

Urban Renewal Agency of The City of Salem, Oregon

(A Component Unit of the City of Salem, Oregon)

For
Fiscal Year
Ended
June 30,
2017



City of Salem, Oregon

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON

(A Component Unit of the City of Salem, Oregon)

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2017

Prepared by the City Manager's Office – Budget and Finance Division

**URBAN RENEWAL AGENCY OF THE
CITY OF SALEM, OREGON**

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Title VI Disclosure

It is the policy of the Urban Renewal Agency of the City of Salem (URA) 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. The URA also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM

AGENCY OFFICIALS

<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

Executive Director: Steve Powers
Urban Development Department Director: Kristin Retherford



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

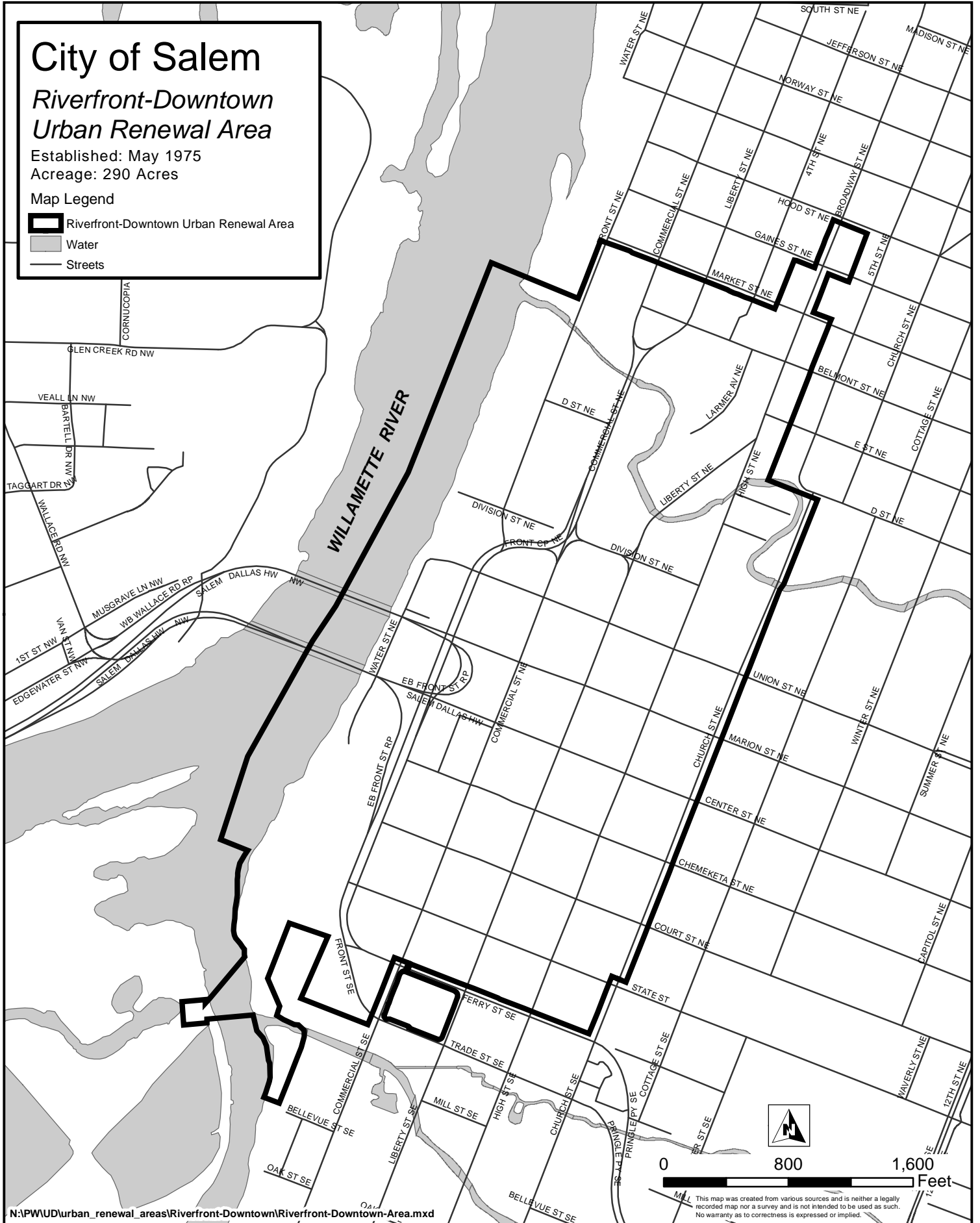
City of Salem

Riverfront-Downtown Urban Renewal Area

Established: May 1975
Acreage: 290 Acres

Map Legend

-  Riverfront-Downtown Urban Renewal Area
-  Water
-  Streets






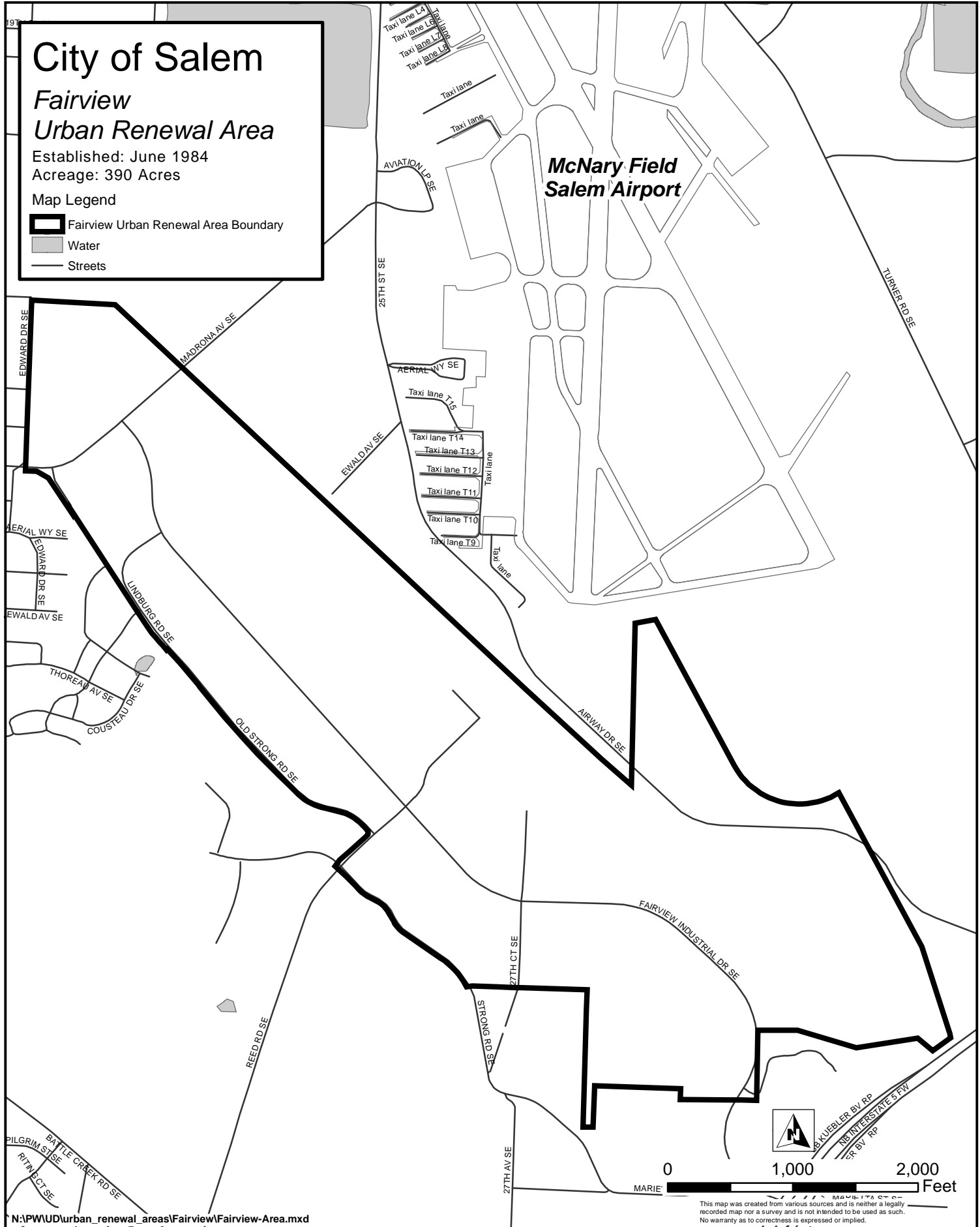
City of Salem

Fairview Urban Renewal Area

Established: June 1984
Acreage: 390 Acres

Map Legend

-  Fairview Urban Renewal Area Boundary
-  Water
-  Streets






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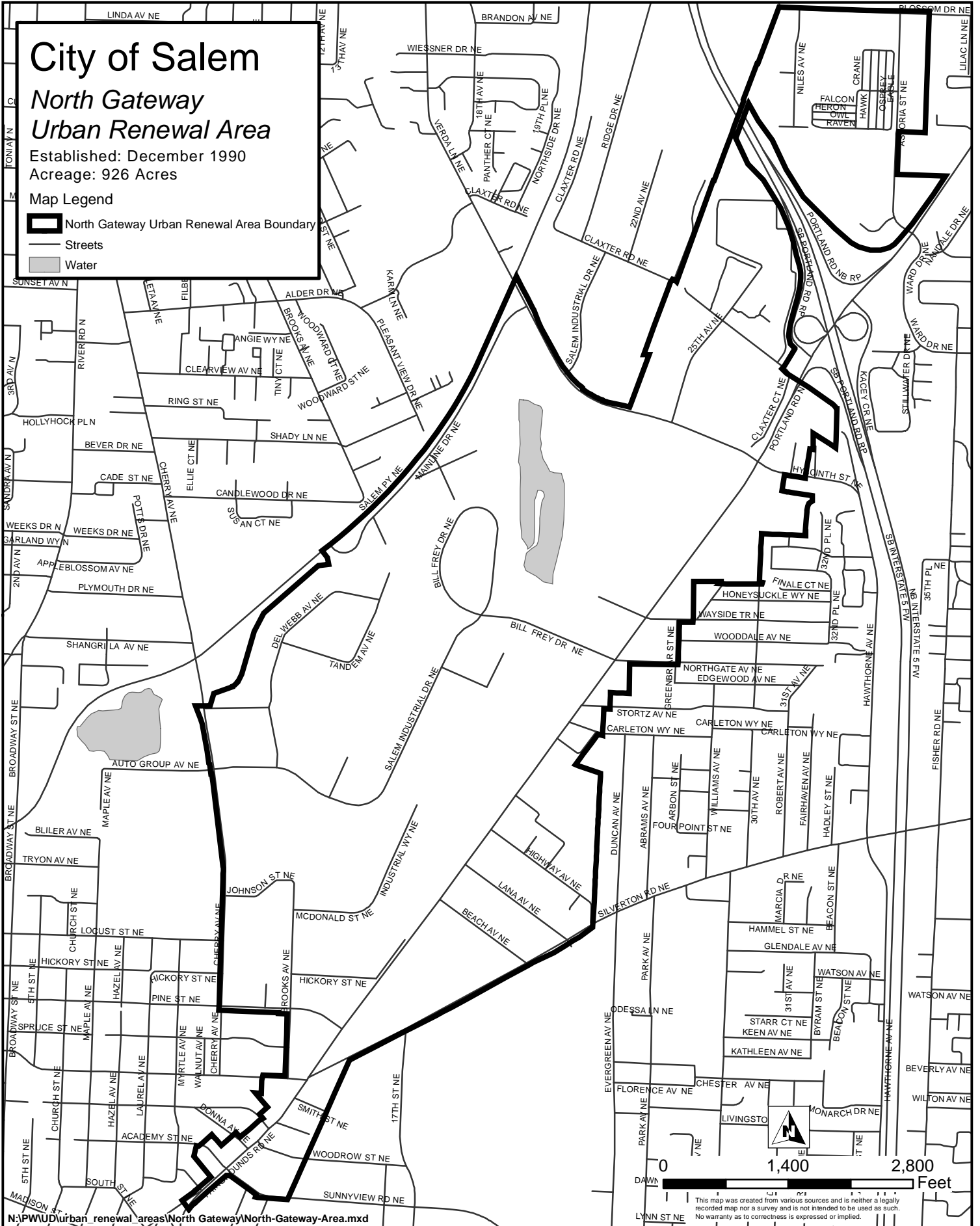
City of Salem

North Gateway Urban Renewal Area

Established: December 1990
Acreage: 926 Acres

Map Legend

-  North Gateway Urban Renewal Area Boundary
-  Streets
-  Water



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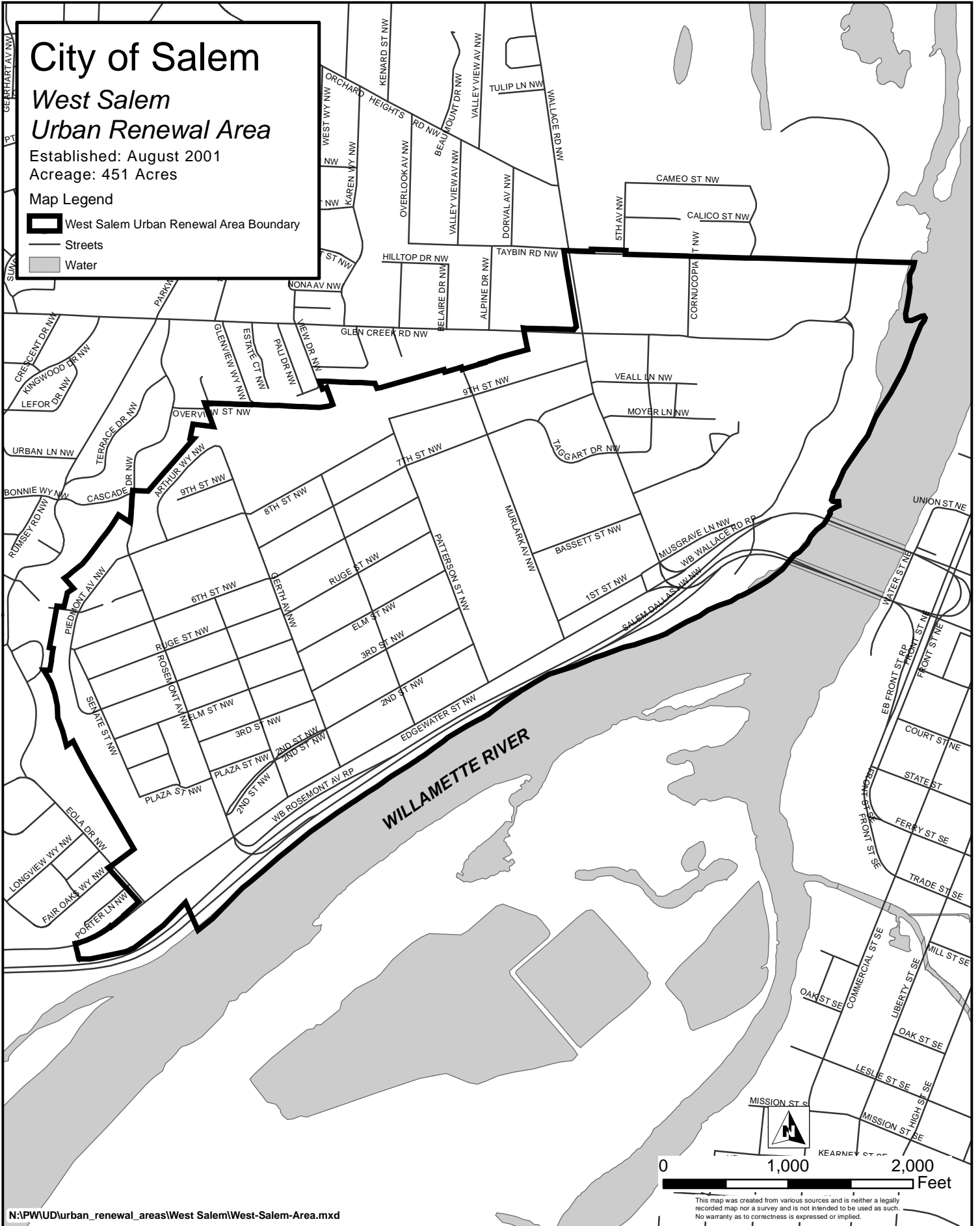
City of Salem

West Salem Urban Renewal Area

Established: August 2001
Acreage: 451 Acres

Map Legend

-  West Salem Urban Renewal Area Boundary
-  Streets
-  Water






City of Salem

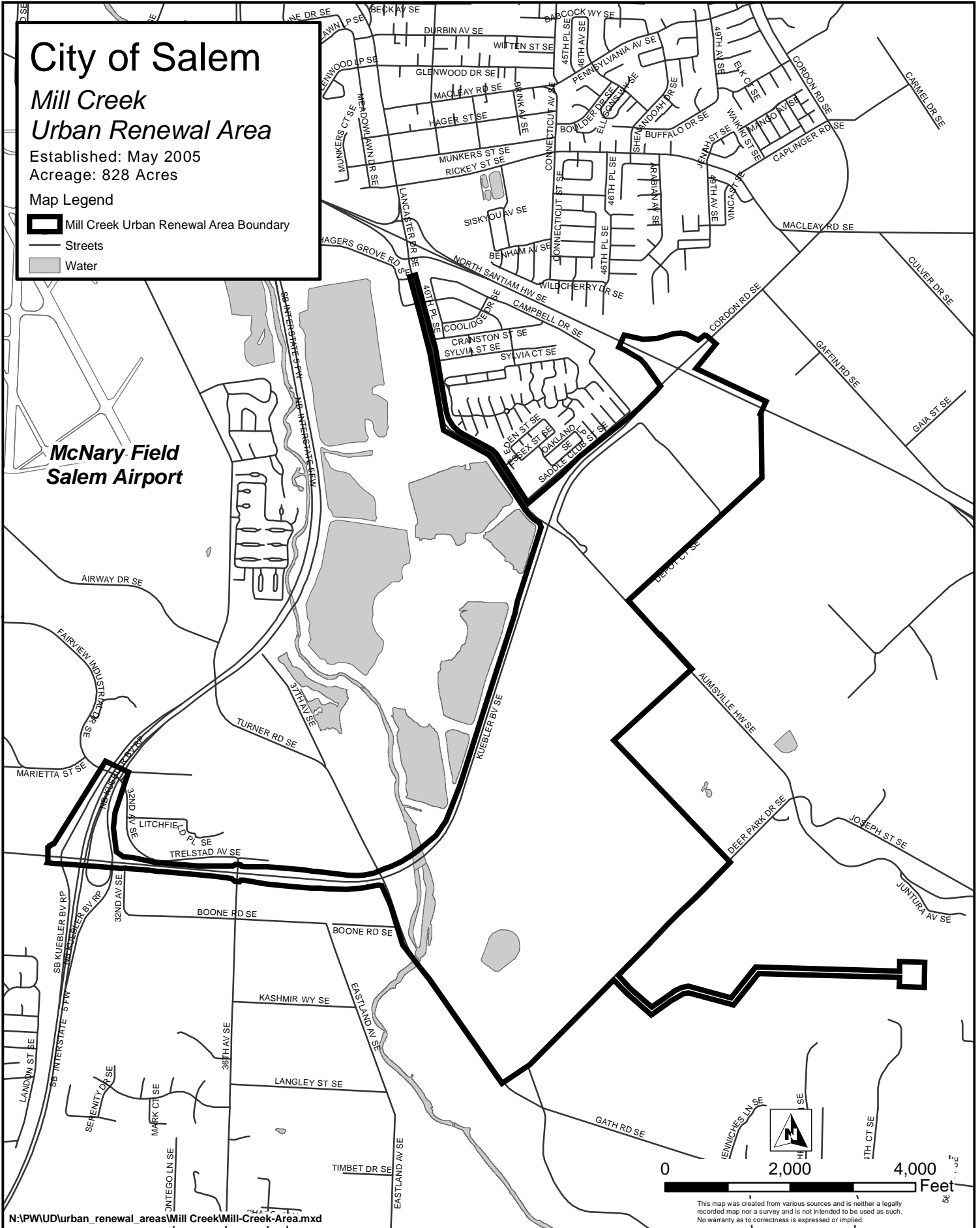
Mill Creek Urban Renewal Area

Established: May 2005
Acreage: 828 Acres

Map Legend

-  Mill Creek Urban Renewal Area Boundary
-  Streets
-  Water

**McNary Field
Salem Airport**






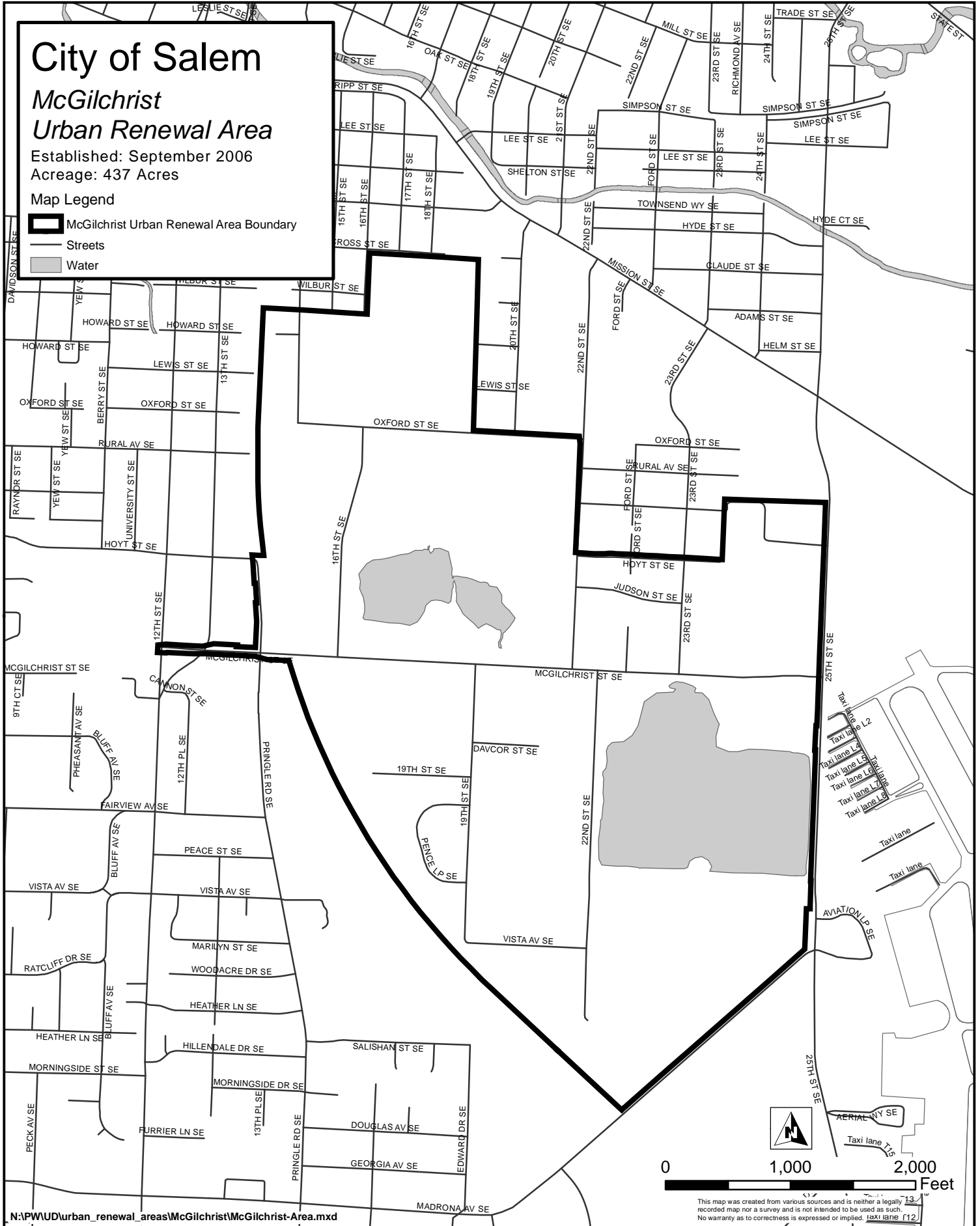
City of Salem

McGilchrist Urban Renewal Area

Established: September 2006
Acreage: 437 Acres

Map Legend

-  McGilchrist Urban Renewal Area Boundary
-  Streets
-  Water



0 1,000 2,000 Feet

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

City of Salem

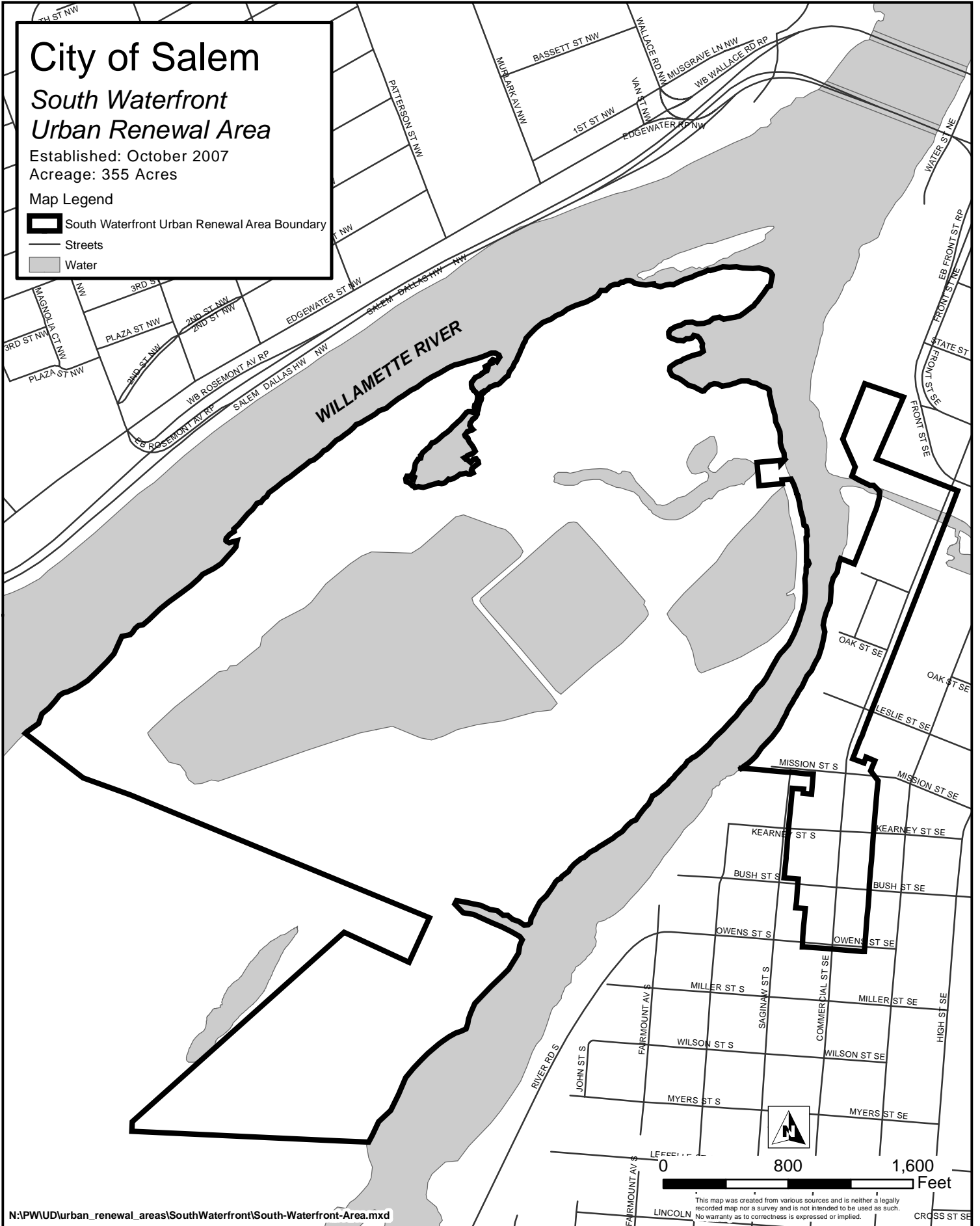
South Waterfront Urban Renewal Area

Established: October 2007

Acreage: 355 Acres

Map Legend

-  South Waterfront Urban Renewal Area Boundary
-  Streets
-  Water





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

Agency Officials
Urban Renewal Agency of the 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, and each major fund of the Urban Renewal Agency of the City of Salem, Oregon (the Agency), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Agency 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. 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 Agency'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 Agency'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, and each major fund of the Agency, 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 management's discussion and analysis (MD&A) on pages 13-20 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 Agency's basic financial statements. The agency officials, maps of urban renewal areas and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.


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

The agency officials and maps of urban renewal areas sections 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

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 Agency'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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2017

This discussion and analysis of the Urban Renewal Agency of the City of Salem (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Agency using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The government-wide financial statements present the financial picture of the Agency from the economic resources measurement focus and the accrual basis of accounting. These statements include all assets of the Agency as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regard to payables and receivables. The fund financial statements for governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Reconciliation of the governmental fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach. Fund financial statements for the proprietary fund are reported in the same manner as the government-wide statements.

REPORTING ON THE AGENCY AS A WHOLE

The **Statement of Net Position** and the **Statement of Activities** report financial information about the Agency as a whole and about its activities. These statements include *all* assets and deferred outflows of the Agency, as well as all liabilities and deferred inflows (including long-term debt) using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues earned and expenses incurred are recorded regardless of when cash is received or paid.

These two statements report the Agency's *net position* and the change in net position. Net position is the residual of assets plus deferred outflows less liabilities and deferred inflows, and is one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the Agency's property tax base as well as the assessed values in the urban renewal areas. In these statements, all Agency activities are categorized as either governmental or business-type.

Governmental activities – Most of the Agency's activities are reported in this category, which includes capital projects and applicable debt service associated with the seven urban renewal project areas, and a reserve fund for the Salem Convention Center (Convention Center).

Business-type activities – The Convention Center's activities are reported in this category. The Convention Center charges fees to customers to cover the cost of services provided.

REPORTING ON THE AGENCY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The Agency's construction and debt service activities and Convention Center gain/loss reserve are reported in governmental funds. These funds focus on how money flows into and out of funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Agency's operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements are explained in a section following the governmental fund statements.

Proprietary fund – The Convention Center charges customers for services provided, whether to outside customers or to other units of the City of Salem (City). This activity is reported in a proprietary fund. The proprietary fund is reported using the *accrual basis* of accounting which focuses on the *changes in economic resources*. This is the method used in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

Government-wide Financial Statements

Statement of Net Position

The table on the following page reflects the condensed Statement of Net Position compared to the prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Assets:						
Cash and investments	\$ 40.8	\$ 45.1	\$ 0.3	\$ 0.6	\$ 41.1	\$ 45.7
Other assets	5.4	4.0	0.6	0.7	6.0	4.7
Capital assets	8.7	6.1	25.3	24.7	34.0	30.8
Total assets	54.9	55.2	26.2	26.0	81.1	81.2
Liabilities:						
Other liabilities	1.0	1.3	0.4	0.4	1.4	1.7
Long-term liabilities	14.0	10.4	-	-	14.0	10.4
Total liabilities	15.0	11.7	0.4	0.4	15.4	12.1
Net position:						
Net investment in capital assets	(4.1)	(3.6)	25.3	24.7	21.2	21.1
Restricted						
Tax allocation debt	16.0	18.6	-	-	16.0	18.6
Tax allocation improvements	23.7	24.1	-	-	23.7	24.1
Convention Center gain/loss reserve	4.3	4.4	-	-	4.3	4.4
Unrestricted	-	-	0.5	0.9	0.5	0.9
Total net position	\$ 39.9	\$ 43.5	\$ 25.8	\$ 25.6	\$ 65.7	\$ 69.1

For more detailed information, see the Statement of Net Position (page 23).

Governmental Activities

The Agency's net position from governmental activities increased 9%, from \$39.9 million to \$43.5 million. This increase is the change in net position in the Statement of Activities, and is composed of the following:

- Cash and investments increased \$4.3 million. This is composed of an increase in the debt service fund of \$2.6 million due to Riverfront bonds being refunded and reissued in 2015/16 at a lower rate, increase in property tax revenue by \$0.4 million mostly from North Gateway and West Salem, an increase of \$0.1 million in the Salem Convention Center gain/loss reserve fund.
- Capital assets decreased \$2.6 million due to decreased construction work in progress, in the Mill Creek and the South Waterfront areas, which transferred completed street related projects to the City.
- Long-term liabilities decreased \$3.6 million due to scheduled debt service payments, primarily due to reduction of Riverfront debt by \$3.2 million in principal payments and no new debt issuance.

Business-type Activities

Net position from business-type activities decreased 1%, from \$25.8 million, to \$25.6 million. The change was primarily due to a net operating income of \$0.1 million and a transfer of funds to the reserve account of \$0.3 million.

Statement of Activities and Changes in Net Position

The following table reflects the condensed Statement of Activities compared to prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Revenues						
Charge for services	\$ 0.2	\$ 0.8	\$ 3.7	\$ 4.6	\$ 3.9	\$ 5.4
Taxes	11.7	12.0	-	-	11.7	12.0
Interest	0.3	0.5	-	-	0.3	0.5
Total revenues	<u>12.2</u>	<u>13.3</u>	<u>3.7</u>	<u>4.6</u>	<u>15.9</u>	<u>17.9</u>
Program expenses	<u>5.2</u>	<u>5.7</u>	<u>4.0</u>	<u>4.5</u>	<u>9.2</u>	<u>10.2</u>
Increase (decrease) in net position before special items and transfers	7.0	7.6	(0.3)	0.1	6.7	7.7
Transfers to/from primary government	<u>(4.4)</u>	<u>(4.0)</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(4.7)</u>	<u>(4.3)</u>
Increase (decrease) in net position	2.6	3.6	(0.6)	(0.2)	2.0	3.4
Beginning net position	<u>37.3</u>	<u>39.9</u>	<u>26.4</u>	<u>25.8</u>	<u>63.7</u>	<u>65.7</u>
Ending net position	<u>\$ 39.9</u>	<u>\$ 43.5</u>	<u>\$ 25.8</u>	<u>\$ 25.6</u>	<u>\$ 65.7</u>	<u>\$ 69.1</u>

For more detailed information, see the Statement of Activities (page 24).

Governmental Activities

The Agency's change in net position from governmental activities increased from \$2.6 million last year to \$3.6 million this year. The increase is primarily the increased tax revenues from North Gateway and West Salem (\$0.3 million), increased of interest on cash balances (\$0.2 million), and increased loan payments received (charge for services) by \$0.6 million. Transfers out of completed projects decreased by \$0.4 million due to lower completed projects for the fiscal year.

Business-type Activities

The Agency's change in net position from business-type activities increased from a negative \$0.6 million to a negative \$0.2 million. The increase this year is due to an income of the Convention Center of \$0.1 million compared to a loss of \$0.3 million last year.

Fund Financial Statements

The following table presents ending fund balances of governmental funds compared to the prior year.

Governmental Funds - Fund Balances as of June 30, 2017 (in millions)

Major Funds	FY 2016-17		Compared to FY 2015-16	
	Amount	Percent of Total	Increase / (Decrease) Amount	Percent
Tax Allocation Debt	\$ 18.6	41.8%	\$ 2.6	16.3%
Tax Allocation Improvements	21.5	48.3%	1.3	6.4%
Convention Center gain/loss reserve	4.4	9.9%	0.1	2.3%
Total fund balances	<u>\$ 44.5</u>	<u>100.0%</u>	<u>\$ 4.0</u>	

At June 30, 2017, the Agency's governmental funds reported combined fund balances of \$44.5 million, an increase of \$4.0 million over the prior year. The debt service fund increased due to property taxes, primarily in the North Gateway and West Salem area. Debt service payments decreased by \$1.8 million due to paid off debt and reduced interest from reissuance in the prior fiscal year. Convention Center had a \$0.1 million net operating income for the fiscal year.

Tax Allocation Debt Fund

This fund is a debt service fund that accounts for the accumulation of resources for the payment of urban renewal long-term liabilities. The principal source of revenue is property taxes.

The Tax Allocation Debt fund revenues increased 3%, from \$11.9 million to \$12.3 million due to additional property taxes, primarily from North Gateway and West Salem, and investment interest for cash on hand. Net debt service expenditures decreased due to prior year Riverfront bond reissuance at reduced interest rate and early payoff of West Salem bonds. Transfers to the Tax allocation improvements fund increased by \$0.6 million.

The June 30, 2017 fund balance of \$18.6 million is restricted for future debt service.

Tax Allocation Improvements Fund

This fund is a capital projects fund that accounts for construction improvement projects within the urban renewal areas. Financing is provided by debt issuance and interest income. Primary expenditures are for capital projects, grants, studies, and loans to private parties for capital asset improvements within urban renewal areas.

The Tax Allocation Improvements fund revenues decreased 12%, from \$2.6 million to \$2.3 million. The decrease was due to decreased program loan repayments received in the Riverfront area by \$0.6 million. Expenditures increased by 20%, from \$5.6 million to \$6.7 million. This increase was due to additional project spending in North Gateway (Grants and Storm Water Improvements) and Mill Creek (Parkway/Kuebler Blvd Improvements).

The June 30, 2017 fund balance of \$21.5 million is restricted for urban renewal projects.

Salem Convention Center Gain/Loss Reserve Fund

This fund is a capital projects fund established to support the capital needs of the Convention Center.

The increase in fund balance of \$0.1 million is due to the transfer of pre-depreciation operating earnings from the Convention Center and interest earnings slightly exceeding capital asset purchases for the Convention Center.

The June 30, 2017 fund balance of \$4.4 million is restricted for future Convention Center capital needs.

Salem Convention Center Fund

This fund is a proprietary fund that accounts for the operation and maintenance of the Convention Center. Financing is provided mainly from user fees.

Net position decreased \$0.2 million, caused by a \$0.3 million transfer of prior year earnings to the gain/loss reserve fund, and a \$0.1 million operating income after depreciation.

Budgetary Highlights

For the year ended June 30, 2017, there were no variations between the original budgets and the final budgets.

Capital Assets

As of June 30, 2017, the Agency had \$30.8 million in capital assets. This represents a net decrease of \$3.2 million from the 2015-16 fiscal year. The change is primarily reduced construction in progress in governmental activities because of the transfer of completed projects to the City of Salem. In business type activities, the change is mainly depreciation of the Convention Center building. Summary balances are shown in the following table.

**Capital Assets at Year Ending June 30,
(Net of Depreciation)
(in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Land	\$ 2.0	\$ 2.0	\$ 1.5	\$ 1.5	\$ 3.5	\$ 3.5
Buildings	-	-	23.3	22.7	23.3	22.7
Improvements	-	-	0.1	0.1	0.1	0.1
Equipment and machinery	-	-	0.3	0.3	0.3	0.3
Public Art	-	-	0.1	0.1	0.1	0.1
Work in progress	6.7	4.1	-	-	6.7	4.1
Total	\$ 8.7	\$ 6.1	\$ 25.3	\$ 24.7	\$ 34.0	\$ 30.8

The Agency's change in capital assets is reflected in the following table:

Change in Capital Assets for the fiscal year ended June 30, 2017
(in millions)

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 8.7	\$ 25.3	\$ 34.0
Additions	1.6	0.1	1.7
Retirement and depreciation	(4.2)	(0.7)	(4.9)
Ending balance	<u>\$ 6.1</u>	<u>\$ 24.7</u>	<u>\$ 30.8</u>

For more detailed information, see page 41 of the notes to the financial statements.

Debt Outstanding

As of June 30, 2017, the Agency had \$10.4 million in long-term debt outstanding, compared to \$14.0 million last year. The decrease is due to \$3.8 million in debt service payments with an increase in capitalized interest of \$0.2 million.

Outstanding Debt as of June 30,
(in millions)

	Totals	
	2016	2017
<u>Governmental:</u>		
Bonds	\$ 6.0	\$ 2.1
Notes	8.0	8.3
Total	<u>\$ 14.0</u>	<u>\$ 10.4</u>

For more detailed information, see page 42-43 of the notes to the financial statements.

ECONOMIC FACTORS

The Agency is an important partner in economic development within the City of Salem, providing infrastructure improvements and loan programs to support growth and quality of service to those within the Agency's boundaries. As assessed property values within the boundaries of the Agency increase, so do the property taxes derived from the corresponding tax increment. That tax increment is then used to pay debt service on bonds issued to fund projects and improvements.

In fiscal year 2016-17, urban renewal taxes were collected through two methods. Under the tax increment or "division of taxes" method, the amount of tax collected is based on the increase in Assessed Value (AV) of property located in an urban renewal area over the "frozen base" value established at the time the district was formed. The tax collected from within a district may only be spent on urban renewal activity within that district. Certain urban renewal areas collect additional taxes through a citywide special levy, which is identified as such on tax bills. These taxes also must be spent only on urban renewal activity in the district for which the taxes are collected. The division of taxes rate and the special levy rate by urban renewal area are shown in the table on the following page.

<u>Urban Renewal Area</u>	<u>Division of Taxes Rate/\$1,000 AV</u>	<u>Special Levy Rate/\$1,000 AV</u>
Riverfront/Downtown	\$ 0.1189	\$ 0.2432
North Gateway	0.0879	none
West Salem	0.0344	none
Mill Creek Industrial Park	0.0237	none
McGilchrist	0.0209	none
South Waterfront	0.0087	none

FINANCIAL CONTACT

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with an overview of the Agency's finances, and to demonstrate the Agency'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, Salem, Oregon 97301.

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BASIC FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 45,144,503	\$ 623,123	\$ 45,767,626
Accounts receivable, net	613,618	381,916	995,534
Due from City of Salem	-	265,106	265,106
Inventories and prepayments	-	64,992	64,992
Total current assets	45,758,121	1,335,137	47,093,258
Noncurrent assets			
Notes receivable	3,356,904	-	3,356,904
Capital assets:			
Land and construction in progress	6,081,539	1,596,123	7,677,662
Other capital assets, net	-	23,110,062	23,110,062
Total noncurrent assets	9,438,443	24,706,185	34,144,628
Total assets	55,196,564	26,041,322	81,237,886
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,298,026	439,291	1,737,317
Due to City of Salem	-	7,394	7,394
Long-term debt - due within one year	703,644	-	703,644
Total current liabilities	2,001,670	446,685	2,448,355
Non-current liabilities			
Long-term debt	9,715,920	-	9,715,920
Total liabilities	11,717,590	446,685	12,164,275
Net position			
Net investment in capital assets	(3,582,131)	24,706,185	21,124,054
Restricted			
Tax allocation debt	18,549,858	-	18,549,858
Tax allocation improvements	24,113,743	-	24,113,743
Convention Center gain/loss reserve	4,397,504	-	4,397,504
Unrestricted	-	888,452	888,452
Total net position	\$ 43,478,974	\$ 25,594,637	\$ 69,073,611

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Statement of Activities
For the fiscal year ended June 30, 2017

Functions/programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position		
			Primary Government		Total
			Governmental Activities	Business-type Activities	
Primary government					
Governmental activities					
Urban renewal	\$ 5,536,308	\$ 764,097	\$ (4,772,211)	\$ -	\$ (4,772,211)
Interest on long-term debt	200,286	-	(200,286)	-	(200,286)
Total governmental activities	5,736,594	764,097	(4,972,497)	-	(4,972,497)
Business - type activities					
Salem Convention Center	4,540,244	4,631,840	-	91,596	91,596
Total primary government	\$ 10,276,838	\$ 5,395,937	(4,972,497)	91,596	(4,880,901)
General revenues					
Property taxes			12,044,632	-	12,044,632
Investment earnings			479,669	-	479,669
Gain on sale of assets			1,625	-	1,625
Miscellaneous			1,000	-	1,000
Transfers to/from primary government			(3,967,393)	(304,367)	(4,271,760)
Total general revenues and transfers			8,559,533	(304,367)	8,255,166
Change in net position			3,587,036	(212,771)	3,374,265
Net position - beginning of year			39,891,938	25,807,408	65,699,346
Net position - end of year			\$ 43,478,974	\$ 25,594,637	\$ 69,073,611

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Balance Sheet - Governmental Funds
June 30, 2017

	Debt Service	Capital Projects		
	Tax Allocation Debt	Tax Allocation Improvements	Salem Convention Center Gain/Loss Reserve	Totals
Assets				
Cash and investments	\$ 18,482,267	\$ 22,005,947	\$ 4,656,289	\$ 45,144,503
Accounts receivable, net	583,382	30,236	-	613,618
Notes receivable	-	3,356,904	-	3,356,904
Total assets	\$ 19,065,649	\$ 25,393,087	\$ 4,656,289	\$ 49,115,025
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 523,450	\$ 258,785	\$ 782,235
Deferred inflows of resources				
Unavailable revenue	452,561	3,379,471	-	3,832,032
Fund balances				
Restricted for:				
Debt Service	18,613,088	-	-	18,613,088
Capital Projects	-	21,490,166	4,397,504	25,887,670
Total fund balances	18,613,088	21,490,166	4,397,504	44,500,758
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,065,649	\$ 25,393,087	\$ 4,656,289	

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)

6,081,539

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Notes receivable - earned but unavailable

3,379,471

Property taxes - earned but unavailable

452,561

Accrued interest on long-term debt

(515,791)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

(10,419,564)

Total net position

\$ 43,478,974

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the fiscal year ended June 30, 2017

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Totals</u>
	<u>Tax Allocation Debt</u>	<u>Tax Allocation Improvements</u>	<u>Salem Convention Center Gain/Loss Reserve</u>	
Revenues				
Property taxes	\$ 12,084,850	\$ -	\$ -	\$ 12,084,850
Interest on investments	223,992	206,934	48,745	479,671
Intergovernmental	-	494,178	-	494,178
Loan payments received	-	1,553,596	-	1,553,596
Rents	-	10,478	-	10,478
Other	-	1,000	-	1,000
Total revenues	<u>12,308,842</u>	<u>2,266,186</u>	<u>48,745</u>	<u>14,623,773</u>
Expenditures				
Material and services	-	6,683,502	262,688	6,946,190
Debt service				
Principal retirement	3,847,000	-	-	3,847,000
Interest and fiscal charges	159,707	-	-	159,707
Total expenditures	<u>4,006,707</u>	<u>6,683,502</u>	<u>262,688</u>	<u>10,952,897</u>
Revenues over (under) expenditures	<u>8,302,135</u>	<u>(4,417,316)</u>	<u>(213,943)</u>	<u>3,670,876</u>
Other financing sources (uses)				
Transfers in	-	5,700,000	304,367	6,004,367
Sale of capital assets	-	-	1,625	1,625
Transfers out	(5,700,000)	-	-	(5,700,000)
Total other financing sources (uses)	<u>(5,700,000)</u>	<u>5,700,000</u>	<u>305,992</u>	<u>305,992</u>
Net change in fund balance	2,602,135	1,282,684	92,049	3,976,868
Fund balances, beginning of year	<u>16,010,953</u>	<u>20,207,482</u>	<u>4,305,455</u>	<u>40,523,890</u>
Fund balances, end of year	<u>\$ 18,613,088</u>	<u>\$ 21,490,166</u>	<u>\$ 4,397,504</u>	<u>\$ 44,500,758</u>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the 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	\$	3,976,868
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. This represents the increase/decrease in expenses that reflects the change in capital assets, change in construction in progress, and capitalized capital outlay.		
Capital outlay transfer		(2,624,387)
Revenues in the government-wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for general revenue		(40,218)
Change in deferred inflows for program revenue		(1,294,156)
Debt issuance provides current financial resources and debt service payments use current financial resources in governmental funds. Neither transaction affects the government-wide net position since long-term debt is reported as a liability.		
Principal payments on long-term debt		3,847,000
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 does not require the use of current financial resources and is not reported as an expenditure in governmental funds.		
		(40,580)
Change in net position	\$	<u>3,587,036</u>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)

Proprietary Fund

Statement of Net Position

June 30, 2017

	Salem Convention Center
Assets	
Cash and investments	\$ 623,123
Accounts receivable, net	381,916
Due from other funds	265,106
Inventories and prepayments	64,992
Total current assets	1,335,137
Noncurrent assets	
Capital assets:	
Land and construction in progress	1,596,123
Other capital assets, net	23,110,062
Total noncurrent assets	24,706,185
Total assets	26,041,322
Liabilities	
Accounts payable and accrued liabilities	439,291
Due to City of Salem	7,394
Total liabilities	446,685
Net Position	
Net investment in capital assets	24,706,185
Unrestricted	888,452
Total net position	\$ 25,594,637

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2017

	Salem Convention Center
Operating revenues	
Sales	\$ 3,084,526
Rents	1,541,436
Other	5,878
Total operating revenues	4,631,840
Operating expenses	
Materials and services	3,822,469
Depreciation	717,775
Total operating expenses	4,540,244
Operating income (loss)	91,596
Transfers out	(304,367)
Change in net position	(212,771)
Net position - beginning of year	25,807,408
Net position - end of year	\$ 25,594,637

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended June 30, 2017

	Salem Convention Center
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,529,117
Payments to suppliers	(3,746,145)
	782,972
Cash Flows from Noncapital Financing Activities	
Transfers paid	(304,367)
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(126,188)
	352,417
Net increase (decrease) in cash and cash equivalents	352,417
Cash and cash equivalents - beginning of year	270,706
Cash and cash equivalents - end of year	\$ 623,123
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 91,596
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	717,775
Changes in assets and liabilities:	
Accounts receivable	(102,723)
Inventories and prepayments	(13,353)
Accounts payable and accrued liabilities	89,677
	89,677
Net cash provided (used) by operating activities	\$ 782,972

The accompanying notes are an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Urban Renewal Agency of the City of Salem, Oregon (Agency) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The more significant of the Agency's accounting policies are described below.

The Financial Reporting Entity

The Urban Renewal Agency of the City of Salem is a municipal corporation created by Oregon statute and activated by the Salem City Council (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 has been designated as the governing body of the Agency and acts in that capacity. The Agency develops urban renewal plans that must be approved by the Agency Board and Council. Pursuant to Oregon Revised Statutes (ORS) 457.210(3), the City has been delegated responsibility for fiscal matters of the Agency related to the planning and construction of urban renewal projects. The tax increment collections resulting from the division of taxes under ORS 457.420 are used to retire any indebtedness incurred to finance urban renewal projects.

Urban Renewal Areas

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The County Assessor "freezes" the assessed value of property within the urban renewal area when the area is established. This is referred to as the "frozen value."
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is used to pay the principal and interest on any indebtedness incurred by the Urban Renewal Agency to finance urban renewal projects.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all activities of the Agency. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include (1) fines, fees, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Grants and contributions not restricted are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are also reported as general revenues.

Fund financial statements are provided for all governmental and proprietary funds.

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 are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Current assets, deferred outflows, current liabilities, and deferred inflows are included in the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in fund balances. Revenues are recorded when susceptible to accrual (both measurable and available). Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures other than interest on long-term obligations are recorded when a liability is incurred.

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 Convention Center are charges to customers for sales and services. Operating expenses 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.

Governmental Funds

Governmental funds finance all of the construction and debt service functions of the Agency, as well as provide a reserve fund for the Salem Convention Center. The following are the Agency's major fund types.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

Tax Allocation Debt Fund

The Tax Allocation Debt fund is a debt service fund that accounts for the accumulation of tax increment collections assessed on property and the payment of principal and interest on debt.

Tax Allocation Improvements Fund

The Tax Allocation Improvements fund is a capital projects fund that accounts for construction improvement projects in the Urban Renewal areas. Financing is provided by debt issuance and interest income.

Salem Convention Center Gain/Loss Reserve Fund

The Convention Center gain/loss reserve fund is a capital projects fund that accounts for resources accumulated to finance the capital asset needs of the Center.

Proprietary Funds

Proprietary funds record the business-type activities of the Agency. Revenues are expected to offset expenses. The Salem Convention Center fund is the only proprietary fund of the Agency and accounts for the operations of the Center.

Cash and Investments

The City of Salem (City) maintains a common cash and investment pool for all City funds, including funds of the Agency. Interest earned on the pooled cash and investments is allocated based on each fund's average cash and investments balance as a proportion of the City's total.

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, proprietary funds consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

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

It is the City's policy to report all short-term, highly liquid money market investments with a remaining maturity of one year or less at time of purchase at amortized cost, which approximates fair value. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value in accordance with GASB Statements 31 and 72.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

Receivables and Deferred Inflows of Resources

Property tax receivables for the governmental fund types that have been collected within thirty days subsequent to year-end are considered measurable and available and are recognized as revenues. All other property tax receivables are offset by deferred inflows of resources, and accordingly, have not been recorded as revenue in the fund financial statements. Real and personal property taxes are levied upon all taxable property within the urban renewal areas and become liens against the property as of July 1 of each year, and are payable in three installments that are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes not collected by May 15 are considered delinquent. In the government-wide financial statements, taxes are recognized as revenue when levied.

Notes receivable are recorded as receivables when loaned, are offset by deferred inflows of resources, and accordingly, not recorded as revenue in the funds until payments are received.

Capital Assets

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. In the governmental fund statements, capital outlays are charged to expenditures as purchased. Governmental capital assets are reported only on the government-wide statement of net position. In the proprietary fund statements, capital assets are reported on the statement of net position.

Capital assets are defined 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 or improvements, and other capital outlays that significantly extend the useful life of an asset, or significantly increase the capacity of an asset, are capitalized. Other costs incurred for repairs and maintenance are expensed.

Construction-in-progress represents amounts expended to date on construction projects that are not yet complete.

It is the Agency's practice to transfer capital assets to the City when projects are completed, with the exception of assets of the Convention Center.

Debt

Long-term debt is reported in the Statement of Net Position as noncurrent liabilities. The governmental fund financial statements do not report long-term debt because it does not require the use of current financial resources.

Tax increment bonds are direct obligations of the Urban Renewal Agency and are payable solely from tax increment revenues. The Agency issues tax increment bonds specific to each urban renewal area to provide funds for projects within the respective area.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net position is the residual of assets and deferred outflows, less liabilities and deferred inflows.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting for all funds. Appropriations are made by expenditure type for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the Agency Board. The budget for the funds includes capital outlay expenditures in each program for capital outlays applicable to that program.

After budget approval, the Agency Board may approve supplemental appropriations if an occurrence, condition, or need exists that was not identified at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publication in newspapers, and approval by the Agency Board.

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.

CASH AND INVESTMENTS

The Agency's cash and investments are comprised of the following at June 30, 2017:

	Book Value
Cash on hand	\$ 2,004
Deposits with City of Salem	9,105,195
Investments	36,660,427
Total cash and investments	\$ 45,767,626

1. Deposits

In the case of deposits, there is a custodial credit risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All Agency deposits are held by the City of Salem, which is covered by the State of Oregon Public Funds Collateralization Program. At June 30, 2017, the Agency's deposits in City bank accounts have a book value of \$9,105,195.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

2. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted avg. maturity in months</u>	<u>% of investment portfolio</u>
Local Government Investment Pool	\$ 36,660,427	0.033	100.0%

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

Agency funds are invested by the City on behalf of the Agency. The City's investment policies are governed by state statutes, which authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain municipal and corporate bonds, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the State Treasurer's Local Government Investment Pool (LGIP), among others. The LGIP is a portion of the Oregon Short Term Fund (OSTF). This fund is not registered with the US Securities and Exchange Commission, but is governed by ORS, the Oregon Investment Council, and the OSTF Board. The fair value of the fund is the same as the value of the pool shares.

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 below:

<u>Investment type</u>	<u>Maximum % of portfolio</u>	<u>Maximum length to maturity</u>
Bankers' acceptances	20%	6 months
Certificates of deposit	25%	2 years
Commercial paper	} 35%	9 months
Corporate indebtedness		5 years
Local government investment pool	100% *	N/A
Municipal Debt	10%	5 years
Repurchase agreements	10%	3 months
U.S. agency securities	100%	5 years
U.S. Instrumentality Debt	10%	5 years
U.S. Treasuries	100%	5 years

*Dollar amount limited by ORS 294.810. As of June 30, 2017 this limit is \$47,390,998.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investment 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, which holds the funds in the City's name. All investments, except for the investment in the LGIP, which is not evidenced by securities, are held in safekeeping by the financial institution counterparty or by its trust department in the City's name.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

At June 30, 2017, the credit risk for the Agency's investments is as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Local Government Investment Pool	\$ 36,660,427	Unrated

The Agency's policy, which adheres to State of Oregon law, is to limit its investments to the following: issuers within Oregon must be rated A (bonds) or A-2/P-2 (commercial paper) or better by Standard and Poor's, Moody's Investors Service, or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

RECEIVABLES

Receivables for governmental funds at June 30, 2017 are as follows:

	<u>Tax Allocation Debt</u>	<u>Tax Allocation Improvements</u>	<u>Totals</u>
Accounts receivable	\$ -	\$ 7,669	\$ 7,669
Property taxes	583,188	-	583,188
Interest	194	22,567	22,761
Notes receivable	-	3,356,904	3,356,904
Total	<u>\$ 583,382</u>	<u>\$ 3,387,140</u>	<u>\$ 3,970,522</u>

Salem Convention Center accounts receivable for June 30, 2017 are \$381,916.

PROPERTY TAXES

Fiscal Year of Levy	Balances July 1, 2016	2016-17 Levy	Adjustments To Date	Collections To Date	Balances June 30, 2017
2016-17	\$ -	\$ 12,393,662	\$ (374,119)	\$ 11,740,395	\$ 279,148
2015-16	295,445	-	(11,463)	160,549	123,433
2014-15	158,343	-	(5,547)	62,694	90,102
2013-14	89,321	-	(843)	54,972	33,506
2012-13	41,390	-	-	27,113	14,277
2011-12	16,079	-	(914)	4,051	11,114
2010-11	12,336	-	(789)	2,312	9,235
All Prior	26,862	-	(2,281)	2,208	22,373
	<u>\$ 639,776</u>	<u>\$ 12,393,662</u>	<u>\$ (395,956)</u>	<u>\$ 12,054,294</u>	<u>\$ 583,188</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

Ensuing Year's Levies

Property tax levies for the year beginning July 1, 2017 are as follows:

The Riverfront/Downtown and North Gateway plan areas will each levy 100% 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.

The Fairview plan area will not levy for the 2017-18 fiscal year.

West Salem plan area will levy 100% 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.

The Mill Creek Industrial Park, McGilchrist, and South Waterfront plan areas will each levy 100% 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.

NOTES RECEIVABLE

Riverfront/Downtown

Loan repayments are receivable in monthly or annual installments; interest rates range from 0% to 6%. Notes are secured by the underlying renewal project improvements or land sold. \$ 2,425,673

Fairview

Loan repayments are receivable in monthly installments with an interest rate of 3%. Notes are secured by the underlying renewal project improvements. Some notes are forgivable based on job creation. 535,406

North Gateway

Loan repayments are receivable in monthly or annual installments; interest rates range from 0% to 3%. Notes are secured by the underlying renewal project improvements or land sold. 395,825
\$ 3,356,904

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

CAPITAL ASSETS

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land and land improvements	\$ 1,979,524	\$ -	\$ -	\$ 1,979,524
Construction in progress	6,726,402	1,647,373	(4,271,760)	4,102,015
Governmental activities capital assets, net	<u>\$ 8,705,926</u>	<u>\$ 1,647,373</u>	<u>\$ (4,271,760)</u>	<u>\$ 6,081,539</u>
<u>Business-type activities</u>				
Land and land improvements	\$ 1,500,646	\$ -	\$ -	\$ 1,500,646
Public art	80,477	15,000	-	95,477
Total non-depreciable	<u>1,581,123</u>	<u>15,000</u>	<u>-</u>	<u>1,596,123</u>
Buildings and building improvements	30,340,092	28,365	-	30,368,457
Other improvements	254,161	-	-	254,161
Equipment and machinery	1,088,479	82,823	-	1,171,302
Total depreciable	<u>31,682,732</u>	<u>111,188</u>	<u>-</u>	<u>31,793,920</u>
Accumulated depreciation				
Buildings and building improvements	(7,050,327)	(642,527)	-	(7,692,854)
Improvements	(134,690)	(15,913)	-	(150,603)
Equipment and machinery	(781,066)	(59,335)	-	(840,401)
Total accumulated depreciation	<u>(7,966,083)</u>	<u>(717,775)</u>	<u>-</u>	<u>(8,683,858)</u>
Business-type activities capital assets, net	<u>\$ 25,297,772</u>	<u>\$ (591,587)</u>	<u>\$ -</u>	<u>\$ 24,706,185</u>

SHORT-TERM DEBT

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>
Riverfront, 2017	\$ -	\$ 4,000,000	\$ 4,000,000	\$ -
North Gateway, 2017	-	1,500,000	1,500,000	-
Mill Creek, 2017	-	200,000	200,000	-
Total due to City of Salem	<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

LONG-TERM DEBT

Transactions for the year ended June 30, 2017 are as follows:

	Balances July 1, 2016	New Obligations	Matured/ Retired	Balances June 30, 2017	Due in One Year
<u>Tax increment bonds</u>					
Riverfront/Downtown, Series 2009 Bond payable dated Sep 17, 2009, at 4.35%	\$ 2,210,000	\$ -	\$ 235,000	\$ 1,975,000	\$ 245,000
West Salem, Series 2013 Bond payable dated Jul 23, 2013, at 1.90%	613,000	-	613,000	-	-
Riverfront/Downtown, Series 2015A Bond payable dated Aug 27, 2015, at 1.26%	323,000	-	323,000	-	-
Riverfront/Downtown, Series 2015A Bond payable dated Aug 27, 2015, at 1.73%	2,829,000	-	2,676,000	153,000	153,000
<u>Notes</u>					
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001A	3,999,992	284,861	-	4,284,853	305,644
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001B	282,000	-	47,370	234,630	-
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001C	3,772,081	-	-	3,772,081	-
	<u>\$ 14,029,073</u>	<u>\$ 284,861</u>	<u>\$ 3,894,370</u>	<u>\$ 10,419,564</u>	<u>\$ 703,644</u>

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

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.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

Future maturities of long-term debt are as follows:

Year	Riverfront/Downtown		Mill Creek		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017-18	\$ 398,000	\$ 86,156	\$ 305,644	\$ 228,698	\$ 703,644	\$ 314,854
2018-19	260,000	75,255	338,722	323,349	598,722	398,604
2019-20	270,000	63,945	353,034	394,359	623,034	458,304
2020-21	280,000	52,200	387,126	304,465	667,126	356,665
2021-22	295,000	40,020	403,523	288,069	698,523	328,089
2022-27	625,000	41,107	2,289,008	1,168,954	2,914,008	1,210,061
2027-32	-	-	2,766,036	642,242	2,766,036	642,242
2032-37	-	-	1,183,272	194,696	1,183,272	194,696
2037-38	-	-	265,199	10,396	265,199	10,396
Total	\$ 2,128,000	\$ 358,683	\$ 8,291,564	\$ 3,555,228	\$ 10,419,564	\$ 3,913,911

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2017

OTHER INFORMATION

Risk Management

The Agency is provided coverage under the City of Salem self-insurance program. Excess insurance policies are purchased by the City's Self-insurance fund, which include property damage and liability. No insurance claims have been settled in the prior three years that have exceeded policy coverage.

From time to time, the Agency is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the Agency's financial position.

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.

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SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the fiscal year ended June 30, 2017

	Tax Allocation Debt		
	Original/ Final Budget	Actual	Variance¹
Revenues			
Property taxes	\$ 12,528,730	\$ 12,084,850	\$ 443,880
Interest on investments	101,220	223,992	(122,772)
Intergovernmental	-	-	-
Loan payments received	-	-	-
Rents	-	-	-
Other	-	-	-
Total revenues	<u>12,629,950</u>	<u>12,308,842</u>	<u>321,108</u>
Expenditures			
Operations	-	-	-
Debt service	<u>9,715,180</u>	<u>9,706,707</u>	<u>8,473</u>
Total expenditures	<u>9,715,180</u>	<u>9,706,707</u>	<u>8,473</u>
Revenues over (under) expenditures	<u>2,914,770</u>	<u>2,602,135</u>	<u>312,635</u>
Other financing sources (uses)			
Transfers in	-	-	-
Sale of capital assets	-	-	-
Issuance of long-term debt	-	-	-
Issuance of short-term debt	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	2,914,770	2,602,135	312,635
Fund balance, beginning of year	<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>\$ 18,613,088</u>	<u>\$ 430,362</u>

Continued

1 () indicates revenues/expenditures in excess of budget

Tax Allocation Improvements		
Original/ Final Budget	Actual	Variance¹
\$ -	\$ -	\$ -
100,330	206,934	(106,604)
-	494,178	(494,178)
247,210	1,553,596	(1,306,386)
-	10,478	(10,478)
298,590	1,000	297,590
<u>646,130</u>	<u>2,266,186</u>	<u>(1,620,056)</u>
27,589,990	6,683,502	20,906,488
-	-	-
<u>27,589,990</u>	<u>6,683,502</u>	<u>20,906,488</u>
<u>(26,943,860)</u>	<u>(4,417,316)</u>	<u>(22,526,544)</u>
-	-	-
-	-	-
1,227,920	-	1,227,920
5,700,000	5,700,000	-
<u>6,927,920</u>	<u>5,700,000</u>	<u>1,227,920</u>
(20,015,940)	1,282,684	(21,298,624)
<u>20,015,940</u>	<u>20,207,482</u>	<u>(191,542)</u>
<u>\$ -</u>	<u>\$ 21,490,166</u>	<u>\$ (21,490,166)</u>

Salem Convention Center Gain/Loss Reserve		
Original/ Final Budget	Actual	Variance¹
\$ -	\$ -	\$ -
25,600	48,745	(23,145)
-	-	-
-	-	-
-	-	-
-	-	-
<u>25,600</u>	<u>48,745</u>	<u>(23,145)</u>
825,000	262,688	562,312
-	-	-
<u>825,000</u>	<u>262,688</u>	<u>562,312</u>
<u>(799,400)</u>	<u>(213,943)</u>	<u>(585,457)</u>
350,000	304,367	45,633
-	1,625	(1,625)
-	-	-
-	-	-
<u>350,000</u>	<u>305,992</u>	<u>44,008</u>
(449,400)	92,049	(541,449)
<u>4,317,540</u>	<u>4,305,455</u>	<u>12,085</u>
<u>\$ 3,868,140</u>	<u>\$ 4,397,504</u>	<u>\$ (529,364)</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Balance Sheet - Debt Service Fund
June 30, 2017

	Riverfront/ Downtown	Fairview	North Gateway
Assets			
Cash and investments	\$ 2,240,758	\$	\$ 10,992,033
Accounts receivable, net	307,484	-	151,850
 Total assets	 \$ 2,548,242	 \$ -	 \$ 11,143,883
 Liabilities, deferred inflows of resources, and fund balances			
Deferred inflows of resources			
Unavailable revenue	\$ 238,592	\$ -	\$ 118,240
 Fund balances			
Restricted for debt service	2,309,650	-	11,025,643
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 2,548,242	 \$ -	 \$ 11,143,883

Continued

West Salem	Mill Creek Industrial Park	McGilchrist	South Waterfront	Totals
\$ 1,298,547	\$ 2,342,946	\$ 1,173,858	\$ 434,125	\$ 18,482,267
52,768	33,314	26,718	11,248	583,382
<u>\$ 1,351,315</u>	<u>\$ 2,376,260</u>	<u>\$ 1,200,576</u>	<u>\$ 445,373</u>	<u>\$ 19,065,649</u>
\$ 41,151	\$ 25,463	\$ 20,389	\$ 8,726	\$ 452,561
<u>1,310,164</u>	<u>2,350,797</u>	<u>1,180,187</u>	<u>436,647</u>	<u>18,613,088</u>
<u>\$ 1,351,315</u>	<u>\$ 2,376,260</u>	<u>\$ 1,200,576</u>	<u>\$ 445,373</u>	<u>\$ 19,065,649</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Debt Service Fund
For the fiscal year ended June 30, 2017

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Revenues			
Property taxes	\$ 6,518,637	\$ -	\$ 2,760,021
Interest on investments	65,842	-	110,752
Total revenues	6,584,479	-	2,870,773
Expenditures			
Debt service	3,383,397	-	94
Total expenditures	3,383,397	-	94
Revenues over (under) expenditures	3,201,082	-	2,870,679
Other financing sources (uses)			
Transfers out	(4,000,000)	-	(1,500,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(798,918)	-	1,370,679
Fund balance, beginning of year	3,108,568	-	9,654,964
Fund balance, end of year	<u>\$ 2,309,650</u>	<u>\$ -</u>	<u>\$ 11,025,643</u>

Continued

West Salem	Mill Creek Industrial Park	McGilchrist	South Waterfront	Totals
\$ 1,159,440	\$ 734,580	\$ 645,406	\$ 266,766	\$ 12,084,850
12,533	22,024	9,958	2,883	223,992
1,171,973	756,604	655,364	269,649	12,308,842
623,203	13	-	-	4,006,707
623,203	13	-	-	4,006,707
548,770	756,591	655,364	269,649	8,302,135
-	(200,000)	-	-	(5,700,000)
548,770	556,591	655,364	269,649	2,602,135
761,394	1,794,206	524,823	166,998	16,010,953
<u>\$ 1,310,164</u>	<u>\$ 2,350,797</u>	<u>\$ 1,180,187</u>	<u>\$ 436,647</u>	<u>\$ 18,613,088</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Riverfront/Downtown (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 6,919,100	\$ 6,919,100	\$ 6,518,637	\$ 400,463
Interest on investments	14,760	14,760	65,842	(51,082)
Total revenues	<u>6,933,860</u>	<u>6,933,860</u>	<u>6,584,479</u>	<u>349,381</u>
Expenditures				
Debt service				
Principal	7,234,000	7,234,000	7,234,000	-
Interest	150,170	150,170	149,397	773
Total expenditures	<u>7,384,170</u>	<u>7,384,170</u>	<u>7,383,397</u>	<u>773</u>
Excess (deficiency) of revenues over expenditures	(450,310)	(450,310)	(798,918)	348,608
Fund balance, beginning of year	<u>3,185,550</u>	<u>3,185,550</u>	<u>3,108,568</u>	<u>76,982</u>
Fund balance, end of year	<u>\$ 2,735,240</u>	<u>\$ 2,735,240</u>	<u>\$ 2,309,650</u>	<u>\$ 425,590</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Fairview (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Total revenues	\$ -	\$ -	\$ -	\$ -
Total expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

1 () indicates revenues/expenditures in excess of budget at the area level.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - North Gateway (Debt Service Fund)
For fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 2,868,520	\$ 2,868,520	\$ 2,760,021	\$ 108,499
Interest on investments	51,730	51,730	110,752	(59,022)
Total revenues	2,920,250	2,920,250	2,870,773	49,477
Expenditures				
Debt service				
Principal	1,500,000	1,500,000	1,500,000	-
Interest	500	500	94	406
Total expenditures	1,500,500	1,500,500	1,500,094	406
Excess (deficiency) of revenues over expenditures	1,419,750	1,419,750	1,370,679	49,071
Fund balance, beginning of year	9,662,320	9,662,320	9,654,964	7,356
Fund balance, end of year	<u>\$ 11,082,070</u>	<u>\$ 11,082,070</u>	<u>\$ 11,025,643</u>	<u>\$ 56,427</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - West Salem (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 1,149,980	\$ 1,149,980	\$ 1,159,440	\$ (9,460)
Interest on investments	14,500	14,500	12,533	1,967
Total revenues	<u>1,164,480</u>	<u>1,164,480</u>	<u>1,171,973</u>	<u>(7,493)</u>
Expenditures				
Debt service				
Principal	613,000	613,000	613,000	-
Interest	17,310	17,310	10,203	7,107
Total expenditures	<u>630,310</u>	<u>630,310</u>	<u>623,203</u>	<u>7,107</u>
Excess (deficiency) of revenues over expenditures	534,170	534,170	548,770	(14,600)
Fund balance, beginning of year	<u>776,840</u>	<u>776,840</u>	<u>761,394</u>	<u>15,446</u>
Fund balance, end of year	<u>\$ 1,311,010</u>	<u>\$ 1,311,010</u>	<u>\$ 1,310,164</u>	<u>\$ 846</u>

1 () indicates revenues/expenditures in excess of budget at the area level.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Mill Creek Industrial Park (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 773,080	\$ 773,080	\$ 734,580	\$ 38,500
Interest on investments	12,530	12,530	22,024	(9,494)
Total revenues	<u>785,610</u>	<u>785,610</u>	<u>756,604</u>	<u>29,006</u>
Expenditures				
Debt service				
Principal	200,000	200,000	200,000	-
Interest	200	200	13	187
Total expenditures	<u>200,200</u>	<u>200,200</u>	<u>200,013</u>	<u>187</u>
Excess (deficiency) of revenues over expenditures	585,410	585,410	556,591	28,819
Fund balance, beginning of year	<u>1,801,340</u>	<u>1,801,340</u>	<u>1,794,206</u>	<u>7,134</u>
Fund balance, end of year	<u><u>\$ 2,386,750</u></u>	<u><u>\$ 2,386,750</u></u>	<u><u>\$ 2,350,797</u></u>	<u><u>\$ 35,953</u></u>

1 () indicates revenues/expenditures in excess of budget at the area level.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - McGilchrist (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 581,290	\$ 581,290	\$ 645,406	\$ (64,116)
Interest on investments	6,500	6,500	9,958	(3,458)
Total revenues	<u>587,790</u>	<u>587,790</u>	<u>655,364</u>	<u>(67,574)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>533,150</u>	<u>533,150</u>	<u>524,823</u>	<u>8,327</u>
Fund balance, end of year	<u>\$ 1,120,940</u>	<u>\$ 1,120,940</u>	<u>\$ 1,180,187</u>	<u>\$ (59,247)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - South Waterfront (Debt Service Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 236,760	\$ 236,760	\$ 266,766	\$ (30,006)
Interest on investments	1,200	1,200	2,883	(1,683)
Total revenues	<u>237,960</u>	<u>237,960</u>	<u>269,649</u>	<u>(31,689)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	237,960	237,960	269,649	(31,689)
Fund balance, beginning of year	<u>169,480</u>	<u>169,480</u>	<u>166,998</u>	<u>2,482</u>
Fund balance, end of year	<u>\$ 407,440</u>	<u>\$ 407,440</u>	<u>\$ 436,647</u>	<u>\$ (29,207)</u>

1 () indicates revenues/expenditures in excess of budget

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URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Balance Sheet - Capital Projects Fund
June 30, 2017

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Assets			
Cash and investments	\$ 10,897,614	\$ 2,279,236	\$ 4,433,532
Accounts receivable, net	7,716	21,572	948
Notes receivable	<u>2,425,673</u>	<u>535,406</u>	<u>395,825</u>
 Total assets	 <u>\$ 13,331,003</u>	 <u>\$ 2,836,214</u>	 <u>\$ 4,830,305</u>
 Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 110,599	\$ 118,750	\$ 37,207
 Deferred inflows of resources			
Unavailable revenue	<u>2,425,994</u>	<u>556,979</u>	<u>396,498</u>
 Fund balances			
Restricted for capital projects	<u>10,794,410</u>	<u>2,160,485</u>	<u>4,396,600</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 13,331,003</u>	 <u>\$ 2,836,214</u>	 <u>\$ 4,830,305</u>

Continued

West Salem	Mill Creek Industrial Park	McGilchrist	South Waterfront	Total
\$ 1,288,604	\$ 643,281	\$ 1,980,972	\$ 482,708	\$ 22,005,947
-	-	-	-	30,236
-	-	-	-	3,356,904
<u>\$ 1,288,604</u>	<u>\$ 643,281</u>	<u>\$ 1,980,972</u>	<u>\$ 482,708</u>	<u>\$ 25,393,087</u>
\$ -	\$ 256,894	\$ -	\$ -	\$ 523,450
-	-	-	-	3,379,471
<u>1,288,604</u>	<u>386,387</u>	<u>1,980,972</u>	<u>482,708</u>	<u>21,490,166</u>
<u>\$ 1,288,604</u>	<u>\$ 643,281</u>	<u>\$ 1,980,972</u>	<u>\$ 482,708</u>	<u>\$ 25,393,087</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Capital Projects Fund
For the fiscal year ended June 30, 2017

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Revenues			
Interest on investments	\$ 75,174	\$ 25,109	\$ 51,380
Intergovernmental	361,741	-	-
Loan payments received	1,479,119	39,240	35,237
Rents	6,428	-	4,050
Other	-	500	500
	<hr/>	<hr/>	<hr/>
Total revenues	1,922,462	64,849	91,167
Expenditures			
Materials and services	<u>2,348,758</u>	<u>192,156</u>	<u>2,340,201</u>
Excess (deficiency) of revenues over expenditures	<u>(426,296)</u>	<u>(127,307)</u>	<u>(2,249,034)</u>
Other financing sources (uses)			
Transfers in	<u>4,000,000</u>	<u>-</u>	<u>1,500,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,573,704	(127,307)	(749,034)
Fund balance, beginning of year	<u>7,220,706</u>	<u>2,287,792</u>	<u>5,145,634</u>
Fund balance, end of year	<u><u>\$ 10,794,410</u></u>	<u><u>\$ 2,160,485</u></u>	<u><u>\$ 4,396,600</u></u>

Continued

<u>West Salem</u>	<u>Mill Creek Industrial Park</u>	<u>McGilchrist</u>	<u>South Waterfront</u>	<u>Total</u>
\$ 16,783	\$ 8,732	\$ 24,910	\$ 4,846	\$ 206,934
10,541	121,896	-	-	494,178
-	-	-	-	1,553,596
-	-	-	-	10,478
-	-	-	-	1,000
27,324	130,628	24,910	4,846	2,266,186
451,142	812,439	526,890	11,916	6,683,502
(423,818)	(681,811)	(501,980)	(7,070)	(4,417,316)
-	200,000	-	-	5,700,000
(423,818)	(481,811)	(501,980)	(7,070)	1,282,684
1,712,422	868,198	2,482,952	489,778	20,207,482
<u>\$ 1,288,604</u>	<u>\$ 386,387</u>	<u>\$ 1,980,972</u>	<u>\$ 482,708</u>	<u>\$ 21,490,166</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Riverfront/Downtown (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Rents	\$ -	\$ -	\$ 6,428	\$ (6,428)
Intergovernmental	-	-	361,741	(361,741)
Interest on investments	25,000	25,000	75,174	(50,174)
Loan payments received	217,920	217,920	1,479,119	(1,261,199)
Other	298,590	298,590	-	298,590
Total revenues	541,510	541,510	1,922,462	(1,380,952)
Expenditures				
Operations	11,363,550	11,363,550	2,348,758	9,014,792
Excess (deficiency) of revenues over expenditures	(10,822,040)	(10,822,040)	(426,296)	(10,395,744)
Other financing sources (uses)				
Issuance of short-term capital related debt	4,000,000	4,000,000	4,000,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(6,822,040)	(6,822,040)	3,573,704	(10,395,744)
Fund balance, beginning of year	6,822,040	6,822,040	7,220,706	(398,666)
Fund balance, end of year	\$ -	\$ -	\$ 10,794,410	\$ (10,794,410)

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Fairview (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 14,000	\$ 14,000	\$ 25,109	\$ (11,109)
Loan payments received	-	-	39,240	(39,240)
Other	-	-	500	(500)
	<u>14,000</u>	<u>14,000</u>	<u>64,849</u>	<u>(50,849)</u>
Expenditures				
Operations	<u>2,294,290</u>	<u>2,294,290</u>	<u>192,156</u>	<u>2,102,134</u>
Excess (deficiency) of revenues over expenditures	(2,280,290)	(2,280,290)	(127,307)	(2,152,983)
Fund balance, beginning of year	<u>2,280,290</u>	<u>2,280,290</u>	<u>2,287,792</u>	<u>(7,502)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,160,485</u>	<u>\$ (2,160,485)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - North Gateway (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Rents	\$ -	\$ -	\$ 4,050	\$ (4,050)
Interest on investments	25,670	25,670	51,380	(25,710)
Loan payments received	29,290	29,290	35,237	(5,947)
Other	-	-	500	(500)
Total revenues	54,960	54,960	91,167	(36,207)
Expenditures				
Operations	6,652,790	6,652,790	2,340,201	4,312,589
Excess (deficiency) of revenues over expenditures	(6,597,830)	(6,597,830)	(2,249,034)	(4,348,796)
Other financing sources (uses)				
Proceeds of short-term capital related debt	1,500,000	1,500,000	1,500,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(5,097,830)	(5,097,830)	(749,034)	(4,348,796)
Fund balance, beginning of year	5,097,830	5,097,830	5,145,634	(47,804)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,396,600</u>	<u>\$ (4,396,600)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - West Salem (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 10,541	\$ (10,541)
Interest on investments	16,870	16,870	16,783	87
Total revenues	16,870	16,870	27,324	(10,454)
Expenditures				
Operations	1,724,390	1,724,390	451,142	1,273,248
Excess (deficiency) of revenues over expenditures	(1,707,520)	(1,707,520)	(423,818)	(1,283,702)
Fund balance, beginning of year	1,707,520	1,707,520	1,712,422	(4,902)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288,604</u>	<u>\$ (1,288,604)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Mill Creek Industrial Park (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 121,896	\$ (121,896)
Interest on investments	8,790	8,790	8,732	58
Loan payments received	1,227,920	1,227,920	-	1,227,920
Total revenues	1,236,710	1,236,710	130,628	1,106,082
Expenditures				
Operations	2,342,790	2,342,790	812,439	1,530,351
Excess (deficiency) of revenues over expenditures	(1,106,080)	(1,106,080)	(681,811)	(424,269)
Other financing sources (uses)				
Issuance of short-term capital related debt	200,000	200,000	200,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(906,080)	(906,080)	(481,811)	(424,269)
Fund balance, beginning of year	906,080	906,080	868,198	37,882
Fund balance, end of year	\$ -	\$ -	\$ 386,387	\$ (386,387)

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - McGilchrist (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 8,500	\$ 8,500	\$ 24,910	\$ (16,410)
Expenditures				
Operations	<u>2,728,800</u>	<u>2,728,800</u>	<u>526,890</u>	<u>2,201,910</u>
Excess (deficiency) of revenues over expenditures	<u>(2,720,300)</u>	<u>(2,720,300)</u>	<u>(501,980)</u>	<u>(2,218,320)</u>
Fund balance, beginning of year	<u>2,720,300</u>	<u>2,720,300</u>	<u>2,482,952</u>	<u>237,348</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,980,972</u>	<u>\$ (1,980,972)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - South Waterfront (Capital Projects Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 1,500	\$ 1,500	\$ 4,846	\$ (3,346)
Expenditures				
Operations	483,380	483,380	11,916	471,464
Excess (deficiency) of revenues over expenditures	(481,880)	(481,880)	(7,070)	(474,810)
Fund balance, beginning of year	481,880	481,880	489,778	(7,898)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,708</u>	<u>\$ (482,708)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Expenditures by Project - Budget and Actual
For the fiscal year ended June 30, 2017

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Riverfront/Downtown				
682000	Project coordination/support	\$ -	\$ 275,637	\$ -
682005	Conference Center-HUD Sec 108 loan payments	-	97,437	-
682018	Toolbox grant program	-	966,844	-
682023	Marketing for Salem Conference Center	-	291,196	-
682063	Parking structures	-	267,675	-
682074	Signal improvement - Union & Commercial	-	125,000	-
682081	Art pedestals	-	34,142	-
682082	Church & High Streets conversion	-	214,301	-
682083	Streetscape Concepts	-	13,582	-
682084	Streetscape Alley Wayfinding	-	26,651	-
682085	Streetscape-North Block Design	-	9,837	-
682086	Alley Improvements	-	381	-
682087	Left Turn Lane Removals	-	11,138	-
682088	Streetscape-Murals	-	14,937	-
Total Riverfront/Downtown		<u>11,363,550</u>	<u>2,348,758</u>	<u>9,014,792</u>
Fairview				
683000	Project coordination/support	-	34,071	-
683014	PC&S toolbox & grant admin	-	3,085	-
683015	Loan-Gilgamesh 2	-	155,000	-
Total Fairview Industrial Park		<u>2,294,290</u>	<u>192,156</u>	<u>2,102,134</u>
North Gateway				
684000	Project coordination/support	-	167,553	-
684004	N Gtwy-Loan Application Fees	-	383	-
684014	N Gtwy-Bond Pro & Iss Exp	-	180	-
684032	Toolbox grant program	-	1,057,445	-
684041	PC&S toolbox & grant admin	-	5,969	-
684045	Cherry Ave stormwater improvements	-	826,259	-
684046	Food Alternatives Analysis	-	65,393	-
684047	Madras Holdings LLC Loan	-	99,505	-
684048	N Gateway-Streetscape Imprvnts	-	53,536	-
684049	Garten Services Loan	-	63,978	-
Total North Gateway		<u>6,652,790</u>	<u>2,340,201</u>	<u>4,312,589</u>
West Salem				
685000	Project coordination/support	-	92,810	-
685008	Toolbox Grant Program	-	276,583	-
685025	PC&S toolbox & grant admin	-	14,390	-
685028	Business district feasibility study	-	67,359	-
Total West Salem		<u>1,724,390</u>	<u>451,142</u>	<u>1,273,248</u>
Mill Creek Industrial Park				
686000	Project coordination/support	-	121,512	-
686011	SEDCOR contract	-	75,000	-
686022	Mill Crk Parkway/Kuebler Blvd	-	603,499	-
686023	Mill Creek Drive	-	12,428	-
Total Mill Creek Industrial Park		<u>2,342,790</u>	<u>812,439</u>	<u>1,530,351</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Expenditures by Project - Budget and Actual
For the fiscal year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
McGilchrist			
687000 Project coordination/support	-	10,090	-
687002 Design road improvements, 12th to 25th	-	516,800	-
Total McGilchrist	<u>2,728,800</u>	<u>526,890</u>	<u>2,201,910</u>
South Waterfront			
688000 Project coordination/support	-	11,916	-
Total South Waterfront	<u>483,380</u>	<u>11,916</u>	<u>471,464</u>
Total all projects	<u>\$ 27,589,990</u>	<u>\$ 6,683,502</u>	<u>\$ 20,906,488</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Salem Convention Center (Proprietary Fund)
For the fiscal year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Sales, fees, licenses, and permits	\$ 2,390,000	\$ 2,390,000	\$ 3,084,526	\$ (694,526)
Intergovernmental	450,000	450,000	-	450,000
Rents	1,010,000	1,010,000	1,541,436	(531,436)
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	<u>(350,000)</u>	<u>(350,000)</u>	<u>(304,367)</u>	<u>(45,633)</u>
Net change in fund balance	(513,370)	(513,370)	378,816	(892,186)
Fund balance, beginning of year	<u>513,370</u>	<u>513,370</u>	<u>509,636</u>	<u>3,734</u>
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 44

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
Urban Renewal Agency of the 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 Urban Renewal Agency of the City of Salem, Oregon (a component unit of the City of Salem, Oregon) 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 Agency'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 statements 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.**
- **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 Agency 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 Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Restriction on Use

This report is intended solely for the information and use of the Agency Officials and management of the Urban Renewal Agency 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