government	12,917,309	12,866,024	12,248,432	12,699,597	17,072,868	17,044,104	18,640,507	19,637,379	17,018,725	16,759,280
Community development	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	17,285,934
Community service	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	8,461,793
Public safety	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	68,442,395
Transportation	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	13,804,079
Library	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	4,842,454
Capital outlay	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	33,768,435
Debt service										
Principal retirement	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	16,197,993
Interest and fiscal charges	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	5,486,003
Total expenditures	<u>171,304,542</u>	<u>158,976,498</u>	<u>152,031,517</u>	<u>160,008,715</u>	<u>170,147,932</u>	<u>175,393,470</u>	<u>172,955,232</u>	<u>167,089,002</u>	<u>178,727,323</u>	<u>185,048,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,744,476)</u>	<u>(15,814,937)</u>	<u>(3,383,121)</u>	<u>(13,232,865)</u>	<u>(17,832,333)</u>	<u>(20,688,031)</u>	<u>(13,732,732)</u>	<u>953,718</u>	<u>(5,651,602)</u>	<u>(10,083,602)</u>
Other financing sources (uses)										
Transfers in	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	14,398,749
Issuance of debt	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	5,651,681	3,954,736	1,697,190	75,848	34,056	25,000	17,329	6,247	166,347	210,397
Transfers out	(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)	(14,980,843)
Total other financing sources (uses)	<u>29,550,072</u>	<u>44,127,188</u>	<u>4,936,628</u>	<u>134,767</u>	<u>26,099,396</u>	<u>1,362,225</u>	<u>51,879,700</u>	<u>(611,858)</u>	<u>6,528,572</u>	<u>(371,697)</u>
Net change in fund balances	<u>\$ 5,805,596</u>	<u>\$ 28,312,251</u>	<u>\$ 1,553,507</u>	<u>\$ (13,098,098)</u>	<u>\$ 8,267,063</u>	<u>\$ (19,325,806)</u>	<u>\$ 38,146,968</u>	<u>\$ 341,860</u>	<u>\$ 876,970</u>	<u>\$ (10,455,299)</u>
Debt service as a percentage of noncapital expenditures	12.16%	12.44%	14.97%	15.85%	15.06%	15.51%	16.05%	13.65%	18.25%	12.75%

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

SCHEDULE 5

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

Fiscal Year Ended June 30	Residential Property	Farm Property	Commercial Property¹	Industrial Property¹	Personal Property	Utility Property	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Taxable RMV	Estimated Real Market Value	Assessed Value as a Percentage of Est. Real Market Value
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%
2017	7,554,460	16,767	3,309,878	369,023	351,886	331,795	11,933,809	7.60	14,782,422	18,870,599	63.24%

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				
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
2017	5.54	1.00	1.06	7.59	5.61	2.86	2.05	18.12

Source: Marion County Summary of Tax Roll

SCHEDULE 7

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

Property Taxpayers	2017			2008		
	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	\$ 87,927,372	1	0.74%	\$ 71,702,900	1	0.81%
Northwest Natural Gas Company	61,728,000	2	0.52%	51,359,100	4	0.58%
Lancaster Development Company	56,428,400	3	0.47%	53,453,210	3	0.60%
CenturyLink	46,918,100	4	0.39%			0.00%
Metropolitan Life Insurance Company	46,093,960	5	0.39%	35,395,980	5	0.40%
Panasonic Eco Solutions Solar	44,918,580	6	0.38%			
Comcast Corporation	44,868,800	7	0.38%			
State Investments LLC	36,643,124	8	0.31%			
Wal-Mart Real Estate Business	34,717,310	9	0.29%	27,641,030	6	0.31%
Norpac Foods Inc	34,461,205	10	0.29%			
Qwest Corporation (US West Comm)				69,475,600	2	0.78%
LCW Wireless Operations Inc				27,110,700	7	0.30%
State Accident Insurance Fund				24,735,100	8	0.28%
PPG Industries, Inc				22,928,523	9	0.26%
Price-ASG LLC				19,613,350	10	0.22%
All other taxpayers	11,439,104,330		95.84%	8,488,243,555		95.46%
Total	\$ 11,933,809,181		100.00%	\$ 8,891,659,048		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%	\$ 3,048,150	\$ 73,905,325	99.78%	\$ 159,311
2010-11	77,615,253	2,098,618	75,516,635	72,262,984	93.10%	3,194,645	75,457,629	99.92%	59,006
2011-12	79,314,605	2,342,806	76,971,799	73,998,354	93.30%	2,901,472	76,899,826	99.91%	71,973
2012-13	79,624,242	2,322,020	77,302,222	74,456,966	93.51%	2,754,888	77,211,854	99.88%	90,368
2013-14	80,026,048	2,328,202	77,697,846	75,270,772	94.06%	2,210,039	77,480,811	99.72%	217,035
2014-15	84,192,771	2,433,706	81,759,065	79,532,985	94.47%	1,657,302	81,190,287	99.30%	568,778
2015-16	86,416,824	2,413,221	84,003,603	81,875,741	94.75%	1,235,993	83,111,734	98.94%	891,869
2016-17	90,160,345	2,718,367	87,441,978	85,404,556	94.73%	-	85,404,556	97.67%	2,037,423

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			
	General Obligation Bonds⁴	Limited Tax Pension Obligation Bonds	Urban Renewal Bonds	Notes
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
2017	71,650,013	46,750,000	2,128,000	8,445,555

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		
\$ 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	4.83%	1,794
48,980,000	73,145,410	-	251,098,978	N/A	1,549

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 2008 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 Bonds²	Full Faith and Credit backed revenue bonds³	Less: Amounts Available in General Debt Service Fund⁴	Total³	Percentage of Estimated Actual Taxable Value of Property	General Bonded Debt Per Capita
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%	962
2017	162,060	11,933,809,181	71,650,013	69,870,000	533,726	140,986,287	1.18% ⁵	870 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 0.60% for 2017.
 6. With only General Obligation bonds, this figure is 443 for 2017.

SCHEDULE 11

**City of Salem, Oregon
Computation of Direct and Overlapping Debt
As of June 30, 2017
(dollars in thousands)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Chemeketa Community College	\$ 80,186	31.8255%	\$ 25,520
Marion County	8,480	38.8317%	3,293
Marion County School District 24J	398,868	60.9507%	243,113
Marion County School District 5	23,655	0.0269%	6
Polk County	1,540	33.9084%	522
Willamette ESD	9,962	28.8720%	2,876
Subtotal, overlapping debt			275,330
General obligation bonds ²			71,650
Limited tax pension obligation bonds ³			46,750
Urban renewal bonds ⁴			2,128
Notes ⁵			8,446
Subtotal, City direct debt ⁶			128,974
Total direct and overlapping debt			<u>\$ 404,304</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**

As of June 30,	2008	2009	2010	2011
Real market value (RMV)	\$ 13,533,996,590	\$ 14,319,704,036	\$ 13,960,557,368	\$ 13,414,742,906
Legal debt margin:				
Debt limit (3% of RMV) ¹	406,019,898	429,591,121	418,816,721	402,442,287
Debt applicable to limit:				
General Obligation Bonds	29,073,499	61,614,975	55,027,980	47,694,890
Less:				
Funds applicable to the payment of principal ²	(1,053,411)	(358,059)	(738,810)	(425,307)
Premium received on Refunding and Streets-Bridges, Series 2009 and 2013	-	(1,898,110)	(1,771,569)	(1,645,028)
Total net debt applicable to limit	<u>28,020,088</u>	<u>59,358,806</u>	<u>52,517,601</u>	<u>45,624,555</u>
Legal debt margin ³	<u>\$ 377,999,810</u>	<u>\$ 370,232,315</u>	<u>\$ 366,299,120</u>	<u>\$ 356,817,732</u>
Total net debt applicable to limit as a percentage of limit	<u>6.90%</u>	<u>13.82%</u>	<u>12.54%</u>	<u>11.34%</u>

Continued

SCHEDULE 12

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 12,756,684,966	\$ 12,267,501,849	\$ 12,243,883,002	\$ 12,917,229,291	\$ 13,697,349,090	\$ 14,782,421,957
382,700,549	368,025,055	367,316,490	387,516,879	410,920,473	443,472,659
65,054,925	56,850,076	96,754,845	89,597,612	82,108,916	71,650,013
(448,927)	(129,392)	(307,721)	(693,010)	(1,680,942)	(533,726)
(1,518,487)	(1,391,946)	(4,003,673)	(3,648,943)	(3,294,213)	(2,818,866)
<u>63,087,511</u>	<u>55,328,738</u>	<u>92,443,451</u>	<u>85,255,659</u>	<u>77,133,761</u>	<u>68,297,421</u>
<u>\$ 319,613,038</u>	<u>\$ 312,696,317</u>	<u>\$ 274,873,039</u>	<u>\$ 302,261,220</u>	<u>\$ 333,786,712</u>	<u>\$ 375,175,238</u>
<u>16.48%</u>	<u>15.03%</u>	<u>25.17%</u>	<u>22.00%</u>	<u>18.77%</u>	<u>15.40%</u>

Concluded

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

- Notes: 1. Oregon Revised Statutes 287A.050 sets a debt limit on general obligation bonds at 3% of the real market value of all taxable property within 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 Charges ²	Less: Operating Expenses ³	Net Available Revenue	Debt Service		Coverage ¹
				Principal ⁴	Interest	
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
2017	94,762	62,001	32,761	11,442	1,341	2.56

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 Ended June 30	Population¹	Per Capita Personal Income²	Total Personal Income (dollars in thousands)	Area (square miles)³	Average density (persons/square mile)	Average Unemployment⁴
2008	152,290	\$ 30,377	\$ 4,626,113	48	3,173	5.8%
2009	154,510	32,016	4,946,792	49	3,153	9.0%
2010	156,955	32,320	5,072,786	49	3,203	10.3%
2011	157,460	33,516	5,277,429	49	3,213	11.3%
2012	155,710	33,731	5,252,254	49	3,178	9.5%
2013	156,455	34,643	5,420,071	49	3,193	9.8%
2014	157,770	35,133	5,542,933	49	3,220	8.2%
2015	159,265	35,360	5,631,610	49	3,250	7.4%
2016	160,690	37,121	5,964,973	49	3,279	6.1%
2017	162,060	N/A	N/A	49	3,307	5.1%

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 through current fiscal year.

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

N/A = Information not available.

SCHEDULE 15

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

Employer	2017			2008		
	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force¹	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force²
State of Oregon	21,600	1	26.94%	21,000	1	28.23%
Salem-Keizer School District ³	4,839	2	6.04%	4,000	2	5.38%
Salem Health/Salem Hospital ³	4,600	3	5.74%	3,500	3	4.71%
Marion County ³	1,548	4	1.93%	1,611	4	2.17%
Chemeketa Community College ³	1,517	5	1.89%	700	10	0.94%
Norpac Foods Incorporated ³	1,500	6	1.87%	1,135	6	1.53%
Federal Government	1,400	7	1.75%			
City of Salem ^{3,4}	1,149	8	1.43%	1,578	5	2.12%
State Accident Insurance Fund	992	9	1.24%			
Wal-Mart	833	10	1.04%	1,000	7	1.34%
Roth's	391		0.49%	950	8	1.28%
T Mobile				900	9	1.21%
Total	40,369		50.36%	36,374		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 2016-17 was 80,181
 2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2008 was 74,388.
 3. Includes full and part-time positions.
 4. City of Salem included Salem Housing Authority employees for years 2008 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	2008	2009	2010 ¹	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General government										
City manager's office ⁵	12	9	16	17	16	9	9	37	36	39
Human resources	8	8	8	8	8	8	8	8	8	8
Legal	15	15	14	14	14	13	13	15	15	15
Administrative services	89	89	37	35	35	33	33	33	33	30
Municipal court	10	12	11	13	13	13	14	14	14	14
City services	38	38	38	37	36	32	29	29	29	29
Self insurance	7	7	7	7	7	7	7	7	7	7
Information technology ⁵	41	40	61	61	61	60	62	37	40	42
Public safety										
Police	242	240	234	234	237	227	228	228	228	230
Fire	164	164	163	169	168	160	154	152	152	164
Community development										
Administrative/planning	31	35	36	36	36	30	30	30	30	31
Airport	5	5	4	4	4	5	5	5	4	4
Building and safety	38	33	21	22	19	19	21	22	21	23
Urban development	24	24	46	45	45	32	30	29	33	33
Community services										
Transportation ^{3,4,6}	144	134	132	135	134	126	77	73	48	53
Library services	52	52	48	46	48	45	45	45	45	45
Recreation services ^{3,6}	-	-	-	-	-	10	10	10	42	49
Business-type activities										
Water and sewer ⁴	217	221	242	248	244	246	296	294	300	304
Salem Housing Authority ²	61	55	54	-	-	-	-	-	-	-
Emergency services	4	5	5	5	5	6	6	2	2	2
WVPS communications center	59	59	60	60	60	60	70	70	73	73
Total	1,328	1,311	1,237	1,196	1,190	1,141	1,147	1,140	1,160	1,195
Entity										
City of Salem	1,267	1,256	1,183	1,196	1,190	1,141	1,147	1,140	1,160	1,195
Salem Housing Authority ²	61	55	54	-	-	-	-	-	-	-
Total	1,328	1,311	1,237	1,196	1,190	1,141	1,147	1,140	1,160	1,195

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 2008 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	2008	2009	2010	2011	2012
Public safety					
Police					
F.B.I. Index Crimes reported ¹	8,684	7,749	7,059	6,680	6,671
F.B.I. Index Crimes cleared by arrest	1,808	1,866	1,732	1,615	1,790
Citations and warnings issued	34,326	38,735	34,848	33,357	30,145
Fire					
Emergency & non-emergency responses	18,630	17,360	16,980	16,825	17,124
Fires extinguished	502	471	415	380	390
Inspections-buildings, hazardous use, etc	2,672	2,739	1,530	1,469	1,066
Community development					
Plan checks	4,213	3,175	3,461	2,750	2,992
Inspections completed	31,620	22,972	22,707	20,297	21,233
Building permits issued	1,898	1,524	1,586	1,506	1,556
Community services					
Recreation participant/registrations ^{2, 6}	282,549	230,099	207,481	202,038	216,970
Special activities permits issued ^{3,6}	2,185	1,021	784	780	757
Senior Center average daily attendance	-	786	746	766	708
Ball fields and gymnasiums (hrs used) ⁷	45,666	40,985	47,395	49,587	54,530
Transportation					
Street cut permits	71	143	121	226	325
Street resurfacing (miles)	4	2	2	11	8
Potholes repaired	4,339	2,250	1,908	2,072	2,844
Library services					
Volumes in collection	625,407	636,971	517,266	528,518	477,873
Items in circulation	1,312,044	1,330,358	1,331,922	1,411,186	1,421,544
Water and Sewer					
Citizens served-water	182,885	185,771	188,353	189,008	187,863
Water utility accounts	48,049	47,194	50,758	50,449	50,232
New water connections	624	453	417	193	192
Water lines repaired	761	521	458	334	401
Average daily consumption	29	29	29	25	26
Citizens served-sewer	221,788	225,298	227,820	228,475	227,775
Sewer utility accounts	58,048	58,091	61,582	61,150	60,850
New sewer connections	624	453	469	183	44
Sewer lines repaired	284	304	361	335	375
Average daily sewage treatment (ccf)	50,401	46,253	54,545	59,919	54,177
Salem Housing Authority ⁵					
HUD Public housing units	310	307	292	-	-
Section 8 vouchers issued	2,750	2,782	2,811	-	-
Emergency services					
Total medical aid responses	12,464	12,572	12,746	12,805	13,018
Billings ^{4,8}	\$ 577,688	\$ 830,841	\$ 915,399	\$ 327,332	\$ 239,057
WVPS communications center ⁹					
Emergency calls taken	161,660	158,377	165,503	147,935	138,771
Dispatches issued	278,795	277,784	276,702	257,500	262,743

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.

SCHEDULE 17

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

Function / Program	2013	2014	2015	2016	2017
Public safety					
Police					
F.B.I. Index Crimes reported ¹	7,482	7,476	7,684	7,417	7,386
F.B.I. Index Crimes cleared by arrest	2,021	1,831	1,935	1,882	1,832
Citations and warnings issued	25,773	25,224	25,059	30,785	30,913
Fire					
Emergency & non-emergency responses	16,723	17,960	19,592	20,927	22,862
Fires extinguished	434	401	476	477	468
Inspections-buildings, hazardous use, etc	1,435	1,344	1,312	1,201	1,965
Community development					
Plan checks	3,254	3,858	3,807	4,262	4,791
Inspections completed	19,957	22,487	22,372	22,097	24,884
Building permits issued	1,726	1,892	1,814	1,979	2,135
Community services					
Recreation participant/registrations ^{2, 6}	217,121	220,005	238,583	246,390	251,091
Special activities permits issued ^{3, 6}	613	893	963	1,174	1,562
Senior Center average daily attendance	726	742	806	856	851
Ball fields and gymnasiums (hrs used) ⁷	53,917	55,148	55,719	59,324	65,351
Transportation					
Street cut permits	357	533	406	477	523
Street resurfacing (miles)	8	3	4	3	3
Potholes repaired	1,522	1,638	1,388	1,764	2,868
Library services					
Volumes in collection	481,393	404,617	376,016	341,088	337,373
Items in circulation	1,336,215	1,226,379	1,235,209	1,203,686	1,226,790
Water and Sewer					
Citizens served-water	188,443	189,829	191,388	192,835	194,440
Water utility accounts	51,532	51,491	52,107	52,725	52,895
New water connections	249	327	278	308	420
Water lines repaired	213	235	223	267	154
Average daily consumption	27	26	26	26	26
Citizens served-sewer	228,188	229,666	231,152	232,855	162,080
Sewer utility accounts	61,772	61,988	62,649	63,320	63,547
New sewer connections	67	88	40	79	95
Sewer lines repaired	330	322	785	244	442
Average daily sewage treatment (ccf)	38,770	48,342	49,719	55,614	64,856
Salem Housing Authority ⁵					
HUD Public housing units	-	-	-	-	-
Section 8 vouchers issued	-	-	-	-	-
Emergency services					
Total medical aid responses	12,566	13,503	14,638	15,490	17,214
Billings ^{4, 8}	\$ 199,304	\$ 177,296	\$ 219,841	\$ 42,844	\$ 56,151
WVPS communications center ⁹					
Emergency calls taken	140,773	145,899	181,789	182,487	214,040
Dispatches issued	292,492	300,580	312,108	331,356	325,628

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 2008-2010.

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 courts.

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

9 WVPSCC 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, 2017**

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	51	50	52	52	50	50	50	53	53	48
Fire										
Fire stations	10	10	11	11	11	11	11	11	11	11
Fire trucks ¹	17	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	1,846	1,846	1,846	1,903	1,903	1,903	1,903	2,238	2,265	2,265
Swimming pools ³	2	2	-	-	-	-	-	-	-	-
Senior community centers	1	1	1	1	1	1	1	1	1	1
Transportation										
Streets (miles) ⁷	543	560	560	560	688	633	639	663	637	640
Bridges	57	57	57	57	57	57	57	57	57	57
Street lights	10,724	10,479	10,487	10,503	10,578	11,478	11,500	11,543	11,626	11,453
Traffic signals	263	266	268	259	255	259	266	266	259	261
Library services										
Buildings	2	2	2	2	2	2	2	2	2	2
Water and sewer										
Water main (miles)	725	720	720	727	737	750	749	754	758	761
Fire hydrants	4,701	4,730	4,763	4,882	4,863	4,885	4,930	4,963	4,963	5,056
Water storage capacity (ccf)	185,294	185,294	185,294	180,479	180,749	180,481	181,818	181,818	181,818	181,818
Sanitary sewer lines (miles)	780	785	785	801	799	800	800	785	796	799
Storm sewer (miles)	587	598	606	603	607	618	620	611	633	662
Treatment capacity winter (ccf) ⁶	140,385	274,064	274,064	274,064	274,064	274,064	274,064	274,064	274,064	274,064
Salem Housing Authority ⁴										
Apartment complexes	12	12	11	-	-	-	-	-	-	-
Triplexes - 2 & 3 bedrooms	3	3	3	-	-	-	-	-	-	-
Duplexes - 2 & 3 bedrooms	12	12	12	-	-	-	-	-	-	-
Houses - 2, 3 & 4 bedrooms	51	51	51	-	-	-	-	-	-	-
Emergency services										
Ambulances - reserve ⁵	4	4	4	4	4	3	3	2	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 2008 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 2016-17 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, 2017

Debt Summary

Outstanding debt

Long-term:

Gross bonded debt (certain debt with a general obligation pledge, excluding issuance premium)	\$ 68,831,147
Net direct debt (debt paid in whole or in part by taxes)	68,831,147
Net overlapping debt	275,330,176
Total net direct and overlapping debt	\$ 344,161,323

Debt Ratio

	<u>Values</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
2016 estimated population	162,060		
2016-17 real market value	\$ 14,782,421,957	\$ 91,216	
Net direct debt (G.O. debt excluding issuance premium)	\$ 68,831,147	\$ 425	0.47%
Net overlapping debt	275,330,176	1,699	1.86%
Net direct debt (G.O.) and overlapping debt	\$ 344,161,323	\$ 2,124	2.33%

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	
2016-17 RMV	\$ 14,782,421,957
Debt limitation (3.00 % of RMV)	\$ 443,472,659
Applicable bonded debt	68,297,421
Debt margin	<u>\$ 375,175,238</u>
Percent of limit issued	15%

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
R26	S74
R34	S82
R42	S90
R59	T24
R67	T32
R75	T40
R83	T57
R91	
S25	

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					
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%	99.78%
2011	8,417,665,718	1,649,233,359	10,066,899,077	2.73%	64,605,619	6.42	93.10%	99.92%
2012	8,601,970,661	1,687,634,660	10,289,605,321	2.21%	66,220,745	6.44	93.30%	99.91%
2013	8,673,851,504	1,710,527,450	10,384,378,954	0.92%	66,271,177	6.38	93.51%	99.88%
2014	8,829,264,169	1,729,396,124	10,558,660,293	1.68%	67,531,726	6.40	94.06%	99.72%
2015	9,169,796,837	1,794,530,036	10,964,326,873	3.84%	70,769,411	6.45	94.47%	99.30%
2016	9,536,890,110	1,883,841,574	11,420,731,684	4.16%	74,406,467	6.52	94.75%	98.94%
2017	9,930,071,244	2,003,737,937	11,933,809,181	4.49%	77,766,683	6.52	94.73%	94.73%

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
Per \$1,000 of assessed valuation

*2016-17 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	\$ 5.1691	\$ 1.5966	\$ 6.7657
Local government	9.2959	0.9977	10.2936
Urban Renewal Special Levy	1.0579	-	1.0579
Totals	<u>\$ 15.5229</u>	<u>\$ 2.5943</u>	<u>\$ 18.1172</u>

Source: Marion County Assessor's Office

*2016-17 REPRESENTATIVE CONSOLIDATED
TAX RATE FOR POLK COUNTY CODE AREA
3201*

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1691	\$ 1.5966	\$ 6.7657
Local government	8.4336	1.4843	9.9179
Urban Renewal Special Levy	0.9732	0.0000	0.9732
Totals	<u>\$ 14.5759</u>	<u>\$ 3.0809</u>	<u>\$ 17.6568</u>

Source: Polk County Assessor's Office

SCHEDULE D

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

As of June 30,	2013	2014	2015	2016	2017
Assets					
Cash and investments	\$ 21,606,860	\$ 21,630,633	\$ 26,416,270	\$ 30,157,311	\$ 27,588,352
Receivables	6,685,617	6,724,722	6,235,693	6,606,393	6,675,314
Due from other funds	458,208	415,896	-	83,209	-
Due from other agencies	140,467	132,756	127,889	136,502	103,402
Prepaid items	419,750	452,297	484,422	517,256	8,767
Total assets	\$ 29,310,902	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671	\$ 34,375,835
Liabilities					
Accounts payable	\$ 599,703	\$ 523,114	\$ 719,443	\$ 969,272	\$ 1,228,851
Payroll, payroll taxes, and withholdings	4,459,202	4,958,022	5,100,141	5,592,844	3,695,382
Due to other funds	-	-	940,000	1,344,805	1,076,426
Due to other agencies	60,189	66,982	71,565	66,341	5,634
Security deposit payable	9,351	7,206	6,449	6,600	10,600
Unearned revenue	-	-	-	78,956	-
Total liabilities	5,128,445	5,555,324	6,837,598	8,058,818	6,016,893
Deferred inflows of resources					
Unavailable revenue	3,383,097	2,803,733	2,426,521	2,660,726	2,614,111
Fund balance					
Nonspendable	419,750	452,297	484,422	517,256	8,767
Assigned	-	-	-	-	1,008,040
Unassigned	20,379,610	20,544,950	23,515,733	26,263,871	24,728,024
Total fund balance	20,799,360	20,997,247	24,000,155	26,781,127	25,744,831
Total liabilities, deferred inflows of resources, and fund balance	\$ 29,310,902	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671	\$ 34,375,835

Source: Derived from audited annual financial statements.

SCHEDULE E

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

For fiscal year ending June 30,	2013	2014	2015	2016	2017
Revenues					
Property taxes	\$ 54,972,735	\$ 56,399,018	\$ 59,053,072	\$ 61,290,361	\$ 63,986,373
Franchise fees	15,610,240	15,630,348	16,378,032	16,809,874	17,323,953
Other taxes	46,578	49,065	44,565	-	121,502
Licenses and permits	672,799	780,100	716,558	833,001	983,431
Fees	1,029,179	1,073,873	1,087,717	1,199,928	1,152,094
Fines and forfeitures	2,547,538	2,712,724	2,772,139	3,023,850	2,963,967
Rents	1,193,609	1,053,355	1,254,898	1,278,003	1,807,586
Charges for services	1,759,165	1,862,196	2,004,622	2,282,858	2,499,466
Other revenues	283,092	231,882	273,408	310,191	337,952
Intergovernmental	6,032,159	6,153,886	6,359,276	6,430,503	7,250,602
Federal grants	1,147,162	1,005,028	920,336	777,561	1,270,677
State grants	22,718	25,717	34,577	36,443	40,374
Intrafund reimbursements	3,713,899	3,338,334	3,644,382	5,216,515	5,264,853
Loan payments received	148	17,336	1,384	1,413	18,226
Interest on investments	126,597	147,336	171,231	248,276	395,561
Total revenues	89,157,618	90,480,198	94,716,197	99,738,777	105,416,617
Expenditures					
Personal services	71,788,397	74,504,948	76,075,932	81,435,677	85,900,025
Materials and services	14,188,378	15,324,979	15,501,719	15,545,084	18,522,995
Capital outlay	174,726	286,097	439,148	256,780	280,882
Debt service	380,459	-	-	6,794	10,151
Total expenditures	86,531,960	90,116,024	92,016,799	97,244,335	104,714,053
Excess (deficiency) of revenues over expenditures	2,625,658	364,174	2,699,398	2,494,442	702,564
Other financing sources (uses)					
Sale of capital assets	25,000	2,819	-	27,492	-
Transfers in	703,880	825,000	1,145,000	1,179,350	1,250,800
Transfers out	(1,126,156)	(994,106)	(841,490)	(920,312)	(2,989,660)
Total other financing sources (uses)	(397,276)	(166,287)	303,510	286,530	(1,738,860)
Excess (deficiency) of revenues over expenditures and other sources (uses)	2,228,382	197,887	3,002,908	2,780,972	(1,036,296)
Fund balance - beginning of year	18,570,978	20,799,360	20,997,247	24,000,155	26,781,127
Fund balance - end of year	\$ 20,799,360	\$ 20,997,247	\$ 24,000,155	\$ 26,781,127	\$ 25,744,831

Source: Derived from audited annual financial statements.

SCHEDULE F

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

As of June 30,	2013	2014	2015	2016	2017
Assets					
Cash and investments	\$ -	\$ 165,005	\$ 556,153	\$ 1,588,661	\$ 464,421
Receivables	<u>718,577</u>	<u>627,694</u>	<u>585,363</u>	<u>549,236</u>	<u>529,615</u>
Total assets	<u>\$ 718,577</u>	<u>\$ 792,699</u>	<u>\$ 1,141,516</u>	<u>\$ 2,137,897</u>	<u>\$ 994,036</u>
Liabilities					
Due to other funds	\$ 19,373	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources					
Unavailable revenue	<u>569,812</u>	<u>462,851</u>	<u>420,251</u>	<u>419,569</u>	<u>409,595</u>
Fund balance					
Restricted for debt service	<u>129,392</u>	<u>329,848</u>	<u>721,265</u>	<u>1,718,328</u>	<u>584,441</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 718,577</u>	<u>\$ 792,699</u>	<u>\$ 1,141,516</u>	<u>\$ 2,137,897</u>	<u>\$ 994,036</u>

Source: Derived from audited annual financial statements.

SCHEDULE G

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

For fiscal year ending June 30,	2013	2014	2015	2016	2017
Revenues					
Property taxes	\$ 9,790,173	\$ 9,903,072	\$ 10,487,759	\$ 11,205,901	\$ 11,670,914
Interest on investments	28,189	27,969	31,091	47,055	79,399
Intergovernmental	4,027,900	3,959,450	4,353,300	4,529,500	4,707,090
Total revenues	<u>13,846,262</u>	<u>13,890,491</u>	<u>14,872,150</u>	<u>15,782,456</u>	<u>16,457,403</u>
Expenditures					
Debt service	<u>14,165,797</u>	<u>13,690,035</u>	<u>14,480,733</u>	<u>14,785,393</u>	<u>17,591,290</u>
Excess (deficiency) of revenues over expenditures	<u>(319,535)</u>	<u>200,456</u>	<u>391,417</u>	<u>997,063</u>	<u>(1,133,887)</u>
Fund balance - beginning of year	<u>448,927</u>	<u>129,392</u>	<u>329,848</u>	<u>721,265</u>	<u>1,718,328</u>
Fund balance - end of year	<u>\$ 129,392</u>	<u>\$ 329,848</u>	<u>\$ 721,265</u>	<u>\$ 1,718,328</u>	<u>\$ 584,441</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, 2017

	<u>Carrying Value</u>
Commercial Paper	\$ 19,358,371
Corporate Bonds	20,038,978
Local Government Investment Pool	78,938,384
U.S. Agencies	53,726,667
U.S. Instrumentalities	2,721,034
U.S. Treasury	<u>41,765,434</u>
Total	<u>\$ 216,548,868</u>

Source: City of Salem

SCHEDULE I

ANNUAL DISCLOSURE INFORMATION

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

BASIS OF ACCOUNTING

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

FISCAL YEAR

July 1 through June 30.

AUDITS

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

The City's audit for fiscal year 2016-17 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:

2009
N38
N46
N53
N61
N79
N87
N95
P28
P36
P44
P51
P69
P70

SCHEDULE J

THE WATER SYSTEM

Service Area and Customers

The system provides water service to a total population of approximately 194,440. The total number of accounts was 52,895 at the end of the fiscal year 2016-17, 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 50 million gallons.

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, 2017. 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 Water System Billed Consumption (cubic feet by customer class)

Customer Class	2012-13	2013-14	2014-15	2015-16	2016-17
1. Residential	416,551,600	399,770,600	400,420,800	395,093,100	410,790,100
2. Multiple dwellings	185,183,800	184,594,500	166,210,500	164,372,800	185,310,000
3. Commercial	136,231,400	135,095,200	140,486,209	146,258,800	146,954,000
4. Industrial	53,498,300	50,792,300	57,163,800	52,071,100	50,490,900
5. Institutional ¹	45,641,800	43,116,400	45,440,500	43,860,000	43,488,500
6. Wholesale ²	74,060,000	72,062,900	80,530,000	82,328,000	75,044,300
7. Irrigation	44,434,100	41,781,000	48,427,900	49,516,900	40,682,800
8. Public building	16,970,200	16,242,400	17,636,100	18,369,100	19,834,400
Total	<u>972,571,200</u>	<u>943,455,300</u>	<u>956,315,809</u>	<u>951,869,800</u>	<u>972,595,000</u>

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.

Continued

SCHEDULE J

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

	Fiscal Year					Council
	2012-13	2013-14	2014-15	2015-16	2016-17	Adopted
Rates Implemented on:	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018
<u>Customer Class:</u>						
Residential, Single Family						
Base Rate - 5/8 - 3/4" Meter	\$ 5.87	\$ 6.14	\$ 6.32	\$ 6.51	\$ 7.72	\$ 9.18
Volume rate - per ccf ¹	2.36	2.50	2.58	2.65	2.63	2.62
Monthly Bill @ 11 ccf	31.83	33.64	34.70	35.66	36.65	38.00
Multiple Dwellings						
Base Rate - 1" Meter	6.41	6.70	6.90	7.11	8.42	10.02
Volume rate - per ccf	1.91	2.02	2.08	2.14	2.13	2.12
Complex @ 82 ccf	163.03	172.34	177.46	182.59	183.08	183.86
Cost Per Unit	16.30	17.23	17.74	18.26	18.31	18.39
Commercial						
Base Rate - 2" Meter	14.58	15.29	15.75	16.22	19.23	22.87
Volume rate - per ccf	1.94	2.06	2.12	2.19	2.17	2.16
Monthly Bill @ 65 ccf	140.68	149.19	153.55	158.57	160.28	163.27
Number of Customers	51,350	51,491	52,107	52,725	52,895	

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

Ten Largest Water System Customers

Customer	2016-17 Annual Revenue	Percent of Total Gross Water System Revenue*
Suburban East Salem Water	\$ 704,036	2.6%
State of Oregon Corrections	702,116	2.6%
Salem-Keizer School District	485,425	1.8%
Salem Hospital	189,526	0.7%
Creekside Golf Course LLC	177,744	0.7%
Marion County Business Services	145,974	0.5%
Kettle Foods	134,496	0.5%
Oregon Cherry Growers Inc.	133,825	0.5%
Truitt Family Foods	105,384	0.4%
Willamette Estates LLC	91,344	0.3%
	<u>\$ 2,869,869</u>	<u>10.7%</u>
*Total gross water system revenue	<u>\$ 26,932,250</u>	

Concluded

SCHEDULE K

WASTEWATER SYSTEM

Service Area and Customers

The system provides wastewater service to a population of approximately 234,820, 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 2016-17 was 63,550, which includes the City of Keizer, which billed 10,515, and the City of Turner, which billed 811.

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, 2017. 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					Council
	2012-13 ¹	2013-14	2014-15	2015-16	2016-17	Adopted
Rates implemented on:	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/1/2017	2017-18 1/1/2018
<u>Customer Class:</u>						
Residential, Single Family						
Base Rate - per account	\$21.45	\$19.34	\$16.59	\$13.68	\$14.02	\$14.44
Volume Rate - per ccf ²	3.13	3.22	3.23	3.23	3.31	3.41
Monthly Bill @ 6.5 ccf	41.80	40.27	37.59	34.68	35.54	36.61
Multiple Dwellings						
Base Rate - per account	61.54	48.31	33.79	18.44	18.90	19.46
Additional Base Rate - per unit over five	1.76	1.62	1.41	1.19	1.22	1.26
Volume Rate - per ccf	3.13	3.22	3.23	3.23	3.31	3.41
Monthly Billing for 10 unit @ 82 ccf	318.20	320.45	305.70	289.25	296.42	305.38
Cost Per Unit	31.82	32.05	30.57	28.93	29.64	30.54
Commercial						
Base Rate - per account	27.57	25.69	23.17	20.49	21.00	21.63
Volume Rate - per ccf	4.22	4.37	4.42	4.45	4.56	4.70
Monthly Bill @ 65 ccf ¹	301.87	309.74	310.47	289.74	317.40	327.13
Number of Customers	61,770	61,990	62,649	63,320	63,550	

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

Continued

SCHEDULE K

Ten Largest Wastewater System Customers

Customer	2016-17 Annual Revenue	Percent of Total Gross Wastewater Revenue ¹
City of Keizer	\$ 5,415,761	12.7%
State of Oregon Corrections	1,689,115	3.9%
Oregon Cherry Growers	1,005,345	2.4%
Norpac Foods Inc	772,684	1.8%
Riverbend Landfill Waste Management	325,279	0.8%
Yamasa	320,282	0.7%
Salem-Keizer School District	307,995	0.7%
Salem Hospital	303,960	0.7%
Kerr Concentrates	256,516	0.6%
Oregon State Hospital	249,279	0.6%
Totals	\$ 10,646,216	24.9%
¹ Total gross wastewater revenue	\$ 42,744,144	

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 2, 2017.

Concluded

SCHEDULE L

STORMWATER RATES

The City began separation of the stormwater and wastewater rates January 1, 2013 with full implementation effective January 1, 2016. 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, 39,302 are single family residential accounts and 4,325 are commercial, public, industrial, institutional, multi-family accounts. Stormwater fees are not applied to accounts outside the city limits.

	Fiscal Year					Council
	2012-13	2013-14 ¹	2014-15	2015-16	2016-17	Adopted
Rates implemented on:	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018
Customer Class:						
Residential, Single Family						
Base Rate - per account	\$ 2.45	\$ 4.89	\$ 7.34	\$ 9.79	\$ 10.08	\$ 10.39
Volume Rate - per EDU	1.27	2.54	3.80	5.07	5.22	5.38
Monthly Bill @ 1 EDU	3.72	7.43	11.14	14.86	15.30	15.77
All Other Classes (Commercial, Multifamily, Industrial, Institutional)						
Base Rate - per account	2.45	4.89	7.34	9.79	10.08	10.39
Volume Rate - per EDU	1.27	2.54	3.80	5.07	5.22	5.38
Monthly Bill @ 20 EDU	27.85	55.69	83.34	111.79	114.48	15.77
Number of Customers	42,030	42,210	42,879	43,625	43,627	

¹ FY 2013-14 rates based on 2012 Cost of Service Analysis.

Ten Largest Stormwater System Customers

Customer	2016-17 Annual Revenue	Percent of Total Gross Stormwater Revenue ¹
Salem-Keizer School District	\$ 205,710	1.8%
State of Oregon, Department of Corrections	101,918	0.9%
Oregon State Fair	74,565	0.6%
State of Oregon, Military Department	49,096	0.4%
Oregon State Hospital	47,208	0.4%
River Bend Sand and Gravel	45,741	0.4%
State of Oregon, Dept. of Administrative Services	43,396	0.4%
Lancaster Development Co.	42,169	0.4%
Norpac Foods Inc.	32,494	0.3%
Home Depot	31,296	0.3%
Totals	\$ 673,593	5.9%

¹ Total gross stormwater revenue \$ 11,413,614

¹ FY 2013-14 rates based on 2012 Cost of Service Analysis.

SCHEDULE M**FIVE-YEAR UTILITY FUND CONSECUTIVE NET POSITION**

As of June 30,	2013	2014	2015	2016	2017
Assets					
Current assets					
Cash and investments	\$ 33,175,767	\$ 31,442,120	\$ 32,751,441	\$ 40,615,347	\$ 38,917,405
Accounts receivable, net	9,277,437	10,462,590	11,427,270	9,838,385	12,714,741
Due from other agencies	95,268	91,574	80,128	68,682	57,236
Inventories and prepayments	1,025,601	1,060,349	1,082,680	1,183,464	1,012,475
Advances to other funds	-	-	940,000	1,344,805	3,076,426
Total current assets	<u>43,574,073</u>	<u>43,056,633</u>	<u>46,281,519</u>	<u>53,050,683</u>	<u>55,778,283</u>
Noncurrent assets					
Restricted cash and investments ¹	10,071,435	11,841,721	17,151,907	17,252,849	22,165,185
Notes receivable	2,581,599	1,432,044	1,345,768	1,271,638	11,877,069
Deferred assessments	3,163,522	2,875,514	3,037,130	3,578,888	3,391,917
Net pension asset	-	-	5,013,624	-	-
Capital assets:					
Land and construction in progress	57,074,130	65,559,284	68,206,252	38,844,189	37,256,164
Other capital assets, net	<u>582,776,953</u>	<u>569,683,432</u>	<u>561,392,705</u>	<u>589,116,802</u>	<u>597,454,393</u>
Total noncurrent assets	<u>655,667,639</u>	<u>651,391,995</u>	<u>656,147,386</u>	<u>650,064,366</u>	<u>672,144,728</u>
Total assets	<u>699,241,712</u>	<u>694,448,628</u>	<u>702,428,905</u>	<u>703,115,049</u>	<u>727,923,011</u>
Deferred outflows of resources					
Deferred outflows related to OPEB ³	-	-	-	-	134,111
Deferred outflows related to pensions	-	-	2,129,735	2,846,797	15,924,949
Deferred charge on refunding	<u>6,092,220</u>	<u>5,482,998</u>	<u>4,873,776</u>	<u>4,264,554</u>	<u>3,655,332</u>
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>	<u>19,714,392</u>
Total assets and deferred outflows of resources	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>	<u>\$ 747,637,403</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 1,220,864	\$ 1,763,039	\$ 2,193,348	\$ 2,288,044	\$ 4,093,685
Interest payable	593,028	569,669	543,857	515,443	350,958
Long-term debt-due within one year	18,242,599	16,347,565	15,600,708	15,927,896	14,720,000
Compensated absences-due within one year	<u>328,318</u>	<u>440,302</u>	<u>440,460</u>	<u>452,637</u>	<u>489,311</u>
Total current liabilities	<u>20,384,809</u>	<u>19,120,575</u>	<u>18,778,373</u>	<u>19,184,020</u>	<u>19,653,954</u>
Noncurrent liabilities					
Security deposit payable	36,597	36,597	36,597	136,597	36,597
Unearned revenue	1,354,354	1,193,395	1,173,345	1,169,108	1,148,793
Developer reimbursement payable ²	1,722,594	1,562,771	1,749,238	2,277,063	2,093,239
Long-term debt	175,714,522	159,094,006	143,220,347	127,019,500	107,405,410
Net OPEB obligation/liability	1,338,993	1,395,998	1,395,998	1,231,182	3,263,493
Net pension liability	-	-	-	12,460,829	31,008,547
Compensated absences payable	<u>961,692</u>	<u>1,180,596</u>	<u>1,262,034</u>	<u>1,407,965</u>	<u>1,442,467</u>
Total noncurrent liabilities	<u>181,128,752</u>	<u>164,463,363</u>	<u>148,837,559</u>	<u>145,702,244</u>	<u>146,398,546</u>
Total liabilities	<u>201,513,561</u>	<u>183,583,938</u>	<u>167,615,932</u>	<u>164,886,264</u>	<u>166,052,500</u>
Deferred inflows of resources					
Deferred inflows related to OPEB ³	-	-	-	-	85,334
Deferred inflows related to pensions	-	-	9,674,264	2,942,783	695,103
Total deferred inflows of resources	-	-	<u>9,674,264</u>	<u>2,942,783</u>	<u>780,437</u>
Net position					
Net investment in capital assets	445,893,962	459,801,145	475,651,678	489,278,149	516,240,479
Restricted for:					
Capital projects	10,592,627	11,344,749	16,242,400	15,955,649	21,197,516
Unrestricted					
Water and sewer rate stabilization	6,900,000	6,900,000	6,900,000	6,900,000	6,900,000
Other unrestricted	<u>40,433,782</u>	<u>38,301,794</u>	<u>33,348,142</u>	<u>30,263,555</u>	<u>36,466,471</u>
Total net position	<u>503,820,371</u>	<u>516,347,688</u>	<u>532,142,220</u>	<u>542,397,353</u>	<u>580,804,466</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>	<u>\$ 747,637,403</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.

3. Early implementation of GASB 75.

Source: Derived from audited annual financial statements.

SCHEDULE N**FIVE-YEAR UTILITY FUND HISTORICAL OPERATING RESULTS**Reported in Accordance with Bond Master Resolution¹

For fiscal year ending June 30,	2013	2014	2015	2016	2017
Gross Revenues	\$ 75,488,621	\$ 85,322,142	\$ 89,212,723	\$ 91,241,114	\$ 94,761,786
Operating Expenses	45,697,678	53,515,139	55,241,733	55,662,580	62,000,484
Net Revenues	29,790,943	31,807,003	33,970,990	35,578,534	32,761,302
Annual Debt Service					
<i>Parity Obligations</i>					
Series 2012 Bonds A & B (Refinance)	15,657,371	15,963,222	13,808,949	12,777,230	12,783,368
Total Parity Annual Debt Service	15,657,371	15,963,222	13,808,949	12,777,230	12,783,368
Parity Debt Service Coverage ¹	1.90	1.99	2.46	2.78	2.56
Net Revenues less Parity Debt Service	\$ 14,133,572	\$ 15,843,781	\$ 20,162,041	\$ 22,801,304	\$ 19,977,934
<i>Subordinate Obligations</i>					
DEQ (subordinate In 2006)	\$ 318,758	\$ -	\$ -	\$ -	\$ -
OECD	400,525	401,149	401,599	401,200	5,192,283
Full Faith and Credit Bond	7,799,725	7,798,125	7,798,225	7,800,425	7,800,175
Total Subordinate Debt Service	\$ 8,519,008	\$ 8,199,274	\$ 8,199,824	\$ 8,201,625	\$ 12,992,458
Debt Service Coverage (incl. RSA Transfer) ²	1.66	1.93	2.46	2.78	1.54

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.

Source: City of Salem

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, 2017, and have issued our report thereon dated December 5, 2017.

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 except for the over expenditure of budgeted appropriations as detailed in the notes to the financial statements.


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
December 5, 2017