

Comprehensive Annual Financial Report



For Fiscal Year Ended June 30, 2018

City of Salem, Oregon

CITY OF SALEM, OREGON

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2018

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

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

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

Introductory Section



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

December 13, 2018

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

The City Manager's Office, Budget and Finance Division is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Salem, Oregon (City), for the fiscal year ended June 30, 2018. To the best of our knowledge, and in the opinion of the City's independent auditor, the basic financial statements present fairly, in all material respects, the financial position of the City and the results of operations of the various funds and the component unit in conformity with accounting principles generally accepted in the United States (GAAP).

The City is required by State law to undergo an annual audit and publish, within six months of the close of each fiscal year, a complete set of audited financial statements in conformity with the provisions of Oregon Revised Statutes. The City's basic financial statements have been audited by Grove, Mueller and Swank P.C., a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the above requirements, the audit was also designed to meet the special needs of federal grantor agencies as required by the Single Audit Act and the Office of Management and Budget's Uniform Guidance. These standards require the auditor to report on the fair presentation of the financial statements, as well as the City's internal controls and compliance with legal requirements, with emphasis on the administration of federal and state awards. The report on the City's Single Audit for the fiscal year ended June 30, 2018 indicates no instances of material weakness in the internal control structure and no violations of applicable laws and regulations. Information related to the Single Audit, including a Schedule of Expenditures of Federal Awards, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a Schedule of Findings and Questioned Costs is included in a separately issued Federal Grant Compliance Report.

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

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

CITY PROFILE

The City of Salem, incorporated in 1860, is the capital of the State of Oregon, and the seat of Marion County. It is located in Marion and Polk Counties in the Mid-Willamette Valley and is approximately 45 miles south of Portland, Oregon. Salem has a population of 163,480 and covers 49 square miles. The City operates under a home rule charter available at <http://www.cityofsalem.net/Pages/City-Charter.aspx>. The Charter provides specific and general powers for conducting the City's business through an elected council and appointed city manager. The council-manager form of government separates legislative policy functions from administrative functions.

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

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

Reporting entity

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

Budget process

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

ECONOMIC CONDITIONS AND OUTLOOK

Recent economic performance

Employment levels in many industries improved in 2017, most notably in the areas of construction, and transportation, warehousing and utilities. Nearly all industries increased at least 2.0% over 2016.

In 2017, industries with the highest levels of employment in the Salem Metropolitan Statistical Area (MSA) were educational and health services (26,200 employees), state government (21,300), and local government and schools (20,300).

The average unemployment rate for the Salem MSA improved significantly in 2017, from 5.1% to 4.3%. This level continues to exceed the State of Oregon (4.1%) rate; however, the rate is lower than the national (4.4%) rate.

From 2007 to 2017, nonfarm employment in the Salem MSA has increased from 151,900 to 164,400 (8%). During the same period, the civilian labor force residing within the Salem MSA has increased from 190,237 to 201,998 (6%).

Marion and Polk counties are key agricultural producers. Marion County routinely ranks highest among Oregon counties in agricultural sales, with Polk County often in the top ten. Approximately 40% of Marion County's land and 38% of Polk County's land is used for agricultural production. A similar portion of each county is dedicated to forestry. Marion County is a national leader in many crops including blackberries, raspberries, hazelnuts, hops, grass seed, and Christmas trees.

Long-term financial planning

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

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

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

Economic impact of Oregon Public Employees Retirement System (PERS) future rates –The City's PERS employer contribution rates continue to increase each biennium. City staff continue to monitor the PERS liability and discuss methodologies for meeting this economic challenge. More information on the current rates can be found on page 87 in the notes to the financial statements.

Relevant financial policies

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

Major initiatives

The City's current strategic plan encompasses the vision of: A safe and livable capital city with a sustainable economy and environment that is open to all. The mission of providing fiscally sustainable and quality services to enrich the lives of present and future residents, the quality of the environment and neighborhoods, and the vitality of our economy is informed by the following values:

Opportunity – Salem is proactive and forward thinking

Compassion – Salem is fair, equitable, and safe

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

Accessibility – Salem is open and inclusive

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

In response to the strategic goal of *Affordable Housing, Social Services, and Homelessness*, the Salem Housing Authority and City of Salem have launched a joint community program to assist the "hardest-to-house" individuals in the community. The overall program cost is \$2.9 million annually with the City's portion being \$1.4 million. The funding supports temporary housing and wrap-around services for the program participants.

Critical infrastructure is an issue from the strategic plan. Streets and bridges, and fire stations and equipment have been funded through dedicated, voter-approved bond measures. The city continues to fund approximately \$700,000 per year from the General Fund operating budget to support improvements at City buildings and to information technology infrastructure. However, the level of funding available in operating budgets is insufficient for the City's physical and technological infrastructure. These unmet needs include City buildings and facilities, parks, and sidewalks.

In May 2017, Salem voters approved a \$61.8 million bond to fund a new police facility. During FY 2018 the land was purchased, design has been completed, and the initial site work is underway. Construction will move forward during FY 2019 with an anticipated move in date during FY 2021. This new facility is expected to meet the long-term needs of the community.

In November 2017, Salem voters approved an \$18.6 million bond to fund seismic retrofitting at the Salem Public Library. The project will begin during FY 2019 and is anticipated to be completed during FY 2021.

To ensure that services and programs represent the best use of available resources while delivering outcomes most desired by the community, the City recently initiated Priority Based Budgeting (PBB). This initiative was one of several identified in the strategic plan within the goal area of Sustainable Service Delivery. PBB is an International City/County Management Association and Government Finance Officers Association (GFOA) identified best practice. Clearly identifying what is done, how much it costs, and how it helps to realize the City Council-defined results of Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy; and Welcoming and Livable Community, is the focus of the first year of implementation.

OTHER INFORMATION

Certificate of Achievement

The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salem, Oregon, for its CAFR for the fiscal year ended June 30, 2017. The City has received this award 20 times. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current report continues to meet the standards of the Certificate of Achievement Program, and we are submitting it to GFOA to determine its eligibility for certification.

Acknowledgments

The required financial reports were prepared by the City's Budget and Finance Division, including Anthony Turley, Jeremy Morgan, Denise John, Randal Chittenden, Kimberli Blaylock, and Brett Tieszen. The Finance Division would like to thank all City personnel who contributed to these reports and the members of the City Council, Finance Committee, Budget Committee, City Manager, and Deputy City Manager for their interest and support in the professional and progressive management of the financial operations of the City. Preparation of these reports would not have been successful without their support.

Respectfully submitted,



Anthony Turley, CPA
Financial Reporting Manager
City of Salem, Oregon





Government Finance Officers Association

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

Presented to

**City of Salem
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

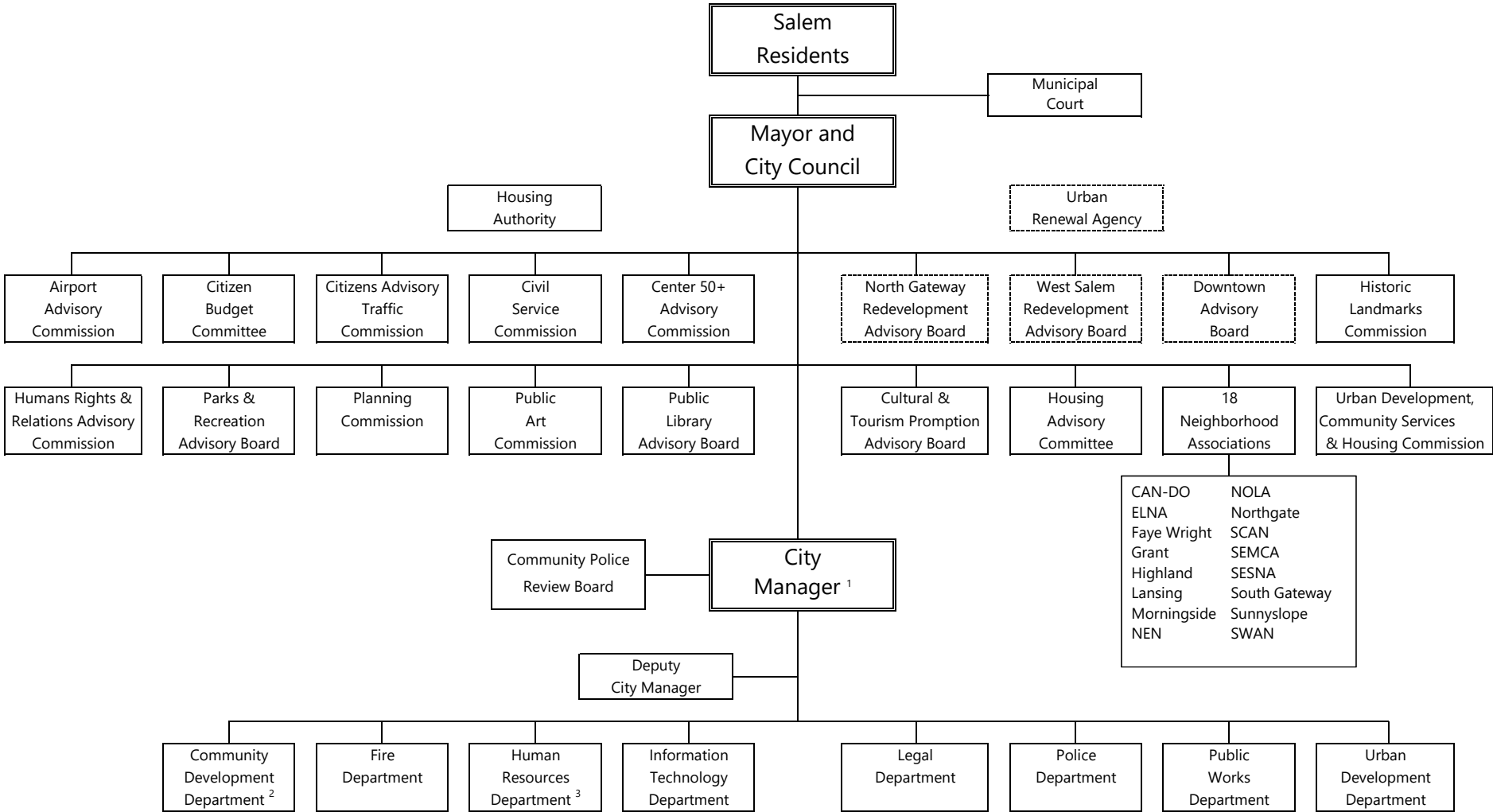
June 30, 2017

Christopher P. Morrell

Executive Director/CEO

Organization of the City of Salem, Oregon

July 1, 2018



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

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

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

CITY OF SALEM, OREGON

CITY COUNCIL

<u>Ward No.</u>	<u>Name</u>	<u>Term Expires December 31,</u>
Mayor	Chuck Bennett	2018
1	Cara Kaser	2020
2	Tom Andersen	2018
3	Brad Nanke	2020
4	Steve McCoid	2018
5	Matt Ausec	2020
6	Chris Hoy	2018
7	Sally Cook	2020
8	Jim Lewis	2018

ADMINISTRATIVE STAFF

City Manager: Steve Powers

All correspondence for persons listed above may be sent to:

City of Salem
555 Liberty St SE, Room 220
Salem, OR 97301-3513



Financial Section



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Salem
555 Liberty Street SE
Salem, Oregon 97301

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, budgetary comparison of the General fund and Community Renewal fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the defined benefit pension plan (PERS) schedule, the schedule of the changes in total other post-employment benefits liability and related ratios - implicit rate subsidy, and the defined benefit pension plan (RHIA) schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis, PERS schedules and OPEB schedules described in the preceding paragraph in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

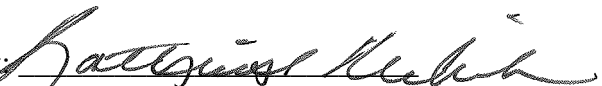
In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with

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

Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 12, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and results of that testing and not to provide an opinion on compliance.

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

By: 
Katherine R. Wilson, CPA, A Shareholder
December 12, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

This discussion and analysis of the City of Salem's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter (beginning on page 1), basic financial statements (beginning on page 33), and notes to the financial statements (beginning on page 60).

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of fiscal year 2017-18 is \$1.2 billion. Of this amount, \$(11.4) million is the unrestricted. This is negative due to pension and other post-employment benefits (OPEB) liabilities.
- The increase in net position of \$48.4 million represents a \$21.5 million increase from governmental activities and a \$26.9 million increase from business-type activities.
- The increase of \$20.9 million in capital assets represents an increase for governmental purposes of \$19.3 million and an increase in business-type of \$1.6 million. The governmental increase primarily represents increased streets infrastructure and additions to fleet inventory. The increase in business-type capital assets is the result of utility system infrastructure additions net of current year depreciation (see the Capital Asset discussion on page 25 for more details).
- Long-term liabilities increased \$45.2 million from the previous year. This represents an increase in governmental liabilities of \$66.0 million and a decrease of \$20.8 million in business-type liabilities. The governmental increase primarily reflects the issuance of bonds to construct a new police facility and seismically retrofit the library building. These two amounts account for \$92.0 million of the long term debt. This is offset by the pay down of \$24.5 million in streets/bridges and fire bonds. The business-type liabilities were decreased by pay downs of water and sewer revenue bonds.
- The government-wide statements reflect the financial aspects of pension liabilities and the resources available to pay them. The government-wide statements report a net pension liability of \$127.8 million, deferred outflows of \$46.1 million and deferred inflows increase of \$4.0 million, with a net increase to expenses of \$12.0 million. (See the PERS note on page 84 for more details.)
- The government-wide statements reflect the financial aspects of other post-employment benefit (OPEB) liabilities and the resources available to pay them. The government-wide statements report a net OPEB liability of \$13.0 million, deferred outflows of \$0.4 million and deferred inflows of \$0.8 million, with a net increase to expenses of \$0.2 million. (See the RHIA and OPEB note beginning on page 90 for more details.)
- On a fund basis, governmental funds reported a combined ending fund balance of \$204.6 million. Of this amount, a total of \$40.4 million (19.8%) is either committed, assigned, or unassigned and available to fund ongoing activities. The remaining fund balance of \$164.1 million (80.2%) is either restricted or non-spendable. This represents an increase of \$88.5 million, primarily for funds restricted to capital construction. The overall increase in fund balance of \$86.7 million is primarily composed of a decrease of \$1.5 million in the General fund due to increased public safety costs, an increase of \$77.8 million in the Capital Improvements fund due to the bond issuances noted above, an increase of \$14.2 million in the Tax Allocation Improvements fund due to issuance of short term loans, an increase in the Community Renewal fund of \$1.9 million due to reporting a debt service escrow deposit, and a decrease of \$5.6 million in nonmajor funds due to transfer of Urban Renewal duJour loan proceeds to the Tax Allocation Improvements fund.
- At year-end, the unassigned fund balance in the General fund was \$24.2 million, or 21.6% of total General fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide financial statements (pages 33-35). The government-wide statements present the financial picture of the City from the economic resources measurement focus, using the accrual basis of accounting, which is similar to that used by private-sector companies.

The *Statement of Net Position* and the *Statement of Activities* report financial information about the City as a whole and about its activities. These statements include all assets and deferred outflows of the City as well as all liabilities and deferred inflows. These statements reflect all revenue and expense regardless of when the cash transaction occurs. Additionally, certain eliminations have occurred as prescribed by GASB Statement 34 in regards to interfund activity, payables, and receivables. These two statements report the City's net position, and the change in net position. Net position is the residual of assets and deferred outflows less liabilities and deferred inflows. Net position is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure. These statements separate City activities as follows:

Governmental activities – The City reports most of its basic services in this category including General Government, Public Safety, Transportation Services, Community Development, Community Services, and the Library. Property taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

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

Fund financial statements (pages 38-48 and 50-56). The fund financial statement section includes statements for each of the three basic fund types: governmental, proprietary, and fiduciary.

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

Governmental fund information measures the change in available financial resources to finance the City's programs in the near future. A reconciliation follows each of the governmental fund financial statements to explain the differences between the statement and the corresponding government-wide statement created by the latter's integrated approach.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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

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

Notes to the financial statements (pages 60-96). The notes provide additional, essential information regarding the data provided in the government-wide and fund financial statements. For a fuller understanding of the financial statements, read the notes in conjunction with them.

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

Required supplementary information (RSI) (pages 97-99). This section presents information about the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Supplemental information (pages 103-153). This section includes combining statements of nonmajor governmental funds, nonmajor business-type funds, internal service funds, and changes in assets and liabilities of agency funds, as well as budgetary comparison schedules not shown as part of the basic financial statements.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Analysis

The following paragraphs provide an analysis of the City's overall financial position and results of operations. The analysis presents dollars in millions to reduce the complexity. Insignificant rounding differences may exist between amounts presented here and amounts in the financial statements and the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

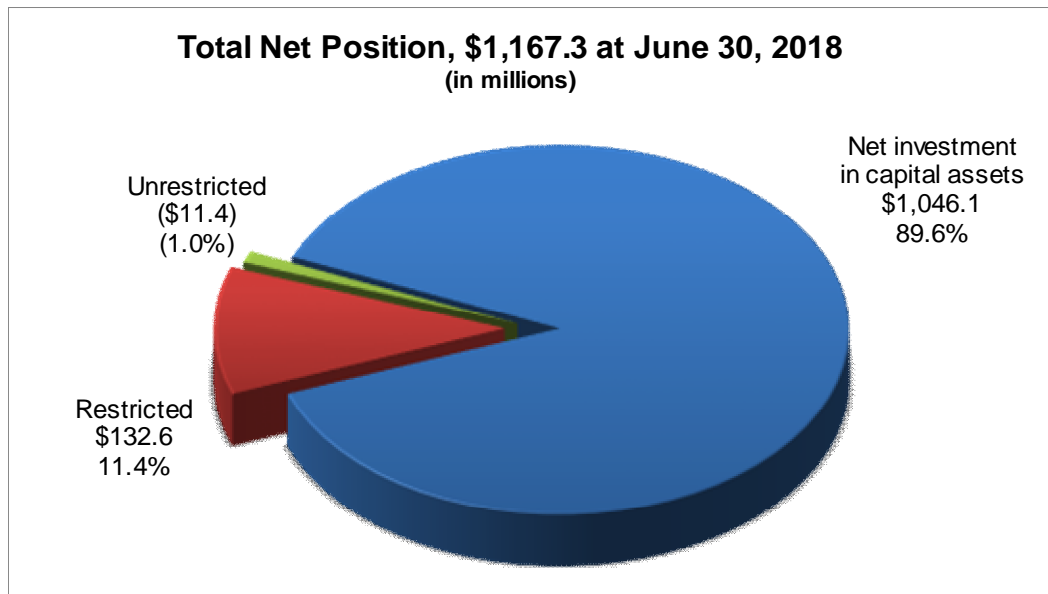
Financial Position

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

Statement of Net Position as of June 30, 2018
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Cash and investments	\$ 245.4	\$ 161.1	\$ 81.1	\$ 67.4	\$ 326.5	\$ 228.5
Other assets	28.7	23.5	34.7	36.3	63.4	59.8
Capital assets	561.8	542.5	661.6	660.0	1,223.4	1,202.5
Total assets	<u>835.9</u>	<u>727.1</u>	<u>777.4</u>	<u>763.7</u>	<u>1,613.3</u>	<u>1,490.8</u>
Deferred outflows of resources	34.1	55.4	17.5	24.4	51.6	79.8
Other liabilities	11.4	12.7	5.3	5.0	16.7	17.7
Long-term liabilities	324.8	258.8	151.3	172.1	476.1	430.9
Total liabilities	<u>336.2</u>	<u>271.5</u>	<u>156.6</u>	<u>177.1</u>	<u>492.8</u>	<u>448.6</u>
Deferred inflows of resources	3.4	2.3	1.4	1.0	4.8	3.3
Net position:						
Net investment in capital assets	486.2	469.7	559.9	541.5	1,046.1	1,011.2
Restricted	101.2	90.9	31.4	21.2	132.6	112.1
Unrestricted	(57.0)	(51.9)	45.6	47.3	(11.4)	(4.6)
Total net position	<u>\$ 530.4</u>	<u>\$ 508.7</u>	<u>\$ 636.9</u>	<u>\$ 610.0</u>	<u>\$ 1,167.3</u>	<u>\$ 1,118.7</u>

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



The City ended the year with a net position of \$1.2 billion. \$1.0 billion, or 89.6% of this amount represents the City's net investment in capital assets. This includes all capital assets (land, buildings, infrastructure, improvements, and machinery and equipment, net of accumulated depreciation) plus related deferred inflows and less related outstanding debt used to acquire the assets. The City uses these capital assets to provide services to citizens and consequently they are not available for future spending. Although the City reports investment in capital assets as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate the liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

An additional portion of net position, \$132.6 million, or 11.4%, represents resources that are subject to external restrictions on how they may be used, such as debt service or capital projects. The remaining balance of unrestricted net position totals a negative \$11.4 million, or -1.0%. The unrestricted net position is comprised of a negative \$57.0 million for governmental activities and a positive \$45.6 million for business type activities.

Governmental Activities. The total net position from governmental activities increased \$21.5 million, or 4.3%. The Statement of Net Position shows significant changes as an increase of \$84.3 million in cash and investments, a \$19.3 million increase in capital assets, a \$5.2 million increase in other assets due to accounts receivable and assessments receivable, a \$66.0 million increase in long-term debt, and \$21.3 million decrease in deferred outflows related to pension and OPEB obligations.

Business-type Activities. The total net position of business-type activities increased \$26.9 million, or 4.4%. The most significant changes on the Statement of Net Position are an increase in cash and investments of \$13.7 million, a decrease in long-term debt of \$20.8 million, and a decrease of deferred outflows of \$6.9 million due to changes related to pension and OPEB obligations.

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

The unrestricted net position balance measures the well-being of the City and its governmental and business-type activities in a corporate-style method. While the City Council and administration (City Manager and Department Heads) may have made varying commitments against these balances, these choices are subject to revision. The types of commitments shown as follows are the normal types:

- Encumbrances – Represents an existing contract to purchase or acquire an item or construct a capital project after the June 30 financial statement date.
- Project Commitment – Represents a tentative pre-contract commitment and a related project budget established, for a significant capital or maintenance effort (third party contractor not yet hired).
- Working Capital – Available monies set aside to ensure the normal and ordinary conduct of business (the payment of bills and salaries) given certain cyclical flows of revenue.
- Other – Various tentative commitments such as pending legislative/judicial decisions, future capital projects, or emergency reserves.

Results of Operations

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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

	Governmental Activities		Business-type Activities		Total Primary	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charge for services	\$ 43.2	\$ 38.9	\$ 115.9	\$ 110.0	\$ 159.1	\$ 148.9
Operating grants and contrib.	13.9	14.0	-	-	13.9	14.0
Capital grants and contrib.	17.5	11.3	16.9	18.2	34.4	29.5
General revenues						
Taxes and franchise fees	117.0	108.8	-	-	117.0	108.8
Shared state tax revenue	6.3	5.2	-	-	6.3	5.2
Interest	3.3	1.9	1.4	0.8	4.7	2.7
Other	1.9	1.7	4.8	16.5	6.7	18.2
Total revenues	<u>203.1</u>	<u>181.8</u>	<u>139.0</u>	<u>145.5</u>	<u>342.1</u>	<u>327.3</u>
Program expenses						
General government	23.3	21.5	-	-	23.3	21.5
Public safety	79.5	76.7	-	-	79.5	76.7
Community development	26.0	28.8	-	-	26.0	28.8
Community services	11.5	10.1	-	-	11.5	10.1
Transportation	30.7	33.6	-	-	30.7	33.6
Library services	4.2	5.0	-	-	4.2	5.0
Interest on long-term debt	7.6	5.5	-	-	7.6	5.5
Utility	-	-	94.6	88.1	94.6	88.1
Emergency services	-	-	0.7	0.8	0.7	0.8
WVPS communications center	-	-	10.9	10.9	10.9	10.9
Police Regional Records	-	-	0.3	0.3	0.3	0.3
Salem Convention Center	-	-	4.6	4.5	4.6	4.5
Total expenses	<u>182.8</u>	<u>181.2</u>	<u>111.1</u>	<u>104.6</u>	<u>293.9</u>	<u>285.8</u>
Excess before special items and transfers	20.3	0.6	27.9	40.9	48.2	41.5
Transfers	1.1	0.6	(1.1)	(0.6)	-	-
Change in net position	<u>21.4</u>	<u>1.2</u>	<u>26.8</u>	<u>40.3</u>	<u>48.2</u>	<u>41.5</u>
Net position - beginning	508.7	507.5	610.0	569.7	1,118.7	1,077.2
Prior Period Adjustment	0.3	-	0.1	-	0.4	-
Net position - ending	<u>\$ 530.4</u>	<u>\$ 508.7</u>	<u>\$ 636.9</u>	<u>\$ 610.0</u>	<u>\$ 1,167.3</u>	<u>\$ 1,118.7</u>

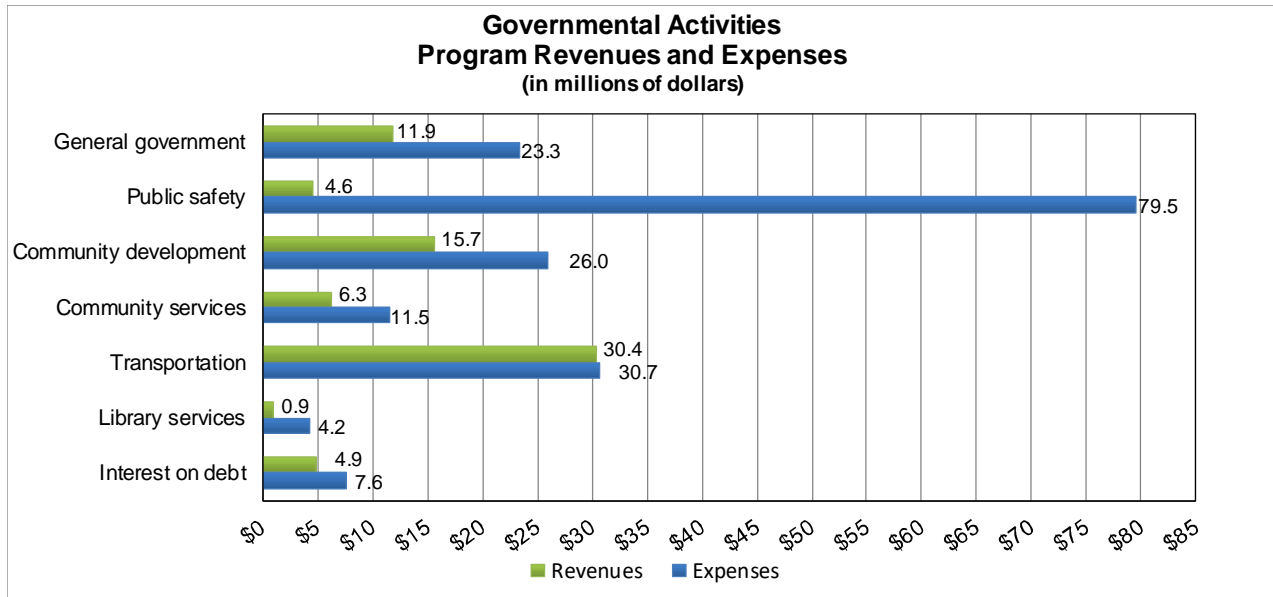
See the Statement of Activities (pages 34-35) for more detailed information.

Governmental Activities. The governmental net position before transfers increased \$20.3 million compared with an increase of \$0.6 million in the prior year. The increased change in net position over the prior year's change is primarily related to the following activity.

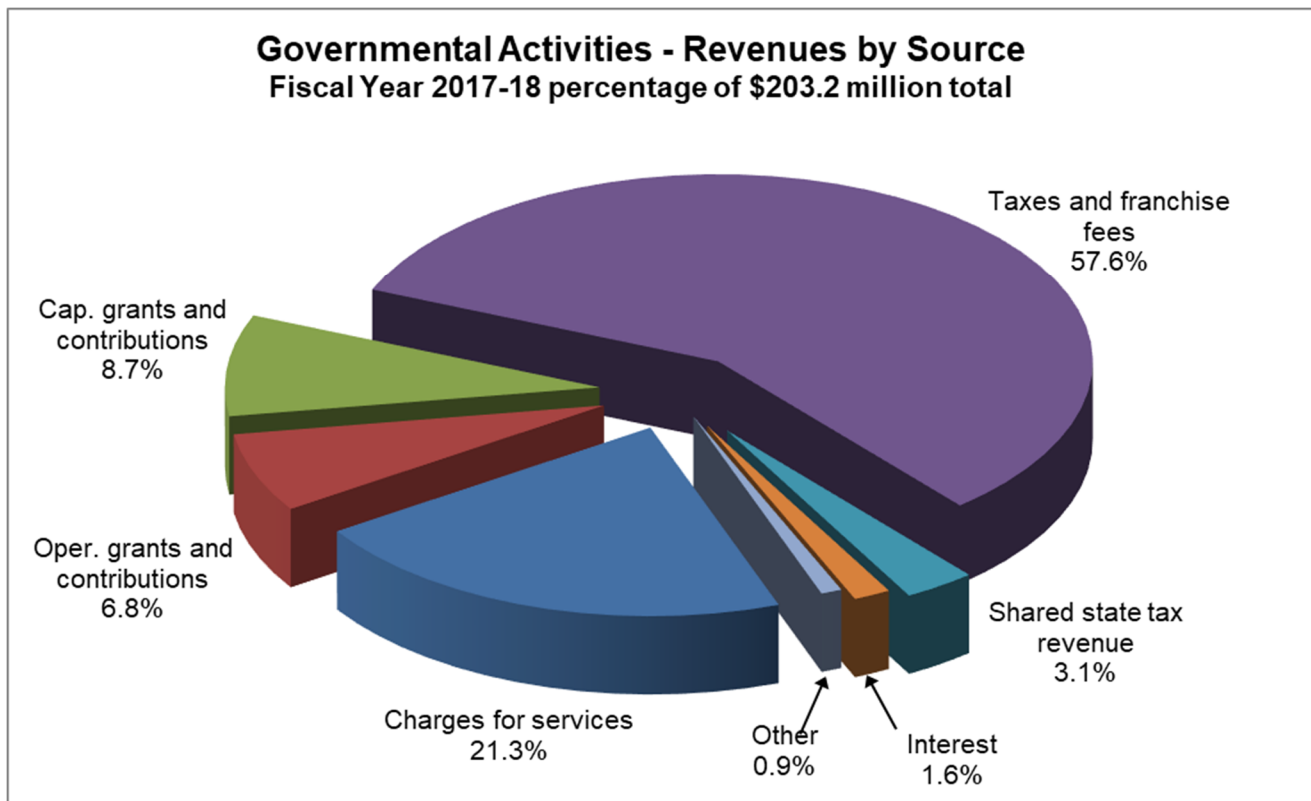
- Program revenues increased \$4.3 million in charges for services, primarily related to a \$2.0 million payment for shared construction costs, increased building permit revenue, and a general increase in service revenue. Capital grants and contributions increased \$6.3 million, mainly from developer donated streets infrastructure.
- General revenues increased \$10.9 million, mainly in property taxes, interest, and franchise fees. Property assessed value and the debt levy both increased. Funds held from bond issuance combined with increased interest rates have greatly improved investment income.
- Program expenses increased by \$1.6 million. Increases in Public Safety of \$2.8 million were offset by a reduction in Community Development and Community Services of \$1.4 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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



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

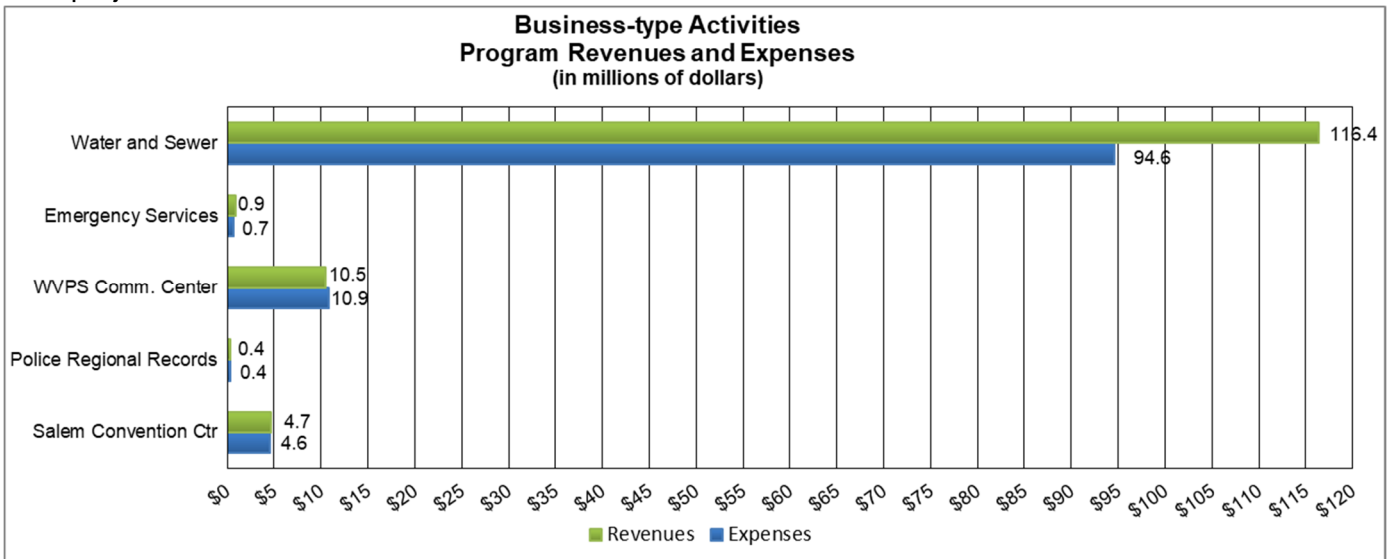


MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

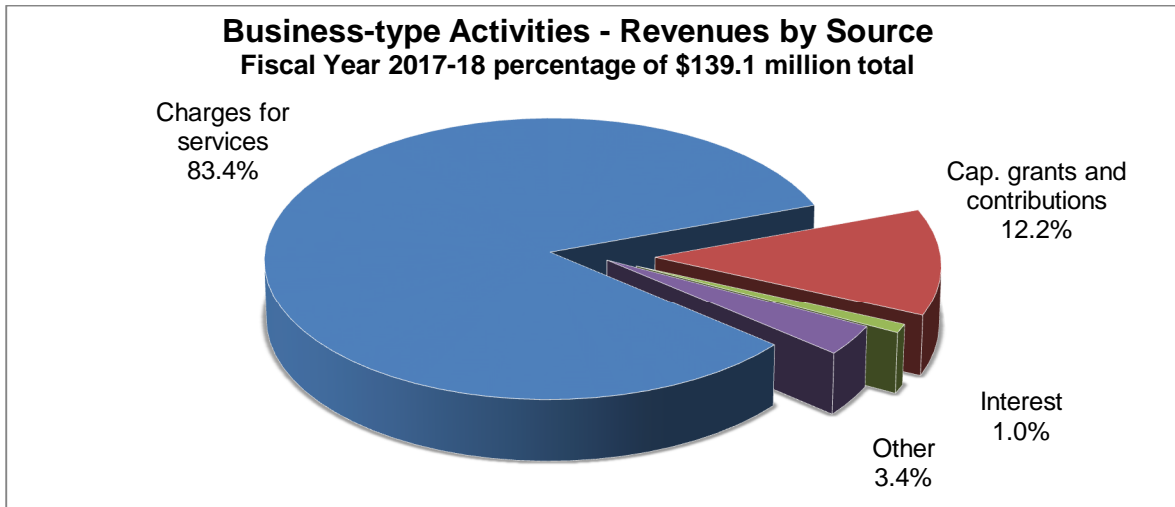
Business-type Activities. The table on page 18 shows the City's net position from business-type activities increased by \$27.9 million before transfers. This is \$13.0 million less than the prior year's change and is primarily related to the following activity.

- Other revenues decreased \$11.7 million due to the sale of water rights in 2016-17.
- Charges for services for Water/Sewer increased \$5.2 million while program expenses for Water/Service increased by \$6.5 million.

The following chart compares revenues and expenses of business-type activities. Revenues include capital grants and developer donated infrastructure. In comparison to governmental activities, business-type activities typically recover their operating, debt service, and capital costs through program revenues. Net utility revenue provides funds for utility infrastructure capital projects.



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



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Fund-based Financial Analysis

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

Governmental Funds. At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$204.6 million, an increase of \$86.7 million, or 73.6%, from last year. The unassigned General fund balance of \$23.0 million, or 11.2% of the total governmental fund balance, is available for spending at the City's discretion. The remainder of the balance is constrained as follows: restricted to capital projects, debt service, or with other donor or legal restrictions is \$164.1 million, or 80.2%. Committed fund balances are \$16.2 million, or 7.9%. Assigned fund balances, representing encumbrances, are \$1.2 million, or 0.6%.

The total General fund balance decreased \$1.5 million, from \$25.7 million to \$24.2 million. Total revenues increased 5.1% or \$5.4 million. This increase was primarily \$2.1 million from property taxes and \$2.8 million from intergovernmental revenue. Total expenditures increased \$7.0 million, primarily in public safety personal services of \$4.5 million due to normal pay increases and reopening a fire station, \$1.2 million in general government, and \$1.0 million in community services. The total ending fund balance is 19.5% of the fiscal year 2018-19 budgeted fund revenues and complies with the ending fund balance/reserve policy adopted by the Council.

Capital Improvements fund balance increased \$77.8 million, from \$13.8 million to \$91.6 million. This was primarily due to issuance of bonds for the construction of a new police facility and seismic retrofit of the library building.

Tax Allocation Improvements fund balance increased \$14.2 million. This change was primarily due to increased transfers-in related to duJour loans, which exceeded construction expenditures and grant disbursements in the North Gateway and Riverfront urban renewal areas. Construction and grant activity decreased in the McGilchrist and Mill Creek areas from the prior year.

Proprietary Funds. At June 30, 2018, the City's enterprise funds reported a combined net position of \$632.8 million (excluding the internal service consolidation adjustment), an increase of \$25.9 million primarily due to the Utility Fund. Internal service funds increased \$6.9 million to a net position of \$51.1 million.

The Utility fund net position increased \$26.5 million, from \$580.8 million to \$607.4 million. At June 30, 2018, \$534.9 million is the net investment in capital assets, \$31.4 million is restricted for capital projects, and \$41.0 million is unrestricted. Of the unrestricted funds, \$20.9 million is designated by management as a 120-day operating reserve, including \$6.9 million designated for rate stabilization. The remaining unrestricted balance includes additional funding set aside for the completion of capital projects. The increase in net position was primarily generated by operating income of \$13.7 million, non-operating revenues of \$3.3 million, infrastructure construction and developer contributed assets of \$17.0 million, and \$7.0 million debt service interest.

The City Services and Equipment Replacement Reserve funds combined net position increased \$5.5 million. This was primarily generated by \$3.5 million operating income and a net of \$1.9 million in capital asset transfers and contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Budgetary Highlights

The following is a brief review of the changes from the originally adopted budget to the final amended budget, and differences between the final budget and actual activity for the General fund. See the budget and actual comparison on pages 46-47 for more detailed information.

General Fund

There were six changes from the original adopted budget to the final budget:

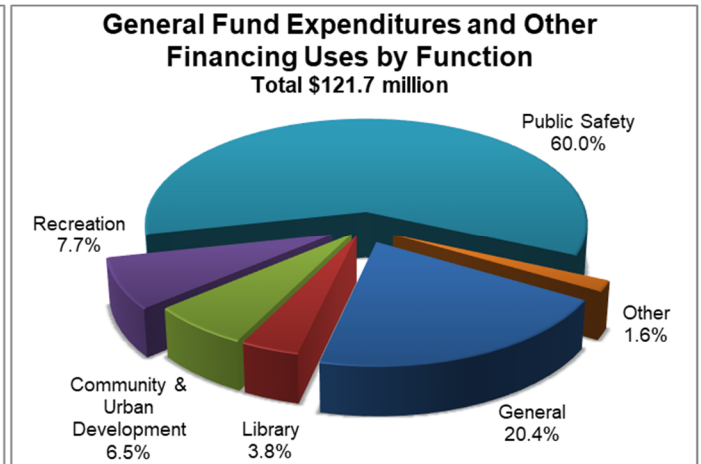
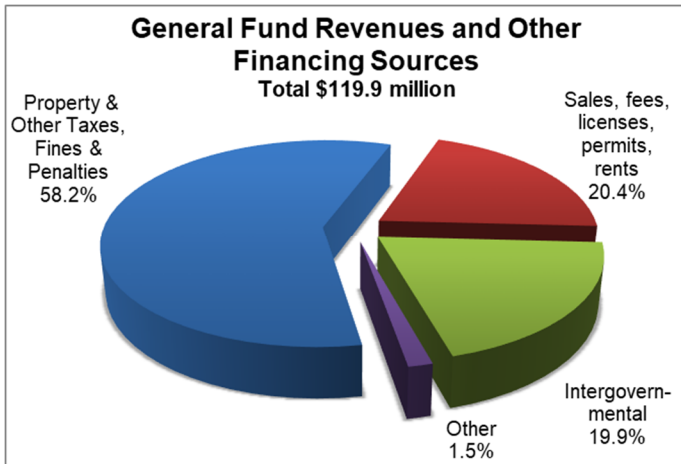
- Transfer of \$500,000 from non-departmental capital outlay to non-departmental interfund transfers to manage asset maintenance funding in the Capital Improvements Fund,
- Transfer of \$28,000 from non-departmental contingencies to Recreation Services materials and services to provide security services at Center 50+,
- Transfer of \$85,000 from non-departmental contingencies to City Manager's Office materials and services to implement Priority Based Budgeting
- Transfer of \$15,000 from non-departmental contingencies to City Manager's Office materials and services to provide funding for participating in an ICMA capstone project
- Transfer \$350,000 from non-departmental materials and services to the Capital Improvement fund to replace domestic water lines at City Hall in fiscal year 2018-19
- Transfers to ensure budgetary compliance:
 - \$127,800 from non-departmental contingencies to Parks Operations
 - \$100,000 from non-departmental contingencies to Police Patrol
 - \$150,000 from non-departmental contingencies to non-departmental materials and services
 - \$270,900 from non-departmental capital outlay to non-departmental materials and services

Differences between actual results and the final amended budget resulted in the General fund balance ending \$10.4 million greater than originally budgeted. This is primarily due to:

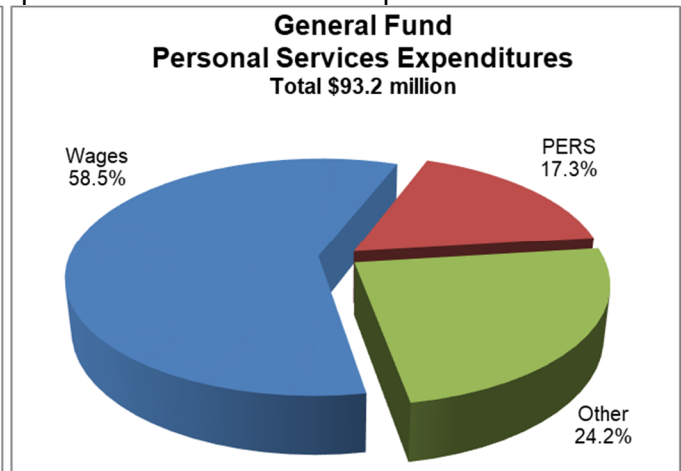
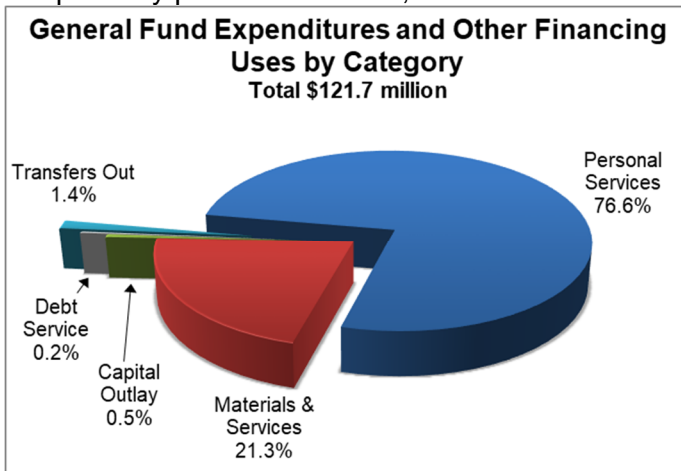
- \$0.4 million larger than budgeted beginning balance due to prior year spending reductions
- \$1.0 million higher than budgeted state and local marijuana sales tax
- \$1.1 million higher than budgeted in intergovernmental revenues
- \$4.3 million less than budgeted in personal services consisting of:
 - \$2.0 million in wages/salaries for temporarily unfilled positions
 - \$2.3 million in benefits, including \$1.0 million in medical insurance and \$0.9 million in pension contributions
- \$1.2 million less than budgeted in materials and services throughout the city
- \$2.4 million in unspent contingency

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

The following charts show the current year revenues and expenditures, by function, of the General fund. The charts reflect that taxes are the primary source of revenue and public safety is the largest expenditure. Other revenue includes inter-fund loan payments and transfers in. General expenditures include all administrative, legal, and non-divisional costs. Other expenditures include capital outlay, debt service, and transfers out.



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



Capital Assets

As of June 30, 2018, the City had invested \$1.2 billion in capital assets, as summarized in the following table. This represents a net increase (including additions, deductions, and depreciation) of \$20.9 million, or 1.8%, from the prior year. Governmental assets increased \$19.3 million, primarily in streets infrastructure. The business-type increase of \$1.6 million is utility infrastructure additions exceeding depreciation.

Additional information on capital assets is in the notes to the financial statements (pages 72-73).

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land, land improvements, and art	\$ 251.4	\$ 242.7	\$ 18.8	\$ 17.8	\$ 270.2	\$ 260.5
Buildings	38.9	40.2	22.5	23.2	61.4	63.4
Improvements	23.1	23.6	-	-	23.1	23.6
Equipment and machinery	6.0	7.2	0.6	0.5	6.6	7.7
Vehicles	14.5	11.7	-	-	14.5	11.7
Infrastructure	157.8	155.7	-	-	157.8	155.7
Utility systems	-	-	596.4	597.4	596.4	597.4
Work-in-progress	70.1	61.4	23.5	21.1	93.6	82.5
Total	<u>\$ 561.8</u>	<u>\$ 542.5</u>	<u>\$ 661.8</u>	<u>\$ 660.0</u>	<u>\$ 1,223.6</u>	<u>\$ 1,202.5</u>

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

Change in Capital Assets for the Fiscal Year Ended June 30, 2018
(in millions)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 542.5	\$ 660.0	\$ 1,202.5
Additions	36.9	20.7	57.6
Retirement	(1.5)	(0.4)	(1.9)
Accumulated depreciation	(16.1)	(18.5)	(34.6)
Ending balance	<u>\$ 561.8</u>	<u>\$ 661.8</u>	<u>\$ 1,223.6</u>

The City depreciates all its capital assets except for land, land improvements, art, and work-in-progress. Land includes all land, easements, and rights-of-way owned by the City. Work-in-progress represents multi-year construction projects that are assigned to the appropriate category of capital assets when completed.

Debt Outstanding

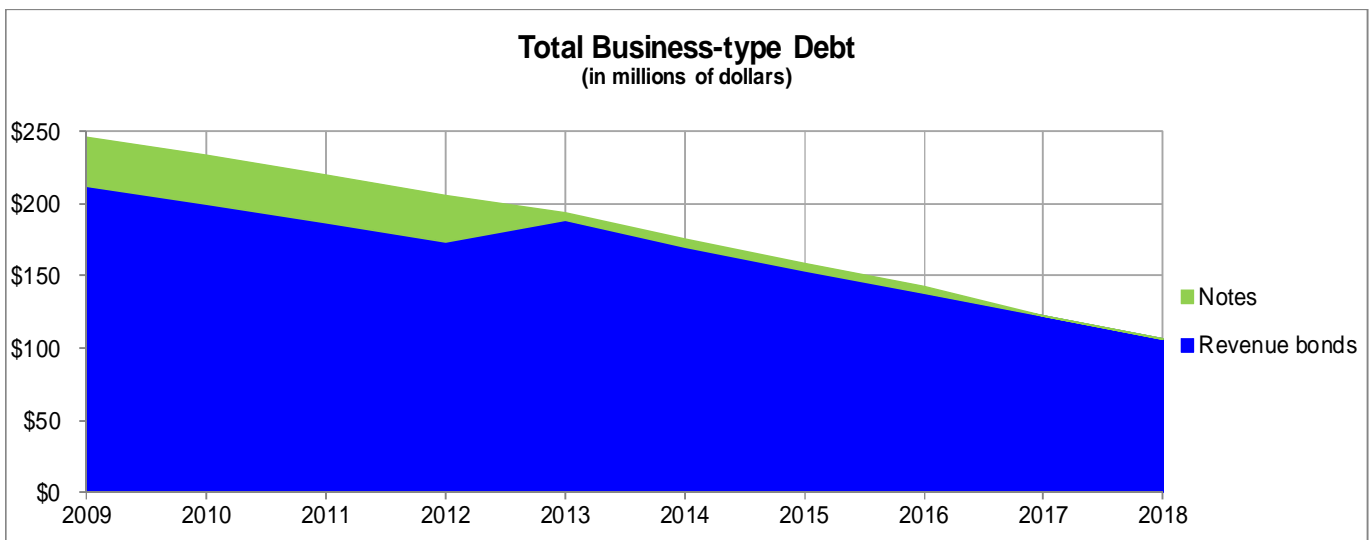
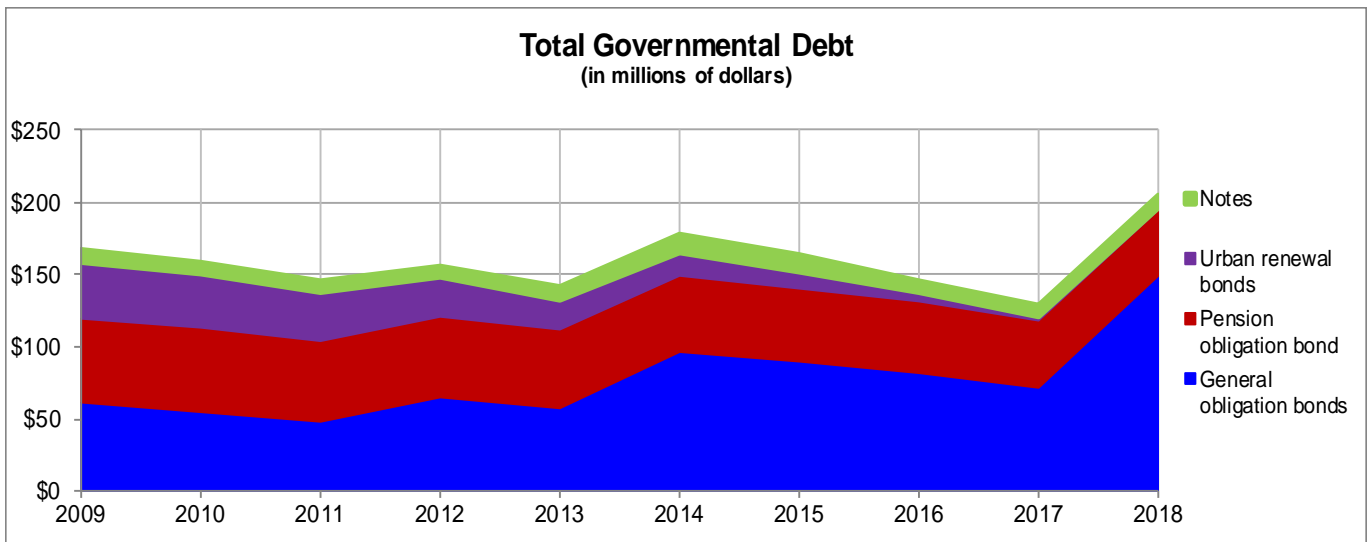
As of June 30, 2018, the City had a total of \$303.2 million in outstanding long-term debt, compared to \$245.0 million last year, a 23.8% net increase, as illustrated in the following table.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Outstanding Debt as of June 30,
(in millions)

	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Bonds:						
General obligation	\$ 149.9	\$ 71.7	\$ -	\$ -	\$ 149.9	\$ 71.7
Revenue	-	-	106.4	118.9	106.4	118.9
Pension obligation	44.2	46.8	-	-	44.2	46.8
Urban Renewal	1.7	2.1	-	-	1.7	2.1
Notes	9.5	8.4	-	-	9.5	8.4
Total outstanding debt	\$ 205.3	\$ 129.0	\$ 106.4	\$ 118.9	\$ 311.7	\$ 247.9

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



Additional information on the City's debt is in the notes to the financial statements (pages 76-79) and supplemental information (pages 156-158).

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Debt Administration – Since 1995, the City has had debt policies that provide guidance in the issuance of long and short-term indebtedness. These policies govern all types of indebtedness, including general obligations, revenue bonds, and lease purchase financings. Oregon Revised Statutes impose a limit on non-self-supporting general obligation (GO) debt of 3.0% of the real market value (RMV) of all taxable property within the City's boundaries. The City has adopted a more stringent limit of 1.5% of RMV. The actual level of GO debt on June 30, 2018 was 0.86% of RMV. The actual levy for GO debt was \$1.1500 per \$1,000 of assessed valuation for 2017-18.

The ratio of bonded debt to real market value and the amount of bonded debt per capita are indicators of the City's debt position and are of interest to management, citizens, creditors, and investors. The following table shows data for the City at the end of the fiscal year.

Debt Per Capita, and as a Percent of Real Market Value (RMV)
As of June 30, 2018

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
Population (2017)	163,480		
2016-17 Measure 5 RMV	\$ 16,198,654,069	\$ 99,086	-
Total bonded debt outstanding	282,406,418 *	1,727	1.74%
Net direct GO debt	138,891,418 *	850	0.86%
Net overlapping debt	260,146,981	1,591	1.61%
Net direct and overlapping debt	399,038,399	2,441	2.46%

*Excludes issuance premium

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2018-19 Adopted Budget - The annual budget for fiscal year 2018-19 for all funds anticipates a personal services increase of 5.3%, materials and services increase of 36.0%, capital outlay increase of 7.6%, debt service decrease of 8.0%, and transfers increase of 5.9%.

Personal services increases include the addition of 26.5 positions over all funds. The most significant additions are in the fire department (12), utility fund (7.5), information technology (3) and community services (3). Cost increases also include salary changes for market adjustments, collective bargaining agreements, and merit pay increases, and an increase in health benefit costs.

Interfund transfers to construction funds for capital construction costs are increased by 10.7%.

The budget anticipates a 5.7% increase in property tax receipts as a result of decreased property tax compression and an anticipated assessed property value increase of 4.1%. Receipts were also expected to increase due to the increase in levy for general obligation debt service for the police facility and library remodel.

Utility Fund – The Council adopted a new financial policy for the Utility fund in April 2014. This policy guides forecasting and rate proposals to maintain a fiscally healthy utility fund able to operate on a cash basis. The policy includes operating and debt reserves, debt coverage ratios, capital funding strategies, and parameters for rate development. This allows the City to minimize proposed rate increases while continuing to fund debt service, operations, capital investments identified in the Capital Improvement Program, and reserves for operations and debt. In October, 2016 the Council approved increases for City provided utilities that included 3% increases in January 2017 and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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

Rating Agency	General Obligation	Utility Revenue	Full Faith and Credit
Moody's	Aa2	Aa2	-
Standard & Poor's	AA	AA	AA

GO bond ratings were last affirmed by Moody's in February 2018. Utility bonds were rated Aa2 in June 2017. Moody's comments regarding the City's strong GO bond ratings included the City's:

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

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

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

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

FINANCIAL CONTACT

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



Basic Financial Statements



City of Salem, Oregon
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 239,874,441	\$ 48,784,003	\$ 288,658,444
Accounts receivable, net	30,728,097	14,552,342	45,280,439
Due from other governmental agencies	117,758	45,790	163,548
Internal balances	(6,797,333)	6,797,333	-
Inventories and prepayments	1,002,013	1,005,207	2,007,220
Total current assets	<u>264,924,976</u>	<u>71,184,675</u>	<u>336,109,651</u>
Noncurrent assets			
Restricted cash and investments	5,521,882	32,293,611	37,815,493
Notes receivable	-	9,085,917	9,085,917
Assessments receivable	3,432,982	3,167,855	6,600,837
Net OPEB asset	237,557	104,374	341,931
Capital assets:			
Land and construction in progress	321,458,506	42,322,235	363,780,741
Other capital assets, net	240,349,557	619,257,432	859,606,989
Total noncurrent assets	<u>571,000,484</u>	<u>706,231,424</u>	<u>1,277,231,908</u>
Total assets	<u>835,925,460</u>	<u>777,416,099</u>	<u>1,613,341,559</u>
Deferred Outflows of Resources			
Deferred charge on refunding	361,360	4,704,255	5,065,615
Deferred outflows related to OPEB	285,040	125,236	410,276
Deferred outflows related to pensions	33,459,119	12,663,155	46,122,274
Total deferred outflows of resources	<u>34,105,519</u>	<u>17,492,646</u>	<u>51,598,165</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9,797,832	4,956,469	14,754,301
Interest payable	1,641,046	292,094	1,933,140
Due to other agencies	5,424	-	5,424
Claims and judgments due within one year	1,666,060	-	1,666,060
Long-term debt due within one year	13,711,793	15,273,000	28,984,793
Compensated absences due within one year	823,424	494,231	1,317,655
Total current liabilities	<u>27,645,579</u>	<u>21,015,794</u>	<u>48,661,373</u>
Noncurrent liabilities			
Security deposit payable	12,125	36,572	48,697
Unearned revenue	-	1,108,489	1,108,489
Developer reimbursement	3,432,982	1,912,634	5,345,616
Long-term debt	191,634,649	91,088,286	282,722,935
Net OPEB liability	9,047,324	3,975,026	13,022,350
Net pension liability	92,661,053	35,096,662	127,757,715
Claims and judgments payable	5,429,250	-	5,429,250
Compensated absences payable	6,370,934	2,278,399	8,649,333
Total noncurrent liabilities	<u>308,588,317</u>	<u>135,496,068</u>	<u>444,084,385</u>
Total liabilities	<u>336,233,896</u>	<u>156,511,862</u>	<u>492,745,758</u>
Deferred Inflows of Resources			
Deferred inflows related to OPEB	569,667	250,290	819,957
Deferred inflows related to pensions	2,789,853	1,179,659	3,969,512
Total deferred outflows of resources	<u>3,359,520</u>	<u>1,429,949</u>	<u>4,789,469</u>
Net Position			
Net investment in capital assets	486,192,364	559,922,636	1,046,115,000
Restricted for:			
Capital projects	67,000,778	31,438,499	98,439,277
Debt service	8,366,518	-	8,366,518
Community enhancement	10,973,334	-	10,973,334
Community renewal	14,641,227	-	14,641,227
Permanent	215,332	-	215,332
Permanent - non-expendable	11,000	-	11,000
Unrestricted	(56,962,990)	45,605,799	(11,357,191)
Total net position	<u>\$ 530,437,563</u>	<u>\$ 636,966,934</u>	<u>\$ 1,167,404,497</u>

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

City of Salem, Oregon
Statement of Activities
For the fiscal year ended June 30, 2018

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants/Contributions
Governmental activities			
General government	\$ 23,284,124	\$ 11,484,550	\$ 362,987
Public safety	79,538,208	3,694,160	910,263
Community development	25,993,916	12,344,210	1,490,890
Community services	11,484,088	2,641,432	263,883
Transportation	30,745,887	7,212,753	10,905,750
Library services	4,159,416	909,075	-
Interest on debt	7,560,950	4,897,030	-
Total governmental activities	182,766,589	43,183,210	13,933,773
Business-type activities			
Utilities	94,629,758	99,448,400	-
Emergency services	675,440	909,589	-
WVPS communications center	10,866,965	10,529,057	-
Police regional records system	355,390	377,870	-
Salem Convention Center	4,567,157	4,652,705	-
Total business-type activities	111,094,710	115,917,621	-
Total	\$ 293,861,299	\$ 159,100,831	\$ 13,933,773

General revenues

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

Transfers

Total general revenues and transfers

Change in net position

Total net position - beginning of year

Prior period adjustment

Net position - end of year

Continued

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

City of Salem, Oregon
Statement of Activities
For the fiscal year ended June 30, 2018

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (11,436,587)	\$ -	\$ (11,436,587)
-	(74,933,785)	-	(74,933,785)
1,883,627	(10,275,189)	-	(10,275,189)
3,374,063	(5,204,710)	-	(5,204,710)
12,302,129	(325,255)	-	(325,255)
-	(3,250,341)	-	(3,250,341)
-	(2,663,920)	-	(2,663,920)
<u>17,559,819</u>	<u>(108,089,787)</u>	<u>-</u>	<u>(108,089,787)</u>
16,965,678	-	21,784,320	21,784,320
-	-	234,149	234,149
-	-	(337,908)	(337,908)
-	-	22,480	22,480
-	-	85,548	85,548
<u>16,965,678</u>	<u>-</u>	<u>21,788,589</u>	<u>21,788,589</u>
<u>\$ 34,525,497</u>	<u>(108,089,787)</u>	<u>21,788,589</u>	<u>(86,301,198)</u>
	94,348,418	-	94,348,418
	3,922,627	-	3,922,627
	758,247	-	758,247
	6,277,293	-	6,277,293
	17,833,089	-	17,833,089
	117,226	-	117,226
	3,339,012	1,385,091	4,724,103
	23,640	872,567	896,207
	1,851,020	3,899,140	5,750,160
	1,104,688	(1,104,688)	-
	<u>129,575,260</u>	<u>5,052,110</u>	<u>134,627,370</u>
	21,485,473	26,840,699	48,326,172
	508,660,189	610,068,643	1,118,728,832
	<u>291,901</u>	<u>57,592</u>	<u>349,493</u>
	<u>\$ 530,437,563</u>	<u>\$ 636,966,934</u>	<u>\$ 1,167,404,497</u>

Concluded

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



FUND FINANCIAL STATEMENTS

Major Governmental Funds

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

The columns presented in these statements consist of:

General Fund

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

Capital Improvements Fund

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

Tax Allocation Improvements Fund

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

Community Renewal Fund

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

Other Governmental Funds

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

City of Salem, Oregon
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Improvements
Assets		
Cash and investments	\$ 25,754,571	\$ 93,710,981
Accounts receivable, net	8,611,652	995,386
Due from other agencies	117,758	-
Prepayments	-	-
Assessments receivable	-	-
Total assets	\$ 34,483,981	\$ 94,706,367
Liabilities		
Accounts payable and accrued liabilities	\$ 5,491,343	\$ 652,936
Due to other agencies	5,424	-
Advances from other funds	813,506	2,028,761
Security deposit payable	10,035	-
Developer reimbursement payable	-	-
Total liabilities	6,320,308	2,681,697
Deferred inflows of resources		
Unavailable revenue	3,952,770	457,223
Fund balances		
Nonspendable	-	-
Restricted	-	91,567,447
Committed	-	-
Assigned	1,244,020	-
Unassigned	22,966,883	-
Total fund balances	24,210,903	91,567,447
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,483,981	\$ 94,706,367

Continued

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

City of Salem, Oregon
Balance Sheet
Governmental Funds
June 30, 2018

<u>Tax Allocation Improvements</u>	<u>Community Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 36,771,794	\$ 2,018,092	\$ 49,922,078	\$ 208,177,516
3,195,493	12,933,337	4,916,772	30,652,640
-	-	-	117,758
-	-	7,600	7,600
-	-	3,432,982	3,432,982
<u>\$ 39,967,287</u>	<u>\$ 14,951,429</u>	<u>\$ 58,279,432</u>	<u>\$ 242,388,496</u>
\$ 1,119,573	\$ 297,662	\$ 1,677,224	\$ 9,238,738
-	-	-	5,424
-	-	-	2,842,267
-	-	2,090	12,125
-	-	3,432,982	3,432,982
<u>1,119,573</u>	<u>297,662</u>	<u>5,112,296</u>	<u>15,531,536</u>
<u>3,195,032</u>	<u>12,473,542</u>	<u>2,202,903</u>	<u>22,281,470</u>
-	-	18,600	18,600
35,652,682	2,180,225	34,725,939	164,126,293
-	-	16,219,694	16,219,694
-	-	-	1,244,020
-	-	-	22,966,883
<u>35,652,682</u>	<u>2,180,225</u>	<u>50,964,233</u>	<u>204,575,490</u>
<u>\$ 39,967,287</u>	<u>\$ 14,951,429</u>	<u>\$ 58,279,432</u>	<u>\$ 242,388,496</u>

Concluded

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

City of Salem, Oregon
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances	\$	204,575,490
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).		561,808,063
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Notes receivable - earned but unavailable		17,398,397
Property taxes - earned but unavailable		4,883,073
Deferred charge on refunding		361,360
Deferred outflows related to OPEB		285,040
Deferred outflows related to pension		33,459,119
Internal service funds are used by management to charge the costs of fleet management, insurance, and other commonly utilized city services to individual funds. Assets, liabilities, and deferred inflows and outflows of the internal service funds are included in governmental activities in the statement of net position.		26,679,208
Accrued interest payable		(1,641,047)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the funds.		
Long-term debt including bonds payable, bond premiums, and notes payable		(205,346,442)
Compensated absences payable		(7,194,358)
Net OPEB liability		(8,809,767)
Net pension liability		(92,661,053)
Deferred inflows related to OPEB		(569,667)
Deferred inflows related to pension		(2,789,853)
Net position of governmental activities	\$	<u>530,437,563</u>

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



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

For the fiscal year ended June 30, 2018

	General Fund	Capital Improvements
Revenues		
Property taxes	\$ 66,128,401	\$ -
Other taxes	758,247	-
Sales, fees, licenses, and permits	22,814,466	11,120
Special assessments	-	-
Rents	1,619,906	-
Grants	562,079	1,775,770
Intergovernmental	15,320,902	35,000
Fines and penalties	2,891,761	-
Interest on investments	510,207	986,388
Loan payments received	9,625	31,072
Other	221,416	26,380
Total revenues	110,837,010	2,865,730
Expenditures		
Current		
General government	17,842,735	-
Community development	6,709,326	-
Community service	9,258,325	-
Public safety	72,702,939	-
Transportation	-	-
Library	4,586,602	-
Capital outlay	610,969	18,042,383
Debt service		
Principal retirement	-	-
Interest and fiscal charges	15,566	-
Total expenditures	111,726,462	18,042,383
Excess (deficiency) of revenues over expenditures	(889,452)	(15,176,653)
Other financing sources (uses)		
Issuance of debt	-	93,375,000
Premium on issuance of debt	-	9,485,781
Payment to refunded bond escrow agents	-	(14,933,756)
Sale of capital assets	2,417	-
Transfers in	1,075,947	5,042,447
Transfers out	(1,722,840)	-
Total other financing sources (uses)	(644,476)	92,969,472
Net change in fund balance	(1,533,928)	77,792,819
Fund balances - beginning of year	25,744,831	13,774,628
Prior period adjustment	-	-
Fund balances - end of year	\$ 24,210,903	\$ 91,567,447

Continued

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

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

For the fiscal year ended June 30, 2018

Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 26,517,103	\$ 92,645,504
-	-	3,922,627	4,680,874
728	500	16,786,933	39,613,747
-	-	502,411	502,411
11,806	-	2,268,242	3,899,954
144,010	1,389,631	1,446,277	5,317,767
289,220	-	18,464,466	34,109,588
-	-	5,585	2,897,346
287,683	119,502	1,013,732	2,917,512
360,613	550,224	11,673	963,207
2,900	-	1,502,309	1,753,005
<u>1,096,960</u>	<u>2,059,857</u>	<u>72,441,358</u>	<u>189,300,915</u>
-	-	27,970	17,870,705
-	1,732,622	8,709,511	17,151,459
-	-	175,491	9,433,816
-	-	496,751	73,199,690
-	-	15,003,447	15,003,447
-	-	161,668	4,748,270
10,055,301	-	6,510,060	35,218,713
-	379,000	12,578,373	12,957,373
-	32,229	6,795,256	6,843,051
<u>10,055,301</u>	<u>2,143,851</u>	<u>50,458,527</u>	<u>192,426,524</u>
<u>(8,958,341)</u>	<u>(83,994)</u>	<u>21,982,831</u>	<u>(3,125,609)</u>
-	-	-	93,375,000
-	-	-	9,485,781
-	-	-	(14,933,756)
7,857	-	8,349	18,623
23,113,000	-	816,046	30,047,440
-	-	(28,398,251)	(30,121,091)
<u>23,120,857</u>	<u>-</u>	<u>(27,573,856)</u>	<u>87,871,997</u>
<u>14,162,516</u>	<u>(83,994)</u>	<u>(5,591,025)</u>	<u>84,746,388</u>
21,490,166	284,149	56,555,258	117,849,032
-	1,980,070	-	1,980,070
<u>\$ 35,652,682</u>	<u>\$ 2,180,225</u>	<u>\$ 50,964,233</u>	<u>\$ 204,575,490</u>

Concluded

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

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, 2018

Net change in fund balances-total governmental funds	\$	84,746,388
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and capital construction costs as expenditures. However, in the government-wide statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense. The amounts shown here represent capitalized capital outlay and change in construction in progress as well as the current year depreciation expense.		
Capital outlay		21,893,835
Depreciation		(15,456,384)
Various other transactions involving capital assets increase or decrease net position.		
Developer donated infrastructure and other donated assets		7,904,018
Book value of sold or disposed assets		(809)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for program revenue		(1,053,971)
Change in deferred inflows for general revenue		1,702,914
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the insurance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred or amortized in the Statement of Activities.		
Issuance of debt		(102,860,781)
Principal payments on long-term debt		27,513,921
Amortize bond premium		791,995
Net expense related to deferred charge on refunding		361,360
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore accrued interest expense is not reported as an expenditure in governmental funds.		
		(717,904)
Other post employment benefits earned by current employees do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
Net expense related to net pension activity		(8,525,841)
Net expense related to net OPEB activity		(275,012)
Compensated absences earned in the current year but not used are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
		(544,170)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net revenue of the Internal service funds is reported with governmental activities.		
		6,005,914
Change in net position of governmental activities	\$	21,485,473

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



City of Salem, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Property taxes	\$ 66,640,750	\$ 66,640,750	\$ 66,128,401	\$ 512,349
Other taxes	401,100	401,100	758,247	(357,147)
Sales, fees, licenses, and permits	21,623,650	21,623,650	22,814,466	(1,190,816)
Rents	1,533,680	1,533,680	1,619,906	(86,226)
Grants	665,450	665,450	562,079	103,371
Intergovernmental	22,114,260	22,114,260	23,265,062	(1,150,802)
Fines and penalties	3,095,830	3,095,830	2,891,761	204,069
Interest on investments	314,610	314,610	510,207	(195,597)
Loan payments received	-	-	9,625	(9,625)
Other	335,450	335,450	221,416	114,034
Total revenues	116,724,780	116,724,780	118,781,170	(2,056,390)
Expenditures				
Operations				
Budget, Finance and Purchasing	3,866,630	3,866,630	3,638,312	228,318
City manager's office	1,283,710	1,383,710	1,338,215	45,495
Facilities services	4,191,140	4,191,140	4,114,612	76,528
Human resources	1,572,880	1,572,880	1,386,898	185,982
Information technology	8,023,030	8,023,030	7,158,339	864,691
Legal	2,290,630	2,290,630	2,179,484	111,146
Mayor and council	229,840	229,840	183,981	45,859
Municipal court	1,976,350	1,976,350	1,814,798	161,552
Non-departmental	4,348,040	3,793,040	2,922,008	871,032
Total general government	27,782,250	27,327,250	24,736,647	2,590,603
Community development	4,425,340	4,425,340	3,739,690	685,650
Urban development	5,085,080	5,085,080	4,155,687	929,393
Total community development	9,510,420	9,510,420	7,895,377	1,615,043

Continued

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

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Parks and recreation services	9,173,660	9,329,460	9,317,733	11,727
Library	4,947,140	4,947,140	4,586,602	360,538
Police	43,043,310	43,143,310	42,595,217	548,093
Fire	31,274,460	31,274,460	30,523,480	750,980
Total public safety	<u>74,317,770</u>	<u>74,417,770</u>	<u>73,118,697</u>	<u>1,299,073</u>
Debt service	278,490	278,490	278,486	4
Contingency	3,000,000	2,449,200	-	2,449,200
Total expenditures	<u>129,009,730</u>	<u>128,259,730</u>	<u>119,933,542</u>	<u>8,326,188</u>
Excess (deficiency) of revenues over expenditures	<u>(12,284,950)</u>	<u>(12,284,950)</u>	<u>(1,152,372)</u>	<u>(11,132,578)</u>
Other financing sources (uses)				
Sale of property	-	-	2,417	(2,417)
Transfers in	1,375,820	1,375,820	1,075,947	299,873
Transfers out	(972,840)	(1,722,840)	(1,722,840)	-
Total other financing sources (uses)	<u>402,980</u>	<u>(347,020)</u>	<u>(644,476)</u>	<u>297,456</u>
Net change in fund balance	(11,881,970)	(11,881,970)	(1,796,848)	(10,085,122)
Fund balance - beginning of year	26,430,480	26,430,480	26,821,257	(390,777)
Fund balance - end of year	<u>\$ 14,548,510</u>	<u>\$ 14,548,510</u>	25,024,409	<u>\$ (10,475,899)</u>

Reconciliation to generally accepted accounting principles:

Adjustments for indirect cost allocation				
Revenues			7,944,160	
Expenditures:				
General government			(7,944,160)	
Advance from Utility fund (page 146)			(813,506)	
Fund balance-end of year (modified accrual)			<u>\$ 24,210,903</u>	Concluded

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

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Community Renewal
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 500	\$ (500)
Grants	3,204,830	3,204,830	1,389,631	1,815,199
Loan payments received	385,000	385,000	550,224	(165,224)
Total revenues	3,589,830	3,589,830	1,940,355	1,649,475
Expenditures				
Operations	3,589,830	3,589,830	1,732,622	1,857,208
Net change in fund balance	-	-	207,733	(207,733)
Fund balance - beginning of year	-	-	284,149	(284,149)
Fund balance - end of year	\$ -	\$ -	491,882	\$ (491,882)
Reconciliation to generally accepted accounting principles:				
Deposits in escrow for HUD section 108 note repayment			1,688,343	
Fund balance-end of year (modified accrual)			\$ 2,180,225	

The notes to the financial statements are an integral part of this statement.
1 () indicates revenue/expenditures in excess of budget

FUND FINANCIAL STATEMENTS

Major Proprietary Funds

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

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

The columns presented in these statements consist of:

Utility Fund

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

Other Proprietary Funds

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

Governmental Activities Internal Service Funds

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

City of Salem, Oregon
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Assets				
Current assets				
Cash and investments	\$ 41,646,988	\$ 7,137,015	\$ 48,784,003	\$ 31,696,925
Accounts receivable, net	13,875,778	676,564	14,552,342	75,457
Due from other governmental agencies	45,790	-	45,790	-
Inventories and prepayments	947,438	57,769	1,005,207	994,413
Advances to other funds	2,632,016	-	2,632,016	210,252
Total current assets	<u>59,148,010</u>	<u>7,871,348</u>	<u>67,019,358</u>	<u>32,977,047</u>
Noncurrent assets				
Restricted cash and investments	32,293,611	-	32,293,611	5,521,882
Note receivable	9,085,917	-	9,085,917	-
Assessments receivable	3,167,855	-	3,167,855	-
Net OPEB asset	82,901	21,473	104,374	6,795
Capital assets:				
Land and other construction in progress	40,471,112	1,851,123	42,322,235	7,097,203
Other capital assets, net	596,134,097	23,123,335	619,257,432	15,453,576
Total noncurrent assets	<u>681,235,493</u>	<u>24,995,931</u>	<u>706,231,424</u>	<u>28,079,456</u>
Total assets	<u>740,383,503</u>	<u>32,867,279</u>	<u>773,250,782</u>	<u>61,056,503</u>
Deferred outflows of resources				
Deferred charge on refunding	4,704,255	-	4,704,255	-
Deferred outflows related to pensions	9,803,841	2,859,314	12,663,155	944,333
Deferred outflows related to OPEB	99,471	25,765	125,236	8,153
Total deferred outflows of resources	<u>14,607,567</u>	<u>2,885,079</u>	<u>17,492,646</u>	<u>952,486</u>
Continued				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	4,254,262	702,207	4,956,469	559,094
Interest payable	292,094	-	292,094	-
Claims and judgments payable	-	-	-	1,666,060
Long term debt - due within one year	15,273,000	-	15,273,000	-
Compensated absences due within one year	474,051	20,180	494,231	39,734
Total current liabilities	<u>20,293,407</u>	<u>722,387</u>	<u>21,015,794</u>	<u>2,264,888</u>

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

City of Salem, Oregon
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Noncurrent liabilities				
Security deposit payable	36,572	-	36,572	-
Unearned revenue	1,108,489	-	1,108,489	-
Developer reimbursement payable	1,912,634	-	1,912,634	-
Long-term debt	91,088,286	-	91,088,286	-
Net OPEB liability	3,157,247	817,779	3,975,026	258,790
Net pension liability	27,164,286	7,932,376	35,096,662	2,684,670
Claims and judgments payable	-	-	-	5,429,250
Compensated absences	1,741,071	537,328	2,278,399	138,782
Total noncurrent liabilities	<u>126,208,585</u>	<u>9,287,483</u>	<u>135,496,068</u>	<u>8,511,492</u>
Total liabilities	<u>146,501,992</u>	<u>10,009,870</u>	<u>156,511,862</u>	<u>10,776,380</u>
Deferred inflows of resources:				
Deferred inflows related to pensions	911,283	268,376	1,179,659	104,406
Deferred inflows related to OPEB	198,798	51,492	250,290	16,294
Total deferred inflows of resources	<u>1,110,081</u>	<u>319,868</u>	<u>1,429,949</u>	<u>120,700</u>
Net Position				
Net investment in capital assets	534,948,178	24,974,458	559,922,636	22,550,779
Restricted for:				
Capital projects	31,438,499	-	31,438,499	5,362,044
Other unrestricted	40,992,320	448,162	41,440,482	23,199,086
Total net position	<u>\$ 607,378,997</u>	<u>\$ 25,422,620</u>	632,801,617	<u>\$ 51,111,909</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			4,165,317	
			<u>\$ 636,966,934</u>	Concluded

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

City of Salem, Oregon
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Utility Fund	Other Funds	Totals	
Operating revenues				
Sales, fees, licenses, and permits	\$ 93,596,176	\$ 3,874,539	\$ 97,470,715	\$ 198,756
Assessments	6,444	-	6,444	-
Rents	18,068	1,549,991	1,568,059	1,782,807
Internal and intergovernmental	5,625,266	324,784	5,950,050	39,790,654
Member agencies	-	10,532,145	10,532,145	-
Fines and penalties	-	170,400	170,400	-
Other	56,823	17,362	74,185	1,479,898
Total operating revenues	<u>99,302,777</u>	<u>16,469,221</u>	<u>115,771,998</u>	<u>43,252,115</u>
Operating expenses				
Personal services	35,018,841	9,710,793	44,729,634	3,429,663
Materials and services	32,430,700	5,972,780	38,403,480	33,251,389
Depreciation	18,129,746	772,745	18,902,491	1,926,665
Total operating expenses	<u>85,579,287</u>	<u>16,456,318</u>	<u>102,035,605</u>	<u>38,607,717</u>
Operating income (loss)	<u>13,723,490</u>	<u>12,903</u>	<u>13,736,393</u>	<u>4,644,398</u>
Non-operating revenues (expenses)				
Interest on investments	1,296,679	88,412	1,385,091	541,000
Other revenue (expenses)	1,973,585	(8,634)	1,964,951	5,016
Interest on debt	(7,009,251)	-	(7,009,251)	-
Total non-operating revenues	<u>(3,738,987)</u>	<u>79,778</u>	<u>(3,659,209)</u>	<u>546,016</u>
Net income (loss) before capital contributions and transfers	9,984,503	92,681	10,077,184	5,190,414
Capital contributions	16,965,678	-	16,965,678	539,686
Transfers in	94,590	-	94,590	14,151,181
Transfers out	(515,551)	(683,727)	(1,199,278)	(12,972,842)
Change in net position	26,529,220	(591,046)	25,938,174	6,908,439
Total net position - beginning of year	<u>580,804,466</u>	<u>26,001,385</u>		<u>44,199,756</u>
Prior period adjustment	45,311	12,281		3,714
Total net position - end of year	<u>\$ 607,378,997</u>	<u>\$ 25,422,620</u>		<u>\$ 51,111,909</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>902,525</u>	
Change in net position of business-type activities			<u>\$ 26,840,699</u>	

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



City of Salem, Oregon
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Cash Flow from Operating Activities:				
Receipts from customers	\$ 94,972,786	\$ 5,793,856	\$ 100,766,642	\$ 3,480,813
Receipts from interfund services provided	5,601,338	324,784	5,926,122	39,790,654
Member agencies	-	6,762,949	6,762,949	-
Payments to suppliers	(32,668,616)	(2,058,007)	(34,726,623)	(34,482,325)
Payments to employees	(32,977,848)	(9,011,682)	(41,989,530)	(3,233,799)
Internal activity--payments to other funds	189,746	-	189,746	-
Net cash provided (used) by operating activities	<u>35,117,406</u>	<u>1,811,900</u>	<u>36,929,306</u>	<u>5,555,343</u>
Cash Flows from Noncapital Financing Activities:				
Transfers received	539,001	-	539,001	678,236
Transfers paid	(627,688)	(683,727)	(1,311,415)	(169,710)
Net cash provided (used) by noncapital financing activities	<u>(88,687)</u>	<u>(683,727)</u>	<u>(772,414)</u>	<u>508,526</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital financing	3,866,504	-	3,866,504	-
Capital contributions	4,501,640	-	4,501,640	-
Acquisition and construction of capital assets	(9,937,936)	(473,658)	(10,411,594)	(6,937,691)
Principal paid on debt	(20,072,464)	-	(20,072,464)	-
Interest paid on debt	(2,759,775)	-	(2,759,775)	-
Sale of property	872,567	-	872,567	178,146
Net cash provided (used) by capital related financing activities	<u>(23,529,464)</u>	<u>(473,658)</u>	<u>(24,003,122)</u>	<u>(6,759,545)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>1,358,754</u>	<u>88,412</u>	<u>1,447,166</u>	<u>541,000</u>
Net increase (decrease) in cash and cash equivalents	12,858,009	742,927	13,600,936	(154,676)
Cash and cash equivalents - beginning of year	<u>61,082,590</u>	<u>6,394,088</u>	<u>67,476,678</u>	<u>37,373,483</u>
Cash and cash equivalents - end of year	<u>\$ 73,940,599</u>	<u>\$ 7,137,015</u>	<u>\$ 81,077,614</u>	<u>\$ 37,218,807</u>

Continued

City of Salem, Oregon
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Funds	Totals	Activities Internal Service Funds
Reconciliation of Operating Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ 13,723,490	\$ 12,903	\$ 13,736,393	\$ 4,644,398
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	18,129,746	772,747	18,902,493	1,926,665
Other income (expense)	(506,110)	-	(506,110)	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	1,957,843	181,564	2,139,407	52,570
Inventories and prepayments	65,037	7,223	72,260	(32,558)
Deferred outflows related to pensions	6,121,108	1,788,318	7,909,426	613,878
Deferred outflows related to OPEB	133,534	35,613	169,147	12,188
Accounts payable and accrued liabilities	(888,359)	138,354	(750,005)	(1,222,653)
Compensated absences payable	283,344	(5,752)	277,592	(29,018)
Assessments receivable	(144,880)	-	(144,880)	-
Claims reserve	-	-	-	(4,660)
Net pension liability	(3,844,261)	(1,123,124)	(4,967,385)	(118,101)
Net OPEB liability	(242,730)	(87,839)	(330,569)	(317,554)
Deferred inflows related to pensions	216,180	63,157	279,337	21,679
Deferred inflows related to OPEB	113,464	28,736	142,200	8,509
Net cash provided (used) by operating activities	<u>\$ 35,117,406</u>	<u>\$ 1,811,900</u>	<u>\$ 36,929,306</u>	<u>\$ 5,555,343</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 8,759,604	\$ -	\$ 8,759,604	\$ 14,151,181
Contribution of capital assets from governmental funds	3,200,214	-	3,200,214	539,686
				Concluded

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

City of Salem, Oregon
Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

Assets:	
Cash and investments	\$ 1,367,182
Accounts receivable, net	<u>8,092</u>
Total assets	<u><u>\$ 1,375,274</u></u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 202,368
Amounts held in trust	1,168,520
Due to other agencies	<u>4,386</u>
Total liabilities	<u><u>\$ 1,375,274</u></u>

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



CITY OF SALEM, OREGON

Notes to the Financial Statements

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City of Salem, Oregon
Notes to the Financial Statements
June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

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

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

Jointly Governed Organization – The City participates in the Mid-Willamette Valley Cable Regulatory Commission (MWVCRC), a jointly governed organization between the City of Salem and Marion County. The MWVCRC is responsible for monitoring and enforcing the provisions of franchise agreements with local cable companies and providing cable access for public purposes within the Salem Urban Growth Boundary. The City, under a renewable annual agreement, funds the MWVCRC based upon the amount of cable franchise fees collected by the City. For fiscal year 2017-18, the City paid \$733,207 to the MWVCRC. Separate financial statements for the MWVCRC may be obtained at:

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2018

Governmental activities, which are normally supported by taxes, franchise fees, and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges for services provided.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in their respective fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information (starting on page 103).

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

Indirect expenses include general government, support services, and administration costs. These indirect expenses are allocated based on a full-cost allocation approach, thereby allocating indirect expenses among functions with the objective of allocating all expenses. This allocation is done through the General fund and is included in direct program expenses of the various functional activities within individual funds.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund statement includes only agency funds, which have *no measurement focus*, but use the *accrual basis of accounting* to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2018

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable that is due within the current period is considered susceptible to accrual as revenue of the current period. All other revenues are considered measurable and available only as cash is received.

The City reports the following major governmental funds:

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

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

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

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

The City reports one major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

City of Salem, Oregon
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June 30, 2018

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

1. Deposits and investments

The City maintains a common cash and investment pool that is available to all funds, including the Agency. Interest earned on the pooled cash and investments is allocated to funds monthly based on average balances of cash and investments as a proportion of the total.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

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

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

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Property taxes receivable collected within 60 days of fiscal year end are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred inflows and accordingly have not been recorded as revenue in the governmental fund statements. Property taxes are assessed and become a lien against property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Taxes not collected by May 15 are considered delinquent.

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

Measure 5 limits the combined maximum allowable tax rate for all non-school general governments to \$10 per \$1,000 of real market value (RMV). When the combined tax rates result in a tax that exceeds the \$10 per \$1,000 of RMV, compression occurs. This results in proportionately reduced tax collections for each taxing district. The City of Salem was unable to levy \$337,106 for fiscal year 2017-18 as a result of compression.

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

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

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

3. Restricted assets

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

4. Inventories and prepaid items

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

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

5. Capital assets

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

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

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

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

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

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

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

7. Compensated absences

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

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

8. Long-term obligations

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

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

9. Fund equity

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

- Non-spendable – assets not in a spendable form, such as inventories, long-term receivables, or permanent fund principal.
- Restricted – legally constrained to specific purposes by external creditors, grantors, or state or federal law. These resources may not be spent in another manner without an act of the providers.
- Committed – committed by the City Council through passage of an ordinance. Committed amounts may only be modified or rescinded through passage of a new ordinance.
- Assigned – amounts management intends to use for specific purposes that are neither restricted nor committed. The City has not established a policy regarding the assignment of funds. However, the City reports reappropriated purchase orders as assigned.
- Unassigned – available for spending for any purpose. Under GASB 54, any “rainy day” funds that do not have formal criteria meeting the restricted or committed definitions must be reported in this category. Only the General fund can report a positive unassigned balance, though negative amounts could potentially appear in other governmental funds.

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

City of Salem, Oregon
Notes to the Financial Statements
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10. Fund reserves

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

11. Use of estimates

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

12. Pensions

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

13. Post-employment benefits other than pensions (OPEB)

The City reports two components of post-employment benefits other than pensions (OPEB) - Oregon Public Employees Retirement System Retiree Health Insurance Account (OPERS RHIA) and a single-employer defined benefit post-employment health plan.

The City reports its proportionate share of the OPERS RHIA. A negative OPEB liability is reported as an OPEB asset. For purposes of measuring the City's OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of OPERS RHIA, and additions to/deductions from OPERS RHIA's fiduciary net position have been determined on the same basis as they are reported by OPERS RHIA. For this purpose, the benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City reports an OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the implicit subsidy arising from the City's single-employer defined benefit post-employment health plan. For the purpose of measuring the City's OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on an actuarial valuation.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget policies and budgetary control

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

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

Supplemental budget appropriations and appropriation transfers subsequent to budget adoption must be approved by the Council. Certain budget amounts reported in the financial statements were revised after the original budget was adopted. The Council, acting as the Urban Renewal Agency, approved one supplemental budget appropriation in fiscal year 2017-18 for \$350,000 to allow the Salem Convention Center to transfer additional income to its gain/loss reserve fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Restricted cash and investments are obligated to construction projects. Cash and investments as of June 30, 2018 consisted of the following:

	<u>Book Value</u>
Cash on hand	\$ 11,105
Deposits with financial institutions	20,338,867
Investments	<u>307,491,147</u>
Total cash and investments	<u>\$ 327,841,119</u>

1. Deposits

As of June 30, 2018, City bank deposits had a book balance of \$20,338,867 and a bank balance of \$21,903,108. The difference is due to transactions in transit. The Oregon Public Funds Collateralization Program covers City bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2018, \$250,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

City of Salem, Oregon
Notes to the Financial Statements
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2. Investments

As of June 30, 2018, the City held the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity in Months</u>	<u>% of Investment Portfolio</u>
Commercial paper	\$ 16,289,801	3.360	5.33%
Corporate bonds	30,722,357	18.447	10.06%
Local Government Investment Pool	61,634,485	0.033	20.15%
Municipal bonds	1,476,478	33.074	0.48%
U.S. Agency securities	73,419,514	16.421	24.04%
U.S. Instrumentality securities	2,685,465	11.947	0.88%
<u>U.S. Treasury securities</u>	<u>119,288,897</u>	<u>16.734</u>	<u>39.06%</u>
Total	<u>\$ 305,516,997</u>	<u>12.786</u>	<u>100.00%</u>

Weighted average maturity in months assumes that all investments are held to maturity. As a means of limiting its exposure to fair value losses caused by changing interest rates, the City's investment policy limits investments as shown in the following table.

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

*Dollar amount limited by ORS 294.810

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

ORS 294.810 limits the amount that may be placed in the LGIP. The limit as of June 30, 2018 is \$48,333,000 per customer number. The limit is updated each September based on the U.S. City Average Consumer Price Index. The limit can be temporarily exceeded for ten business days if the excess is due to funds deposited on a pass-through basis. At June 30, 2018, the book value of the City's LGIP deposits totaled \$23,083,292 of City funds and \$38,471,173 of Agency funds.

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

City of Salem, Oregon
Notes to the Financial Statements
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The City's policy for investing in individual issuers varies depending on the type of investment. Investments in a single financial institution shall not exceed the smallest of 33% of the City's total portfolio or 5% of the equity of the institution, with the exception of U.S. Treasury securities, which can be up to 100% of the City's portfolio. At June 30, 2018, the only issuers composing more than 5% of the City's portfolio are the U.S. Treasury with 39.1% of the City's total investments, the Federal Home Loan Mortgage Corporation with 10.7%, the Federal Home Loan Bank with 6.7%, and the Federal National Mortgage Association with 6.6%.

As of June 30, 2018, the credit risk for the City's investments is as follows:

Investment type	Fair Value	Credit Risk
Commercial paper		
BNP Paribas NY	\$ 4,945,530	A-1/P-1
Credit Agricole SA	1,497,762	A-1/P-1
JP Morgan Chase & Co	5,278,684	A-1/P-1
Mitsubishi UFJ Financial Group Inc	2,535,521	A-1/P-1
Toyota Motor Corp	2,032,304	A-1+/P-1
Corporate bonds		
3M Company	2,456,107	AA-/A1
Apple Inc.	3,863,910	AA+/Aa1
Berkshire Hathaway	3,116,141	AA/Aa2
Chevron Corp	3,024,543	AA-/Aa2
Cisco Systems Inc	2,261,586	AA-/A1
Coca-Cola Co	1,321,002	A+/Aa3
Exxon Mobil Corp	1,044,711	AA+/Aaa
Google Inc	893,547	AA+/Aa2
Johnson & Johnson	367,996	AAA/Aaa
Microsoft Corp	3,237,607	AAA/Aaa
Pfizer Inc	315,367	AA/A1
Procter & Gamble	366,247	AA-/Aa3
Toyota Motor Corp	3,083,770	AA-/Aa3
Wal-Mart Stores Inc	2,878,130	AA/Aa2
Wells Fargo & Company	2,491,693	A-/A2
Local Government Investment Pool	61,634,485	Unrated
Municipal Bonds		
California State	1,476,478	AA-/Aa3
U.S. Agencies		
Federal Home Loan Bank	20,533,087	AA+/Aaa
Federal Home Loan Mortgage Corporation	32,809,991	AA+/Aaa
Federal National Mortgage Association	20,076,436	AA+/Aaa
U.S. Instrumentality		
African Development Bank	958,171	AAA/Aaa
Inter-American Development Bank	1,727,294	AAA/Aaa
U.S. Treasury	119,288,897	AA+/Aaa
Total	<u>\$ 305,516,997</u>	

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

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

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

B. Receivables

Receivables as of June 30, 2018 for governmental funds, net of allowance for uncollectible accounts, are as follows:

	General	Capital Improvements	Tax Allocation Improvement	Community Renewal	Other Funds	Total
Accounts	\$ 3,789,577	\$ 334,960	\$ 460	\$ 459,794	\$ 2,427,221	\$ 7,012,012
Property Taxes	4,244,891	-	-	-	1,650,901	5,895,792
Interest	571,046	204,626	8,029	357,126	13,661	1,154,488
Assessments	6,138	-	-	-	824,989	831,127
Loans and notes	-	455,800	3,187,004	12,116,417	-	15,759,221
Total	\$ 8,611,652	\$ 995,386	\$ 3,195,493	\$ 12,933,337	\$ 4,916,772	\$ 30,652,640

Approximately \$22.8 million in assessments, loans, and notes is not expected to be received within the next year.

Property tax levies for the year beginning July 1, 2018 are as follows:

- The City's permanent property tax rate for General fund operations is \$5.8315 per \$1,000 assessed value as limited by the Oregon Constitution.
- The Urban Renewal Agency of the City of Salem will tax as follows:
 - Riverfront/Downtown and North Gateway plan areas will use 100 percent of the amount of their authority under option one of ORS 457.435(2)(a) as selected by the Agency for the retirement of debt obligations.

City of Salem, Oregon
Notes to the Financial Statements
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- West Salem plan area will use 100 percent of the amount of its authority under the standard rate plan of ORS 457.445(2) as selected by the Agency for the retirement of debt obligations.
- Mill Creek Industrial Park, McGilchrist, and South Waterfront plan areas will use 100 percent of the amount of their authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.
- In addition, the City will levy \$16,264,030 for retirement of general obligation long-term debt due in fiscal year 2018-19.

In accordance with GASB Statement 65, governmental funds report deferred inflows of resources in connection with receivables for revenues that are not available to liquidate liabilities of the current period. As of June 30, 2018, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

	Deferred Inflows
Assessments	\$ 441,466
Community Development Block Grant loans	12,473,542
Property taxes (General fund)	3,518,575
Property taxes (Debt service funds)	1,364,498
System development charges	831,134
Urban renewal loans	3,652,255
Total deferred inflows of resources	\$ 22,281,470

Receivables as of June 30, 2018 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

	Utility	Other Funds	Total Enterprise	Internal Services
Accounts	\$ 13,050,170	\$ 694,943	\$ 13,745,113	\$ 75,457
Assessments	1,068,774	-	1,068,774	-
Interest	59,891	-	59,891	-
Less: Allowance for uncollectible accounts	(303,057)	(18,379)	(321,436)	-
Total	\$ 13,875,778	\$ 676,564	\$ 14,552,342	\$ 75,457

Due from other agencies as of June 30, 2018 are as follows:

Agency	Fund	Amount
Salem Housing Authority	General fund	\$ 117,758
City of Turner	Utility fund	45,790
Total due from other agencies		\$ 163,548

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

1. *Capital asset activity for governmental activities for the year ended June 30, 2018 is as follows:*

<u>Governmental activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 242,681,496	\$ 8,709,437	\$ (4,635)	\$ 251,386,298
Construction work-in-progress	61,416,164	28,016,581	(19,360,537)	70,072,208
Total non-depreciable	<u>304,097,660</u>	<u>36,726,018</u>	<u>(19,365,172)</u>	<u>321,458,506</u>
Buildings and building improvements	72,185,179	50,161	-	72,235,340
Other improvements	49,232,306	1,024,141	-	50,256,447
Motor pool	26,704,756	4,808,967	(1,386,855)	30,126,868
Equipment and machinery	35,922,799	340,545	(66,345)	36,196,999
Infrastructure	427,572,648	13,371,287	(24,970)	440,918,965
Total depreciable	<u>611,617,688</u>	<u>19,595,101</u>	<u>(1,478,170)</u>	<u>629,734,619</u>
Accumulated depreciation				
Buildings and building improvements	(32,024,931)	(1,345,703)	-	(33,370,634)
Other improvements	(25,601,985)	(1,577,230)	-	(27,179,215)
Motor pool	(15,034,557)	(1,822,438)	1,213,726	(15,643,269)
Equipment and machinery	(28,697,719)	(1,467,086)	15,376	(30,149,429)
Infrastructure	(271,896,893)	(11,170,592)	24,970	(283,042,515)
Total accumulated depreciation	<u>(373,256,085)</u>	<u>(17,383,049)</u>	<u>1,254,072</u>	<u>(389,385,062)</u>
Governmental activities capital assets, net	<u>\$ 542,459,263</u>	<u>\$ 38,938,070</u>	<u>\$ (19,589,270)</u>	<u>\$ 561,808,063</u>

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

General government	\$ 469,786
Community development	986,769
Community service	1,272,369
Public safety	1,342,738
Transportation	11,194,112
Library	190,610
Capital assets held by the City's internal service funds are charged to the various funds based on their usage of the assets	<u>1,926,665</u>
Total depreciation expense for governmental activities	<u>\$ 17,383,049</u>

City of Salem, Oregon
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June 30, 2018

3. Capital asset activity for business-type activities for the year ended June 30, 2018 is as follows:

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 17,773,409	\$ 1,053,411	\$ -	\$ 18,826,820
Construction work-in-progress	21,078,878	6,933,011	(4,516,474)	23,495,415
Total non-depreciable	<u>38,852,287</u>	<u>7,986,422</u>	<u>(4,516,474)</u>	<u>42,322,235</u>
Buildings and building improvements	31,305,571	-	-	31,305,571
Equipment and machinery	6,235,734	218,659	(192,569)	6,261,824
Water and sewer system	904,720,503	16,809,447	(175,309)	921,354,641
Total depreciable	<u>942,261,808</u>	<u>17,028,106</u>	<u>(367,878)</u>	<u>958,922,036</u>
Accumulated depreciation				
Buildings and building improvements	(8,103,345)	(670,545)	-	(8,773,890)
Equipment and machinery	(5,735,714)	(103,800)	183,936	(5,655,578)
Water and sewer system	(307,282,299)	(18,128,146)	175,309	(325,235,136)
Total accumulated depreciation	<u>(321,121,358)</u>	<u>(18,902,491)</u>	<u>359,245</u>	<u>(339,664,604)</u>
Business-type activities capital assets, net	<u>\$ 659,992,737</u>	<u>\$ 6,112,037</u>	<u>\$ (4,525,107)</u>	<u>\$ 661,579,667</u>

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

Utility	\$ 18,129,746
Emergency Medical Services	29,671
WVPS Communications Center	12,106
Salem Convention Center	<u>730,968</u>
Total depreciation expense for business-type activities	<u>\$ 18,902,491</u>

D. Deferred outflows of resources and deferred inflows of resources

In governmental activities, refunding of general obligation bonds in fiscal year 2017-18 resulted in a difference between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bonds. The balance on June 30, 2018 is \$361,360 and is reported as a deferred outflow of resources.

In business-type activities, refunding of revenue bonds in fiscal years 2012-13 and 2017-18 resulted in differences between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bonds. The balance on June 30, 2018 is \$4,704,255 and is reported as a deferred outflow of resources.

Deferred outflows and inflows of resources related to pensions and OPEB are reported in both business-type and governmental activities. Balances on June 30, 2018 are as follows. Governmental deferred outflows are \$33,459,119 for pensions and \$285,040 for OPEB, and deferred inflows are \$2,789,853 for pensions and \$569,667 for OPEB. Business-type deferred outflows are \$12,663,155 for pensions and \$125,236 for OPEB, and deferred inflows are \$1,179,659 for pensions and \$250,290 for OPEB. More information on pension related amounts can be found in note IV. C., Defined benefit pension plan (PERS). More information

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on OPEB related amounts can be found in note IV. E., Postemployment benefits other than pensions (OPEB).

E. Interfund receivables, payables, advances, and transfers

1. Advances

An interfund loan of \$594,200 was made from the Community Enhancement fund to the Capital Improvements fund in fiscal year 2012-13 for airport improvements. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The receivable was transferred to the City Services fund in fiscal year 2017-18. The balance as of June 30, 2018 is \$210,252.

An interfund loan of up to \$1,500,000 was approved from the Utility fund to the General fund in fiscal year 2014-15 for purchase of parking meter equipment for the downtown Capitol Mall parking area. In 2014-15, \$940,000 was borrowed, and in 2015-16 \$560,000 was borrowed. This is a six-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2018 is \$813,507.

An interfund loan of \$2,000,000 was made from the Utility fund to the Capital Improvements fund in fiscal year 2016-17 for new and replacement streetlights. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2018 is \$1,818,509.

2. Transfers

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

Transfers out	Transfers in						Total Transfers Out
	General	Capital Improvements	Tax Allocation Improvement	Nonmajor Governmental	Utility	Internal Services	
General	\$ -	\$ 1,553,160	\$ -	\$ 30,430	\$ -	\$ 139,250	\$ 1,722,840
Nonmajor governmental	1,075,947	3,273,367	23,113,000	92,109	94,590	749,238	28,398,251
Utility	-	55,990	-	-	-	459,561	515,551
Nonmajor business	-	-	-	683,727	-	-	683,727
Internal services	-	159,930	-	9,780	-	12,803,132	12,972,842
Total transfers in	<u>\$1,075,947</u>	<u>\$ 5,042,447</u>	<u>\$23,113,000</u>	<u>\$ 816,046</u>	<u>\$94,590</u>	<u>\$ 14,151,181</u>	<u>\$ 44,293,211</u>

F. Leases

Operating leases

The City leases building and office facilities under operating leases with renewable options up to five years. The costs for such leases were \$639,616 for the fiscal year ended June 30, 2018. Future minimum lease payments are as follows:

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Fiscal Year Ending June 30	Lease Payments Due
2019	\$ 655,373
2020	671,519
2021	688,062
2022	705,013
2023	722,382
2024-28	3,887,787
Total	<u>\$ 7,330,137</u>

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

<u>Facility Name</u>	Leased space as a percentage of:		
	Original Cost	Accumulated Depreciation	Book Value
Chemeketa parkade, 8.2% leased	\$ 348,927	\$ 331,480	\$ 17,447
Liberty parkade, 6.4% leased	147,663	140,280	7,383
Total	<u>\$ 496,590</u>	<u>\$ 471,760</u>	<u>\$ 24,830</u>

Lessor revenues of \$1,735,983 were received by the City for leased office and retail space in two of its parkades, and leases for the airport. Lease contracts are for five-year terms with options for renewal.

As of June 30, 2018, future minimum rents contractually due from operating leases are as follows:

Fiscal Year Ending June 30	Lease Payments
2019	\$ 1,778,750
2020	1,822,571
2021	1,867,472
2022	1,913,478
2023	1,960,618
2024-28	10,551,854
Total	<u>\$ 19,894,743</u>

G. Due to other agencies

\$5,424 in unclaimed property is due from the General fund to the Oregon Division of State Lands or other state agencies.

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H. Compensated absences

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

	Balance July 1, 2017	Leave Earned	Leave Taken	Balance June 30, 2018	Due Within One Year
Governmental activities	\$ 6,679,207	\$ 6,683,101	\$ 6,167,950	\$ 7,194,358	\$ 823,424
Business-type activities	2,495,038	2,575,594	2,298,002	2,772,630	494,231
Total	<u>\$ 9,174,245</u>	<u>\$ 9,258,695</u>	<u>\$ 8,465,952</u>	<u>\$ 9,966,988</u>	<u>\$ 1,317,655</u>

I. Debt

The City issues various types of debt to finance capital activities. Each type of debt is discussed below. The following tables provide details on the year's activities for each of the City's debt issuances, by governmental and business-type activities. Tables indicating future debt maturities for governmental and business-type activities are also provided, with balances as of June 30, 2018. The City's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations.

1. Changes in long-term debt

	Original Amount	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities debt						
<u>General obligation bonds:</u>						
Refunding & Streets-Bridges, Ser. 2009 (3.60%)	\$ 34,480,000	\$ 18,195,000	\$ -	\$ 16,010,000	\$ 2,185,000	\$ 2,185,000
Streets-Bridges, Ser. 2012 (2.62%)	25,000,000	11,420,000	-	1,035,000	10,385,000	1,090,000
Streets-Bridges, Ser. 2013 (2.83%)	43,665,000	33,310,000	-	2,910,000	30,400,000	3,110,000
Refunding Fire Bond Ser. 2012 (2.25%)	18,289,298	5,906,147	-	1,959,729	3,946,418	2,004,071
Police Facility, Ser 2017 (2.71%)	74,775,000	-	74,775,000	1,400,000	73,375,000	985,000
Library, Ser 2018 (2.68%)	18,600,000	-	18,600,000	-	18,600,000	470,000
Subtotal general obligation bonds		68,831,147	93,375,000	23,314,729	138,891,418	9,844,071
Premium		2,818,866	9,485,781	1,338,542	10,966,105	-
Total general obligation bonds		<u>71,650,013</u>	<u>102,860,781</u>	<u>24,653,271</u>	<u>149,857,523</u>	<u>9,844,071</u>
Limited tax pension obligation, 2005 (5.04%)	61,685,000	46,750,000	-	2,570,000	44,180,000	2,890,000
<u>Urban renewal bonds:</u>						
Riverfront/Downtown, Ser. 2009 (4.35%)	3,660,000	1,975,000	-	245,000	1,730,000	260,000
Riverfront/Downtown, Ser. 2015B (1.73%)	5,481,000	153,000	-	153,000	-	-
Total urban renewal bonds		<u>2,128,000</u>	<u>-</u>	<u>398,000</u>	<u>1,730,000</u>	<u>260,000</u>
Total governmental bonds		<u>120,528,013</u>	<u>102,860,781</u>	<u>27,621,271</u>	<u>195,767,523</u>	<u>12,994,071</u>
<u>Notes:</u>						
HUD Sec108, Ser. 2015A (2.80%)	2,730,000	1,972,000	-	379,000	1,593,000	379,000
OECDL L06001A, Mill Creek, Ser. 2007 (4.41%)	3,999,999	4,284,853	-	305,645	3,979,208	210,994
OECDL L06001B, Mill Creek, Ser. 2007 (4.41%)	1,000,000	234,630	-	-	234,630	-
OECDL L06001C, Mill Creek, Ser. 2007 (5.00%)	3,772,081	3,772,081	-	-	3,772,081	127,728
Total notes		<u>10,263,564</u>	<u>-</u>	<u>684,645</u>	<u>9,578,919</u>	<u>717,722</u>
Total governmental activities long-term debt		<u>\$ 130,791,577</u>	<u>\$ 102,860,781</u>	<u>\$ 28,305,916</u>	<u>\$ 205,346,442</u>	<u>\$ 13,711,793</u>
Business-type activities debt						
<u>Revenue bonds - water and sewer</u>						
Full Faith & Credit, Ser. 2009 (4.07%)	\$ 100,075,000	\$ 69,870,000	\$ -	\$ 65,210,000	\$ 4,660,000	\$ 4,660,000
Series 2012 A refunding (2.22%)	63,360,000	48,980,000	-	10,235,000	38,745,000	9,083,000
Series 2017 refunding (1.74%)	55,990,000	-	55,990,000	1,790,000	54,200,000	1,530,000
Subtotal revenue bonds		<u>118,850,000</u>	<u>55,990,000</u>	<u>77,235,000</u>	<u>97,605,000</u>	<u>15,273,000</u>
Premiums		3,275,410	9,347,380	3,866,504	8,756,286	-
Total business-type activities long-term debt		<u>\$ 122,125,410</u>	<u>\$ 65,337,380</u>	<u>\$ 81,101,504</u>	<u>\$ 106,361,286</u>	<u>\$ 15,273,000</u>

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2. Governmental activity general obligation bonds

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

On August 24, 2017, the City issued General Obligation Project and Refunding bonds, Series 2017 in accordance with voter approved ballot measure 24-420 from the May 2017 election. The ballot measure approved the sale of bonds not to exceed \$61,800,000. The General Obligation Project portion of the bond sale resulted in a par amount of \$61,800,000 and a premium of \$5,111,398 and will be used for the acquisition of land and the design/build of a new police facility. The refunding portion was an advance refunding of the Streets and Bridges Series 2009 bonds with a par amount of \$12,975,000 and a premium of \$2,082,606. The refunding will result in a reduction of overall debt service of \$1,465,260 creating a net present value interest savings of \$1,305,386.

At June 30, 2018, defeased general obligation bonds are as follows:

<u>General Long-Term Debt</u>	<u>Defeased Debt Outstanding</u>
Streets and bridges series 2009	\$ 14,010,000

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

3. Limited tax pension obligation

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

4. Governmental activity urban renewal bonds

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

In accordance with bond covenants, the Agency has established a reserve of \$335,255 within its debt service fund for the 2009 Riverfront/Downtown URA bond.

5. Governmental activity notes

The Agency issues notes to provide funds for the acquisition and construction of capital assets. The Agency's currently outstanding notes represent funding primarily for projects associated with economic development and wetland mitigation in the Mill Creek urban renewal area. Mill Creek tax increment revenues are pledged to repay the notes. Note L06001B 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.

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In July 2003, the City executed a contract with the U.S. Department of Housing and Urban Development (HUD) for Section 108 loan guarantee funds in the amount of \$7.2 million as part of the funding needed to construct the Salem Convention Center. The loan term is twenty years. The outstanding balance was refinanced at a lower interest rate in May 2015 with all other terms remaining the same. The four sources of funds in priority order for repayment of the loan are 1) Riverfront-Downtown commercial loan repayments, 2) Community Development Block Grant (CDBG) program income, 3) available Riverfront-Downtown urban renewal funds, and 4) CDBG entitlement funds. The City was required to pledge as security its yearly allocation of CDBG entitlement funds. In order to only use those funds as a last resort, the other three sources of income were identified. While the annual entitlement of CDBG funds varies, the amount spent during fiscal year 2017-18 was \$902,399. No entitlement funds have been used for loan repayment. The scheduled debt payment for fiscal year 2017-18 was \$414,564.

6. Governmental activity future maturities of long-term debt

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	\$ 717,722	\$ 351,295	\$ 12,994,071	\$ 7,881,796	\$ 13,711,793	\$ 8,233,091
2019-20	732,034	416,222	14,412,347	7,150,708	15,144,381	7,566,930
2020-21	766,126	319,014	15,685,000	6,571,377	16,451,126	6,890,391
2021-22	782,523	294,412	17,150,000	6,027,488	17,932,523	6,321,900
2022-23	496,616	271,936	18,585,000	5,404,134	19,081,616	5,676,070
2023-28	2,387,005	1,071,969	56,890,000	17,653,165	59,277,005	18,725,134
2028-33	2,467,237	525,044	27,430,000	9,517,100	29,897,237	10,042,144
2033-38	1,229,656	148,312	21,655,000	6,037,125	22,884,656	6,185,437
	<u>\$9,578,919</u>	<u>\$3,398,204</u>	<u>\$184,801,418</u>	<u>\$66,242,893</u>	<u>\$194,380,337</u>	<u>\$69,641,097</u>

7. Business-type activity revenue bonds

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

Amidst the 2009 global financial crisis, the City's utility system was forced to convert its short-term commercial paper debt into long-term bonds. Due to coverage ratio constraints in the utility system at that time, these bonds were issued with a full faith and credit pledge. In 2012, when the utility system refunded its existing debt, a pledge of all net utility revenues needed to fully service the 2009 full faith and credit bond was formalized.

On July 18, 2017, the Utility fund refunded Water/Sewer Revenue/Full Faith and Credit Bonds Series 2009 by issuing Water and Sewer Revenue Refunding Bonds Series 2017 with a par amount of \$55,990,000 and a premium of \$9,349,880. The refunding will result in a reduction of overall debt service of \$12,515,007 creating a net present value interest savings of \$9,484,225.

At June 30, 2018, defeased water and sewer revenue bonds are as follows:

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Utility Debt	Defeased Debt in Escrow
Series 2003	\$ 7,620,000
Series 2004	6,850,000
Series 2005	10,715,000
Series 2009	60,725,000
Total defeased debt in escrow	\$ 85,910,000

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

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

Year	Bonds	
	Principal	Interest
2018-19	\$ 15,273,000	\$ 3,666,289
2019-20	14,806,000	3,201,746
2020-21	12,098,000	2,693,604
2021-22	12,538,000	2,236,684
2022-23	13,013,000	1,760,543
2023-28	29,877,000	2,399,547
	\$ 97,605,000	\$ 15,958,413

J. Conduit debt obligations

Conduit obligations are defined as those issued with approval of the City for the benefit of eligible third parties that provide health care or senior citizen use facilities. They are not a part of the City's financial reporting entity. At June 30, 2018, the following issues are outstanding.

Date Issued	Purpose	Original Amount	Outstanding Balance June 30, 2018
<u>Capital Manor, Inc.</u>			
06/2012	Revenue Bonds, Series 2012 Pay off outstanding balances of the 2004 Bonds, the 2006 bonds and the swap agreements.	\$ 50,135,000	\$ 46,880,000
<u>Salem Hospital</u>			
11/2006	Revenue Bonds, Series 2016A Refinance a portion of the 2013, 2008 and 2006 bonds.	214,722,000	203,252,000
11/2008	Revenue Bonds, Series 2008B Refinance a portion of the 2008 taxable line of credit and provide financing for various capital projects.	75,000,000	75,000,000
		\$ 339,857,000	\$ 325,132,000

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

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K. Fund balance

Fund balances for governmental funds as of June 30, 2018 are as follows:

	General Fund	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Permanent funds principal	\$ -	\$ -	\$ -	\$ -	\$ 11,000	\$ 11,000
<u>Restricted:</u>						
Capital projects	-	91,567,447	35,652,682	-	14,914,347	142,134,476
Community renewal	-	-	-	2,180,225	-	2,180,225
Debt service	-	-	-	-	8,630,526	8,630,526
Permanent funds	-	-	-	-	215,332	215,332
General government	-	-	-	-	64,282	64,282
Community development:						
SCC Gain/Loss	-	-	-	-	4,872,372	4,872,372
Other	-	-	-	-	69,891	69,891
Community services	-	-	-	-	670,060	670,060
Library services	-	-	-	-	37,397	37,397
Public safety	-	-	-	-	1,022,276	1,022,276
Transportation services	-	-	-	-	4,237,056	4,237,056
Total restricted	-	91,567,447	35,652,682	2,180,225	34,733,539	164,133,893
<u>Committed:</u>						
Transportation services	-	-	-	-	4,647,314	4,647,314
Airport	-	-	-	-	1,136,718	1,136,718
Downtown parking	-	-	-	-	308,185	308,185
Cultural/Tourism	-	-	-	-	789,396	789,396
Public art	-	-	-	-	33,242	33,242
Parking leasehold	-	-	-	-	647,410	647,410
Building & safety	-	-	-	-	7,689,864	7,689,864
Community services	-	-	-	-	23,481	23,481
Library services	-	-	-	-	938,927	938,927
Public safety	-	-	-	-	5,157	5,157
Total committed	-	-	-	-	16,219,694	16,219,694
<u>Assigned:</u>						
General government	241,970	-	-	-	-	241,970
Community development	815,640	-	-	-	-	815,640
Public safety	186,410	-	-	-	-	186,410
Total assigned	1,244,020	-	-	-	-	1,244,020
<u>Unassigned:</u>						
	22,966,883	-	-	-	-	22,966,883
Total fund balances	\$ 24,210,903	\$ 91,567,447	\$ 35,652,682	\$ 2,180,225	\$ 50,964,233	\$ 204,575,490

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L. Net position

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

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

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

	<u>Calculation of Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets	\$ 561,808,063	\$ 661,579,667	\$ 1,223,387,730
Capital asset related debt			
Outstanding debt	(161,166,442)	(106,361,286)	(267,527,728)
Deferred outflows related to capital debt	361,360	4,704,255	5,065,615
Unexpended proceeds	85,189,383	-	85,189,383
Net capital asset related debt	<u>(75,615,699)</u>	<u>(101,657,031)</u>	<u>(177,272,730)</u>
Net investment in capital assets	<u>486,192,364</u>	<u>559,922,636</u>	<u>1,046,115,000</u>
Restricted:			
Capital projects			
Capital improvements	97,596,966	31,438,499	129,035,465
Extra capacity facilities	12,569,555	-	12,569,555
Tax allocation improvements	38,847,714	-	38,847,714
Development district	3,175,926	-	3,175,926
Unexpended proceeds moved to investment in capital assets	<u>(85,189,383)</u>	<u>-</u>	<u>(85,189,383)</u>
Total capital projects	<u>67,000,778</u>	<u>31,438,499</u>	<u>98,439,277</u>
Debt service			
General debt	723,273	-	723,273
Tax allocation debt	7,643,245	-	7,643,245
Total debt service	<u>8,366,518</u>	<u>-</u>	<u>8,366,518</u>
Other purposes			
Community enhancement	10,973,334	-	10,973,334
Permanent	215,332	-	215,332
Permanent - non-expendable	11,000	-	11,000
Community renewal	<u>14,641,227</u>	<u>-</u>	<u>14,641,227</u>
Total other purposes	<u>25,840,893</u>	<u>-</u>	<u>25,840,893</u>
Total restricted	<u>101,208,189</u>	<u>31,438,499</u>	<u>132,646,688</u>

Continued

City of Salem, Oregon
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	Governmental Activities	Business-type Activities	Total
Unrestricted:			
General	28,163,673	-	28,163,673
Special revenue			
Transportation services	3,929,487	-	3,929,487
Streetlights	725,098	-	725,098
Airport	1,136,718	-	1,136,718
Downtown parking	308,185	-	308,185
Cultural and tourism	789,396	-	789,396
Public art	33,242	-	33,242
Parking leasehold	647,410	-	647,410
Building and safety	7,689,864	-	7,689,864
Community enhancement	967,565	-	967,565
Internal service	21,106,913	-	21,106,913
Enterprise			
Utility	-	68,818,160	68,818,160
Emergency services	-	3,236,522	3,236,522
WVPS communications center	-	1,879,646	1,879,646
Police regional records system	-	1,235,020	1,235,020
Salem Convention Center	-	817,953	817,953
Net pension liability	(92,661,053)	(35,096,662)	(127,757,715)
Pension obligation bond	(44,180,000)	-	(44,180,000)
Net OPEB liability	(8,809,767)	(3,870,652)	(12,680,419)
Compensated absences	(7,194,358)	(2,772,630)	(9,966,988)
Deferred inflows/outflows related to pensions	30,669,266	11,483,496	42,152,762
Deferred inflows/outflows related to OPEB	(284,629)	(125,054)	(409,683)
Total unrestricted	<u>(56,962,990)</u>	<u>45,605,799</u>	<u>(11,357,191)</u>
Total net position	<u>\$ 530,437,563</u>	<u>\$ 636,966,934</u>	<u>\$ 1,167,404,497</u>
			Concluded

IV. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; employment practices; injuries to employees; and natural disasters. The City operates a self-insurance program to account for and finance its uninsured risk of loss. Resources to pay claims are derived from various City funds and are recorded as revenues in the Self-Insurance fund and expenditures in the funds charged. During the past three years, claims costs have not exceeded the self-insured retention.

The City provides medical benefits for all eligible participants. The monthly member (employee only) medical premiums paid are \$597 for the Kaiser Permanente HMO plan, \$629 for the Preferred Provider Organization (PPO) plan, and \$503 for the High Deductible Health Plan. Additional premiums for vision and dental benefits are also paid, as elected by the employee, up to a maximum of \$2,042 for all medical, vision, and dental plan premiums per employee (including dependents), except as otherwise provided in accordance with collective bargaining agreements. Specific claim stop-loss coverage is purchased for individual claims exceeding \$175,000. During fiscal year 2017-18, total medical, vision, and dental claims expense of \$18,626,188 was incurred.

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

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

The changes in the aggregate liability (reserves) for workers compensation and general liability/casualty claims for fiscal years 2016-17 and 2017-18 are as follows:

Fiscal year ended June 30,	Claims payable July 1,	<u>Workers Compensation</u>		Changes to prior year estimates	Claims payable June 30,
		Claims incurred	Claims paid		
2017	\$ 4,127,600	\$ 583,839	\$ (785,625)	\$ 1,195,486	\$ 5,121,300
2018	5,121,300	470,523	(792,235)	629,662	5,429,250

Fiscal year ended June 30,	Claims payable July 1,	<u>Liability/Casualty</u>		Changes to prior year estimates	Claims payable June 30,
		Claims incurred	Claims paid		
2017	\$ 2,455,300	\$ 94,484	\$ (1,215,667)	\$ 644,553	\$ 1,978,670
2018	1,978,670	58,342	(356,697)	(14,255)	1,666,060

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

B. Commitments and contingencies

1. Grants

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

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2. *Litigation matters*

The City is presently involved in certain litigation matters arising from the normal course of business. In the opinion of management and the City's legal counsel, adverse disposition of any such legal matter will not have a material effect on the City's financial position. At June 30, 2018, reserves have been established to provide for the estimated liability in such cases.

3. *Construction commitments*

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2018-19. The reappropriated budget for these projects is \$5,761,960.

C. Defined benefit pension plan (PERS)

1. *Plan description*

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

2. *Benefits provided*

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

Pension benefits

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

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

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Death benefits

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

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

Disability benefits

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

Benefit changes

Members that choose to continue participation in a variable equities investment account after retiring may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

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

Pension benefits

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

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

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

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

Death benefits

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

Disability benefits

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

c. OPSRP Individual Account Program (IAP)

Pension benefits

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

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

Death benefits

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

Record keeping

OPERS contracts with Voya Financial to maintain IAP participant records.

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3. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined benefit plan and the other postemployment benefit plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2018 were \$14,450,480, excluding amounts to fund employer specific liabilities. The rates for the pension plan in effect for the fiscal year ended June 30, 2018 were 19.67% for all Tier One/Tier Two members, 11.54% for OPSRP general service members, 16.31% for OPSRP police and fire members, and 6% for OPSRP IAP.

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

At June 30, 2018, the City reported a liability of \$127,757,715 for its proportionate share of the net pension liability. This liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.94775487%, a slight decrease from its proportion as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$12,181,440. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,178,417	\$ -
Changes in assumptions	23,287,952	-
Net difference between projected and actual earnings on investments	1,316,204	-
Changes in proportionate share	-	3,313,195
Difference between employer contributions and employer's proportionate share of system contributions	889,221	656,317
City contributions subsequent to the measurement date	14,450,480	-
Total	\$ 46,122,274	\$ 3,969,512

\$14,450,480 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2019	\$	5,155,060
2020		15,499,592
2021		10,359,598
2022		(3,409,233)
2023		97,265
Total	\$	27,702,282

5. Actuarial methods and assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP pension program component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

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

6. Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plans were invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.12%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.62%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

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7. Discount rate

The discount rate used to measure the total pension liability was 7.5% for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 217,722,473	\$ 127,757,715	\$ 52,530,517

9. Pension plan fiduciary net position

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

10. Changes in plan provisions subsequent to the measurement date

The PERS board lowered the assumed rate of return to 7.2% effective January 1, 2018. This change will affect employer contribution rates beginning July 1, 2019.

D. Defined benefit pension plan (RHIA)

1. Plan description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

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2. Benefits provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

3. Contributions

PERS funding policy provides for employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$407,896.

4. OPEB assets, liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, the City reported an asset of \$341,931 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2017, the City's proportionate share was 0.8138%, which is a decrease from its proportion of 0.8193% as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a credit to OPEB expense from this plan of \$406,956. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Net difference between projected and actual earnings	\$ -	\$ 158,363
Change in proportionate share	1,083	-
Contributions subsequent to the measurement date	409,193	-
Total	<u>\$ 410,276</u>	<u>\$ 158,363</u>

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Deferred outflows of resources related to OPEB of \$409,193 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended</i>	
<u>June 30:</u>	
2019	\$ (39,190)
2020	(39,190)
2021	(39,310)
2022	<u>(39,590)</u>
Total	<u>\$ (157,280)</u>

5. Actuarial methods and assumptions

The healthcare cost trend rate ranges from 6.30% in 2016 to 4.40% in 2094. See PERS pension plan note for additional information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

6. Sensitivity of the proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.50%, as well as what the City's share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Discount</u>	<u>1% Increase</u>
	<u>(6.50%)</u>	<u>Rate (7.50%)</u>	<u>(8.50%)</u>
Net OPEB Liability (Asset)	\$ 47,664	\$ (341,930)	\$ (673,304)

7. OPEB plan fiduciary net position

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

8. Changes in plan provisions subsequent to the measurement date

The PERS Board lowered the assumed rate of return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

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E. Postemployment benefits other than pensions (OPEB)

1. General information about the OPEB Plan

The City administers a single-employer defined benefit healthcare plan. Benefit provisions are established through negotiations between the City and collective bargaining units. The plan provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents. Premiums are paid by the retiree.

The level of benefits provided by the plan is the same as that afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 26. The City's post-retirement healthcare plan was established in accordance with ORS 243.303. ORS stipulate that for establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs (which, because of the effect of age, is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the City's implicit rate subsidy.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

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

2. Total OPEB liability

The City's total OPEB liability of \$13,022,350 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3.50%
Salary increases, average, including inflation	3.50%
Discount rate	3.87%
Healthcare cost trend rates, FY 2018, decreasing 0.5% per year, to an ultimate rate of 5.00% from 2026 and forward.	9.00%
Retirees' share of benefit-related costs	100%

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

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3. Changes in the total OPEB liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 13,248,635
Changes for the year:	
Service cost	884,521
Interest	491,630
Differences between expected and actual experience	(617,596)
Changes in assumptions or other inputs	(332,489)
Benefit payments	(652,351)
Net changes	(226,285)
Balance at June 30, 2018	\$ 13,022,350

Changes in assumptions reflect a change in the discount rate from 3.56% in 2017 to 3.87% in 2018.

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

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 14,116,649	\$ 13,022,350	\$ 11,994,181

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

	1% Decrease (7.5% decreasing to 4%)	Healthcare Cost Trend Rates (8.5% decreasing to 5%)	1% Increase (9.5% decreasing to 6%)
Total OPEB Liability	\$ 11,363,612	\$ 13,022,350	\$ 14,995,803

4. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,285,678. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 73,731
Changes of assumptions or other inputs	-	587,865
Total	\$ -	\$ 661,596

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

<u>Year Ended June 30:</u>	
2019	\$ (90,473)
2020	(90,473)
2021	(90,473)
2022	(90,473)
2023	(90,473)
Thereafter	<u>(209,231)</u>
Total	<u>\$ (661,596)</u>

F. Outstanding encumbrances

At June 30, 2018, the City has encumbered the following commitments that required reappropriation in the 2018-19 fiscal year budget:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,244,020
Capital improvements	410,420
Non-major governmental	194,650
Utility	671,290
Emergency services	<u>23,480</u>
Total	<u>\$ 2,543,860</u>

G. Deficit net position

The Willamette Valley Communications Center fund has a deficit net position of \$4,430,508 at June 30, 2018, which is caused by the pension and OPEB reporting requirements of GASB Statements 68 and 75. However, the fund has a positive fund balance of \$1,366,529.

H. Tax abatement disclosure

As of June 30, 2018, the City of Salem and its blended component unit entered into an agreement for one tax abatement program: Multiple-Unit Housing ORS 307.600 to 307.637 which reduce property tax revenues.

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

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

City of Salem, Oregon
Notes to the Financial Statements
June 30, 2018

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

<u>Government</u>	<u>Company</u>	<u>Purpose</u>	<u>Agreement Date</u>	<u>Percentage of Property Taxes Abated</u>	<u>Taxes Abated during Fiscal Year 2018</u>
City of Salem	Pringle Square South LLC	Multiple Unit Housing	3/12/2014	100%	\$ 145,205
State of Oregon		Historical Property	Various	100%	113,455
		Enterprise Zone	Various	100%	146,994
		Enterprise Zone	Various	Partial	251,173
Polk County		Enterprise Zone	2014	29%-51%	18,195
Total					<u>\$ 675,022</u>

I. Prior period adjustments

Based on the OPERS system implementation of GASB Statement 74 for its RHIA OPEB plan, a prior period adjustment was required to recognize the City's proportionate share of the net OPEB liability and deferred outflows of resources. Net position has been restated as follows:

<u>Governmental Funds</u>	<u>Utility Fund</u>	<u>Emergency Services</u>	<u>WVPS Communications Center</u>	<u>City Services</u>	<u>Self-Insurance</u>	<u>Total</u>
\$ 126,126	\$45,311	\$ 297	\$ 11,439	\$ 2,674	\$ 1,040	\$186,887

In prior CAFR's, the City has reported the HUD section 108 note payable as legally defeased by deposits into a debt service escrow account. It has been determined that this is not appropriate, and that the debt and cash should be shown separately. As of June 30, 2017, the debt was reported as if \$1,818,009 had been defeased, and the escrow deposit balance was \$1,980,070. A prior period adjustment in the Community Renewal major governmental fund has been recorded to reflect the deposit balance, and a prior period adjustment in Governmental Activities has been recorded to reflect the difference of \$162,061, which is investment income earned in the escrow account.

In the Salem Convention Center 2016-17 fiscal year audit, a \$545 correction needed to be made after the close of the year. This amount was paid to the city in 2017-18.

City of Salem, Oregon
Required Supplementary Information
June 30, 2018

1. Defined benefit pension plan (PERS)

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

Year Ended June 30,	City's proportion of the net pension liability (asset) (a)	City's proportionate share of the net pension liability (asset) (b)	City's covered payroll (c)	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2018	0.94775487%	\$ 127,757,715	\$ 78,129,106	163.52%	83.10%
2017	0.97424987%	146,257,527	76,521,581	191.13%	80.50%
2016	1.00664356%	57,796,051	76,037,921	76.01%	91.90%
2015	1.02590270%	(23,254,287)	77,123,538	-30.15%	103.60%
2014	1.02590270%	52,353,318	75,971,067	68.91%	91.97%

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

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

Year Ended June 30,	Statutorily required contribution (a)	Contributions in relation to the statutorily required contribution (b)	Contribution deficiency (excess) (a-b)	City's covered payroll (c)	Contributions as a percent of covered payroll (b/c)
2018	\$ 14,450,480	\$ 14,450,480	\$ -	\$ 78,129,106	18.50%
2017	10,099,278	10,099,278	-	76,521,581	13.20%
2016	9,918,275	9,918,275	-	76,037,921	13.04%
2015	9,662,055	9,662,055	-	77,123,538	12.53%
2014	10,237,304	10,237,304	-	75,971,067	13.48%

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

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

City of Salem, Oregon
Required Supplementary Information
June 30, 2018

2. Schedule of changes in total other post-employment benefit liabilities and related ratios – implicit rate subsidy

Schedule of changes in the City's total OPEB liability and related ratios

Total OPEB Liability	2018
Service cost	\$ 884,521
Interest	491,630
Differences between expected and actual experience	(332,489)
Changes in assumptions or other inputs	(617,596)
Benefit payments	(652,351)
Net changes	(226,285)
Total OPEB liability, beginning	13,248,635
Total OPEB liability, ending	\$ 13,022,350
 Covered-employee payroll	\$ 77,265,090
 Total OPEB liability as a percentage of covered-employee payroll	16.9%

Changes in benefit terms. The City's other post-employment benefits include retiree healthcare. The actuarial cost method for retiree healthcare benefits is the projected unit credit method. The last actuarial valuation completed was as of June 30, 2018.

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

2017	3.56%
2018	3.87%

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

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

City of Salem, Oregon
Required Supplementary Information
June 30, 2018

3. Defined benefit pension plan (RHIA)

Schedule of the proportionate share of the net pension liability (RHIA)
For the last two fiscal years

Year Ended June 30,	City's	City's	City's covered payroll	City's	Plan fiduciary net position as a percentage of the total pension liability
	proportion of the net OPEB liability (asset)	proportionate share of the net OPEB liability (asset)		proportionate share of the net pension liability (asset) as a percentage of its covered payroll	
	(a)	(b)	(c)	(b/c)	
2018	0.81930652%	\$ (341,930)	\$ 78,129,106	(0.44%)	108.90%
2017	0.81384084%	221,009	76,521,581	0.29%	94.20%

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

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

Schedule of contributions (RHIA)
For the last two fiscal years

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2018	\$ 409,193	\$ 409,193	\$ -	\$ 78,129,106	0.52%
2017	407,896	407,896	-	76,521,581	0.53%

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

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



Supplemental Information



COMBINING STATEMENTS - Nonmajor Governmental Funds

Special Revenue Funds

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

Transportation Services

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

Streetlights

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

Airport

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

Downtown Parking

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

Cultural/Tourism

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

Public Art

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

Parking Leasehold

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

Building and Safety

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

Community Enhancement

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

Permanent

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

Debt Service Funds

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

General Debt

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

Tax Allocation Bond Debt

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

Capital Projects Funds

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

Extra Capacity Facilities

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

Development Districts

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

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

**Special Revenue
Funds**

	Trans- portation Services	Street- lights	Airport	Downtown Parking	Cultural/ Tourism	Public Art	Parking Leasehold	Building and Safety
Assets								
Cash and investments	\$ 3,183,645	\$ 537,620	\$ 1,143,146	\$ 331,862	\$ 323,101	\$ 48,042	\$ 656,396	\$ 7,656,625
Accounts receivable, net	1,150,500	320,026	9,029	4,824	489,555	-	14,071	93,301
Prepayments	-	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 4,334,145</u>	<u>\$ 857,646</u>	<u>\$ 1,152,175</u>	<u>\$ 336,686</u>	<u>\$ 812,656</u>	<u>\$ 48,042</u>	<u>\$ 670,467</u>	<u>\$ 7,749,926</u>
Liabilities								
Accounts payable and accrued liabilities	\$ 403,568	\$ 132,548	\$ 15,457	\$ 28,501	\$ 23,260	\$ 14,800	\$ 22,057	\$ 60,062
Security deposit payable	1,090	-	-	-	-	-	1,000	-
Developer reimbursement payable	-	-	-	-	-	-	-	-
Total liabilities	<u>404,658</u>	<u>132,548</u>	<u>15,457</u>	<u>28,501</u>	<u>23,260</u>	<u>14,800</u>	<u>23,057</u>	<u>60,062</u>
Deferred inflows of resources								
Unavailable revenue	7,271	-	-	-	-	-	-	-
Fund balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	3,922,216	725,098	1,136,718	308,185	789,396	33,242	647,410	7,689,864
Total fund balances	<u>3,922,216</u>	<u>725,098</u>	<u>1,136,718</u>	<u>308,185</u>	<u>789,396</u>	<u>33,242</u>	<u>647,410</u>	<u>7,689,864</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,334,145</u>	<u>\$ 857,646</u>	<u>\$ 1,152,175</u>	<u>\$ 336,686</u>	<u>\$ 812,656</u>	<u>\$ 48,042</u>	<u>\$ 670,467</u>	<u>\$ 7,749,926</u>

Continued

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Govern- mental Funds
	Comm- munity Enhance- ment	Perm- anent	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Develop- ment Districts	
Assets							
Cash and investments	\$ 12,466,138	\$ 220,088	\$ 780,171	\$ 7,564,107	\$ 11,828,704	\$ 3,182,433	\$ 49,922,078
Accounts receivable, net	2,512	6,281	804,800	846,346	1,175,527	-	4,916,772
Prepayments	7,600	-	-	-	-	-	7,600
Assessments receivable	1,258,626	-	-	-	534,784	1,639,572	3,432,982
Total assets	<u>\$ 13,734,876</u>	<u>\$ 226,369</u>	<u>\$ 1,584,971</u>	<u>\$ 8,410,453</u>	<u>\$ 13,539,015</u>	<u>\$ 4,822,005</u>	<u>\$ 58,279,432</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 535,351	\$ 37	\$ 400	\$ -	\$ 434,676	\$ 6,507	\$ 1,677,224
Security deposit payable	-	-	-	-	-	-	2,090
Developer reimbursement payable	1,258,626	-	-	-	534,784	1,639,572	3,432,982
Total liabilities	<u>1,793,977</u>	<u>37</u>	<u>400</u>	<u>-</u>	<u>969,460</u>	<u>1,646,079</u>	<u>5,112,296</u>
Deferred inflows of resources							
Unavailable revenue	-	-	660,885	703,613	831,134	-	2,202,903
Fund balances							
Nonspendable	7,600	11,000	-	-	-	-	18,600
Restricted	10,965,734	215,332	923,686	7,706,840	11,738,421	3,175,926	34,725,939
Committed	967,565	-	-	-	-	-	16,219,694
Total fund balances	<u>11,940,899</u>	<u>226,332</u>	<u>923,686</u>	<u>7,706,840</u>	<u>11,738,421</u>	<u>3,175,926</u>	<u>50,964,233</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,734,876</u>	<u>\$ 226,369</u>	<u>\$ 1,584,971</u>	<u>\$ 8,410,453</u>	<u>\$ 13,539,015</u>	<u>\$ 4,822,005</u>	<u>\$ 58,279,432</u>

Concluded

City of Salem, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018

	Special Revenue Funds							
	Transportation Services	Streetlights	Airport	Downtown Parking	Cultural/ Tourism	Public Art	Parking Leasehold	Building & Safety
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	3,922,627	-	-	-
Sales, fees, licenses, and permits	236,363	1,859,996	49,927	17,660	-	-	-	5,628,276
Special assessments	4,972	-	-	441,441	-	-	-	-
Rents	2,073	-	1,135,161	600,062	-	-	476,422	-
Grants	271,295	-	-	-	-	-	-	-
Intergovernmental	13,438,065	-	-	-	5,381	-	-	123,980
Fines and penalties	-	-	-	-	-	-	-	-
Interest on investments	55,545	2,909	15,799	13,133	5,571	635	11,358	94,375
Loan payments received	-	-	-	-	11,673	-	-	-
Other	28,850	-	-	8,881	12,000	-	-	1,586
Total revenues	<u>14,037,163</u>	<u>1,862,905</u>	<u>1,200,887</u>	<u>1,081,177</u>	<u>3,957,252</u>	<u>635</u>	<u>487,780</u>	<u>5,848,217</u>
Expenditures								
General government	-	-	-	-	-	27,914	-	-
Community development	-	-	927,652	1,141,662	2,237,974	-	388,450	3,737,603
Community service	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Transportation	14,046,385	890,931	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Capital outlay	330,362	-	-	-	-	-	-	-
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	46,509	3,833	-	-	-	-	-
Total expenditures	<u>14,376,747</u>	<u>937,440</u>	<u>931,485</u>	<u>1,141,662</u>	<u>2,237,974</u>	<u>27,914</u>	<u>388,450</u>	<u>3,737,603</u>
Excess (deficiency) of revenues over expenditures	<u>(339,584)</u>	<u>925,465</u>	<u>269,402</u>	<u>(60,485)</u>	<u>1,719,278</u>	<u>(27,279)</u>	<u>99,330</u>	<u>2,110,614</u>
Other financing sources (uses)								
Sale of property	-	-	-	-	-	-	-	-
Transfers in	75,000	-	-	-	-	17,109	-	-
Transfers out	(461,760)	(431,491)	(53,986)	(300,000)	(1,475,397)	-	(200,000)	(577,249)
Total other financing sources (uses)	<u>(386,760)</u>	<u>(431,491)</u>	<u>(53,986)</u>	<u>(300,000)</u>	<u>(1,475,397)</u>	<u>17,109</u>	<u>(200,000)</u>	<u>(577,249)</u>
Net change in fund balance	<u>(726,344)</u>	<u>493,974</u>	<u>215,416</u>	<u>(360,485)</u>	<u>243,881</u>	<u>(10,170)</u>	<u>(100,670)</u>	<u>1,533,365</u>
Fund balances - beginning of year	<u>4,648,560</u>	<u>231,124</u>	<u>921,302</u>	<u>668,670</u>	<u>545,515</u>	<u>43,412</u>	<u>748,080</u>	<u>6,156,499</u>
Fund balances - end of year	<u>\$ 3,922,216</u>	<u>\$ 725,098</u>	<u>\$ 1,136,718</u>	<u>\$ 308,185</u>	<u>\$ 789,396</u>	<u>\$ 33,242</u>	<u>\$ 647,410</u>	<u>\$ 7,689,864</u>

Continued

City of Salem, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Governmental Nonmajor Funds
	Community Enhancement	Permanent	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	
Revenues							
Property taxes	\$ -	\$ -	\$ 13,787,258	\$ 12,729,845	\$ -	\$ -	\$ 26,517,103
Other taxes	-	-	-	-	-	-	3,922,627
Sales, fees, licenses, and permits	2,365,919	-	-	-	5,222,641	1,406,151	16,786,933
Special assessments	-	-	-	-	55,998	-	502,411
Rents	777	-	-	-	53,747	-	2,268,242
Grants	78,781	-	-	-	1,096,201	-	1,446,277
Intergovernmental	-	-	4,897,039	-	-	-	18,464,465
Fines and penalties	5,585	-	-	-	-	-	5,585
Interest on investments	155,949	3,238	106,173	348,961	168,716	31,370	1,013,732
Loan payments received	-	-	-	-	-	-	11,673
Other	1,438,108	12,877	-	8	-	-	1,502,310
Total revenues	4,045,119	16,115	18,790,470	13,078,814	6,597,303	1,437,521	72,441,358
Expenditures							
General government	56	-	-	-	-	-	27,970
Community development	276,170	-	-	-	-	-	8,709,511
Community service	175,491	-	-	-	-	-	175,491
Public safety	496,751	-	-	-	-	-	496,751
Transportation	66,131	-	-	-	-	-	15,003,447
Library	159,697	1,971	-	-	-	-	161,668
Capital outlay	35,997	-	-	-	5,813,540	330,161	6,510,060
Debt service							
Principal retirement	-	-	11,874,729	703,644	-	-	12,578,373
Interest and fiscal charges	-	-	6,576,496	168,418	-	-	6,795,256
Total expenditures	1,210,293	1,971	18,451,225	872,062	5,813,540	330,161	50,458,527
Excess (deficiency) of revenues over expenditures	2,834,826	14,144	339,245	12,206,752	783,763	1,107,360	21,982,831
Other financing sources (uses)							
Sale of property	8,349	-	-	-	-	-	8,349
Transfers in	723,937	-	-	-	-	-	816,046
Transfers out	(1,626,178)	-	-	(23,113,000)	(159,190)	-	(28,398,251)
Total other financing sources (uses)	(893,892)	-	-	(23,113,000)	(159,190)	-	(27,573,856)
Net change in fund balance	1,940,934	14,144	339,245	(10,906,248)	624,573	1,107,360	(5,591,025)
Fund balances - beginning of year	9,999,965	212,188	584,441	18,613,088	11,113,848	2,068,566	56,555,258
Fund balances - end of year	\$ 11,940,899	\$ 226,332	\$ 923,686	\$ 7,706,840	\$ 11,738,421	\$ 3,175,926	\$ 50,964,233

Concluded



COMBINING STATEMENTS

Nonmajor Business-type Funds

Enterprise Funds

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

Emergency Services

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

Willamette Valley Public Safety (WVPS) Communications Center

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

Police Regional Records System

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

Salem Convention Center

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

City of Salem, Oregon
Combining Statement of Net Position
Nonmajor Business-type Funds
June 30, 2018

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Assets					
Current assets					
Cash and investments	\$ 3,145,242	\$ 1,872,232	\$ 1,243,550	\$ 875,991	\$ 7,137,015
Accounts receivable, net	101,025	184,891	-	390,648	676,564
Inventories and prepayments	-	-	-	57,769	57,769
Total current assets	<u>3,246,267</u>	<u>2,057,123</u>	<u>1,243,550</u>	<u>1,324,408</u>	<u>7,871,348</u>
Noncurrent assets					
Net OPEB asset	544	20,929	-	-	21,473
Capital assets:					
Land and other construction in progress	-	-	240,000	1,611,123	1,851,123
Other capital assets, net	458,266	93,929	3,213	22,567,927	23,123,335
Total noncurrent assets	<u>458,810</u>	<u>114,858</u>	<u>243,213</u>	<u>24,179,050</u>	<u>24,995,931</u>
Total assets	<u>3,705,077</u>	<u>2,171,981</u>	<u>1,486,763</u>	<u>25,503,458</u>	<u>32,867,279</u>
Deferred outflows of resources					
Deferred outflows related to pensions	132,756	2,726,558	-	-	2,859,314
Deferred outflows related to OPEB	652	25,113	-	-	25,765
Total deferred outflows of resources	<u>133,408</u>	<u>2,751,671</u>	<u>-</u>	<u>-</u>	<u>2,885,079</u>

Continued

City of Salem, Oregon
Combining Statement of Net Position
Nonmajor Business-type Funds
June 30, 2018

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9,745	177,477	8,530	506,455	702,207
Compensated absences due within one year	-	20,180	-	-	20,180
Total current liabilities	9,745	197,657	8,530	506,455	722,387
Noncurrent liabilities					
Net OPEB liability	20,704	797,075	-	-	817,779
Net pension liability	373,811	7,558,565	-	-	7,932,376
Compensated absences	44,391	492,937	-	-	537,328
Total noncurrent liabilities	438,906	8,848,577	-	-	9,287,483
Total liabilities	448,651	9,046,234	8,530	506,455	10,009,870
Deferred inflows of resources:					
Deferred inflows related to pensions	10,638	257,738	-	-	268,376
Deferred inflows related to OPEB	1,304	50,188	-	-	51,492
Total deferred inflows of resources	11,942	307,926	-	-	319,868
Net Position					
Net investment in capital assets	458,266	93,929	243,213	24,179,050	24,974,458
Other unrestricted	2,919,626	(4,524,437)	1,235,020	817,953	448,162
Total net position	\$ 3,377,892	\$ (4,430,508)	\$ 1,478,233	\$ 24,997,003	\$ 25,422,620
					Concluded



City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2018

	Emergency Services	WVPS Communi- cations Center	Police Regional Records System	Salem Convention Center	Total Nonmajor Business-type Funds
Operating revenues					
Sales, fees, licenses, and permits	\$ 728,210	\$ 23,463	\$ -	\$ 3,122,866	\$ 3,874,539
Rents	-	20,800	-	1,529,191	1,549,991
Internal and intergovernmental	9,504	19,660	295,620	-	324,784
Member agencies	-	10,449,895	82,250	-	10,532,145
Fines and penalties	170,400	-	-	-	170,400
Other	1,475	15,239	-	648	17,362
Total operating revenues	<u>909,589</u>	<u>10,529,057</u>	<u>377,870</u>	<u>4,652,705</u>	<u>16,469,221</u>
Operating expenses					
Personal services	423,555	9,287,238	-	-	9,710,793
Materials and services	213,580	1,567,621	355,390	3,836,189	5,972,780
Depreciation	29,671	12,106	-	730,968	772,745
Total operating expenses	<u>666,806</u>	<u>10,866,965</u>	<u>355,390</u>	<u>4,567,157</u>	<u>16,456,318</u>
Operating income (loss)	<u>242,783</u>	<u>(337,908)</u>	<u>22,480</u>	<u>85,548</u>	<u>12,903</u>
Non-operating revenues (expenses)					
Interest on investments	42,930	24,499	20,983	-	88,412
Other revenue (expenses)	(8,634)	-	-	-	(8,634)
Total non-operating revenues	<u>34,296</u>	<u>24,499</u>	<u>20,983</u>	<u>-</u>	<u>79,778</u>
Net income (loss) before capital contributions and transfers	277,079	(313,409)	43,463	85,548	92,681
Transfers out	-	-	-	(683,727)	(683,727)
Change in net position	<u>277,079</u>	<u>(313,409)</u>	<u>43,463</u>	<u>(598,179)</u>	<u>(591,046)</u>
Total net position - beginning of year	<u>3,100,516</u>	<u>(4,128,538)</u>	<u>1,434,770</u>	<u>25,594,637</u>	<u>26,001,385</u>
Prior period adjustment	297	11,439	-	545	12,281
Total net position - end of year	<u>\$ 3,377,892</u>	<u>\$ (4,430,508)</u>	<u>\$ 1,478,233</u>	<u>\$ 24,997,003</u>	<u>\$ 25,422,620</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2018

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Totals Nonmajor Business-type Funds
Cash Flow from Operating Activities:					
Receipts from customers	\$ 808,111	\$ 76,121	\$ -	\$ 4,909,624	\$ 5,793,856
Receipts from interfund services provided	9,504	19,660	295,620	-	324,784
Member agencies	-	10,449,895	82,250	(3,769,196)	6,762,949
Payments to suppliers	(211,479)	(1,499,024)	(347,504)	-	(2,058,007)
Payments to employees	(364,789)	(8,646,893)	-	-	(9,011,682)
Net cash provided (used) by operating activities	241,347	399,759	30,366	1,140,428	1,811,900
Cash Flows from Noncapital Financing Activities:					
Transfers paid	-	-	-	(683,727)	(683,727)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	(29,825)	(240,000)	(203,833)	(473,658)
Cash Flows from Investing Activities:					
Interest on investments	42,930	24,499	20,983	-	88,412
Net increase (decrease) in cash and cash equivalents	284,277	394,433	(188,651)	252,868	742,927
Cash and cash equivalents - beginning of year	2,860,965	1,477,799	1,432,201	623,123	6,394,088
Cash and cash equivalents - end of year	<u>\$ 3,145,242</u>	<u>\$ 1,872,232</u>	<u>\$ 1,243,550</u>	<u>\$ 875,991</u>	<u>\$ 7,137,015</u>

Continued

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2018

	<u>Emergency Services</u>	<u>WVPS Communications Center</u>	<u>Police Regional Records System</u>	<u>Salem Convention Center</u>	<u>Totals Nonmajor Business-type Funds</u>
Reconciliation of Operating Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ 242,783	\$ (337,908)	\$ 22,480	\$ 85,548	\$ 12,903
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	29,673	12,106	-	730,968	772,747
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Accounts receivable	(91,974)	16,619	-	256,919	181,564
Inventories and prepayments	-	-	-	7,223	7,223
Deferred outflows related to pensions	91,904	1,696,414	-	-	1,788,318
Deferred outflows related to OPEB	937	34,676	-	-	35,613
Accounts payable and accrued liabilities	2,101	68,597	7,886	59,770	138,354
Deposits	-	-	-	-	-
Claim reserve	-	-	-	-	-
Other post-employment benefits	-	-	-	-	-
Compensated absences payable	22,785	(28,537)	-	-	(5,752)
Net pension liability	(57,719)	(1,065,405)	-	-	(1,123,124)
Net OPEB Liability	(3,093)	(84,746)	-	-	(87,839)
Deferred inflows related to pensions	3,245	59,912	-	-	63,157
Deferred inflows related to OPEB	705	28,031	-	-	28,736
Net cash provided (used) by operating activities	<u>\$ 241,347</u>	<u>\$ 399,759</u>	<u>\$ 30,366</u>	<u>\$ 1,140,428</u>	<u>\$ 1,811,900</u>
					Concluded



COMBINING STATEMENTS

Internal Service Funds

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

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

City Services

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

Equipment Replacement Reserve

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

Self-Insurance

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

City of Salem, Oregon
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Assets				
Current assets				
Cash and investments	\$ 6,262,575	\$ 7,768,458	\$ 17,665,892	\$ 31,696,925
Accounts receivable, net	16,916	25,290	33,251	75,457
Inventories and prepayments	935,446	-	58,967	994,413
Advances to others funds	210,252	-	-	210,252
Total current assets	<u>7,425,189</u>	<u>7,793,748</u>	<u>17,758,110</u>	<u>32,977,047</u>
Noncurrent assets				
Restricted cash and investments	5,521,882	-	-	5,521,882
Net OPEB asset	4,892	-	1,903	6,795
Capital assets:				
Land and other construction in progress	6,412,306	684,897	-	7,097,203
Other capital assets, net	937,557	14,515,369	650	15,453,576
Total noncurrent assets	<u>12,876,637</u>	<u>15,200,266</u>	<u>2,553</u>	<u>28,079,456</u>
Total assets	<u>20,301,826</u>	<u>22,994,014</u>	<u>17,760,663</u>	<u>61,056,503</u>
Deferred outflows of resources				
Deferred outflows related to pensions	788,310	-	156,023	944,333
Deferred outflows related to OPEB	5,870	-	2,283	8,153
Total deferred outflows of resources	<u>794,180</u>	<u>-</u>	<u>158,306</u>	<u>952,486</u>

Continued

City of Salem, Oregon
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	413,686	42,668	102,740	559,094
Claims and judgments payable	-	-	1,666,060	1,666,060
Compensated absences due within one year	39,734	-	-	39,734
Total current liabilities	<u>453,420</u>	<u>42,668</u>	<u>1,768,800</u>	<u>2,264,888</u>
Noncurrent liabilities				
Net OPEB liability	186,328	-	72,462	258,790
Net pension liability	2,186,469	-	498,201	2,684,670
Claims and judgments payable	-	-	5,429,250	5,429,250
Compensated absences	97,325	-	41,457	138,782
Total noncurrent liabilities	<u>2,470,122</u>	<u>-</u>	<u>6,041,370</u>	<u>8,511,492</u>
Total liabilities	<u>2,923,542</u>	<u>42,668</u>	<u>7,810,170</u>	<u>10,776,380</u>
Deferred inflows of resources:				
Deferred inflows related to pensions	75,925	-	28,481	104,406
Deferred inflows related to OPEB	11,732	-	4,562	16,294
Total deferred inflows of resources	<u>87,657</u>	<u>-</u>	<u>33,043</u>	<u>120,700</u>
Net Position				
Net investment in capital assets	7,349,863	15,200,266	650	22,550,779
Restricted for:				
Capital projects	5,362,044	-	-	5,362,044
Other unrestricted	5,372,900	7,751,080	10,075,106	23,199,086
Total net position	<u>\$ 18,084,807</u>	<u>\$ 22,951,346</u>	<u>\$ 10,075,756</u>	<u>\$ 51,111,909</u>

Concluded



City of Salem, Oregon
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2018

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Operating revenues				
Sales, fees, licenses, and permits	\$ 40,207	\$ 158,549	\$ -	\$ 198,756
Rents	1,782,807	-	-	1,782,807
Internal and intergovernmental	8,941,168	3,527,464	27,322,022	39,790,654
Other	9,007	-	1,470,891	1,479,898
Total operating revenues	<u>10,773,189</u>	<u>3,686,013</u>	<u>28,792,913</u>	<u>43,252,115</u>
Operating expenses				
Personal services	2,576,511	-	853,152	3,429,663
Materials and services	6,422,664	18,680	26,810,045	33,251,389
Depreciation	100,775	1,825,890	-	1,926,665
Total operating expenses	<u>9,099,950</u>	<u>1,844,570</u>	<u>27,663,197</u>	<u>38,607,717</u>
Operating income (loss)	<u>1,673,239</u>	<u>1,841,443</u>	<u>1,129,716</u>	<u>4,644,398</u>
Non-operating revenues (expenses)				
Interest on investments	209,703	90,034	241,263	541,000
Other revenue (expenses)	-	5,016	-	5,016
Total non-operating revenues	<u>209,703</u>	<u>95,050</u>	<u>241,263</u>	<u>546,016</u>
Net income (loss) before capital contributions and transfers	1,882,942	1,936,493	1,370,979	5,190,414
Capital contributions	-	539,686	-	539,686
Transfers in	249,238	13,901,943	-	14,151,181
Transfers out	(12,812,912)	(159,930)	-	(12,972,842)
Change in net position	(10,680,732)	16,218,192	1,370,979	6,908,439
Total net position - beginning of year	28,762,865	6,733,154	8,703,737	44,199,756
Prior period adjustment	2,674	-	1,040	3,714
Total net position - end of year	<u>\$ 18,084,807</u>	<u>\$ 22,951,346</u>	<u>\$ 10,075,756</u>	<u>\$ 51,111,909</u>

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2018

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Cash Flow from Operating Activities:				
Receipts from customers	\$ 1,909,881	\$ 133,259	\$ 1,437,673	\$ 3,480,813
Receipts from interfund services provided	8,941,168	3,527,464	27,322,022	39,790,654
Payments to suppliers	(6,337,027)	23,987	(28,169,285)	(34,482,325)
Payments to employees	(2,436,742)	-	(797,057)	(3,233,799)
Net cash provided (used) by operating activities	<u>2,077,280</u>	<u>3,684,710</u>	<u>(206,647)</u>	<u>5,555,343</u>
Cash Flows from Noncapital Financing Activities:				
Transfers received	38,986	639,250	-	678,236
Transfers paid	(9,780)	(159,930)	-	(169,710)
Net cash provided (used) by noncapital financing activities	<u>29,206</u>	<u>479,320</u>	<u>-</u>	<u>508,526</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,540,785)	(3,396,906)	-	(6,937,691)
Sale of property	-	178,146	-	178,146
Net cash provided (used) by capital and related financing activities	<u>(3,540,785)</u>	<u>(3,218,760)</u>	<u>-</u>	<u>(6,759,545)</u>
Cash Flows from Investing Activities:				
Interest on investments	209,703	90,034	241,263	541,000
Net increase (decrease) in cash and cash equivalents	(1,224,596)	1,035,304	34,616	(154,676)
Cash and cash equivalents - beginning of year	<u>13,009,053</u>	<u>6,733,154</u>	<u>17,631,276</u>	<u>37,373,483</u>
Cash and cash equivalents - end of year	<u>\$ 11,784,457</u>	<u>\$ 7,768,458</u>	<u>\$ 17,665,892</u>	<u>\$ 37,218,807</u>

Continued

**Reconciliation of Operating Net Cash Provided by
(Used for) Operating Activities**

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2018

	City Services	Equipment Replacement Reserve	Self Insurance	Totals
Operating income (loss)	\$ 1,673,239	\$ 1,841,443	\$ 1,129,716	\$ 4,644,398
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	100,775	1,825,890	-	1,926,665
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	77,860	(25,290)		52,570
Inventories and prepayments	2,179	-	(34,737)	(32,558)
Deferred outflows related to pensions	488,393	-	125,485	613,878
Deferred outflows related to OPEB	8,907		3,281	12,188
Accounts payable and accrued liabilities	87,740	42,667	(1,353,060)	(1,222,653)
Claims reserve	-	-	(4,660)	(4,660)
Compensated absences payable	(39,084)	-	10,066	(29,018)
Net pension liability	(39,292)	-	(78,809)	(118,101)
Net OPEB Liability	(306,727)	-	(10,827)	(317,554)
Deferred inflows related to pensions	17,247	-	4,432	21,679
Deferred inflows related to OPEB	6,043	-	2,466	8,509
Net cash provided (used) by operating activities	<u>\$ 2,077,280</u>	<u>\$ 3,684,710</u>	<u>\$ (206,647)</u>	<u>\$ 5,555,343</u>
Non-cash investing, capital, and financing activities				
Contributions of capital assets	\$ 249,238	\$ 13,901,943	\$ -	\$ 14,151,181
Contributions of capital assets from governmental funds	-	539,686	-	539,686
				Concluded



COMBINING STATEMENT

Agency Funds

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

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
<u>Court Restitution</u>				
Assets				
Cash and investments	\$ 2,555	\$ 3,217	\$ -	\$ 5,772
Liabilities				
Amount held in trust	\$ 2,555	\$ 3,217	\$ -	\$ 5,772
<u>Unitary Assessments</u>				
Assets				
Cash and investments	\$ 45,434	\$ 4,216	\$ -	\$ 49,650
Liabilities				
Accounts payable	\$ 45,434	\$ 4,216	\$ -	\$ 49,650
<u>County Corrections</u>				
Assets				
Cash and investments	\$ 14,452	\$ 377	\$ -	\$ 14,829
Liabilities				
Accounts payable	\$ 14,452	\$ 377	\$ -	\$ 14,829
<u>Police Evidence Hold</u>				
Assets				
Cash and investments	\$ 244,439	\$ 19,540	\$ -	\$ 263,979
Liabilities				
Amount held in trust	\$ 244,439	\$ 19,540	\$ -	\$ 263,979
<u>Performance Deposits</u>				
Assets				
Cash and investments	\$ 1,116,501	\$ -	\$ 391,033	\$ 725,468
Liabilities				
Accounts payable	\$ -	\$ 10,136	\$ -	\$ 10,136
Amount held in trust	1,116,501	-	401,169	715,332
Total liabilities	\$ 1,116,501	\$ 10,136	\$ 401,169	\$ 725,468

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
<u>Assistance Programs</u>				
Assets				
Cash and investments	\$ 4,507	\$ 5,777	\$ -	\$ 10,284
Receivables	257	-	105	152
Total assets	<u>\$ 4,764</u>	<u>\$ 5,777</u>	<u>\$ 105</u>	<u>\$ 10,436</u>
Liabilities				
Amount held in trust	<u>\$ 4,764</u>	<u>\$ 5,672</u>	<u>\$ -</u>	<u>\$ 10,436</u>
<u>Building Permit Surcharge</u>				
Assets				
Cash and investments	\$ 26,022	\$ 2,713	\$ -	\$ 28,735
Receivables	5,721	2,219	-	7,940
Total assets	<u>\$ 31,743</u>	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ 36,675</u>
Liabilities				
Accounts payable	\$ 26,268	\$ 6,022	\$ -	\$ 32,290
Due to other agencies	5,475	-	1,090	4,385
Total liabilities	<u>\$ 31,743</u>	<u>\$ 6,022</u>	<u>\$ 1,090</u>	<u>\$ 36,675</u>
<u>Law Enforcement Medical Liability Assessment</u>				
Assets				
Cash and investments	<u>\$ 162</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 187</u>
Liabilities				
Accounts payable	<u>\$ 162</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 187</u>
<u>Reimbursement Districts</u>				
Assets				
Cash and investments	<u>\$ 172,777</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 173,001</u>
Liabilities				
Accounts payable	\$ 160,709	\$ -	\$ 160,709	\$ -
Amount held in trust	12,068	160,933	-	173,001
Total liabilities	<u>\$ 172,777</u>	<u>\$ 160,933</u>	<u>\$ 160,709</u>	<u>\$ 173,001</u>

Continued

City of Salem, Oregon
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018
<u>Cafeteria Plan Benefits</u>				
Assets				
Cash and investments	\$ 75,691	\$ 19,586	\$ -	\$ 95,277
Liabilities				
Payroll payable	\$ 75,691	\$ 19,586	\$ -	\$ 95,277
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 1,702,540	\$ 55,675	\$ 391,033	\$ 1,367,182
Receivables	5,978	2,219	105	8,092
Total assets	<u>\$ 1,708,518</u>	<u>\$ 57,894</u>	<u>\$ 391,138</u>	<u>\$ 1,375,274</u>
Liabilities				
Accounts payable	\$ 247,024	\$ 20,776	\$ 160,709	\$ 107,091
Payroll payable	75,691	19,586	-	95,277
Amount held in trust	1,380,327	189,362	401,169	1,168,520
Due to other agencies	5,476	-	1,090	4,386
Total liabilities	<u>\$ 1,708,518</u>	<u>\$ 229,724</u>	<u>\$ 562,968</u>	<u>\$ 1,375,274</u>

Concluded

BUDGETARY COMPARISON SCHEDULES

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

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

Governmental Funds

Major Governmental Funds

- o *Capital Improvements*
- o *Tax Allocation Improvements*

Nonmajor Governmental Funds

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

- o *Extra Capacity Facilities*
- o *Development Districts*

Proprietary Funds

Major Business-type Fund

- o *Utility*

Nonmajor Business-type Funds

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

Internal Service Funds

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

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

For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>with</u> <u>Final</u> <u>Budget</u> ¹
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 11,120	\$ (11,120)
Grants	9,647,800	9,647,800	1,781,360	7,866,440
Intergovernmental	10,035,000	10,035,000	35,000	10,000,000
Interest on investments	12,500	12,500	1,301,388	(1,288,888)
Loan payments received	36,310	36,310	31,072	5,238
Other	60,000	60,000	43,117	16,883
Total revenues	<u>19,791,610</u>	<u>19,791,610</u>	<u>3,203,057</u>	<u>16,588,553</u>
Expenditures				
Operations	85,373,190	86,123,190	29,014,078	57,109,112
Excess (deficiency) of revenues over expenditures	<u>(65,581,580)</u>	<u>(66,331,580)</u>	<u>(25,811,021)</u>	<u>(40,520,559)</u>
Other financing sources (uses)				
Issuance of debt	8,196,800	8,196,800	93,375,000	(85,178,200)
Premium on issuance of debt	-	-	9,485,781	(9,485,781)
Payment to refunded bond escrow agents	-	-	(14,933,756)	14,933,756 ²
Transfers in	19,318,100	20,068,100	20,701,980	(633,880)
Total other financing sources (uses)	<u>27,514,900</u>	<u>28,264,900</u>	<u>108,629,005</u>	<u>(80,364,105)</u>
Net change in fund balance	<u>(38,066,680)</u>	<u>(38,066,680)</u>	<u>82,817,984</u>	<u>(120,884,664)</u>
Fund balance - beginning of year	38,066,680	38,066,680	35,389,250	2,677,430
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>118,207,234</u>	<u>\$ (118,207,234)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance to Utility fund (page 146)	(19,248,982)
Advance from Utility fund	(1,818,509)
Transfer of net activity and fund balance to City Services fund (page 151)	(5,362,044)
Advance from City Services fund	(210,252)
Fund balance - end of year (modified accrual)	<u>\$ 91,567,447</u>

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

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

City of Salem, Oregon
Tax Allocation Improvement
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 728	\$ (728)
Rents	-	-	11,806	(11,806)
Grants	3,230,280	3,230,280	144,010	3,086,270
Intergovernmental	-	-	289,220	(289,220)
Interest on investments	137,700	137,700	287,683	(149,983)
Loan payments received	78,240	78,240	360,613	(282,373)
Other	624,220	624,220	2,900	621,320
Total revenues	4,070,440	4,070,440	1,096,960	2,973,480
Expenditures				
Operations	48,273,650	48,273,650	10,055,301	38,218,349
Excess (deficiency) of revenues over expenditures	(44,203,210)	(44,203,210)	(8,958,341)	(35,244,869)
Other financing sources (uses)				
Loan proceeds	23,127,920	23,127,920	22,500,000	627,920
Sale of property	-	-	7,857	(7,857)
Transfers in	613,000	613,000	613,000	-
Total other financing sources (uses)	23,740,920	23,740,920	23,120,857	620,063
Net change in fund balance	(20,462,290)	(20,462,290)	14,162,516	(34,624,806)
Fund balance - beginning of year	20,462,290	20,462,290	21,490,166	(1,027,876)
Fund balance - end of year	\$ -	\$ -	\$ 35,652,682	\$ (35,652,682)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Transportation Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 144,200	\$ 144,200	\$ 236,363	\$ (92,163)
Special assessments	10,500	10,500	4,972	5,528
Rents	1,900	1,900	2,073	(173)
Grants	247,800	247,800	271,295	(23,495)
Intergovernmental	12,916,150	12,916,150	13,438,065	(521,915)
Interest on investments	30,000	30,000	55,545	(25,545)
Other	2,500	2,500	28,850	(26,350)
Total revenues	13,353,050	13,353,050	14,037,163	(684,113)
Expenditures				
Operations	15,070,480	15,070,480	14,376,747	693,733
Contingency	500,000	500,000	-	500,000
Total expenditures	15,570,480	15,570,480	14,376,747	1,193,733
Excess (deficiency) of revenues over expenditures	(2,217,430)	(2,217,430)	(339,584)	(1,877,846)
Other financing sources (uses)				
Transfers in	75,000	75,000	75,000	-
Transfers out	(461,760)	(461,760)	(461,760)	-
Total other financing sources (uses)	(386,760)	(386,760)	(386,760)	-
Net change in fund balance	(2,604,190)	(2,604,190)	(726,344)	(1,877,846)
Fund balance - beginning of year	4,583,480	4,583,480	4,648,560	(65,080)
Fund balance - end of year	\$ 1,979,290	\$ 1,979,290	\$ 3,922,216	\$ (1,942,926)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Streetlights
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 1,869,590	\$ 1,869,590	\$ 1,859,996	\$ 9,594
Grants	123,150	123,150	-	123,150
Interest on investments	2,900	2,900	2,909	(9)
Total revenues	1,995,640	1,995,640	1,862,905	132,735
Expenditures				
Operations	1,382,860	1,382,860	890,931	491,929
Debt service	228,000	228,000	228,000	-
Contingency	200,000	200,000	-	200,000
Total expenditures	1,810,860	1,810,860	1,118,931	691,929
Excess (deficiency) of revenues over expenditures	184,780	184,780	743,974	(559,194)
Other financing sources (uses)				
Transfers out	(250,000)	(250,000)	(250,000)	-
Net change in fund balance	(65,220)	(65,220)	493,974	(559,194)
Fund balance - beginning of year	687,630	687,630	231,124	456,506
Fund balance - end of year	\$ 622,410	\$ 622,410	\$ 725,098	\$ (102,688)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Airport
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 44,010	\$ 44,010	\$ 49,927	\$ (5,917)
Rents	1,082,860	1,082,860	1,135,161	(52,301)
Interest on investments	5,000	5,000	15,799	(10,799)
Total revenues	1,131,870	1,131,870	1,200,887	(69,017)
Expenditures				
Operations	1,112,280	1,112,280	927,652	184,628
Debt service	42,830	42,830	42,819	11
Contingency	783,160	783,160	-	783,160
Total expenditures	1,938,270	1,938,270	970,471	967,799
Excess (deficiency) of revenues over expenditures	(806,400)	(806,400)	230,416	(1,036,816)
Other financing sources (uses)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Net change in fund balance	(821,400)	(821,400)	215,416	(1,036,816)
Fund balance - beginning of year	821,400	821,400	921,302	(99,902)
Fund balance - end of year	\$ -	\$ -	\$ 1,136,718	\$ (1,136,718)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Downtown Parking
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 10,000	\$ 10,000	\$ 17,660	\$ (7,660)
Special assessments	467,190	467,190	441,441	25,749
Rents	666,340	666,340	600,062	66,278
Interest on investments	7,500	7,500	13,133	(5,633)
Other	5,000	5,000	8,881	(3,881)
Total revenues	1,156,030	1,156,030	1,081,177	74,853
Expenditures				
Operations	1,318,000	1,318,000	1,141,662	176,338
Contingency	250,000	250,000	-	250,000
Total expenditures	1,568,000	1,568,000	1,141,662	426,338
Excess (deficiency) of revenues over expenditures	(411,970)	(411,970)	(60,485)	(351,485)
Other financing sources (uses)				
Transfers out	(300,000)	(300,000)	(300,000)	-
Net change in fund balance	(711,970)	(711,970)	(360,485)	(351,485)
Fund balance - beginning of year	711,970	711,970	668,670	43,300
Fund balance - end of year	\$ -	\$ -	\$ 308,185	\$ (308,185)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Cultural / Tourism
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Other taxes	\$ 4,092,310	\$ 4,092,310	\$ 3,922,627	\$ 169,683
Intergovernmental	5,700	5,700	5,381	319
Interest on investments	3,800	3,800	5,571	(1,771)
Loan payments received	-	-	11,673	(11,673)
Other	15,000	15,000	12,000	3,000
	4,116,810	4,116,810	3,957,252	159,558
Expenditures				
Operations	2,387,380	2,447,380	2,237,974	209,406
Contingency	120,000	60,000	-	60,000
Total expenditures	2,507,380	2,507,380	2,237,974	269,406
Excess (deficiency) of revenues over expenditures	1,609,430	1,609,430	1,719,278	(109,848)
Other financing sources (uses)				
Transfers out	(1,675,270)	(1,675,270)	(1,475,397)	(199,873)
Net change in fund balance	(65,840)	(65,840)	243,881	(309,721)
Fund balance - beginning of year	342,890	342,890	545,515	(202,625)
Fund balance - end of year	\$ 277,050	\$ 277,050	\$ 789,396	\$ (512,346)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Public Art
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Interest on investments	\$ 300	\$ 300	\$ 635	\$ (335)
Expenditures				
Operations	58,740	58,740	27,914	30,826
Excess (deficiency) of revenues over expenditures	(58,440)	(58,440)	(27,279)	(31,161)
Other financing sources (uses)				
Transfers in	15,000	15,000	17,109	(2,109)
Net change in fund balance	(43,440)	(43,440)	(10,170)	(33,270)
Fund balance - beginning of year	43,440	43,440	43,412	28
Fund balance - end of year	\$ -	\$ -	\$ 33,242	\$ (33,242)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Parking Leasehold
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Rents	\$ 494,730	\$ 494,730	\$ 476,422	\$ 18,308
Interest on investments	5,750	5,750	11,358	(5,608)
Total revenues	500,480	500,480	487,780	12,700
Expenditures				
Operations	603,920	603,920	388,450	215,470
Contingency	417,450	417,450	-	417,450
Total expenditures	1,021,370	1,021,370	388,450	632,920
Excess (deficiency) of revenues over expenditures	(520,890)	(520,890)	99,330	(620,220)
Other financing sources (uses)				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	(720,890)	(720,890)	(100,670)	(620,220)
Fund balance - beginning of year	720,890	720,890	748,080	(27,190)
Fund balance - end of year	\$ -	\$ -	\$ 647,410	\$ (647,410)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Building and Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 4,470,470	\$ 4,470,470	\$ 5,628,276	\$ (1,157,806)
Intergovernmental	123,980	123,980	123,980	-
Interest on investments	21,850	21,850	94,375	(72,525)
Other	-	-	1,586	(1,586)
Total revenues	4,616,300	4,616,300	5,848,217	(1,231,917)
Expenditures				
Operations	4,138,340	4,138,340	3,737,603	400,737
Contingency	300,000	300,000	-	300,000
Total expenditures	4,438,340	4,438,340	3,737,603	700,737
Excess (deficiency) of revenues over expenditures	177,960	177,960	2,110,614	(1,932,654)
Other financing sources (uses)				
Transfers out	(580,000)	(580,000)	(577,249)	(2,751)
Net change in fund balance	(402,040)	(402,040)	1,533,365	(1,935,405)
Fund balance - beginning of year	6,250,170	6,250,170	6,156,499	93,671
Fund balance - end of year	\$ 5,848,130	\$ 5,848,130	\$ 7,689,864	\$ (1,841,734)

1 () indicates revenue/expenditures in excess of budget

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

For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 58,000	\$ 58,000	\$ 2,365,919	\$ (2,307,919)
Rents	-	-	777	(777)
Grants	26,750	26,750	78,781	(52,031)
Fines and penalties	6,500	6,500	5,585	915
Interest on investments	56,050	56,050	155,949	(99,899)
Other	1,803,300	1,803,300	1,438,108	365,192
Total revenues	<u>1,950,600</u>	<u>1,950,600</u>	<u>4,045,119</u>	<u>(2,094,519)</u>
Expenditures				
Operations	<u>2,998,570</u>	<u>2,398,570</u>	<u>1,210,293</u>	<u>1,188,277</u>
Excess (deficiency) of revenues over expenditures	<u>(1,047,970)</u>	<u>(447,970)</u>	<u>2,834,826</u>	<u>(3,282,796)</u>
Other financing sources (uses)				
Sale of property	-	-	8,349	(8,349)
Transfers in	380,430	380,430	723,937	(343,507)
Transfers out	<u>(910,700)</u>	<u>(1,510,700)</u>	<u>(1,376,940)</u>	<u>(133,760)</u>
Total other financing sources (uses)	<u>(530,270)</u>	<u>(1,130,270)</u>	<u>(644,654)</u>	<u>(485,616)</u>
Net change in fund balance	<u>(1,578,240)</u>	<u>(1,578,240)</u>	<u>2,190,172</u>	<u>(3,768,412)</u>
Fund balance - beginning of year	<u>8,685,700</u>	<u>8,685,700</u>	<u>9,750,727</u>	<u>(1,065,027)</u>
Fund balance - end of year	<u>\$ 7,107,460</u>	<u>\$ 7,107,460</u>	<u>\$ 11,940,899</u>	<u>\$ (4,833,439)</u>

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Permanent
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Interest on investments	\$ 350	\$ 350	\$ 3,238	\$ (2,888)
Other	3,400	3,400	12,877	(9,477)
Total revenues	3,750	3,750	16,115	(12,365)
Expenditures				
Operations	5,500	5,500	1,971	3,529
Excess (deficiency) of revenues over expenditures	(1,750)	(1,750)	14,144	(15,894)
Fund balance - beginning of year	217,310	217,310	212,188	5,122
Fund balance - end of year	\$ 215,560	\$ 215,560	\$ 226,332	\$ (10,772)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
General Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Property taxes	\$ 13,673,780	\$ 13,673,780	\$ 13,787,258	\$ (113,478)
Intergovernmental	4,897,000	4,897,000	4,897,039	(39)
Interest on investments	53,820	53,820	106,173	(52,353)
Total revenues	18,624,600	18,624,600	18,790,470	(165,870)
Expenditures				
Debt service	18,570,550	18,570,550	18,451,225	119,325
Excess (deficiency) of revenues over expenditures	54,050	54,050	339,245	(285,195)
Fund balance - beginning of year	267,700	267,700	584,441	(316,741)
Fund balance - end of year	\$ 321,750	\$ 321,750	\$ 923,686	\$ (601,936)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Tax Allocation Bond Debt
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Property taxes	\$ 12,904,070	\$ 12,904,070	\$ 12,729,845	\$ 174,225
Interest on investments	139,310	139,310	348,961	(209,651)
Other	-	-	8	(8)
Total revenues	13,043,380	13,043,380	13,078,814	(35,434)
Expenditures				
Debt service	23,373,660	23,373,660	23,372,062	1,598
Excess (deficiency) of revenues over expenditures	(10,330,280)	(10,330,280)	(10,293,248)	(37,032)
Other financing sources (uses)				
Transfers out	(613,000)	(613,000)	(613,000)	-
Net change in fund balance	(10,943,280)	(10,943,280)	(10,906,248)	(37,032)
Fund balance - beginning of year	18,877,090	18,877,090	18,613,088	264,002
Fund balance - end of year	\$ 7,933,810	\$ 7,933,810	\$ 7,706,840	\$ 226,970

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Extra Capacity Facilities
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 4,903,860	\$ 4,903,860	\$ 9,881,493	\$ (4,977,633)
Special assessments	-	-	105,939	(105,939)
Rents	-	-	53,747	(53,747)
Grants	5,239,500	5,239,500	1,411,473	3,828,027
Intergovernmental	500,000	500,000	-	500,000
Interest on investments	-	-	295,960	(295,960)
Total revenues	10,643,360	10,643,360	11,748,612	(1,105,252)
Expenditures				
Operations	27,927,510	27,927,510	7,023,226	20,904,284
Excess (deficiency) of revenues over expenditures	(17,284,150)	(17,284,150)	4,725,386	(22,009,536)
Other financing sources (uses)				
Transfers out	(159,190)	(159,190)	(159,190)	-
Net change in fund balance	(17,443,340)	(17,443,340)	4,566,196	(22,009,536)
Fund balance - beginning of year	17,443,340	17,443,340	19,361,742	(1,918,402)
Fund balance - end of year	\$ -	\$ -	23,927,938	\$ (23,927,938)

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance to Utility fund (page 146)	(12,189,517)
Fund balance - end of year (modified accrual)	\$ 11,738,421

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Development Districts
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 1,355,600	\$ 1,355,600	\$ 1,406,151	\$ (50,551)
Interest on investments	15,000	15,000	31,370	(16,370)
Total revenues	1,370,600	1,370,600	1,437,521	(66,921)
Expenditures				
Operations	3,421,310	3,421,310	330,161	3,091,149
Excess (deficiency) of revenues over expenditures	(2,050,710)	(2,050,710)	1,107,360	(3,158,070)
Fund balance - beginning of year	2,050,710	2,050,710	2,068,566	(17,856)
Fund balance - end of year	\$ -	\$ -	\$ 3,175,926	\$ (3,175,926)

1 () indicates revenue/expenditures in excess of budget

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

For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget¹
	Original	Final		
Revenues				
Sales, fees, licenses, and permits	\$ 90,209,120	\$ 90,209,120	\$ 93,594,525	\$ (3,385,405)
Special assessments	5,890	5,890	6,444	(554)
Rents	15,450	15,450	18,068	(2,618)
Intergovernmental	6,218,120	6,218,120	5,625,266	592,854
Interest on investments	404,940	404,940	957,480	(552,540)
Loan payments received	606,620	606,620	607,437	(817)
Other	177,480	177,480	178,255	(775)
Total revenues	<u>97,637,620</u>	<u>97,637,620</u>	<u>100,987,475</u>	<u>(3,349,855)</u>
Expenditures				
Operations	74,303,340	74,303,340	66,830,475	7,472,865
Debt service	20,322,430	20,322,430	20,318,698	3,732
Contingency	3,000,000	3,000,000	-	3,000,000
Total expenditures	<u>97,625,770</u>	<u>97,625,770</u>	<u>87,149,173</u>	<u>10,476,597</u>
Excess (deficiency) of revenues over expenditures	<u>11,850</u>	<u>11,850</u>	<u>13,838,302</u>	<u>(13,826,452)</u>
Other financing sources (uses)				
Issuance of debt	-	-	55,990,000	(55,990,000)
Premium on issuance of debt	-	-	9,347,380	(9,347,380)
Payment to refunded bond escrow agents	-	-	(65,033,340)	65,033,340 ²
Sale of property	2,696,200	2,696,200	3,558,767	(862,567)
Transfers in	94,590	94,590	94,590	-
Transfers out	(14,436,000)	(14,436,000)	(14,436,000)	-
Total other financing sources (uses)	<u>(11,645,210)</u>	<u>(11,645,210)</u>	<u>(10,478,603)</u>	<u>(1,166,607)</u>
Net change in fund balance	<u>(11,633,360)</u>	<u>(11,633,360)</u>	<u>3,359,699</u>	<u>(14,993,059)</u>
Fund balance - beginning of year	<u>40,891,520</u>	<u>40,891,520</u>	<u>42,892,853</u>	<u>(2,001,333)</u>
Fund balance - end of year	<u>\$ 29,258,160</u>	<u>\$ 29,258,160</u>	<u>46,252,552</u>	<u>\$ (16,994,392)</u>
Reconciliation to generally accepted accounting principles:				
Transfer of net activity and fund balance from Capital Improvements (page 130)			19,248,982	
Transfer of net activity and fund balance from Extra Capacity Facilities (page 144)			12,189,517	
Inventories			898,676	
Advances to General fund (page 47)			813,507	
Advances to Capital Improvement fund (page 130)			1,818,509	
Note receivable			10,744,800	
Capital assets			636,605,209	
Deferred outflows related to pension			9,803,841	
Deferred outflows related to OPEB			99,471	
Deferred charge on refunding			4,704,255	
Net OPEB liability			(3,074,346)	
Deferred inflows related to pension			(911,283)	
Deferred inflows related to OPEB			(198,798)	
Accrued revenue from deferred inflows			2,201,771	
Net pension liability			(27,164,286)	
Interest payable			(292,094)	
Long-term obligations			(106,361,286)	
Net position at end of year			<u>\$ 607,378,997</u>	

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

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

City of Salem, Oregon
Emergency Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 696,170	\$ 696,170	\$ 728,210	\$ (32,040)
Intergovernmental	-	-	9,504	(9,504)
Fines and penalties	56,000	56,000	170,400	(114,400)
Interest on investments	16,000	16,000	42,930	(26,930)
Other	1,000	1,000	1,475	(475)
Total revenues	769,170	769,170	952,519	(183,349)
Expenditures				
Operations	663,280	663,280	601,154	62,126
Contingency	60,000	60,000	-	60,000
Total expenditures	723,280	723,280	601,154	122,126
Net change in fund balance	45,890	45,890	351,365	(305,475)
Fund balance - beginning of year	2,709,370	2,709,370	2,840,766	(131,396)
Fund balance - end of year	\$ 2,755,260	\$ 2,755,260	3,192,131	\$ (436,871)
Reconciliation to generally accepted accounting principles:				
Capital assets			458,266	
Deferred outflows related to pensions			132,756	
Deferred outflows related to OPEB			652	
Deferred inflows related to pensions			(10,638)	
Deferred inflows related to OPEB			(1,304)	
Net pension liability			(373,811)	
Net OPEB liability			(20,160)	
Net position at end of year			\$ 3,377,892	

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Willamette Valley Public Safety (WVPS) Communications Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ 16,320	\$ 16,320	\$ 23,463	\$ (7,143)
Rents	20,300	20,300	20,800	(500)
Intergovernmental	-	-	19,660	(19,660)
Member agencies	10,386,240	10,386,240	10,449,895	(63,655)
Interest on investments	10,630	10,630	24,499	(13,869)
Other	-	-	15,239	(15,239)
	10,433,490	10,433,490	10,553,556	(120,066)
Expenditures				
Operations	10,528,410	10,528,410	10,215,802	312,608
Contingency	429,590	429,590	-	429,590
Total expenditures	10,958,000	10,958,000	10,215,802	742,198
Net change in fund balance	(524,510)	(524,510)	337,754	(862,264)
Fund balance - beginning of year	892,660	892,660	1,028,775	(136,115)
Fund balance - end of year	\$ 368,150	\$ 368,150	1,366,529	\$ (998,379)

Reconciliation to generally accepted accounting principles:

Capital assets	93,929
Net pension liability	(7,558,565)
Deferred outflows related to pensions	2,726,558
Deferred outflows related to OPEB	25,113
Deferred inflows related to pensions	(257,738)
Deferred inflows related to OPEB	(50,188)
Net OPEB liability	(776,146)
Net position at end of year	\$ (4,430,508)

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Police Regional Records System
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Intergovernmental	\$ 295,620	\$ 295,620	\$ 295,620	\$ -
Member agencies	82,000	82,000	82,250	(250)
Interest on investments	7,500	7,500	20,983	(13,483)
Total revenues	385,120	385,120	398,853	(13,733)
Expenditures				
Operations	1,832,160	1,832,160	595,390	1,236,770
Excess (deficiency) of revenues over expenditures	(1,447,040)	(1,447,040)	(196,537)	(1,250,503)
Fund balance - beginning of year	1,447,040	1,447,040	1,431,557	15,483
Fund balance - end of year	\$ -	\$ -	1,235,020	\$ (1,235,020)

Reconciliation to generally accepted accounting principles:

Capital assets	243,213
Net position at end of year	\$ 1,478,233

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Salem Convention Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts	with
			Budgetary	Final
			Basis	Budget ¹
Revenues				
Sales, fees, licenses, and permits	\$ 2,185,000	\$ 2,535,000	\$ 3,122,866	\$ (587,866)
Rents	1,215,000	1,215,000	1,529,191	(314,191)
Intergovernmental	450,000	450,000	-	450,000
Other	289,220	289,220	648	288,572
Total revenues	<u>4,139,220</u>	<u>4,489,220</u>	<u>4,652,705</u>	<u>(163,485)</u>
Expenditures				
Operations	3,948,270	4,268,270	4,040,022	228,248
Contingency	345,970	25,970	-	25,970
Total expenditures	<u>4,294,240</u>	<u>4,294,240</u>	<u>4,040,022</u>	<u>254,218</u>
Excess (deficiency) of revenues over expenditures	<u>(155,020)</u>	<u>194,980</u>	<u>612,683</u>	<u>(417,703)</u>
Other financing sources (uses)				
Transfers out	<u>(350,000)</u>	<u>(700,000)</u>	<u>(683,727)</u>	<u>(16,273)</u>
Net change in fund balance	(505,020)	(505,020)	(71,044)	(433,976)
Fund balance - beginning of year	505,020	505,020	888,452	(383,432)
Prior period adjustment	-	-	545	(545)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>817,953</u>	<u>\$ (817,953)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	24,179,050
Net position at end of year	<u><u>\$ 24,997,003</u></u>

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
City Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 40,207	\$ (40,207)
Rents	1,820,700	1,820,700	1,782,807	37,893
Intergovernmental	9,666,900	9,666,900	8,941,168	725,732
Interest on investments	34,100	34,100	106,658	(72,558)
Loan payments received	42,840	42,840	42,819	21
Other	500	500	5,174	(4,674)
	11,565,040	11,565,040	10,918,833	646,207
Expenditures				
Operations	11,682,350	11,682,350	8,877,444	2,804,906
Excess (deficiency) of revenues over expenditures	(117,310)	(117,310)	2,041,389	(2,158,699)
Other financing sources (uses)				
Sale of property	80,000	80,000	-	80,000
Transfers in	72,500	72,500	-	72,500
Transfers out	(1,880,000)	(1,880,000)	(1,509,780)	(370,220)
	(1,727,500)	(1,727,500)	(1,509,780)	(217,720)
Net change in fund balance	(1,844,810)	(1,844,810)	531,609	(2,376,419)
Fund balance - beginning of year	5,329,950	5,329,950	6,079,580	(749,630)
Fund balance - end of year	\$ 3,485,140	\$ 3,485,140	6,611,189	\$ (3,126,049)

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 130)	5,362,044
Advance From Capital Improvements fund (page 130)	210,252
Inventories	212,841
Capital assets	7,349,863
Deferred outflows related to pensions	788,310
Deferred outflows related to OPEB	5,870
Net OPEB Liability	(181,436)
Net pension liability	(2,186,469)
Deferred inflows related to OPEB	(11,732)
Deferred inflows related to pensions	(75,925)
Net position at end of year	\$ 18,084,807

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Equipment Replacement Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget ¹
	Original	Final	Basis	
Revenues				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 158,549	\$ (158,549)
Intergovernmental	3,239,000	3,239,000	3,527,464	(288,464)
Interest on investments	22,020	22,020	90,034	(68,014)
Other	249,500	249,500	-	249,500
Total revenues	3,510,520	3,510,520	3,776,047	(265,527)
Expenditures				
Operations	9,821,140	9,821,140	3,415,586	6,405,554
Excess (deficiency) of revenues over expenditures	(6,310,620)	(6,310,620)	360,461	(6,671,081)
Other financing sources (uses)				
Sale of property	-	-	178,145	(178,145)
Transfers in	1,019,250	1,019,250	639,250	380,000
Transfers out	(159,930)	(159,930)	(159,930)	-
Total other financing sources (uses)	859,320	859,320	657,465	201,855
Net change in fund balance	(5,451,300)	(5,451,300)	1,017,926	(6,469,226)
Fund balance - beginning of year	5,850,100	5,850,100	6,733,154	(883,054)
Fund balance - end of year	\$ 398,800	\$ 398,800	7,751,080	\$ (7,352,280)

Reconciliation to generally accepted accounting principles:

Capital assets	15,200,266
Net position at end of year	\$ 22,951,346

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Self Insurance
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget ¹
	Original	Final		
Revenues				
Intergovernmental	\$ 27,517,880	\$ 27,517,880	\$ 27,322,022	\$ 195,858
Interest on investments	70,300	70,300	241,263	(170,963)
Other	438,000	438,000	1,470,891	(1,032,891)
Total revenues	28,026,180	28,026,180	29,034,176	(1,007,996)
Expenditures				
Operations	42,522,440	42,522,440	27,621,828	14,900,612
Excess (deficiency) of revenues over expenditures	(14,496,260)	(14,496,260)	1,412,348	(15,908,608)
Fund balance - beginning of year	14,496,260	14,496,260	16,201,565	(1,705,305)
Fund balance - end of year	\$ -	\$ -	17,613,913	\$ (17,613,913)

Reconciliation to generally accepted accounting principles:

Capital assets	650
Deferred outflows related to pensions	156,023
Deferred outflows related to OPEB	2,283
Net OPEB liability	(70,559)
Net pension liability	(498,201)
Claims and judgments	(7,095,310)
Deferred inflows related to OPEB	(4,562)
Deferred inflows related to pensions	(28,481)
Net position at end of year	\$ 10,075,756

1 () indicates revenue/expenditures in excess of budget



Other Financial Schedules

City of Salem, Oregon
Schedule of Bond Principal and Bond Interest Transactions
For the fiscal year ended June 30, 2018

	<u>Issued/ Maturity Date</u>	<u>True Interest Cost</u>	<u>Original Amount</u>	<u>Principal Balance June 30, 2017</u>	<u>Additions</u>
<u>Governmental activity</u>					
General obligation bonds					
Refunding and Streets-Bridges, Series 2009	6/01/09-24	3.60	\$ 34,480,000	\$ 18,195,000	\$ -
Streets-Bridges, Series 2012	1/26/12-26	2.62	25,000,000	11,420,000	-
Refunding Fire Bond, Series 2012	4/25/12-21	2.25	18,289,298	5,906,147	-
Streets-Bridges, Series 2013	8/20/13-24	2.83	43,665,000	33,310,000	-
Police Facility, Series 2017	8/24/17-37	2.71	74,775,000	-	74,775,000
Library, Series 2018	3/22/18-31	2.68	18,600,000	-	18,600,000
Subtotal general obligation bonds				68,831,147	93,375,000
Premium				2,818,866	9,485,781
Total general obligation bonds				71,650,013	102,860,781
Limited tax pension obligation, Series 2005	9/23/05-28	5.04	61,685,000	46,750,000	-
Urban renewal bonds					
Riverfront/Downtown, Series 2009	9/17/09-24	4.35	3,660,000	1,975,000	-
Riverfront/Downtown, Series 2015B	8/27/15-18	1.73	5,481,000	153,000	-
Total urban renewal bonds				2,128,000	-
Total governmental bonds				120,528,013	102,860,781
Notes					
HUD Sec 108, Series 2015A	5/28/15-23	2.80	2,730,000	1,972,000	-
OECD L06001A, Mill Creek, Series 2007	6/23/11-35	4.41	3,999,999	4,284,853	-
OECD L06001B, Mill Creek, Series 2007	10/20/10-21	4.41	1,000,000	234,630	-
OECD L06001C, Mill Creek, Series 2007	10/17/13-33	5.00	3,772,081	3,772,081	-
Total notes				10,263,564	-
Total governmental activity long-term debt				\$ 130,791,577	\$ 102,860,781
<u>Business-type activity</u>					
Revenue bonds - water and sewer					
Full Faith and Credit, Series 2009	5/12/09-29	4.07	100,075,000	\$ 69,870,000	\$ -
Series 2012 A refunding	10/16/12-25	2.22	63,360,000	48,980,000	-
Series 2017 refunding	7/8/17-27	1.74	55,990,000	-	55,990,000
Subtotal revenue bonds				118,850,000	55,990,000
Premium				3,275,410	9,347,378
Total revenue bonds				122,125,410	65,337,378
Total business-type activity long-term debt				\$ 122,125,410	\$ 65,337,378
Total long-term debt				\$ 252,916,987	\$ 168,198,159

¹ Increase was due to capitalized interest

Continued

City of Salem, Oregon
Schedule of Bond Principal and Bond Interest Transactions
For the fiscal year ended June 30, 2018

<u>Refunding/ Reductions</u>	<u>Principal Paid</u>	<u>Principal Balance June 30, 2018</u>	<u>Interest Paid</u>	<u>Total Principal and Interest Paid</u>	<u>Current Portion</u>	
					<u>Principal</u>	<u>Interest</u>
\$ 14,010,000	\$ 2,000,000	\$ 2,185,000	\$ 209,250	\$ 2,209,250	\$ 2,185,000	\$ 109,250
-	1,035,000	10,385,000	299,204	1,334,204	1,090,000	272,087
-	1,959,729	3,946,418	177,551	2,137,280	2,004,071	133,210
-	2,910,000	30,400,000	1,285,750	4,195,750	3,110,000	1,183,900
-	1,400,000	73,375,000	2,277,979	3,677,979	985,000	2,890,550
-	-	18,600,000	-	-	470,000	1,015,658
<u>14,010,000</u>	<u>9,304,729</u>	<u>138,891,418</u>	<u>4,249,734</u>	<u>13,554,463</u>	<u>9,844,071</u>	<u>5,604,655</u>
-	1,338,542	10,966,105	-	1,338,542	-	-
<u>14,010,000</u>	<u>10,643,271</u>	<u>149,857,523</u>	<u>4,249,734</u>	<u>14,893,005</u>	<u>9,844,071</u>	<u>5,604,655</u>
-	2,570,000	44,180,000	2,326,762	4,896,762	2,890,000	2,201,886
-	245,000	1,730,000	85,913	330,913	260,000	75,255
-	153,000	-	110	153,110	-	-
-	398,000	1,730,000	86,023	484,023	260,000	75,255
<u>14,010,000</u>	<u>13,611,271</u>	<u>195,767,523</u>	<u>6,662,519</u>	<u>20,273,790</u>	<u>12,994,071</u>	<u>7,881,796</u>
-	379,000	1,593,000	32,229	411,229	379,000	27,946
-	305,645	3,979,208	80,833	386,478	210,994	175,483
-	-	234,630	-	-	-	-
-	-	3,772,081	-	-	127,728	147,866
-	684,645	9,578,919	113,062	797,707	717,722	351,295
<u>\$ 14,010,000</u>	<u>\$ 14,295,916</u>	<u>\$ 205,346,442</u>	<u>\$ 6,775,581</u>	<u>\$ 21,071,497</u>	<u>\$ 13,711,793</u>	<u>\$ 8,233,091</u>
\$ 60,725,000	\$ 4,485,000	\$ 4,660,000	\$ 365,800	\$ 4,850,800	\$ 4,660,000	\$ 186,400
-	10,235,000	38,745,000	1,087,356	11,322,356	9,083,000	860,139
-	1,790,000	54,200,000	2,355,542	4,145,542	1,530,000	2,619,750
<u>60,725,000</u>	<u>16,510,000</u>	<u>97,605,000</u>	<u>3,808,698</u>	<u>20,318,698</u>	<u>15,273,000</u>	<u>3,666,289</u>
-	3,866,502	8,756,286	-	3,866,502	-	-
<u>60,725,000</u>	<u>20,376,502</u>	<u>106,361,286</u>	<u>3,808,698</u>	<u>24,185,200</u>	<u>15,273,000</u>	<u>3,666,289</u>
<u>\$ 60,725,000</u>	<u>\$ 20,376,502</u>	<u>\$ 106,361,286</u>	<u>\$ 3,808,698</u>	<u>\$ 24,185,200</u>	<u>\$ 15,273,000</u>	<u>\$ 3,666,289</u>
<u>\$ 74,735,000</u>	<u>\$ 34,672,418</u>	<u>\$ 311,707,728</u>	<u>\$ 10,584,279</u>	<u>\$ 45,256,697</u>	<u>\$ 28,984,793</u>	<u>\$ 11,899,380</u>

Concluded

City of Salem, Oregon
Schedule of Future Long-term Debt Service Requirements
June 30, 2018

Governmental Activities

Fiscal Year	Notes		General Obligation, Urban Renewal, & Limited Tax Pension Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	\$ 717,722	\$ 351,295	\$ 12,994,071	\$ 7,881,796	\$ 13,711,793	\$ 8,233,091
2019-20	732,034	416,222	14,412,347	7,150,708	15,144,381	7,566,930
2020-21	766,126	319,014	15,685,000	6,571,377	16,451,126	6,890,391
2021-22	782,523	294,412	17,150,000	6,027,488	17,932,523	6,321,900
2022-23	496,616	271,936	18,585,000	5,404,134	19,081,616	5,676,070
2023-24	439,435	253,171	14,140,000	4,664,725	14,579,435	4,917,896
2024-25	457,012	234,580	10,860,000	4,032,772	11,317,012	4,267,352
2025-26	476,378	215,215	11,855,000	3,528,186	12,331,378	3,743,401
2026-27	496,567	195,025	11,315,000	2,983,995	11,811,567	3,179,020
2027-28	517,613	173,978	8,720,000	2,443,487	9,237,613	2,617,465
2028-29	539,557	152,036	5,715,000	2,162,850	6,254,557	2,314,886
2029-30	562,431	129,161	6,160,000	2,044,350	6,722,431	2,173,511
2030-31	556,757	105,314	6,635,000	1,885,300	7,191,757	1,990,614
2031-32	589,678	81,753	4,295,000	1,745,550	4,884,678	1,827,303
2032-33	218,814	56,780	4,625,000	1,679,050	4,843,814	1,735,830
2033-34	227,391	48,202	4,925,000	1,612,550	5,152,391	1,660,752
2034-35	236,305	39,289	5,245,000	1,539,550	5,481,305	1,578,839
2035-36	245,568	30,026	5,570,000	1,466,550	5,815,568	1,496,576
2036-37	255,194	20,399	5,915,000	1,418,475	6,170,194	1,438,874
2037-38	265,198	10,396	-	-	265,198	10,396
Totals	<u>\$ 9,578,919</u>	<u>\$ 3,398,204</u>	<u>\$ 184,801,418</u>	<u>\$ 66,242,892</u>	<u>\$ 194,380,337</u>	<u>\$ 69,641,096</u>

Business-type Activities

Fiscal Year	Bonds	
	Principal	Interest
2018-19	\$ 15,273,000	\$ 3,666,289
2019-20	14,806,000	3,201,746
2020-21	12,098,000	2,693,604
2021-22	12,538,000	2,236,684
2022-23	13,013,000	1,760,543
2023-24	11,772,000	1,263,988
2024-25	9,330,000	784,559
2025-26	8,650,000	348,500
2026-27	125,000	2,500
Totals	<u>\$ 97,605,000</u>	<u>\$ 15,958,413</u>

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2018

Assets

Current assets	
Cash and investments	\$ 31,696,925
Accounts receivable, net	75,457
Inventories and prepayments	994,413
Advances to other funds	210,252
Total current assets	<u>32,977,047</u>
Noncurrent assets	
Restricted cash	5,521,882
Net OPEB asset	6,795
Capital assets:	
Land and construction in progress	7,097,203
Other capital assets, net	15,453,576
Total noncurrent assets	<u>28,079,456</u>
Total assets	<u>61,056,503</u>

Deferred outflows of resources:

Deferred outflows related to OPEB	8,153
Deferred outflows related to pensions	944,333
Total deferred outflows of resources	<u>952,486</u>

Liabilities

Current liabilities	
Accounts payable and accrued liabilities	559,094
Claims and judgments due within one year	1,666,060
Compensated absences due within one year	39,734
Total current liabilities	<u>2,264,888</u>
Noncurrent liabilities	
Net OPEB liability	258,790
Net pension liability	2,684,670
Claims and judgments payable	5,429,250
Compensated absences payable	138,782
Total noncurrent liabilities	<u>8,511,492</u>
Total liabilities	<u>10,776,380</u>

Deferred inflows of resources:

Deferred inflows related to OPEB	16,294
Deferred inflows related to pensions	104,406
Total deferred inflows of resources	<u>120,700</u>

Net position

Net investment in capital assets	22,550,779
Restricted for capital projects	5,362,044
Unrestricted	23,199,086
Total net position	<u>\$ 51,111,909</u>

Tie to Government-wide statement

Total net position	\$ 51,111,909
Back out:	
Amount reflected in capital assets	(22,550,779)
Deferred outflows	(952,486)
Add in:	
Amount due from (to) Business-type funds, June 30, 2017	(3,262,792)
Amount due from (to) Business-type funds for current year	(902,525)
Compensated absences	178,516
Net OPEB liability	251,995
Net pension liability	2,684,670
Deferred inflows	120,700
Amount reflected from Internal Service funds (page 40)	<u>\$ 26,679,208</u>

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Activities
For the fiscal year ended June 30, 2018

	<u>Internal Service Funds</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Operating revenues			
Sales, fees, licenses, and permits	\$ 198,756	\$ 129,180	\$ 56,686
Rents	1,782,807	1,158,715	508,462
Internal and intergovernmental	39,790,654	25,861,478	11,348,417
Other revenue	1,479,898	-	-
	<u>43,252,115</u>	<u>27,149,372</u>	<u>11,913,565</u>
Operating expenses			
Personal services	3,429,663	2,229,070	978,150
Materials and services	33,251,389	21,611,358	9,483,399
Depreciation	1,926,665	1,252,214	549,491
Allocated to programs in governmental activities			
Business type	-	-	-
General governmental	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Transportation	-	-	-
Library	-	-	-
	<u>38,607,717</u>	<u>25,092,642</u>	<u>11,011,040</u>
Total operating expenses	<u>38,607,717</u>	<u>25,092,642</u>	<u>11,011,040</u>
Operating income (loss)	<u>4,644,398</u>	<u>2,056,730</u>	<u>902,525</u>
Non-Operating revenues (expenses)			
Interest on investments	541,000	-	-
Other revenue (expenses)	5,016	-	-
	<u>546,016</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>546,016</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	5,190,414	-	-
Capital contributions	539,686	-	-
Transfers in	14,151,181	-	-
Transfers out	(12,972,842)	-	-
	<u>6,908,439</u>	<u>-</u>	<u>-</u>
Change in net position	<u>6,908,439</u>	<u>-</u>	<u>-</u>
Total net position - beginning of year	<u>44,199,756</u>	<u>-</u>	<u>-</u>
Prior period adjustment	<u>3,714</u>	<u>-</u>	<u>-</u>
Total net position - end of year	<u>\$ 51,111,909</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Activities

For the fiscal year ended June 30, 2018

Other Outside	Allocation Of Loss / Gain To Programs	Governmental Government- wide Statement	Business-type Government- wide Statement
\$ 12,891	\$ -	\$ 12,891	\$ -
115,630	-	115,630	-
2,580,758	-	2,580,758	-
1,479,898	-	1,479,898	-
<u>4,189,178</u>	<u>-</u>	<u>4,189,177</u>	<u>-</u>
222,443	-	222,443	-
2,156,632	-	2,156,632	-
124,960	-	124,960	-
-	-	-	(902,525)
-	(515,828)	(515,828)	-
-	(146,439)	(146,439)	-
-	(160,014)	(160,014)	-
-	(966,252)	(966,252)	-
-	(213,283)	(213,283)	-
-	(54,915)	(54,915)	-
<u>2,504,035</u>	<u>(2,056,731)</u>	<u>447,304</u>	<u>(902,525)</u>
<u>1,685,143</u>	<u>2,056,731</u>	<u>3,741,873</u>	<u>902,525</u>
-	-	541,000	-
-	-	5,016	-
<u>-</u>	<u>-</u>	<u>546,016</u>	<u>-</u>
-	-	4,287,889	902,525
-	-	539,686	-
-	-	14,151,181	-
-	-	(12,972,842)	-
<u>-</u>	<u>-</u>	<u>6,005,914</u>	<u>902,525</u>
-	-	44,199,756	-
-	-	3,714	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,209,384</u>	<u>\$ 902,525</u>

Concluded



Statistical Section

STATISTICAL STATEMENTS

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

Contents	Page
Financial trends <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	164
Revenue capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	172
Debt capacity <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	175
Demographic and economic information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	183
Operating information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	186

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

SCHEDULE 1

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

As of June 30	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 390,527,598	\$ 398,944,555	\$ 415,079,585	\$ 421,436,571	\$ 427,554,634
Restricted	72,978,304	83,633,922	77,974,325	77,665,043	78,206,939
Unrestricted ¹	27,997,396	31,944,930	39,973,858	39,406,449	41,659,637
Total governmental activities net position	491,503,298	514,523,407	533,027,768	538,508,063	547,421,210
Business-type activities					
Net investment in capital assets	468,116,427	468,759,084	464,074,289	472,165,125	474,358,737
Restricted	25,441,205	31,495,476	27,122,086	22,901,553	10,592,627
Unrestricted	29,133,838	32,080,141	32,760,968	35,778,358	53,878,267
Total business-type activities net position	522,691,470	532,334,701	523,957,343	530,845,036	538,829,631
Primary government					
Net investment in capital assets	858,644,025	867,703,639	879,153,874	893,601,696	901,913,371
Restricted	98,419,509	115,129,398	105,096,411	100,566,596	88,799,566
Unrestricted	57,131,234	64,025,071	72,734,826	75,184,807	95,537,904
Total primary government net position	\$ 1,014,194,768	\$ 1,046,858,108	\$ 1,056,985,111	\$ 1,069,353,099	\$ 1,086,250,841

Continued

SCHEDULE 1

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

As of June 30	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 435,779,633	\$ 446,247,364	\$ 461,124,572	\$ 469,688,116	\$ 486,192,364
Restricted	79,809,835	87,107,980	88,589,657	90,895,275	101,208,189
Unrestricted ¹	<u>46,783,853</u>	<u>(15,683,375)</u>	<u>(38,572,412)</u>	<u>(51,923,202)</u>	<u>(56,962,990)</u>
Total governmental activities net position	<u>562,373,321</u>	<u>517,671,969</u>	<u>511,141,817</u>	<u>508,660,189</u>	<u>530,437,563</u>
Business-type activities					
Net investment in capital assets	487,328,016	502,345,165	515,232,134	541,522,659	559,922,636
Restricted	11,344,749	16,242,400	15,955,649	21,197,516	31,438,499
Unrestricted	<u>51,883,370</u>	<u>46,486,440</u>	<u>40,847,394</u>	<u>47,348,468</u>	<u>45,605,799</u>
Total business-type activities net position	<u>550,556,135</u>	<u>565,074,005</u>	<u>572,035,177</u>	<u>610,068,643</u>	<u>636,966,934</u>
Primary government					
Net investment in capital assets	923,107,649	948,592,529	976,356,706	1,011,210,775	1,046,115,000
Restricted	91,154,584	103,350,380	104,545,306	112,092,791	132,646,688
Unrestricted	<u>98,667,223</u>	<u>30,803,065</u>	<u>2,274,982</u>	<u>(4,574,734)</u>	<u>(11,357,191)</u>
Total primary government net position	<u>\$ 1,112,929,456</u>	<u>\$ 1,082,745,974</u>	<u>\$ 1,083,176,994</u>	<u>\$ 1,118,728,832</u>	<u>\$ 1,167,404,497</u>
					Concluded

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

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

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

SCHEDULE 2

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

As of June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 12,557,894	\$ 10,662,002	\$ 17,240,091	\$ 21,514,149	\$ 21,296,860	\$ 23,128,615	\$ 19,569,966	\$ 25,795,167	\$ 21,541,066	\$ 23,284,124
Public safety	53,443,465	53,685,252	56,509,443	59,245,778	58,805,455	60,447,533	48,297,656	83,670,810	76,681,588	79,538,208
Community development	25,988,161	27,700,099	23,810,219	23,353,314	20,991,991	22,641,646	25,640,012	25,365,523	28,815,600	25,993,916
Community services	10,554,331	7,217,375	7,939,666	8,077,160	7,903,455	8,315,343	7,413,884	10,845,896	10,130,824	11,484,088
Transportation	28,064,453	26,271,205	24,500,538	26,825,997	27,175,114	20,886,835	21,531,878	30,036,926	33,579,815	30,745,887
Library services	4,503,422	4,358,817	4,441,873	4,490,150	4,535,827	4,525,863	3,357,157	5,766,700	4,951,828	4,159,416
Interest on debt	7,265,661	7,944,547	7,541,629	7,014,742	6,699,240	8,005,607	7,063,013	6,267,919	5,494,769	7,560,950
Total governmental activities	142,377,387	137,839,297	141,983,459	150,521,290	147,407,942	147,951,442	132,873,566	187,748,941	181,195,490	182,766,589
Business-type activities:										
Water and sewer	72,992,423	69,447,251	67,304,246	67,641,644	72,271,694	78,156,729	70,951,961	90,890,450	88,133,117	94,629,758
Housing Authority	18,749,228	22,869,199	-	-	-	-	-	-	-	-
Emergency services	2,265,540	1,483,101	987,118	1,055,673	1,294,706	1,093,116	860,417	928,245	765,666	675,440
WVPS communications center	6,469,078	6,490,525	6,846,721	7,075,463	8,875,249	8,869,085	7,329,036	12,533,464	10,847,295	10,866,965
Police regional records system	-	247,214	239,432	309,859	249,368	239,226	168,121	149,157	260,572	355,390
Salem Convention Center	4,249,083	3,535,376	3,879,670	3,551,405	3,763,233	3,876,195	4,114,169	4,002,023	4,540,244	4,567,157
Total business-type activities	104,725,352	104,072,666	79,257,187	79,634,044	86,454,250	92,234,351	83,423,704	108,503,339	104,546,894	111,094,710
Total expenses	\$ 247,102,739	\$ 241,911,963	\$ 221,240,646	\$ 230,155,334	\$ 233,862,192	\$ 240,185,793	\$ 216,297,270	\$ 296,252,280	\$ 285,742,384	\$ 293,861,299
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 10,621,057	\$ 9,890,857	\$ 9,636,473	\$ 8,416,253	\$ 9,051,015	\$ 9,727,451	\$ 9,721,341	\$ 8,489,920	\$ 10,762,231	\$ 11,484,550
Public safety	4,248,201	3,276,484	2,597,900	2,702,450	2,954,822	3,036,252	3,122,368	3,296,684	3,457,819	3,694,160
Community development	8,692,993	13,057,525	9,935,284	8,647,772	9,913,422	13,035,916	10,758,042	14,672,898	11,308,266	12,344,210
Community services	3,183,119	624,081	1,180,119	4,963,753	4,720,655	5,453,282	5,711,620	2,181,302	2,955,417	2,641,432
Transportation	10,482,300	8,465,378	8,398,305	8,702,792	8,673,693	3,086,927	3,437,418	7,924,516	4,796,272	7,212,753
Library services	777,889	871,213	833,995	842,339	845,041	839,415	826,307	857,018	869,078	909,075
Interest on debt	2,898,830	2,875,690	2,844,620	2,804,660	2,757,900	2,469,450	4,353,300	4,529,500	4,707,090	4,897,030
Operating grants and contributions	11,141,729	12,115,403	13,352,583	12,395,767	11,438,240	13,339,534	13,840,258	12,551,092	14,032,904	13,933,773
Capital grants and contributions	12,889,532	13,029,362	13,301,390	7,004,622	7,854,947	10,630,480	12,487,837	14,084,952	11,302,693	17,559,819
Total governmental activities	64,935,650	64,205,993	62,080,669	56,480,408	58,209,735	61,618,707	64,258,491	68,587,882	64,191,770	74,676,802
Business-type activities:										
Charges for services										
Water and sewer	64,745,475	70,711,576	72,440,296	71,066,622	74,458,723	84,279,309	88,106,019	90,920,920	94,173,227	99,448,400
Housing Authority	1,621,844	1,668,943	-	-	-	-	-	-	-	-
Emergency services	1,381,724	1,446,292	1,170,744	1,119,374	1,117,833	858,984	862,363	726,734	775,125	909,589
WVPS communications center	6,034,856	6,299,390	6,576,751	6,789,803	8,479,940	8,377,806	8,785,249	9,775,246	10,094,981	10,529,057
Police regional records system	-	367,308	383,900	318,694	324,853	311,775	322,900	348,058	359,880	377,870
Salem Convention Center	3,603,585	2,970,073	3,642,622	3,216,611	3,425,715	3,476,830	3,739,372	3,729,105	4,631,840	4,652,705
Operating grants and contributions	16,918,001	17,735,354	56,066	48,828	111,221	62,804	-	-	-	-
Capital grants and contributions	8,384,088	10,694,759	4,795,965	3,372,399	5,568,746	5,527,869	6,247,189	10,050,339	18,221,138	16,965,678
Total business-type activities	102,689,573	111,893,695	89,066,344	85,932,331	93,487,031	102,895,377	108,063,092	115,550,402	128,256,191	132,883,299
Total program revenues	\$ 167,625,223	\$ 176,099,688	\$ 151,147,013	\$ 142,412,739	\$ 151,696,766	\$ 164,514,084	\$ 172,321,583	\$ 184,138,284	\$ 192,447,961	\$ 207,560,101
Net (expense)/revenue										
Governmental activities	\$ (77,441,737)	\$ (73,633,304)	\$ (79,902,790)	\$ (94,040,882)	\$ (89,198,207)	\$ (86,332,735)	\$ (68,615,075)	\$ (119,161,059)	\$ (117,003,720)	\$ (108,089,787)
Business-type activities	(2,035,779)	7,821,029	9,809,157	6,298,287	7,032,781	10,661,026	24,639,388	7,047,063	23,709,297	21,788,589
Total net expense	\$ (79,477,516)	\$ (65,812,275)	\$ (70,093,633)	\$ (87,742,595)	\$ (82,165,426)	\$ (75,671,709)	\$ (43,975,687)	\$ (112,113,996)	\$ (93,294,423)	\$ (86,301,198)

Continued

SCHEDULE 2

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

As of June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues										
Governmental activities:										
Property tax	\$ 65,579,277	\$ 74,042,268	\$ 75,711,745	\$ 77,131,275	\$ 77,692,414	\$ 77,784,406	\$ 82,194,991	\$ 84,316,404	\$ 87,593,537	\$ 94,348,418
Transient occupancy tax	2,416,440	2,138,196	2,215,001	2,239,286	2,445,339	2,730,822	3,125,123	3,612,596	3,943,285	3,922,627
Other taxes	-	-	-	-	-	-	-	-	121,502	758,247
Shared state revenue	2,276,288	3,936,080	4,048,300	4,349,029	4,494,802	4,686,535	4,821,232	4,805,808	5,175,176	6,277,293
Franchise fees based on gross receipts	14,073,056	13,831,430	13,697,602	14,452,337	15,403,281	15,401,430	16,142,631	16,565,567	16,991,335	17,833,089
Payment in lieu of taxes	139,295	108,901	97,143	97,194	94,504	102,646	99,835	96,571	106,006	117,226
Investment earnings	2,199,541	1,330,733	611,855	759,531	692,002	776,162	1,024,656	1,354,500	1,901,542	3,339,012
Gain on sale of assets	3,090,684	1,233,877	-	-	3,490	13,160	48,197	166,457	239,594	23,640
Miscellaneous	784,077	889,903	555,015	501,675	269,034	217,028	593,905	869,803	1,478,317	1,851,020
Transfers in (out)	(230,658)	(857,975)	1,470,490	(9,150)	(2,983,512)	(427,343)	(585,500)	911,634	625,778	1,104,688
Total governmental activities	90,328,000	96,653,413	98,407,151	99,521,177	98,111,354	101,284,846	107,465,070	112,699,340	118,176,072	129,575,260
Business-type activities:										
Investment earnings	1,121,690	467,557	238,610	258,335	238,187	315,511	383,525	529,852	791,230	1,385,091
Gain or (loss) on sale of assets	37,949	45,270	4,121	6,358	16,818	8,150	13,049	-	16,217,200	872,567
Miscellaneous	180,107	535,878	400,629	315,563	284,196	314,474	795,832	295,891	308,438	3,899,140
Transfers in (out)	230,658	857,975	(1,470,490)	9,150	2,983,512	427,343	585,500	(911,634)	(625,778)	(1,104,688)
Total business-type activities	1,570,404	1,906,680	(827,130)	589,406	3,522,713	1,065,478	1,777,906	(85,891)	16,691,090	5,052,110
Total primary government	\$ 91,898,404	\$ 98,560,093	\$ 97,580,021	\$ 100,110,583	\$ 101,634,067	\$ 102,350,324	\$ 109,242,976	\$ 112,613,449	\$ 134,867,162	\$ 134,627,370
Change in Net Position										
Governmental activities	\$ 12,886,263	\$ 23,020,109	\$ 18,504,361	\$ 5,480,295	\$ 8,913,147	\$ 14,952,111	\$ 38,849,995	\$ (6,461,719)	\$ 1,172,352	\$ 21,485,473
Business-type activities	(465,375)	9,727,709	8,982,027	6,887,693	10,555,494	11,726,504	26,417,294	6,961,172	40,400,387	26,840,699
Total	\$ 12,420,888	\$ 32,747,818	\$ 27,486,388	\$ 12,367,988	\$ 19,468,641	\$ 26,678,615	\$ 65,267,289	\$ 499,453	\$ 41,572,739	\$ 48,326,172

Concluded

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

*Salem Housing Authority was included as a blended component unit for FYE 2009 through 2010. It is discretely presented from FYE 2011 to 2016. As of 2017 it is neither a blended component unit nor discretely presented.

SCHEDULE 3

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

As of June 30	2009	2010	2011	2012	2013
General fund					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ 409	\$ 420
Long-term receivable	1,411	1,078	733	373	-
Restricted for:					
Library services	11	15	9	10	-
Assigned to:					
General government	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public safety	-	-	-	-	-
Unassigned	14,940	17,567	18,257	17,779	20,379
Total General Fund	\$ 16,362	\$ 18,660	\$ 18,999	\$ 18,571	\$ 20,799
All other governmental funds					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ 87	\$ 87
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	70,367	59,667	45,818	54,021	32,438
Community renewal	-	14	-	-	35
Debt service	9,484	15,811	16,499	17,550	17,604
Permanent funds - spendable	197	202	213	217	232
General government	172	178	178	179	179
Community development-SCC Gain/Loss	2,387	2,903	3,285	3,827	3,980
Community development-Other	65	66	66	-	67
Community services	598	610	590	612	685
Library services	31	35	24	28	28
Public safety	560	471	476	582	497
Transportation	856	1,397	1,803	1,792	1,701
Committed for:					
Public works	1,772	2,589	3,099	2,495	1,687
Capital projects	109	1,578	-	-	-
Airport	374	334	457	531	564
Downtown parking	562	445	429	516	326
Economic improvement	199	184	-	77	183
Cultural/Tourism	618	465	655	557	882
Public Art	-	-	1	1	1
Parking leasehold	306	346	421	500	548
Building & safety	4,081	4,747	4,397	3,555	3,748
General government-replace phone system	1,133	1,330	1,481	1,652	1,692
Community services	94	104	236	-	43
Library services	1,028	941	914	950	975
Public safety	81	76	14	22	15
Transportation	163	-	-	-	-
Total all other governmental funds	\$ 95,248	\$ 94,504	\$ 81,067	\$ 89,762	\$ 68,208

Continued

SCHEDULE 3

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

As of June 30	2014	2015	2016	2017	2018
General fund					
Nonspendable:					
Prepaid items	\$ 452	\$ 484	\$ 517	\$ 9	\$ -
Long-term receivable	-	-	-	-	-
Restricted for:					
Library services	-	-	-	-	-
Assigned to:					
General government	-	-	-	299	242
Community development	-	-	-	302	816
Community services	-	-	-	35	-
Public safety	-	-	-	372	186
Unassigned	20,545	23,516	26,264	24,728	22,967
Total General Fund	\$ 20,997	\$ 24,000	\$ 26,781	\$ 25,745	\$ 24,211
All other governmental funds					
Nonspendable:					
Prepaid items	\$ 63	\$ 64	\$ 48	\$ -	\$ -
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	69,176	65,503	58,916	48,447	142,134
Community renewal	25	47	15	284	2,180
Debt service	17,121	16,331	17,729	19,198	8,631
Permanent funds - spendable	240	245	248	201	215
General government	181	59	58	58	64
Community development-SCC Gain/Loss	4,065	4,217	4,305	4,397	4,872
Community development-Other	67	68	68	69	70
Community services	733	676	634	565	670
Library services	39	36	40	48	37
Public safety	405	544	528	706	1,022
Transportation	1,549	1,448	1,648	1,627	4,237
Committed for:					
Public works	2,024	3,208	5,557	4,880	4,647
Capital projects	-	-	-	-	-
Airport	631	683	952	921	1,137
Downtown parking	376	622	935	669	308
Economic improvement	173	99	33	-	-
Cultural/Tourism	1,266	1,216	1,219	546	789
Public Art	4	1	32	43	33
Parking leasehold	573	783	669	748	647
Building & safety	4,789	4,987	5,359	6,156	7,690
General government-replace phone system	1,704	1,683	1,502	1,545	-
Community services	45	25	30	42	23
Library services	881	924	970	937	939
Public safety	16	16	17	6	5
Transportation	-	-	-	-	-
Total all other governmental funds	\$ 106,157	\$ 103,496	\$ 101,523	\$ 92,104	\$ 180,365
					Concluded

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

SCHEDULE 4

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

As of June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	\$ 65,076,281	\$ 73,308,330	\$ 74,888,230	\$ 77,310,933	\$ 77,798,977	\$ 78,604,201	\$ 82,717,374	\$ 84,241,245	\$ 87,742,137	\$ 92,645,504
Other taxes	2,465,062	2,187,338	2,268,440	2,292,159	2,500,211	2,788,858	3,177,422	3,612,596	4,064,787	4,680,874
Sales, fees, licenses, and permits	23,614,958	25,807,215	22,457,234	22,154,528	24,878,758	27,040,176	25,511,801	33,693,610	32,589,112	39,613,747
Fines and penalties	3,477,483	3,586,829	3,452,573	3,067,266	2,547,538	2,712,724	2,772,139	3,023,850	2,973,024	502,411
Special assessments	305,709	210,759	62,135	678,843	618,003	767,990	476,972	514,942	487,167	3,899,954
Interest on investments	1,751,896	1,048,597	649,822	636,903	577,575	642,954	855,930	1,116,741	1,575,317	5,173,757
Grants	7,583,257	7,122,044	7,615,558	5,823,954	4,773,444	8,631,220	8,140,701	6,837,612	7,084,125	34,253,598
Intergovernmental	32,562,714	29,604,924	29,762,148	35,150,303	35,784,928	32,002,982	38,282,094	32,524,245	30,743,901	2,897,346
Rents	3,150,271	2,969,490	3,185,058	2,922,831	3,222,814	3,281,528	3,552,864	3,518,821	4,235,080	2,917,512
Loan payments received	945,685	1,039,133	775,791	979,261	888,884	1,723,421	1,608,618	2,694,311	2,305,210	963,207
Other	2,228,245	1,763,737	1,658,861	1,298,618	1,114,307	1,026,446	946,805	1,297,748	1,164,904	1,753,005
Total revenues	143,161,561	148,648,396	146,775,850	152,315,599	154,705,439	159,222,500	168,042,720	173,075,721	174,964,764	189,300,915
Expenditures										
General government	12,866,024	12,248,432	12,699,597	17,072,868	17,044,104	18,640,507	19,637,379	17,018,725	16,759,280	17,870,705
Community development	16,999,782	18,090,131	17,902,814	16,239,064	15,490,499	16,418,121	17,661,782	16,373,289	17,285,934	17,151,459
Community service	9,065,932	6,226,902	6,703,357	7,038,423	6,550,095	7,055,808	7,059,393	7,812,249	8,461,793	9,433,816
Public safety	52,032,875	52,973,430	54,709,814	57,952,163	57,116,459	59,453,631	60,321,502	61,933,220	68,442,395	73,199,690
Transportation	18,982,507	14,679,516	14,982,329	16,745,253	16,563,872	10,692,492	10,193,376	12,004,928	13,804,079	15,003,447
Library	4,232,387	4,167,415	4,122,063	4,232,024	4,260,510	4,386,708	4,356,433	4,433,093	4,842,454	4,748,270
Capital outlay	27,669,123	23,126,615	27,023,802	28,361,412	35,162,576	32,666,666	27,065,092	29,581,071	33,768,435	35,218,713
Debt service										
Principal retirement	9,745,888	12,643,046	14,170,379	15,530,579	16,535,545	15,754,955	14,016,503	23,068,458	16,197,993	12,957,373
Interest and fiscal charges	7,381,980	7,876,030	7,694,560	6,976,146	6,669,810	7,886,344	6,777,542	6,502,290	5,486,003	6,843,051
Total expenditures	158,976,498	152,031,517	160,008,715	170,147,932	175,393,470	172,955,232	167,089,002	178,727,323	185,048,366	192,426,524
Excess (deficiency) of revenues over (under) expenditures	(15,814,937)	(3,383,121)	(13,232,865)	(17,832,333)	(20,688,031)	(13,732,732)	953,718	(5,651,602)	(10,083,602)	(3,125,609)
Other financing sources (uses)										
Transfers in	11,894,240	7,326,962	12,616,741	7,565,121	6,780,093	7,494,154	11,899,729	12,729,116	14,398,749	30,047,440
Issuance of debt	39,199,000	3,660,000	857,055	26,283,080	2,335,090	49,461,855	-	6,130,000	-	93,375,000
Issuance of refunding bonds	-	-	-	18,289,298	-	-	-	-	-	-
Bond issuance premium	2,156,577	-	-	-	-	2,928,425	-	-	-	9,485,781
Payments to refunded bond escrow agents	(3,402,175)	-	-	(18,289,298)	-	-	-	-	-	(14,933,756)
Sale of capital assets	3,954,736	1,697,190	75,848	34,056	25,000	17,329	6,247	166,347	210,397	18,623
Transfers out	(9,675,190)	(7,747,524)	(13,414,877)	(7,782,861)	(7,777,958)	(8,022,063)	(12,517,834)	(12,496,891)	(14,980,843)	(30,121,091)
Total other financing sources (uses)	44,127,188	4,936,628	134,767	26,099,396	1,362,225	51,879,700	(611,858)	6,528,572	(371,697)	87,871,997
Net change in fund balances	\$ 28,312,251	\$ 1,553,507	\$(13,098,098)	\$ 8,267,063	\$(19,325,806)	\$ 38,146,968	\$ 341,860	\$ 876,970	\$(10,455,299)	\$ 84,746,388
Debt service as a percentage of noncapital expenditures	12.44%	14.97%	15.85%	15.06%	15.51%	16.05%	13.65%	18.25%	12.75%	11.61%

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

SCHEDULE 5

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

Fiscal Year Ended June 30	Residential Property	Farm Property	Commercial Property¹	Industrial Property¹	Personal Property	Utility Property	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Taxable RMV	Estimated Real Market Value	Assessed Value as a Percentage of Est. Real Market Value
2009	\$ 5,863,831	\$ 9,148	\$ 2,194,995	\$ 681,961	\$ 318,561	\$ 263,389	\$ 9,331,885	7.29	\$ 14,319,704	\$ 17,493,838	53.34%
2010	6,099,347	9,869	2,324,963	686,402	334,752	343,793	9,799,126	7.82	13,960,557	17,271,564	56.74%
2011	6,294,093	12,233	2,390,664	685,623	331,581	352,705	10,066,899	7.78	13,414,743	16,905,161	59.55%
2012	6,445,378	11,802	2,492,669	721,290	324,688	293,778	10,289,605	7.80	12,756,685	16,259,047	63.29%
2013	6,452,158	15,708	3,050,982	259,270	329,907	276,354	10,384,379	7.82	12,267,502	15,967,484	65.03%
2014	6,589,878	16,044	3,223,771	134,585	324,092	270,290	10,558,660	7.71	12,243,883	16,055,929	65.76%
2015	6,942,528	16,764	3,300,222	108,190	320,313	276,310	10,964,327	7.77	12,917,229	16,845,667	65.09%
2016	7,250,682	16,588	3,191,346	333,536	332,086	296,494	11,420,732	7.61	13,697,349	17,708,784	64.49%
2017	7,554,460	16,767	3,309,878	369,023	351,886	331,795	11,933,809	7.60	14,782,422	18,870,599	63.24%
2018	7,861,190	15,652	3,401,610	350,969	363,044	346,130	12,338,596	7.75	16,198,654	20,375,366	60.56%

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

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

SCHEDULE 6

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

Fiscal Year Ended June 30	City Direct Rates				Salem/Keizer School District	Marion County	Other Agencies	Total
	Basic Rate	General Obligation Rate	Urban Renewal Rate	Total Direct				
2009	\$ 5.59	\$ 0.64	\$ 1.06	\$ 7.29	\$ 6.31	\$ 2.89	\$ 1.82	\$ 18.31
2010	5.53	0.97	1.32	7.82	6.20	2.85	1.98	18.85
2011	5.53	0.92	1.33	7.78	5.99	2.85	1.88	18.50
2012	5.53	0.96	1.31	7.80	6.11	2.85	1.97	18.73
2013	5.52	0.96	1.34	7.82	6.35	2.85	1.98	19.00
2014	5.54	0.95	1.22	7.71	6.38	2.86	1.96	18.91
2015	5.54	0.97	1.26	7.77	6.12	2.86	1.99	18.74
2016	5.54	1.00	1.07	7.61	6.26	2.86	2.02	18.75
2017	5.54	1.00	1.06	7.60	5.61	2.86	2.05	18.12
2018	5.53	1.14	1.08	7.75	5.81	2.86	2.04	18.46

Source: Marion County Summary of Tax Roll

SCHEDULE 7

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

Property Taxpayers	2018			2009		
	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Valuation*	Taxable Assessed Valuation	Rank	Percentage of Total County Taxable Assessed Valuation
Portland General Electric Company	\$ 86,160,370	1	0.53%	\$ 74,272,900	1	0.80%
Northwest Natural Gas Company	66,145,000	2	0.41%	69,018,900	4	0.74%
Comcast Corporation	65,748,380	3	0.41%			
Lancaster Development Company	56,532,220	4	0.35%	55,056,770	3	0.59%
CenturyLink	47,622,300	5	0.29%			
Metropolitan Life Insurance Company	46,887,770	6	0.29%	36,457,810	5	0.39%
State Investments LLC	37,658,199	7	0.23%			
Wal-Mart Real Estate Business	35,758,810	8	0.22%	28,477,580	6	0.31%
HD Salem OR Landlord LLC	34,972,620	9	0.22%			
Norpac Foods Inc	33,066,595	10	0.20%			
Qwest Corporation (US West Comm)				61,518,100	2	0.66%
State Accident Insurance Fund				25,477,140	7	0.27%
PPG Industries, Inc				24,026,208	8	0.26%
Price-ASG LLC				20,201,730	9	0.22%
Cascadia Canyon LLC				19,168,903	10	0.21%
All other taxpayers	15,688,101,805		96.85%	8,918,209,094		95.57%
Total	\$ 16,198,654,069		100.00%	\$ 9,331,885,135		100.00%

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



SCHEDULE 8

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

Fiscal Year of Levy	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments and Discounts	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections, Discounts, and Adjustments in Subsequent Years	Total Collections to Date		Outstanding Taxes Levied by Fiscal Year
				Amount Collected	Percent of Original Levy		Amount	Percent of Adjusted Levy	
2010-11	\$ 77,615,253	\$ 2,098,618	\$ 75,516,635	\$ 72,262,984	93.10%	\$ 2,611,404	\$ 74,874,388	99.15%	\$ 642,247
2011-12	79,314,605	2,342,806	76,971,799	73,998,354	93.30%	2,668,464	76,666,818	99.60%	304,981
2012-13	79,624,242	2,322,020	77,302,222	74,456,966	93.51%	2,558,868	77,015,834	99.63%	286,388
2013-14	80,026,048	2,328,202	77,697,846	75,270,772	94.06%	2,119,077	77,389,849	99.60%	307,997
2014-15	84,192,771	2,433,706	81,759,065	79,532,985	94.47%	1,717,255	81,250,240	99.38%	508,825
2015-16	86,416,824	2,413,221	84,003,603	81,875,741	94.75%	1,479,815	83,355,556	99.23%	648,047
2016-17	90,160,345	2,718,367	87,441,978	85,404,556	94.73%	996,905	86,401,461	98.81%	1,040,517
2017-18	95,271,746	2,665,202	92,606,544	90,442,603	94.93%	-	90,442,603	97.66%	2,163,940

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

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

SCHEDULE 9

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

General Government

Fiscal Year Ended June 30	General Obligation Bonds⁴	Limited Tax Pension Obligation Bonds	Urban Renewal Bonds	Notes
2009 ²	\$ 61,614,975	\$ 58,140,000	\$ 38,515,000	\$ 9,349,478
2010 ²	55,027,980	57,440,000	38,765,000	7,276,887
2011	47,694,890	56,570,000	33,475,000	7,330,112
2012	65,054,925	55,510,000	27,470,000	7,661,036
2013	56,850,076	54,240,000	21,230,000	9,048,890
2014	96,754,845	52,750,000	15,956,000	12,330,992
2015	89,597,612	51,015,000	11,527,000	11,280,992
2016	82,108,916	49,020,000	5,975,000	8,305,501
2017	71,650,013	46,750,000	2,128,000	8,445,555
2018	149,857,523	44,180,000	1,730,000	9,578,919
				Continued

SCHEDULE 9

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

Business-type Activities					
Water/Sewer Revenue Bonds	Water/Sewer Revenue / Full Faith and Credit Bonds	Notes	Total	Percent of Total Personal Income³	Per Capita³
\$ 112,125,266	\$ 100,075,000	\$ 33,897,314	\$ 413,717,033	8.36%	\$ 2,678
103,136,612	96,895,000	35,555,422	394,096,901	7.77%	2,511
93,782,958	93,390,000	32,925,377	365,168,337	6.92%	2,319
83,979,304	89,780,000	32,139,966	361,595,231	6.85%	2,322
102,609,214	86,060,000	5,287,907	335,326,087	6.19%	2,143
88,081,263	82,230,000	5,130,308	353,233,408	6.37%	2,239
75,569,312	78,285,000	4,966,743	322,241,659	5.72%	2,023
63,970,361	74,180,000	4,797,035	288,356,813	4.83%	1,794
48,980,000	73,145,410	-	251,098,978	4.07%	1,549
101,701,286	4,660,000	-	311,707,728	N/A	1,907
					Concluded

Source: City of Salem Finance Division

Notes:

1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
2. Salem Housing Authority is included as a blended component unit for FYE 2009 through 2010.
3. See Statistical Schedule 14 *Demographic and Economic Statistics* for total personal income and population.
4. Matches general obligation bonds plus premium found in the notes to the financial statements.

SCHEDULE 10

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

Fiscal Year Ended June 30	Population	Assessed Value	General Obligation Bonds²	Full Faith and Credit backed revenue bonds³	Less: Amounts Available in General Debt Service Fund⁴	Total³	Percentage of Estimated Actual Taxable Value of Property	General Bonded Debt Per Capita
2009	154,510	\$ 9,331,885,135	\$ 61,614,975	\$ 100,075,000	\$ 358,059	\$ 161,331,916	1.73%	\$ 1,044
2010	156,955	9,799,125,647	55,027,980	98,895,000	738,810	153,184,170	1.56%	976
2011	157,460	10,066,899,077	47,694,890	93,390,000	425,307	140,659,583	1.40%	893
2012	155,710	10,289,605,321	65,054,925	89,780,000	448,927	154,385,998	1.50%	991
2013	156,455	10,384,378,954	56,850,076	86,060,000	129,392	142,780,684	1.37%	913
2014	157,770	10,558,660,293	96,754,845	82,230,000	307,721	178,677,124	1.69%	1,133
2015	159,265	10,964,326,873	89,597,612	78,285,000	693,010	167,189,602	1.52%	1,050
2016	160,690	11,420,731,864	82,108,916	74,180,000	1,680,942	154,607,974	1.35%	962
2017	162,060	11,933,809,181	71,650,013	69,870,000	533,726	140,986,287	1.18%	870
2018	163,480	12,338,595,882	149,857,523	4,660,000	851,050	153,666,473	1.25% ⁵	940 ⁶

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

- Notes:
1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 2. Matches general obligation bonds plus premium found in the notes to the financial statements.
 3. The Full Faith and Credit, Series 2009 bond and Full Faith and Credit, Series 2017 Refunding is payable solely from the revenues of the water/sewer utility per the 2012 Master Water and Sewer system Revenue Bond Declaration.
 4. These amounts are only applicable to governmental General Obligation bonds.
 5. With only General Obligation bonds, this figure is 1.21% for 2018.
 6. With only General Obligation bonds, this figure is 911 for 2018.

SCHEDULE 11

**City of Salem, Oregon
Computation of Direct and Overlapping Debt
As of June 30, 2018
(dollars in thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Chemeketa Community College	\$ 73,078	31.6524%	\$ 23,131
Marion County	16,514	38.7437%	6,398
Marion County School District 24J	373,279	60.9404%	227,478
Marion County School District 5	22,550	0.0339%	8
Polk County	1,370	33.6544%	461
Willamette ESD	9,309	28.6958%	2,671
Subtotal, overlapping debt			<u>260,147</u>
General obligation bonds ²			149,857
Limited tax pension obligation bonds ³			44,180
Urban renewal bonds ⁴			1,730
Notes ⁵			9,579
Subtotal, City direct debt ⁶			<u>205,346</u>
			<u><u>\$ 465,493</u></u>

Sources: City of Salem Finance Division
Oregon State Treasury

Notes:

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

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

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

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

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

5. All governmental activities notes. These are currently all Urban Renewal Agency notes and therefore are not obligations of the City.

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

SCHEDULE 12

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

As of June 30,	2009	2010	2011	2012	2013
Real market value (RMV)	\$ 14,319,704,036	\$ 13,960,557,368	\$ 13,414,742,906	\$ 12,756,684,966	\$ 12,267,501,849
Legal debt margin:					
Debt limit (3% of RMV) ¹	429,591,121	418,816,721	402,442,287	382,700,549	368,025,055
Debt applicable to limit:					
General Obligation Bonds	61,614,975	55,027,980	47,694,890	65,054,925	56,850,076
Less:					
Funds applicable to the payment of principal ²	(358,059)	(738,810)	(425,307)	(448,927)	(129,392)
Premium received on Refunding, Streets-Bridges, Police Facility, and Library Facility Series 2009, 2013, 2017, and 2018	(1,898,110)	(1,771,569)	(1,645,028)	(1,518,487)	(1,391,946)
Total net debt applicable to limit	<u>59,358,806</u>	<u>52,517,601</u>	<u>45,624,555</u>	<u>63,087,511</u>	<u>55,328,738</u>
Legal debt margin ³	<u>\$ 370,232,315</u>	<u>\$ 366,299,120</u>	<u>\$ 356,817,732</u>	<u>\$ 319,613,038</u>	<u>\$ 312,696,317</u>
Total net debt applicable to limit as a percentage of limit	<u>13.82%</u>	<u>12.54%</u>	<u>11.34%</u>	<u>16.48%</u>	<u>15.03%</u>

Continued

SCHEDULE 12

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

As of June 30,	2014	2015	2016	2017	2018
Real market value (RMV)	\$ 12,243,883,002	\$ 12,917,229,291	\$ 13,697,349,090	\$ 14,782,421,957	\$ 16,198,654,069
Legal debt margin:					
Debt limit (3% of RMV) ¹	367,316,490	387,516,879	410,920,473	443,472,659	485,959,622
Debt applicable to limit:					
General Obligation Bonds	96,754,845	89,597,612	82,108,916	71,650,013	149,857,523
Less:					
Funds applicable to the payment of principal ²	(307,721)	(693,010)	(1,680,942)	(533,726)	(851,050)
Premium received on Refunding, Streets-Bridges, Police Facility, and Library Facility Series 2009, 2013, 2017, and 2018	(4,003,673)	(3,648,943)	(3,294,213)	(2,818,866)	(10,966,105)
Total net debt applicable to limit	<u>92,443,451</u>	<u>85,255,659</u>	<u>77,133,761</u>	<u>68,297,421</u>	<u>138,040,368</u>
Legal debt margin ³	<u>\$ 274,873,039</u>	<u>\$ 302,261,220</u>	<u>\$ 333,786,712</u>	<u>\$ 375,175,238</u>	<u>\$ 347,919,254</u>
Total net debt applicable to limit as a percentage of limit	<u>25.17%</u>	<u>22.00%</u>	<u>18.77%</u>	<u>15.40%</u>	<u>28.41%</u>
					Concluded

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

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

SCHEDULE 13

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

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds						Coverage ¹
	Utility Service Charges ²	Less: Operating Expenses ³	Net Available Revenue	Debt Service			
				Principal ⁴	Interest		
2009	\$ 64,992	\$ 44,693	\$ 20,299	\$ 8,380	\$ 5,180	1.50	
2010	73,121	42,454	30,667	8,695	4,846	2.26	
2011	73,462	43,372	30,090	9,060	4,503	2.22	
2012	69,291	45,073	24,218	9,510	4,093	1.78	
2013	75,489	45,698	29,791	14,479	1,178	1.90	
2014	85,322	53,515	31,807	14,255	1,708	1.99	
2015	89,213	55,242	33,971	12,239	1,570	2.46	
2016	91,241	55,663	35,578	11,326	1,451	2.78	
2017	94,762	62,001	32,761	11,442	1,341	2.56	
2018	100,502	65,657	34,845	12,025	3,443	2.25	

Source: City of Salem Finance Division

Notes:

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

SCHEDULE 14

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

Fiscal Year Ended June 30	Population¹	Per Capita Personal Income²	Total Personal Income (dollars in thousands)	Area (square miles)³	Average density (persons/ square mile)	Average Unemployment⁴
2009	154,510	\$ 32,016	\$ 4,946,792	49	3,153	9.0%
2010	156,955	32,320	5,072,786	49	3,203	10.3%
2011	157,460	33,516	5,277,429	49	3,213	11.3%
2012	155,710	33,731	5,252,254	49	3,178	9.5%
2013	156,455	34,643	5,420,071	49	3,193	9.8%
2014	157,770	35,133	5,542,933	49	3,220	8.2%
2015	159,265	35,360	5,631,610	49	3,250	7.4%
2016	160,690	37,121	5,964,973	49	3,279	6.1%
2017	162,060	38,099	6,174,324	49	3,307	5.1%
2018	163,480	N/A	N/A	49	3,336	4.3%

Sources: ¹Portland State University Population Research Center estimate as of July 1 of each year.
²U.S. Department of Commerce, Bureau of Economic Analysis - Salem, OR (MSA) - includes Marion and Polk Counties.
³City of Salem Public Works, Engineering Division through 2012-13.
City of Salem Geographical Information System 2013-14 through current fiscal year.
⁴U.S. Department of Labor, Bureau of Labor Statistics - Salem, OR (MSA) - includes Marion and Polk Counties.

N/A = Information not available.

SCHEDULE 15

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

Employer	2018			2009		
	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force ¹	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force ²
State of Oregon	19,700	1	24.24%	15,253	1	20.04%
Salem-Keizer School District ³	4,692	2	5.77%	2,790	3	3.66%
Salem Health/Salem Hospital ³	4,600	3	5.66%	2,800	2	3.68%
Marion County ³	1,533	4	1.89%	1,381	4	1.81%
Norpac Foods Incorporated ³	1,500	5	1.85%	1,565	5	2.06%
Federal Government	1,500	5	1.85%			
Chemeketa Community College ³	1,401	7	1.72%	700	10	0.92%
City of Salem ^{3,4}	1,355	8	1.67%	1,479	6	1.94%
State Accident Insurance Fund	992	9	1.22%	871	9	1.14%
Wal-Mart	833	10	1.02%			
Roth's				950	7	1.25%
May Trucking Company				900	8	1.18%
Total	38,106		46.89%	27,789		37.68%

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

Notes: 1. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2017-18 was 81,269.
 2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2008 was 76,127.
 3. Includes full and part-time positions.
 4. City of Salem included Salem Housing Authority employees for years 2008 through 2010.

SCHEDULE 16

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

Function / Program	2009	2010¹	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General government										
City manager's office ⁵	9	16	17	16	9	9	37	36	39	34
Human resources	8	8	8	8	8	8	8	8	8	9
Legal	15	14	14	14	13	13	15	15	15	15
Administrative services	89	37	35	35	33	33	33	33	30	32
Municipal court	12	11	13	13	13	14	14	14	14	14
City services	38	38	37	36	32	29	29	29	29	29
Self insurance	7	7	7	7	7	7	7	7	7	8
Information technology ⁵	40	61	61	61	60	62	37	40	42	47
Public safety										
Police	240	234	234	237	227	228	228	228	230	233
Fire	164	163	169	168	160	154	152	152	164	165
Community development										
Administrative/planning	35	36	36	36	30	30	30	30	31	31
Airport	5	4	4	4	5	5	5	4	4	4
Building and safety	33	21	22	19	19	21	22	21	23	25
Urban development	24	46	45	45	32	30	29	33	33	33
Community services										
Transportation ^{3,4,6}	134	132	135	134	126	77	73	48	53	53
Library services	52	48	46	48	45	45	45	45	45	44
Recreation services ^{3,6}	-	-	-	-	10	10	10	42	49	50
Business-type activities										
Water and sewer ⁴	221	242	248	244	246	296	294	300	304	310
Salem Housing Authority ²	55	54	-	-	-	-	-	-	-	-
Emergency services	5	5	5	5	6	6	2	2	2	2
WVPS communications center	59	60	60	60	60	70	70	73	73	73
Total	1,311	1,237	1,196	1,190	1,141	1,147	1,140	1,160	1,195	1,211
Entity										
City of Salem	1,256	1,183	1,196	1,190	1,141	1,147	1,140	1,160	1,195	1,211
Salem Housing Authority ²	55	54	-	-	-	-	-	-	-	-
Total	1,311	1,237	1,196	1,190	1,141	1,147	1,140	1,160	1,195	1,211

Source: City of Salem Budget

Notes:

1. Changes are due to City-wide restructuring and elimination of positions.
2. Salem Housing Authority was included as a blended component unit for FY 2008 through 2010.
3. Recreation services separated from Public Works (Engineering & streets) in FY 2012-13.
4. Engineering services moved from Public Works (Engineering & streets) to Water and sewer fund in FY 2013-14.
5. Facilities division moved from IT to City Manager's office in FY 2014-15.

SCHEDULE 17

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

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

Continued

Source: Various City of Salem departments

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

1. F.B.I. Index Crimes include:

- a. the violent crimes of murder, forcible rape, robbery and aggravated assault, and
- b. the property crimes of burglary, larceny-theft, motor vehicle theft, and arson.

2. Program registrations from Recreation, Teen Programs, and Center 50+.

3. Permits issued for public use of city parks, streets, pools, senior center, and open spaces.

4. Ambulance transport services are contracted to a private company.

SCHEDULE 17

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

2013	2014	2015	2016	2017	2018
7,482	7,476	7,684	7,417	7,386	8,596
2,021	1,831	1,935	1,882	1,832	1,861
25,773	25,224	25,059	30,785	30,913	32,202
16,723	17,960	19,592	20,927	22,862	24,093
434	401	476	477	468	565
1,435	1,344	1,312	1,201	1,965	479
3,254	3,858	3,807	4,262	4,791	5,161
19,957	22,487	22,372	22,097	24,884	26,980
1,726	1,892	1,814	1,979	2,135	2,294
217,121	220,005	238,583	246,390	251,091	253,663
613	893	963	1,174	1,562	1,734
726	742	806	856	851	854
53,917	55,148	55,719	59,324	65,351	58,281
357	533	406	477	523	519
8	3	4	3	3	4
1,522	1,638	1,388	1,764	2,868	1,531
481,393	404,617	376,016	341,088	337,373	323,808
1,336,215	1,226,379	1,235,209	1,203,686	1,226,790	1,334,705
188,443	189,829	191,388	192,835	194,440	196,050
51,532	51,491	52,107	52,725	52,895	55,446
249	327	278	308	420	407
213	235	223	267	154	83
27	26	26	26	26	29
228,188	229,666	231,152	232,855	162,080	237,040
61,772	61,988	62,649	63,320	63,547	65,229
67	88	40	79	95	122
330	322	785	244	442	292
38,770	48,342	49,719	55,614	64,856	52,403
-	-	-	-	-	-
-	-	-	-	-	-
12,566	13,503	14,638	15,490	17,214	17,840
\$ 199,304	\$ 177,296	\$ 219,841	\$ 42,844	\$ 56,151	\$ 84,262
140,773	145,899	181,789	182,487	214,040	217,788
292,492	300,580	312,108	331,356	325,628	334,012
					Concluded

5. Average units occupied and average vouchers issued for the fiscal year ending September 30.
 Salem Housing Authority was included as a blended component unit for FY 2009-2010.
6. Starting in 2009, senior center is not included in special activity permits.
7. Includes use of Soap Box Derby track, cross country meets, and tennis courts.
8. Reduction in FY 2011 is due to changes in renewed contract and lower reimbursements from Medicare and auto insurance companies.
9. WVPSCC served Marion and Polk counties through FY 2012. Lincoln County added in FY 2013.

SCHEDULE 18

**City of Salem, Oregon
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
As of June 30, 2017**

Function / Program	2009	2010	2011	2012	2013
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	50	52	52	50	50
Fire					
Fire stations	10	11	11	11	11
Fire trucks ¹	17	17	17	17	17
Community services					
Parks and recreation areas ²	93	93	93	93	93
Parks and recreation acreage ²	1,846	1,846	1,903	1,903	1,903
Swimming pools ³	2	-	-	-	-
Senior community centers	1	1	1	1	1
Transportation					
Streets (miles) ⁷	560	560	560	688	633
Bridges	57	57	57	57	57
Street lights	10,479	10,487	10,503	10,578	11,478
Traffic signals	266	268	259	255	259
Library services					
Buildings	2	2	2	2	2
Water and sewer					
Water main (miles)	720	720	727	737	750
Fire hydrants	4,730	4,763	4,882	4,863	4,885
Water storage capacity (ccf)	185,294	185,294	180,479	180,749	180,481
Sanitary sewer lines (miles)	785	785	801	799	800
Storm sewer (miles)	598	606	603	607	618
Treatment capacity winter (ccf) ⁶	274,064	274,064	274,064	274,064	274,064
Salem Housing Authority ⁴					
Apartment complexes	12	11	-	-	-
Triplexes - 2 & 3 bedrooms	3	3	-	-	-
Duplexes - 2 & 3 bedrooms	12	12	-	-	-
Houses - 2, 3 & 4 bedrooms	51	51	-	-	-
Emergency services					
Ambulances - reserve ⁵	4	4	4	4	3
WVPS communications center					
Mobiles	10	10	10	10	10
Base stations	3	3	3	3	3

Continued

Source: Various City of Salem departments

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

1. Includes staffed and unstaffed engines and ladder trucks, including reserves.

2. Includes developed and undeveloped parks (neighborhood, community, large urban), special use facilities, historic areas, natural areas, and connector trails.

3. Until 2010, the City operated Olinger and Walker pools in cooperation with Salem-Keizer School District which owns them.

SCHEDULE 18

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

Function / Program	2014	2015	2016	2017	2018
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	50	53	53	48	48
Fire					
Fire stations	11	11	11	11	11
Fire trucks ¹	17	17	17	17	17
Community services					
Parks and recreation areas ²	93	93	93	93	94
Parks and recreation acreage ²	1,903	2,238	2,265	2,265	2,310
Swimming pools ³	-	-	-	-	-
Senior community centers	1	1	1	1	1
Transportation					
Streets (miles) ⁷	639	663	637	640	645
Bridges	57	57	57	57	57
Street lights	11,500	11,543	11,626	11,453	11,408
Traffic signals	266	266	259	261	266
Library services					
Buildings	2	2	2	2	2
Water and sewer					
Water main (miles)	749	754	758	761	765
Fire hydrants	4,930	4,963	4,963	5,056	5,136
Water storage capacity (ccf)	181,818	181,818	181,818	181,818	181,818
Sanitary sewer lines (miles)	800	785	796	799	802
Storm sewer (miles) ⁸	620	611	633	662	651
Treatment capacity winter (ccf) ⁶	274,064	274,064	274,064	274,064	274,064
Salem Housing Authority ⁴					
Apartment complexes	-	-	-	-	-
Triplexes - 2 & 3 bedrooms	-	-	-	-	-
Duplexes - 2 & 3 bedrooms	-	-	-	-	-
Houses - 2, 3 & 4 bedrooms	-	-	-	-	-
Emergency services					
Ambulances - reserve ⁵	3	2	2	2	2
WVPS communications center					
Mobiles	10	10	10	10	10
Base stations	3	3	3	3	1
					Concluded

4. Figures are for the year ending September 30th. Orchard Village Apartment building demolished 9/3/09.

Salem Housing Authority was shown as a blended component unit for FYE 2008 through 2010.

5. Ambulance transport services are contracted to a private company. City provides backup services with reserve ambulances.

6. The City completed two projects in 2009 that increased the wet weather capacity from 105 million gallons a day to 205 million gallons.

7. Street measurement method was improved in 2016.

8. Includes storm pipe, ditches, stream channels, detention pipes, and culverts.



SEC Rule 15c2-12 Disclosures



SCHEDULE A

GENERAL INFORMATION

General Obligation Bonds

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

BASIS OF ACCOUNTING

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

FISCAL YEAR

July 1 through June 30.

AUDITS

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

The City's audit for fiscal year 2017-18 was performed by Grove, Mueller and Swank, Salem, Oregon, Certified Public Accountants. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website, www.cityofsalem.net.

DEBT INFORMATION – AS OF JUNE 30, 2018

Debt Summary

Outstanding debt

Long-term:

Gross bonded debt (certain debt with a general obligation excluding issuance premium)	<u>\$ 138,891,418</u>
Net direct debt (debt paid in whole or in part by taxes)	138,891,418
Net overlapping debt	<u>260,146,981</u>
Total net direct and overlapping debt	<u>\$ 399,038,399</u>

Debt Ratio

	<u>Values</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
2017 estimated population	<u>163,480</u>		
2017-18 real market value	<u>\$ 16,198,654,069</u>	<u>\$ 99,086</u>	
Net direct debt (G.O. debt excluding issuance premium)	\$ 138,891,418	\$ 850	0.86%
Net overlapping debt	<u>260,146,981</u>	<u>1,591</u>	<u>1.61%</u>
Net direct debt (G.O.) and overlapping debt	<u>\$ 399,038,399</u>	<u>\$ 2,441</u>	<u>2.46%</u>

Continued

SCHEDULE A

Debt Limitations

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

Debt Limitation	
2017-18 RMV	\$ 16,198,654,069
Debt limitation (3.00 % of RMV)	<u>\$ 485,959,622</u>
Applicable bonded debt	138,040,368
Debt margin	<u>\$ 347,919,254</u>
Percent of limit issued	28%

Debt Management

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

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

2009	2013	2017	2018
R34	S82	T73	W20
	S90	T81	W38
	T24	T99	W46
	T32	U22	W53
	T40	U30	W61
	T57	U48	W79
		U55	W87
		U63	W95
		U71	X29
		U89	X37
		U97	X45
		V21	X52
		V39	
		V47	
		V54	
		V62	
		V70	
		V88	
		V96	

Concluded

SCHEDULE B

TAX COLLECTION RECORD

Fiscal Year	Assessed Value			Percent change	Total Levy ¹	Tax Rate Per \$1000	Percent Collected Year of Levy	Percent Collected to Date ²
	Marion County	Polk County	Total					
2009	\$ 7,810,013,436	\$1,521,871,699	\$ 9,331,885,135	4.95%	\$57,999,672	6.22	92.91%	N/A
2010	8,196,929,014	1,602,196,633	9,799,125,647	5.01%	63,522,643	6.48	92.97%	N/A
2011	8,417,665,718	1,649,233,359	10,066,899,077	2.73%	64,605,619	6.42	93.10%	99.15%
2012	8,601,970,661	1,687,634,660	10,289,605,321	2.21%	66,220,745	6.44	93.30%	99.60%
2013	8,673,851,504	1,710,527,450	10,384,378,954	0.92%	66,271,177	6.38	93.51%	99.63%
2014	8,829,264,169	1,729,396,124	10,558,660,293	1.68%	67,531,726	6.40	94.06%	99.60%
2015	9,169,796,837	1,794,530,036	10,964,326,873	3.84%	70,769,411	6.45	94.47%	99.38%
2016	9,536,890,110	1,883,841,574	11,420,731,684	4.16%	74,406,467	6.52	94.75%	99.23%
2017	9,930,071,244	2,003,737,937	11,933,809,181	4.49%	77,766,683	6.52	94.73%	98.81%
2018	10,250,553,534	2,088,042,348	12,338,595,882	3.39%	82,193,282	6.66	97.66%	97.66%

1. These figures exclude urban renewal tax increments.

2. Levy information more than seven years past is reported in aggregate, so individual year percentages are not available for the oldest three years shown.

N/A = Information not available

Sources: Marion County Assessor's Office, Polk County Assessor's Office, and City of Salem

SCHEDULE C

Representative Consolidated Tax Rate By County
Per \$1,000 of assessed valuation

*2017-18 REPRESENTATIVE CONSOLIDATED
TAX RATE FOR MARION COUNTY CODE AREA
924-01-00-0*

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1618	\$ 1.7959	\$ 6.9577
Local government	9.2834	1.1449	10.4283
Urban Renewal Special Levy	1.0809	0.0000	1.0809
Totals	<u>\$ 15.5261</u>	<u>\$ 2.9408</u>	<u>\$ 18.4669</u>

Source: Marion County Assessor's Office

*2017-18 REPRESENTATIVE CONSOLIDATED
TAX RATE FOR POLK COUNTY CODE AREA
3201*

Municipal Corporation	Tax Rate For Operations	Tax Rate For Bonds	Total
Schools	\$ 5.1618	\$ 1.7959	\$ 6.9577
Local government	8.4788	1.1449	9.6237
Urban Renewal Special Levy	0.9801	0.0000	0.9801
Totals	<u>\$ 14.6207</u>	<u>\$ 2.9408</u>	<u>\$ 17.5615</u>

Source: Polk County Assessor's Office

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

As of June 30,	2014	2015	2016	2017	2018
Assets					
Cash and investments	\$ 21,630,633	\$ 26,416,270	\$ 30,157,311	\$ 27,588,352	\$ 25,754,571
Receivables	6,724,722	6,235,693	6,606,393	6,675,314	8,611,652
Due from other funds	415,896	-	83,209	-	-
Due from other agencies	132,756	127,889	136,502	103,402	117,758
Prepaid items	452,297	484,422	517,256	8,767	-
Total assets	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671	\$ 34,375,835	\$ 34,483,981
Liabilities					
Accounts payable	\$ 523,114	\$ 719,443	\$ 969,272	\$ 1,228,851	\$ 5,491,343
Accrued payroll liabilities	4,958,022	5,100,141	5,592,844	3,695,382	-
Due to other funds	-	940,000	1,344,805	1,076,426	813,506
Due to other agencies	66,982	71,565	66,341	5,634	5,424
Security deposit payable	7,206	6,449	6,600	10,600	10,035
Unearned revenue	-	-	78,956	-	-
Total liabilities	5,555,324	6,837,598	8,058,818	6,016,893	6,320,308
Deferred inflows of resources					
Unavailable revenue	2,803,733	2,426,521	2,660,726	2,614,111	3,952,770
Fund balance					
Nonspendable	452,297	484,422	517,256	8,767	-
Assigned	-	-	-	1,008,040	1,244,020
Unassigned	20,544,950	23,515,733	26,263,871	24,728,024	22,966,883
Total fund balance	20,997,247	24,000,155	26,781,127	25,744,831	24,210,903
Total liabilities, deferred inflows of resources, and fund balance	\$ 29,356,304	\$ 33,264,274	\$ 37,500,671	\$ 34,375,835	\$ 34,483,981

Source: Derived from audited annual financial statements.

SCHEDULE E

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

For fiscal year ending June 30,	2014	2015	2016	2017	2018
Revenues					
Property taxes	\$ 56,399,018	\$ 59,053,072	\$ 61,290,361	\$ 63,986,373	\$ 66,128,401
Franchise fees	15,630,348	16,378,032	16,809,874	17,323,953	18,001,644
Other taxes	49,065	44,565	-	121,502	758,247
Licenses and permits	780,100	716,558	833,001	983,431	1,069,803
Fees	1,073,873	1,087,717	1,199,928	1,152,094	1,270,388
Fines and forfeitures	2,712,724	2,772,139	3,023,850	2,963,967	2,891,761
Rents	1,053,355	1,254,898	1,278,003	1,807,586	1,619,906
Charges for services	1,862,196	2,004,622	2,282,858	2,499,466	2,472,631
Other revenues	231,882	273,408	310,191	337,952	221,416
Intergovernmental	6,153,886	6,359,276	6,430,503	7,250,602	8,827,876
Federal grants	1,005,028	920,336	777,561	1,270,677	558,579
State grants	25,717	34,577	36,443	40,374	3,500
Intrafund reimbursements	3,338,334	3,644,382	5,216,515	5,264,853	6,493,026
Loan payments received	17,336	1,384	1,413	18,226	9,625
Interest on investments	147,336	171,231	248,276	395,561	510,207
Total revenues	<u>90,480,198</u>	<u>94,716,197</u>	<u>99,738,777</u>	<u>105,416,617</u>	<u>110,837,010</u>
Expenditures					
Personal services	74,504,948	76,075,932	81,435,677	85,900,025	93,170,801
Materials and services	15,324,979	15,501,719	15,545,084	18,522,995	17,929,128
Capital outlay	286,097	439,148	256,780	280,882	610,969
Debt service	-	-	6,794	10,151	15,566
Total expenditures	<u>90,116,024</u>	<u>92,016,799</u>	<u>97,244,335</u>	<u>104,714,053</u>	<u>111,726,463</u>
Excess (deficiency) of revenues over expenditures	<u>364,174</u>	<u>2,699,398</u>	<u>2,494,442</u>	<u>702,564</u>	<u>(889,453)</u>
Other financing sources (uses)					
Sale of capital assets	2,819	-	27,492	-	2,417
Transfers in	825,000	1,145,000	1,179,350	1,250,800	1,075,947
Transfers out	(994,106)	(841,490)	(920,312)	(2,989,660)	(1,722,840)
Total other financing sources (uses)	<u>(166,287)</u>	<u>303,510</u>	<u>286,530</u>	<u>(1,738,860)</u>	<u>(644,476)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>197,887</u>	<u>3,002,908</u>	<u>2,780,972</u>	<u>(1,036,296)</u>	<u>(1,533,928)</u>
Fund balance - beginning of year	<u>20,799,360</u>	<u>20,997,247</u>	<u>24,000,155</u>	<u>26,781,127</u>	<u>25,744,831</u>
Fund balance - end of year	<u>\$ 20,997,247</u>	<u>\$ 24,000,155</u>	<u>\$ 26,781,127</u>	<u>\$ 25,744,831</u>	<u>\$ 24,210,903</u>

Source: Derived from audited annual financial statements.

SCHEDULE F

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

As of June 30,	2014	2015	2016	2017	2018
Assets					
Cash and investments	\$ 165,005	\$ 556,153	\$ 1,588,661	\$ 464,421	\$ 780,171
Receivables	627,694	585,363	549,236	529,615	804,800
Total assets	\$ 792,699	\$ 1,141,516	\$ 2,137,897	\$ 994,036	\$ 1,584,971
Liabilities					
Payables	\$ -	\$ -	\$ -	\$ -	\$ 400
Deferred inflows of resources					
Unavailable revenue	462,851	420,251	419,569	409,595	660,885
Fund balance					
Restricted for debt service	329,848	721,265	1,718,328	584,441	923,686
Total liabilities, deferred inflows of resources, and fund balance	\$ 792,699	\$ 1,141,516	\$ 2,137,897	\$ 994,036	\$ 1,584,571

Source: Derived from audited annual financial statements.

SCHEDULE G

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

For fiscal year ending June 30,	2014	2015	2016	2017	2018
Revenues					
Property taxes	\$ 9,903,072	\$ 10,487,759	\$ 11,205,901	\$ 11,670,914	\$ 13,787,258
Interest on investments	27,969	31,091	47,055	79,399	106,173
Intergovernmental	3,959,450	4,353,300	4,529,500	4,707,090	4,897,039
Total revenues	<u>13,890,491</u>	<u>14,872,150</u>	<u>15,782,456</u>	<u>16,457,403</u>	<u>18,790,470</u>
Expenditures					
Debt service	<u>13,690,035</u>	<u>14,480,733</u>	<u>14,785,393</u>	<u>17,591,290</u>	<u>18,451,225</u>
Excess (deficiency) of revenues over expenditures	<u>200,456</u>	<u>391,417</u>	<u>997,063</u>	<u>(1,133,887)</u>	<u>339,245</u>
Fund balance - beginning of year	<u>129,392</u>	<u>329,848</u>	<u>721,265</u>	<u>1,718,328</u>	<u>584,441</u>
Fund balance - end of year	<u>\$ 329,848</u>	<u>\$ 721,265</u>	<u>\$ 1,718,328</u>	<u>\$ 584,441</u>	<u>\$ 923,686</u>

Source: Derived from audited annual financial statements.

SCHEDULE H

INVESTMENTS

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

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

INVESTMENTS HELD BY THE CITY AS OF JUNE 30, 2018

	<u>Book Value</u>
Commercial Paper	\$ 16,293,094
Corporate Bonds	30,977,470
Local Government Investment Pool	61,554,465
Municipal Bonds	1,480,050
U.S. Agencies	74,511,833
U.S. Instrumentalities	2,723,083
U.S. Treasury	<u>119,951,152</u>
Total	<u><u>\$ 307,491,147</u></u>

SCHEDULE I

ANNUAL DISCLOSURE INFORMATION

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

BASIS OF ACCOUNTING

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

FISCAL YEAR

July 1 through June 30.

AUDITS

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

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COST OF SERVICE RATE STUDY

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

CUSIP NUMBERS BY BOND SERIES:

794454__	794481__
2009	2017
N46	JW2
	JX0
	JY8
	JZ5
	KA8
	KB6
	KC4
	KD2
	KE0

SCHEDULE J

THE WATER SYSTEM

Service Area and Customers

The system provides water service to a total population of approximately 196,050. The total number of accounts was 55,446 at the end of the fiscal year 2017-18, including customers within the City of Salem, the City of Turner, Suburban East Salem Water District, the Jan Ree Area, and Orchard Heights Water District. Average base water use is 20 million gallons, and peak water use is 50 million gallons.

Water Rates

The City reviews its water rates and charges periodically to determine if they are sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements. The most recent change in rates took effect January 1, 2018. The adopted rates for inside-city customers are shown on the facing page. The rates for outside-city customers vary depending on the level of service received.

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

Customer Class	2013-14	2014-15	2015-16	2016-17	2017-18
1. Residential	399,770,600	400,420,800	395,093,100	410,790,100	429,997,200
2. Multiple dwellings	184,594,500	166,210,500	164,372,800	185,310,000	187,068,500
3. Commercial	135,095,200	140,486,209	146,258,800	146,954,000	151,515,700
4. Industrial	50,792,300	57,163,800	52,071,100	50,490,900	47,104,300
5. Institutional ¹	43,116,400	45,440,500	43,860,000	43,488,500	45,480,500
6. Wholesale ²	72,062,900	80,530,000	82,328,000	75,044,300	75,678,800
7. Irrigation	41,781,000	48,427,900	49,516,900	40,682,800	44,575,200
8. Public building	16,242,400	17,636,100	18,369,100	19,834,400	18,874,400
Total	<u>943,455,300</u>	<u>956,315,809</u>	<u>951,869,800</u>	<u>972,595,000</u>	<u>1,000,294,600</u>

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

2. East Salem, Orchard Heights, and Turner.

Continued

SCHEDULE J

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

	Fiscal Year					Council
	2013-14	2014-15	2015-16	2016-17	2017-18	Adopted
Rates Implemented on:	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Customer Class:						
Residential, Single Family						
Base Rate - 5/8 - 3/4" Meter	\$ 6.14	\$ 6.32	\$ 6.51	\$ 7.72	\$ 9.18	\$ 10.15
Volume rate - per ccf ¹	2.50	2.58	2.65	2.63	2.62	2.56
Monthly Bill @ 11 ccf	33.64	34.70	35.66	36.65	38.00	38.31
Multiple Dwellings						
Base Rate - 1" Meter	6.70	6.90	7.11	8.42	10.02	12.83
Volume rate - per ccf	2.02	2.08	2.14	2.13	2.12	2.16
Complex @ 82 ccf	172.34	177.46	182.59	183.08	183.86	189.95
Cost Per Unit	17.23	17.74	18.26	18.31	18.39	19.00
Commercial						
Base Rate - 2" Meter	15.29	15.75	16.22	19.23	22.87	32.24
Volume rate - per ccf	2.06	2.12	2.19	2.17	2.16	2.26
Monthly Bill @ 65 ccf	149.19	153.55	158.57	160.28	163.27	179.14
Number of Customers	51,491	52,107	52,725	52,895	55,446	

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

Ten Largest Water System Customers

Customer	2017-18 Annual Revenue	Percent of Total Gross Water System Revenue*
State of Oregon Corrections	\$ 723,098	2.5%
Suburban East Salem Water	702,341	2.4%
Salem-Keizer School District	518,188	1.8%
Salem Hospital	213,946	0.7%
Creekside Golf Course LLC	167,085	0.6%
Oregon Cherry Growers Inc.	145,913	0.5%
Truitt Family Foods	114,062	0.4%
Marion County Business Services	109,413	0.4%
Oregon State Hospital	88,742	0.3%
Bellcrest Memorial Association	82,559	0.3%
	<u>\$ 2,142,250</u>	<u>7.5%</u>
*Total gross water system revenue	<u>\$ 28,699,396</u>	

Concluded

SCHEDULE K

WASTEWATER SYSTEM

Service Area and Customers

The system provides wastewater service to a population of approximately 237,040, including customers in the City of Salem, the City of Keizer, the City of Turner, Labish Village Sewer District, Eola-Chatnika Sewer District, and the East Salem Service District. The total number of wastewater accounts billed in fiscal year 2017-18 was 65,229, which includes the City of Keizer, which billed 11,429, and the City of Turner, which billed 850.

Wastewater Rates

The City reviews its wastewater rates and charges periodically to determine if they are sufficient to cover expenses of operations and maintenance as well as debt service coverage. The most recent change in rates took effect January 1, 2018. The following table shows historical and current rates, by customer class, within the City. Industrial and institutional customers are monitored and flows are measured. These customers pay a base rate as well as charges for volume and strength. Volumes for other classifications are set annually based on individual customer's average winter water usage.

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

	Fiscal Year					Council
	2013-14	2014-15	2015-16	2016-17	2017-18	Adopted
	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Rates implemented on:						
<u>Customer Class:</u>						
Residential, Single Family						
Base Rate - per account	\$ 19.34	\$ 16.59	\$ 13.68	\$ 14.02	\$ 14.44	\$ 14.88
Volume Rate - per ccf ¹	3.22	3.23	3.23	3.31	3.41	3.49
Monthly Bill @ 6.5 ccf ¹	40.27	37.59	34.68	35.54	36.61	37.57
Multiple Dwellings						
Base Rate - per account	48.31	33.79	18.44	18.90	19.46	19.97
Additional Base Rate - per unit over five	1.62	1.41	1.19	1.22	1.26	1.27
Volume Rate - per ccf ¹	3.22	3.23	3.23	3.31	3.41	3.49
Monthly Billing for 10 unit @ 82 ccf ¹	320.45	305.70	289.25	296.42	305.38	312.50
Cost Per Unit	32.05	30.57	28.93	29.64	30.54	31.25
Commercial						
Base Rate - per account	25.69	23.17	20.49	21.00	21.63	21.91
Volume Rate - per ccf ¹	4.37	4.42	4.45	4.56	4.70	4.80
Monthly Bill @ 65 ccf ¹	309.74	310.47	289.74	317.40	327.13	333.91
Number of Customers	61,990	62,649	63,320	63,550	65,229	

1. Water volumes are measured in cubic feet. One unit of water is one hundred cubic feet (ccf). Wastewater volumes are estimated based on water meter readings from November through February.

Continued

SCHEDULE K

Ten Largest Wastewater System Customers

Customer	2017-18 Annual Revenue	Percent of Total Gross Wastewater Revenue ¹
City of Keizer	\$ 5,720,108	12.6%
State of Oregon Corrections	1,747,502	3.8%
Oregon Cherry Growers	1,265,858	2.8%
Yamasa	316,655	0.7%
Salem-Keizer School District	302,286	0.7%
Salem Hospital	295,127	0.6%
Kerr Concentrates	288,540	0.6%
Truitt Family Foods	266,799	0.6%
Kettle	215,779	0.5%
City of Turner	211,784	0.5%
Totals	\$ 10,630,438	23.3%
¹ Total gross wastewater revenue	\$ 45,526,596	

1. Total gross wastewater revenue does not include hauled waste or septic waste. The 2012 Cost of Service Analysis is reflected in rates effective January 1, 2018.

Concluded

SCHEDULE L

STORMWATER RATES

The City began separation of the stormwater and wastewater rates January 1, 2013 with full implementation effective January 1, 2016. Stormwater rates are set at a level sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements of the stormwater system. The adopted rates for inside-city customers are shown below. The City of Salem provides stormwater services to 44,048 stormwater accounts inside the Salem City limits. Of these, 39,676 are single family residential accounts and 4,372 are commercial, public, industrial, institutional, or multi-family accounts. Stormwater fees are not applied to accounts outside the city limits.

	Fiscal Year					Council Adopted
	2013-14 ¹	2014-15	2015-16	2016-17	2017-18	2018-19
Rates implemented on:	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018	1/1/2019
Customer Class:						
Residential, Single Family						
Base Rate - per account	\$ 4.89	\$ 7.34	\$ 9.79	\$ 10.08	\$ 10.39	\$ 10.63
Volume Rate - per EDU	2.54	3.80	5.07	5.22	5.38	5.76
Monthly Bill @ 1 EDU	7.43	11.14	14.86	15.30	15.77	16.39
All Other Classes (Commercial, Multifamily, Industrial, Institutional)						
Base Rate - per account	4.89	7.34	9.79	10.08	10.39	10.63
Volume Rate - per EDU	2.54	3.80	5.07	5.22	5.38	5.76
Monthly Bill @ 20 EDU	55.69	83.34	111.79	114.48	117.99	125.83
Number of Customers	42,210	42,879	43,625	43,627	44,048	

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

Ten Largest Stormwater System Customers

Customer	2017-18 Annual Revenue	Percent of Total Gross Stormwater Revenue
Salem-Keizer School District	\$ 212,281	1.8%
State of Oregon, Department of Corrections	104,979	0.9%
Oregon State Fair	76,804	0.5%
State of Oregon, Military Department	50,571	0.4%
Oregon State Hospital	48,626	0.4%
State of Oregon, Dept. of Administrative Services	44,699	0.4%
Lancaster Development Co.	43,436	0.4%
River Bend Sand and Gravel	42,272	0.4%
Home Depot	32,237	0.3%
Sundial Mobile Homes	31,970	0.3%
Totals	<u>\$ 687,875</u>	<u>5.7%</u>
Total gross stormwater revenue	<u>\$ 12,027,250</u>	

Source: City of Salem

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

As of June 30,	2014	2015	2016	2017	2018
Assets					
Current assets					
Cash and investments	\$ 31,442,120	\$ 32,751,441	\$ 40,615,347	\$ 38,917,405	\$ 41,646,988
Accounts receivable, net	10,462,590	11,427,270	9,838,385	12,714,741	13,875,778
Due from other agencies	91,574	80,128	68,682	57,236	45,790
Inventories and prepayments	1,060,349	1,082,680	1,183,464	1,012,475	947,438
Advances to other funds	-	940,000	1,344,805	3,076,426	2,632,016
Total current assets	<u>43,056,633</u>	<u>46,281,519</u>	<u>53,050,683</u>	<u>55,778,283</u>	<u>59,148,010</u>
Noncurrent assets					
Restricted cash and investments ¹	11,841,721	17,151,907	17,252,849	22,165,185	32,293,611
Notes receivable	1,432,044	1,345,768	1,271,638	11,877,069	9,085,917
Deferred assessments	2,875,514	3,037,130	3,578,888	3,391,917	3,167,855
Net pension asset	-	5,013,624	-	-	82,901
Capital assets:					
Land and construction in progress	65,559,284	68,206,252	38,844,189	37,256,164	40,471,112
Other capital assets, net	569,683,432	561,392,705	589,116,802	597,454,393	596,134,097
Total noncurrent assets	<u>651,391,995</u>	<u>656,147,386</u>	<u>650,064,366</u>	<u>672,144,728</u>	<u>681,235,493</u>
Total assets	<u>694,448,628</u>	<u>702,428,905</u>	<u>703,115,049</u>	<u>727,923,011</u>	<u>740,383,503</u>
Deferred outflows of resources					
Deferred outflows related to OPEB	-	-	-	134,111	99,471
Deferred outflows related to pensions	-	2,129,735	2,846,797	15,924,949	9,803,841
Deferred charge on refunding	5,482,998	4,873,776	4,264,554	3,655,332	4,704,255
Total deferred outflows of resources	<u>5,482,998</u>	<u>7,003,511</u>	<u>7,111,351</u>	<u>19,714,392</u>	<u>14,607,567</u>
Total assets and deferred outflows of resources	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>	<u>\$ 747,637,403</u>	<u>\$ 754,991,070</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 1,763,039	\$ 2,193,348	\$ 2,288,044	\$ 4,093,685	\$ 4,254,262
Interest payable	569,669	543,857	515,443	350,958	292,094
Long-term debt-due within one year	16,347,565	15,600,708	15,927,896	14,720,000	15,273,000
Compensated absences-due within one year	440,302	440,460	452,637	489,311	474,051
Total current liabilities	<u>19,120,575</u>	<u>18,778,373</u>	<u>19,184,020</u>	<u>19,653,954</u>	<u>20,293,407</u>
Noncurrent liabilities					
Security deposit payable	36,597	36,597	136,597	36,597	36,572
Unearned revenue	1,193,395	1,173,345	1,169,108	1,148,793	1,108,489
Developer reimbursement payable ²	1,562,771	1,749,238	2,277,063	2,093,239	1,912,634
Long-term debt	159,094,006	143,220,347	127,019,500	107,405,410	91,088,286
Net OPEB obligation/liability	1,395,998	1,395,998	1,231,182	3,263,493	3,157,247
Net pension liability	-	-	12,460,829	31,008,547	27,164,286
Compensated absences payable	1,180,596	1,262,034	1,407,965	1,442,467	1,741,071
Total noncurrent liabilities	<u>164,463,363</u>	<u>148,837,559</u>	<u>145,702,244</u>	<u>146,398,546</u>	<u>126,208,585</u>
Total liabilities	<u>183,583,938</u>	<u>167,615,932</u>	<u>164,886,264</u>	<u>166,052,500</u>	<u>146,501,992</u>
Deferred inflows of resources					
Deferred inflows related to OPEB	-	-	-	85,334	198,798
Deferred inflows related to pensions	-	9,674,264	2,942,783	695,103	911,283
Total deferred inflows of resources	<u>-</u>	<u>9,674,264</u>	<u>2,942,783</u>	<u>780,437</u>	<u>1,110,081</u>
Net position					
Net investment in capital assets	459,801,145	475,651,678	489,278,149	516,240,479	534,948,178
Restricted for:					
Capital projects	11,344,749	16,242,400	15,955,649	21,197,516	31,438,499
Unrestricted					
Water and sewer rate stabilization	6,900,000	6,900,000	6,900,000	6,900,000	6,900,000
Other unrestricted	38,301,794	33,348,142	30,263,555	36,466,471	34,092,320
Total net position	<u>516,347,688</u>	<u>532,142,220</u>	<u>542,397,353</u>	<u>580,804,466</u>	<u>607,378,997</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>	<u>\$ 710,226,400</u>	<u>\$ 747,637,403</u>	<u>\$ 754,991,070</u>

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

2. Deferred development - connections for water and sewer.

Source: Derived from audited annual financial statements.

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

For fiscal year ending June 30,	2014	2015	2016	2017	2018
Gross Revenues	\$ 85,322,142	\$ 89,212,723	\$ 91,241,114	\$ 94,761,786	\$ 100,502,165
Operating Expenses	53,515,139	55,241,733	55,662,580	62,000,484	65,656,871
Net Revenues	31,807,003	33,970,990	35,578,534	32,761,302	34,845,294
Annual Debt Service					
<i>Parity Obligations</i>					
Series 2012 Bonds A & B (Refinance)	15,963,222	13,808,949	12,777,230	12,783,368	11,322,356
Series 2017 Bonds (Refinance 2009 Full Faith & Credit bond)	-	-	-	-	4,145,542
Total Parity Annual Debt Service	15,963,222	13,808,949	12,777,230	12,783,368	15,467,898
Parity Debt Service Coverage ¹	1.99	2.46	2.78	2.56	2.25
Net Revenues less Parity Debt Service	\$ 15,843,781	\$ 20,162,041	\$ 22,801,304	\$ 19,977,934	\$ 19,377,396
<i>Subordinate Obligations</i>					
OECD	\$ 401,149	\$ 401,599	\$ 401,200	\$ 5,192,283	\$ -
Full Faith and Credit Bond	7,798,125	7,798,225	7,800,425	7,800,175	4,850,800
Total Subordinate Debt Service	\$ 8,199,274	\$ 8,199,824	\$ 8,201,625	\$ 12,992,458	\$ 4,850,800
Debt Service Coverage (incl. RSA Transfer) ²	1.93	2.46	2.78	1.54	3.99

1. The Master Resolution requires the debt coverage ratio on Parity Obligations (Net Revenues/Annual Debt Service on Parity Debt) be equal to or greater than 1.25.
2. Subordinate Debt Service Coverage Ratio (Net Revenues Less Parity Debt Service/Total Subordinate Debt Service) is not required by the Master Resolution.

Source: City of Salem

Auditor's Comments and Disclosures



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Mayor and City Council
City of Salem
555 Liberty Street SE
Salem, Oregon 97301

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Salem, Oregon (the City) as of and for the year ended June 30, 2018 and have issued our report thereon dated December 12, 2018.

Compliance and Other Matters

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

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

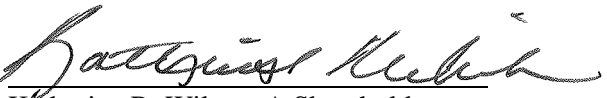
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

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

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

By: 
Katherine R. Wilson, A Shareholder
December 12, 2018