

Urban Renewal Agency of The City of Salem, Oregon

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



For Fiscal Year Ended June 30, 2018

City of Salem, Oregon

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

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

ANNUAL

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2018

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

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

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Title VI Disclosure

It is the policy of the Urban Renewal Agency of the City of Salem (URA) to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity and source of income. The URA also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

URBAN RENEWAL AREA OF THE CITY OF SALEM

AGENCY OFFICIALS

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

ADMINISTRATIVE STAFF

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

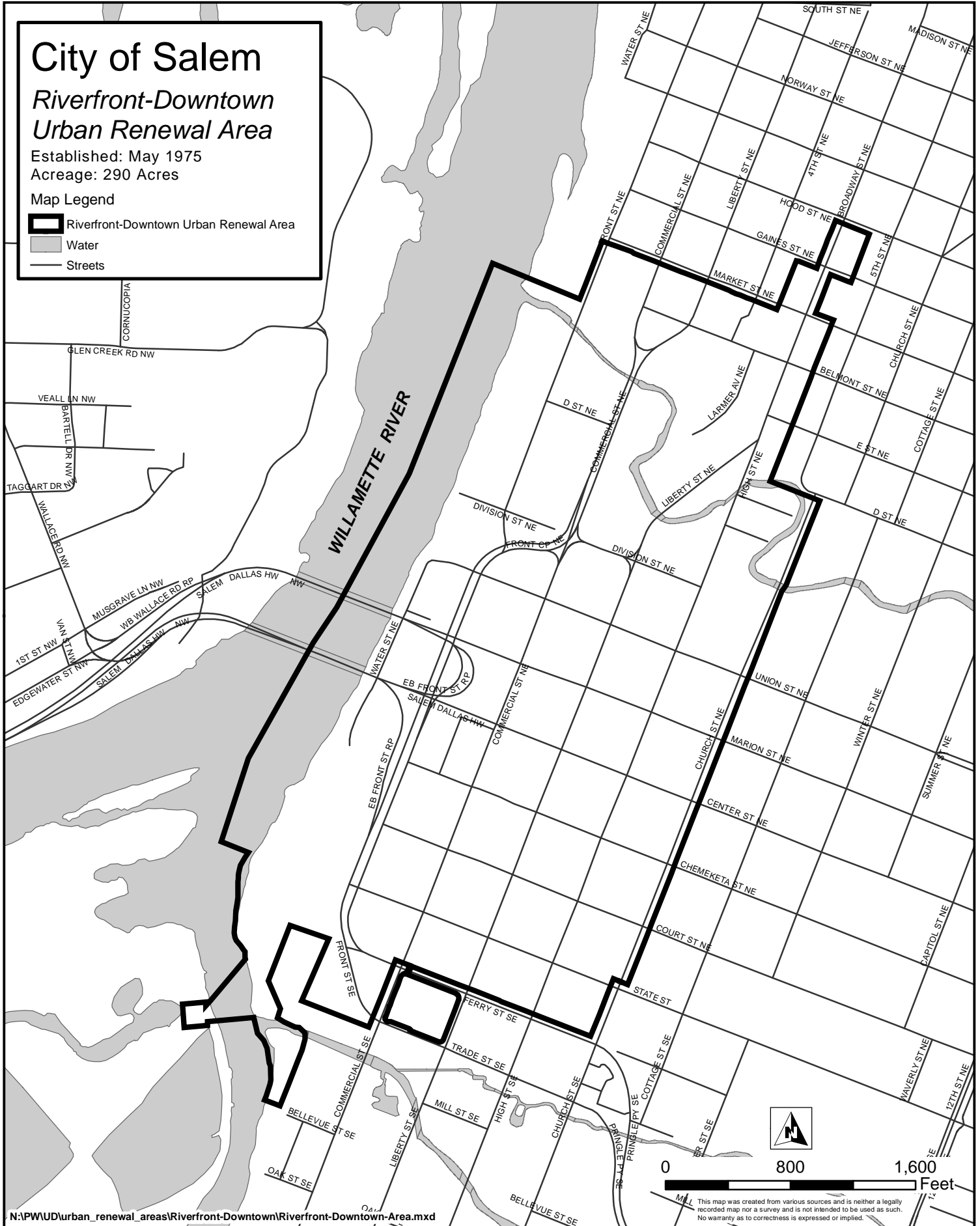
City of Salem

Riverfront-Downtown Urban Renewal Area

Established: May 1975
Acreage: 290 Acres

Map Legend

-  Riverfront-Downtown Urban Renewal Area
-  Water
-  Streets






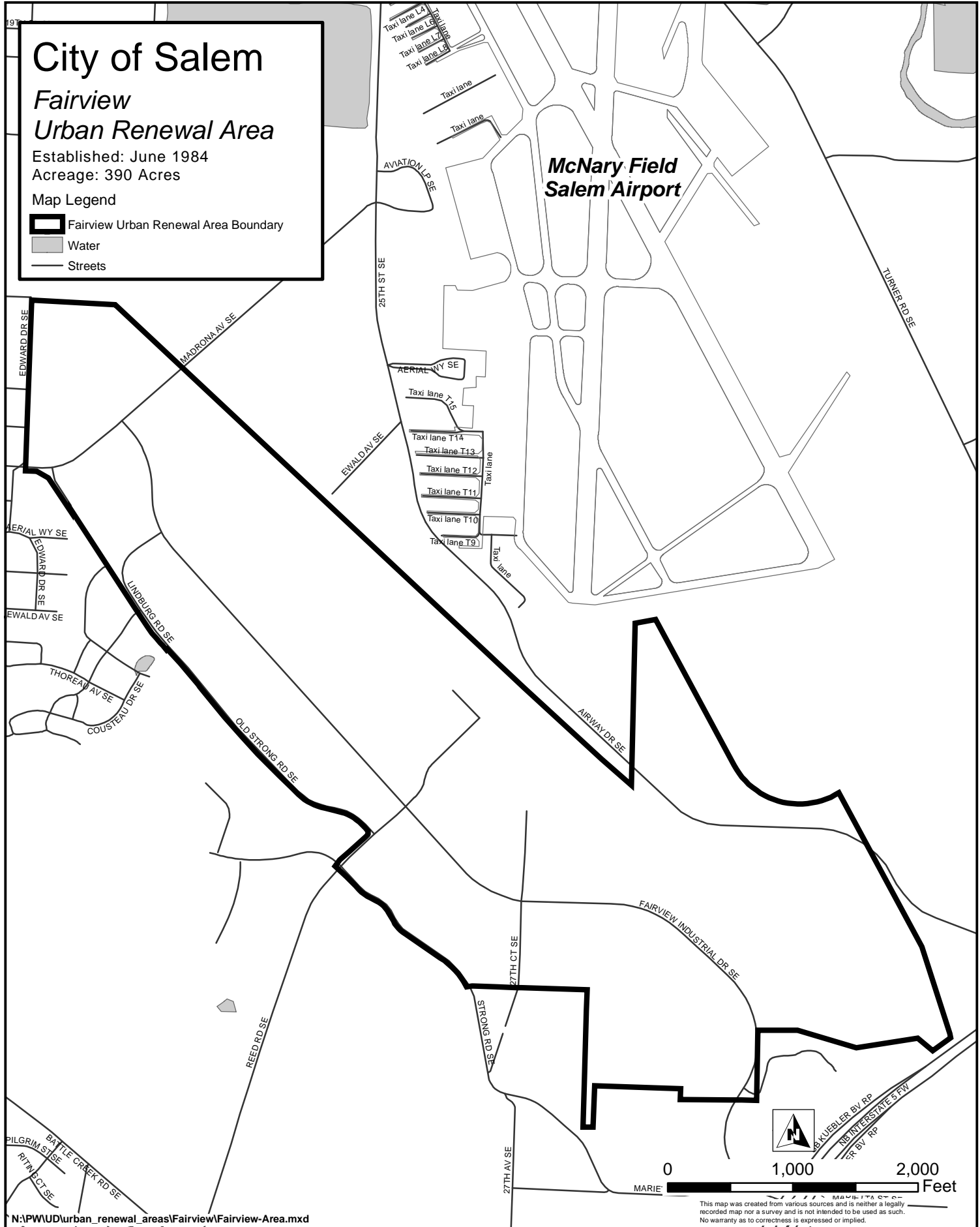
City of Salem

Fairview Urban Renewal Area

Established: June 1984
Acreage: 390 Acres

Map Legend

-  Fairview Urban Renewal Area Boundary
-  Water
-  Streets



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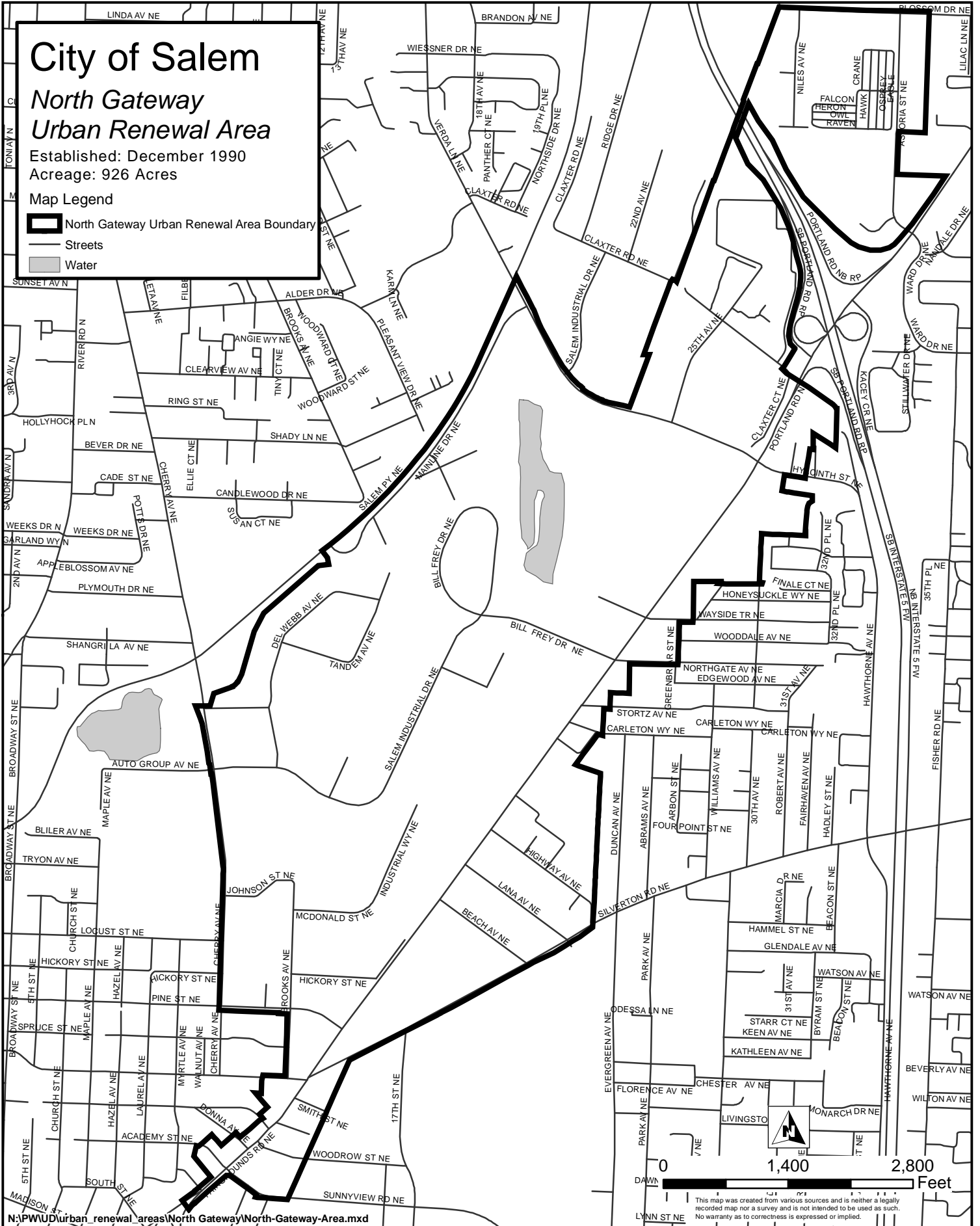
City of Salem

North Gateway Urban Renewal Area

Established: December 1990
Acreage: 926 Acres

Map Legend

-  North Gateway Urban Renewal Area Boundary
-  Streets
-  Water



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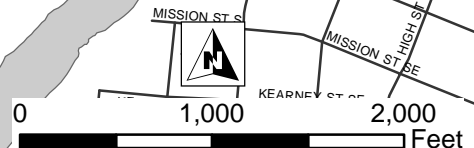
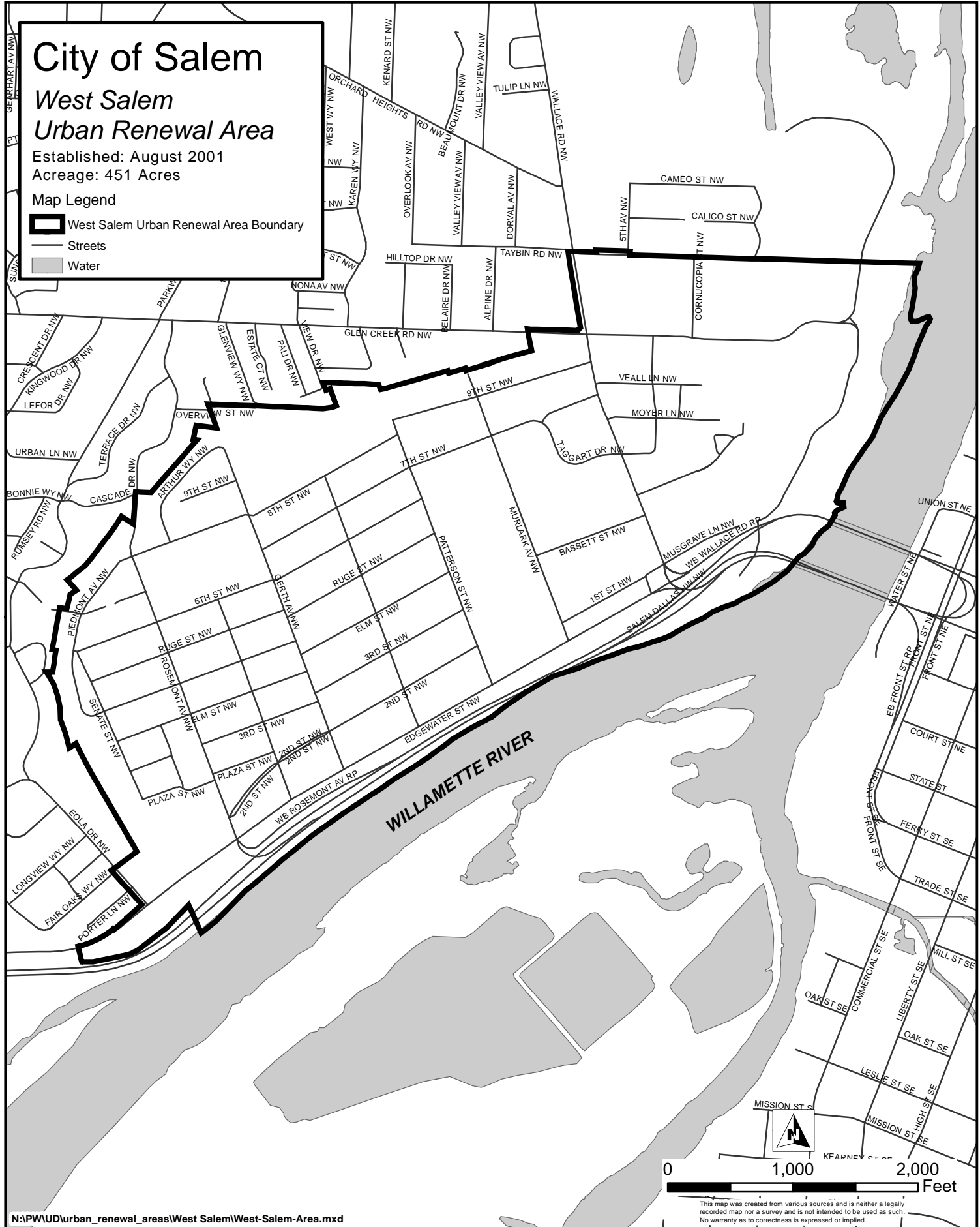
City of Salem

West Salem Urban Renewal Area

Established: August 2001
Acreage: 451 Acres

Map Legend

-  West Salem Urban Renewal Area Boundary
-  Streets
-  Water






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City of Salem

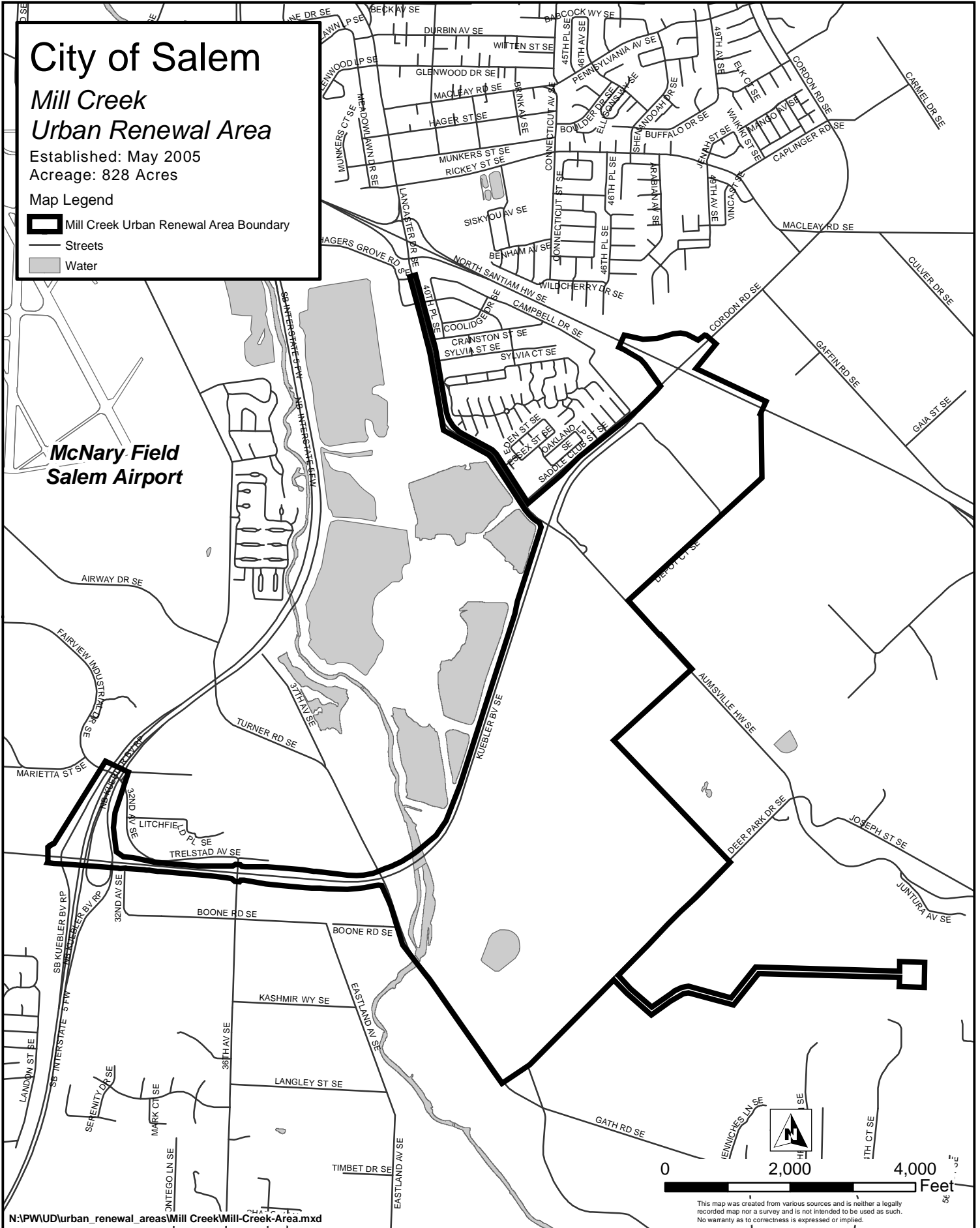
Mill Creek Urban Renewal Area

Established: May 2005
Acreage: 828 Acres

Map Legend

-  Mill Creek Urban Renewal Area Boundary
-  Streets
-  Water

**McNary Field
Salem Airport**






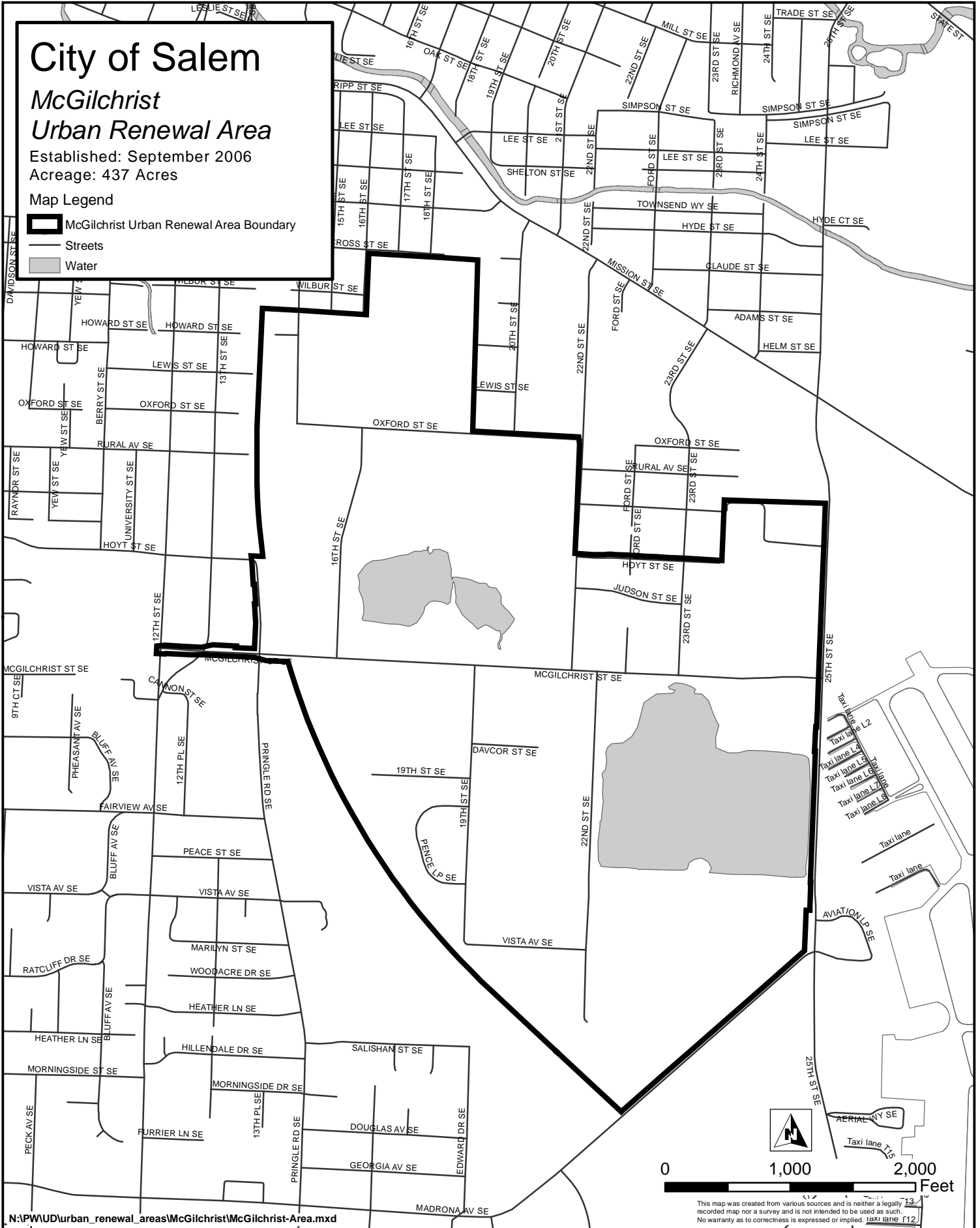
City of Salem

McGilchrist Urban Renewal Area

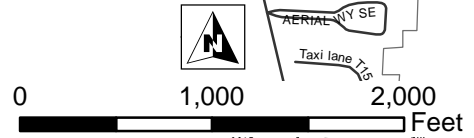
Established: September 2006
Acreage: 437 Acres

Map Legend

-  McGilchrist Urban Renewal Area Boundary
-  Streets
-  Water



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City of Salem

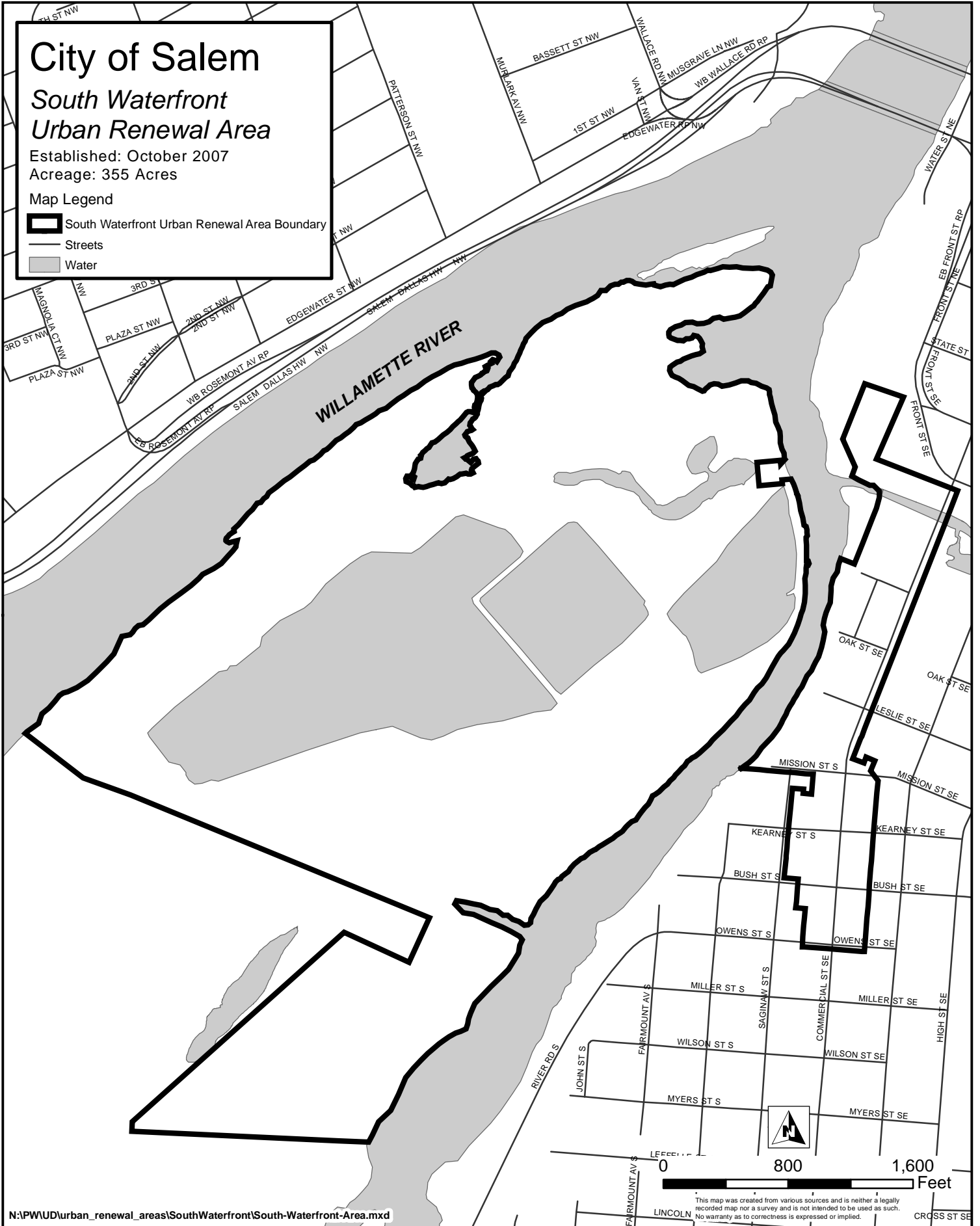
South Waterfront Urban Renewal Area

Established: October 2007

Acreage: 355 Acres

Map Legend

-  South Waterfront Urban Renewal Area Boundary
-  Streets
-  Water





GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Urban Renewal Agency of the City of Salem, Oregon
555 Liberty Street SE
Salem, Oregon 97301

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Agency’s basic financial statements. The agency officials, maps of urban renewal areas and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

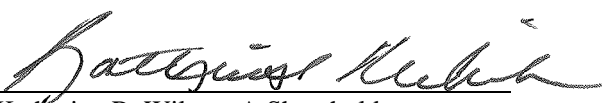
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial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

The agency officials and maps of urban renewal areas section 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 them.

Report on Other Legal and Regulatory Requirements

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

This discussion and analysis of the Urban Renewal Agency of the City of Salem (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

THE FINANCIAL STATEMENTS

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

REPORTING ON THE AGENCY AS A WHOLE

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

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

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

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

REPORTING ON THE AGENCY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE

Government-wide Financial Statements

Statement of Net Position

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

Statement of Net Position as of June 30, 2018

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Assets:						
Cash and investments	\$ 45.1	\$ 49.2	\$ 0.6	\$ 0.9	\$ 45.7	\$ 50.1
Other assets	4.0	4.1	0.7	0.4	4.7	4.5
Capital assets	6.1	8.2	24.7	24.2	30.8	32.4
Total assets	<u>55.2</u>	<u>61.5</u>	<u>26.0</u>	<u>25.5</u>	<u>81.2</u>	<u>87.0</u>
Liabilities:						
Other liabilities	1.3	1.9	0.4	0.5	1.7	2.4
Long-term liabilities	10.4	9.7	-	-	10.4	9.7
Total liabilities	<u>11.7</u>	<u>11.6</u>	<u>0.4</u>	<u>0.5</u>	<u>12.1</u>	<u>12.1</u>
Net position:						
Net investment in capital assets	(3.6)	(1.0)	24.7	24.2	21.1	23.2
Restricted						
Tax allocation debt	18.6	7.7	-	-	18.6	7.7
Tax allocation improvements	24.1	38.3	-	-	24.1	38.3
Convention Center gain/loss reserve	4.4	4.9	-	-	4.4	4.9
Unrestricted	-	-	0.9	0.8	0.9	0.8
Total net position	<u>\$ 43.5</u>	<u>\$ 49.9</u>	<u>\$ 25.6</u>	<u>\$ 25.0</u>	<u>\$ 69.1</u>	<u>\$ 74.9</u>

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

Governmental Activities

The Agency's net position from governmental activities increased 14.7%, from \$43.5 million to \$49.9 million. This increase is the change in net position in the Statement of Activities, and is composed of the following:

- Cash and investments increased \$4.1 million. This is composed of an increase in the short term liabilities from the Tax Debt Service Fund to Capital Projects Fund. Project spending was lower than projected for the year.
- Capital assets increased by \$2.1 million due to increased construction work in progress. Much of the newer projects are still in process and will be finished in a later period.
- Long-term liabilities decreased \$0.7 million due to scheduled debt service payments and no new long-term debt was issued during the fiscal year.

Business-type Activities

Net position from business-type activities decreased 2.3%, from \$25.6 million, to \$25.0 million. The change was primarily due to a small decrease in unrestricted net position of \$0.1 million after the transfer of the prior year operating income to the City of Salem and a decrease in the net investment in capital assets by \$0.5 million due to depreciation.

Statement of Activities and Changes in Net Position

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

Statement of Activities for the fiscal year ended June 30, 2018

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Revenues						
Charge for services	\$ 0.8	\$ 0.6	\$ 4.6	\$ 4.7	\$ 5.4	\$ 5.3
Taxes	12.0	13.0	-	-	12.0	13.0
Interest	0.5	0.7	-	-	0.5	0.7
Total revenues	<u>13.3</u>	<u>14.3</u>	<u>4.6</u>	<u>4.7</u>	<u>17.9</u>	<u>19.0</u>
Program expenses	<u>5.7</u>	<u>7.9</u>	<u>4.5</u>	<u>4.6</u>	<u>10.2</u>	<u>12.5</u>
Increase (decrease) in net position before special items and transfers	7.6	6.4	0.1	0.1	7.7	6.5
Transfers to/from primary government	<u>(4.0)</u>	<u>-</u>	<u>(0.3)</u>	<u>(0.7)</u>	<u>(4.3)</u>	<u>(0.7)</u>
Increase (decrease) in net position	3.6	6.4	(0.2)	(0.6)	3.4	5.8
Beginning net position	<u>39.9</u>	<u>43.5</u>	<u>25.8</u>	<u>25.6</u>	<u>65.7</u>	<u>69.1</u>
Ending net position	<u>\$ 43.5</u>	<u>\$ 49.9</u>	<u>\$ 25.6</u>	<u>\$ 25.0</u>	<u>\$ 69.1</u>	<u>\$ 74.9</u>

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

Governmental Activities

The Agency's change in net position from governmental activities increased from \$3.6 million last year to \$6.4 million this year. The increase was primarily an increase of property taxes by \$1.0 million and a decrease of net capital projects by \$4.0 million transferred to the General Fund. The transfer out of completed projects was approximately \$0.7 million and a transfer in from the Salem Convention Center was approximately \$0.7 million.

Business-type Activities

The Agency's change in net position from business-type activities decreased from a negative \$0.2 million to a negative \$0.6 million. The decrease was caused by a transfer of net operating income from \$0.3 million in 2017 to \$0.7 million in 2018.

Fund Financial Statements

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

Governmental Funds - Fund Balances as of June 30, 2018 (in millions)

<u>Major Funds</u>	<u>FY 2017-18</u>		<u>Compared to FY 2016-17</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Tax Allocation Debt	\$ 7.7	16.0%	\$ (10.9)	-68.1%
Tax Allocation Improvements	35.7	74.2%	14.2	70.3%
Convention Center gain/loss reserve	4.9	10.2%	0.5	11.6%
Total fund balances	<u>\$ 48.2</u>	<u>100.4%</u>	<u>\$ 3.8</u>	

At June 30, 2018, the Agency's governmental funds reported combined fund balances of \$48.2 million, an increase of \$3.7 million over the prior year.

Tax Allocation Debt Fund

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

At June 30, 2018, the Tax Allocation Debt fund decreased by \$10.9 million. The increase was due to transfer out to the Tax Allocation Improvements fund of \$23.1 million related to DuJour loans and offset by property tax collections and interest of \$13.1 million. This was reduced by \$0.9 million in principal and interest charges.

The June 30, 2018 fund balance of \$7.7 million is restricted for future debt service.

Tax Allocation Improvements Fund

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

Tax Allocation Improvements fund increased \$14.2 million, this is due to the transfer from Tax Allocation Debt fund of \$23.1 million and project spending of \$10.0 million for the fiscal year offset by revenue income of \$1.1 million (rents, interest income and other income). Increased project spending was mostly in the North Gateway urban renewal (Streetscape Improvements and Portland Road) and Riverfront/North Gateway Toolbox Grant Program.

The June 30, 2018 fund balance of \$35.7 million is restricted for urban renewal projects.

Salem Convention Center Gain/Loss Reserve Fund

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

Salem Convention Center Gain/Loss Reserve fund had a \$0.5 million increase for the year. Net operating income for the year at \$0.7 million for the year and an offset of expenses of \$0.3 million for studies into Convention Center expansion.

The June 30, 2018 fund balance of \$4.9 million is restricted for future Convention Center capital needs.

Salem Convention Center Fund

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

Net position decreased \$0.6 million, caused by a \$0.7 million transfer of prior year earnings to the gain/loss reserve fund, and a \$0.1 million operating income after depreciation.

Budgetary Highlights

For the year ended June 30, 2018, there were a couple of budgetary moves made for the Salem Convention Center. One was to decrease the Contingency fund by \$0.3 million and increase the Operations budget by \$0.3 million to cover increased expenses from increased business. Also, the Sales, Fees, Licenses, and Permits revenue account was increased by \$0.4 million and offset against Transfers out for the transfer of Net Operating income from the prior year to the Salem Convention Center Gain/Loss Reserve fund.

Capital Assets

As of June 30, 2018, the Agency had \$32.4 million in capital assets. This represents a net increase of \$1.4 million from the 2016/17 fiscal year. The change is primarily increased construction in progress in governmental activities. In business type activities, the change is mainly depreciation of the Convention Center building. Summary balances are shown in the following table.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Land	\$ 2.0	\$ 2.0	\$ 1.5	\$ 1.6	\$ 3.5	\$ 3.6
Buildings	-	-	22.7	22.0	22.7	22.0
Improvements	-	-	0.1	0.1	0.1	0.1
Equipment and machinery	-	-	0.3	0.4	0.3	0.4
Public Art	-	-	0.1	0.1	0.1	0.1
Work in progress	4.1	6.2	-	-	4.1	6.2
Total	<u>\$ 6.1</u>	<u>\$ 8.2</u>	<u>\$ 24.7</u>	<u>\$ 24.2</u>	<u>\$ 30.8</u>	<u>\$ 32.4</u>

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

Change in Capital Assets for the fiscal year ended June 30, 2018
(in millions)

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 6.1	\$ 24.7	\$ 30.8
Additions	2.8	0.2	3.0
Retirement and depreciation	(0.7)	(0.7)	(1.4)
Ending balance	<u>\$ 8.2</u>	<u>\$ 24.2</u>	<u>\$ 32.4</u>

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

Debt Outstanding

As of June 30, 2018, the Agency had \$9.7 million in long-term debt outstanding, compared to \$10.4 million last year. The decrease is due to \$0.7 million in debt service payments with two bonds paid off in 2016-17 resulting in a decreased pay down in 2017-18. No additions to Bonds or Notes in 2017-18.

Outstanding Debt as of June 30, 2018
(in millions)

	Totals	
	2017	2018
<u>Governmental:</u>		
Bonds	\$ 2.1	\$ 1.7
Notes	8.3	8.0
Total	<u>\$ 10.4</u>	<u>\$ 9.7</u>

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

ECONOMIC FACTORS

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

In fiscal year 2017-18, urban renewal taxes were collected through two methods. Under the tax increment or "division of taxes" method, the amount of tax collected is based on the increase in Assessed Value (AV) of property located in an urban renewal area over the "frozen base" value established at the time the district was formed. The tax collected from within a district may only be spent on urban renewal activity within that district. Certain urban renewal areas collect additional taxes through a citywide special levy, which is identified as such on tax bills. These taxes also must be spent only on urban renewal

activity in the district for which the taxes are collected. The division of taxes rate and the special levy rate by urban renewal area are shown in the table on the following page.

<u>Urban Renewal Area</u>	<u>Division of Taxes Rate/\$1,000 AV</u>	<u>Special Levy Rate/\$1,000 AV</u>
Riverfront/Downtown	\$ 0.1177	\$ 0.2391
North Gateway	0.0905	none
West Salem	0.0374	none
Mill Creek Industrial Park	0.0254	none
McGilchrist	0.0228	none
South Waterfront	0.0086	none

FINANCIAL CONTACT

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

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BASIC FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 49,208,273	\$ 875,991	\$ 50,084,264
Accounts receivable, net	854,835	390,648	1,245,483
Inventories and prepayments	-	57,769	57,769
Total current assets	<u>50,063,108</u>	<u>1,324,408</u>	<u>51,387,516</u>
Noncurrent assets			
Notes receivable	3,187,004	-	3,187,004
Capital assets:			
Land and construction in progress	8,215,214	1,611,123	9,826,337
Other capital assets, net	-	22,567,927	22,567,927
Total noncurrent assets	<u>11,402,218</u>	<u>24,179,050</u>	<u>35,581,268</u>
Total assets	<u>61,465,326</u>	<u>25,503,458</u>	<u>86,968,784</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,886,781	506,455	2,393,236
Long-term debt - due within one year	598,722	-	598,722
Total current liabilities	2,485,503	506,455	2,991,958
Non-current liabilities			
Long-term debt	9,117,197	-	9,117,197
Total liabilities	<u>11,602,700</u>	<u>506,455</u>	<u>12,109,155</u>
Net position			
Net investment in capital assets	(959,166)	24,179,050	23,219,884
Restricted			
Tax allocation debt	7,643,246	-	7,643,246
Tax allocation improvements	38,306,174	-	38,306,174
Convention Center gain/loss reserve	4,872,372	-	4,872,372
Unrestricted	-	817,953	817,953
Total net position	<u>\$ 49,862,626</u>	<u>\$ 24,997,003</u>	<u>\$ 74,859,629</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Statement of Activities
For the fiscal year ended June 30, 2018

Functions/programs	Expenses	Program Charges for Services	Net (Expense) Revenue and Changes in Net Position		
			Primary Government		
			Governmental Activities	Business-type Activities	Total
Primary government					
Governmental activities					
Urban renewal	\$ 7,535,858	\$ 621,938	\$ (6,913,920)	\$ -	\$ (6,913,920)
Interest on long-term debt	419,834	-	(419,834)	-	(419,834)
Total governmental activities	7,955,692	621,938	(7,333,754)	-	(7,333,754)
Business - type activities					
Salem Convention Center	4,567,157	4,652,705	-	85,548	85,548
Total primary government	\$ 12,522,849	\$ 5,274,643	(7,333,754)	85,548	(7,248,206)
General revenues					
Property taxes			12,980,897	-	12,980,897
Investment earnings			703,875	-	703,875
Gain on sale of assets			7,857	-	7,857
Miscellaneous			2,908	-	2,908
Transfers to/from primary government			21,869	(683,727)	(661,858)
Total general revenues and transfers			13,717,406	(683,727)	13,033,679
Change in net position			6,383,652	(598,179)	5,785,473
Net position - beginning of year			43,478,974	25,594,637	69,073,611
Prior period adjustment			-	545	545
Net position - end of year			\$ 49,862,626	\$ 24,997,003	\$ 74,859,629

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Balance Sheet - Governmental Funds
June 30, 2018

	Debt Service	Capital Projects		
	Tax	Tax	Salem Convention	
	Allocation	Allocation	Center Gain/Loss	
	Debt	Improvements	Reserve	Totals
Assets				
Cash and investments	\$ 7,564,107	\$ 36,771,794	\$ 4,872,372	\$ 49,208,273
Accounts receivable, net	846,346	8,489	-	854,835
Notes receivable	-	3,187,004	-	3,187,004
Total assets	\$ 8,410,453	\$ 39,967,287	\$ 4,872,372	\$ 53,250,112
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 1,119,573	\$ -	\$ 1,119,573
Deferred inflows of resources				
Unavailable revenue	703,613	3,195,033	-	3,898,646
Fund balances				
Restricted for:				
Debt Service	7,706,840	-	-	7,706,840
Capital Projects	-	35,652,681	4,872,372	40,525,053
Total fund balances	7,706,840	35,652,681	4,872,372	48,231,893
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,410,453	\$ 39,967,287	\$ 4,872,372	

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)	8,215,214
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Notes receivable - earned but unavailable	3,195,033
Property taxes - earned but unavailable	703,613
Accrued interest on long-term debt	(767,208)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(9,715,919)
Total net position	\$ 49,862,626

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

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

For the fiscal year ended June 30, 2018

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Totals</u>
	<u>Tax Allocation Debt</u>	<u>Tax Allocation Improvements</u>	<u>Salem Convention Center Gain/Loss Reserve</u>	
Revenues				
Property taxes	\$ 12,729,845	\$ -	\$ -	\$ 12,729,845
Fees, licenses, and permits	-	728	-	728
Interest on investments	348,961	287,683	67,231	703,875
Loan payments received	-	360,612	-	360,612
Rents	-	11,806	-	11,806
Other	8	436,130	-	436,138
	<u>13,078,814</u>	<u>1,096,959</u>	<u>67,231</u>	<u>14,243,004</u>
Expenditures				
Materials and services	-	10,055,301	276,090	10,331,391
Debt service				
Principal retirement	703,644	-	-	703,644
Interest and fiscal charges	168,418	-	-	168,418
	<u>872,062</u>	<u>10,055,301</u>	<u>276,090</u>	<u>11,203,453</u>
Revenues over (under) expenditures	<u>12,206,752</u>	<u>(8,958,342)</u>	<u>(208,859)</u>	<u>3,039,551</u>
Other financing sources (uses)				
Transfers in	-	23,113,000	683,727	23,796,727
Sale of capital assets	-	7,857	-	7,857
Transfers out	(23,113,000)	-	-	(23,113,000)
Total other financing sources (uses)	<u>(23,113,000)</u>	<u>23,120,857</u>	<u>683,727</u>	<u>691,584</u>
Net change in fund balance	(10,906,248)	14,162,515	474,868	3,731,135
Fund balances, beginning of year	18,613,088	21,490,166	4,397,504	44,500,758
Fund balances, end of year	<u>\$ 7,706,840</u>	<u>\$ 35,652,681</u>	<u>\$ 4,872,372</u>	<u>\$ 48,231,893</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2018

Net change in fund balances - total governmental funds	\$	3,731,135
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. This represents the increase/decrease in expenses that reflects the change in capital assets, change in construction in progress, and capitalized capital outlay.		
Capital outlay transfer		2,133,674
Revenues in the government-wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for general revenue		251,053
Change in deferred inflows for program revenue		(184,439)
Debt issuance provides current financial resources and debt service payments use current financial resources in governmental funds. Neither transaction affects the government-wide net position since long-term debt is reported as a liability.		
Principal payments on long-term debt		703,645
Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities, but does not require the use of current financial resources and is not reported as an expenditure in governmental funds.		
		(251,416)
Change in net position	\$	<u>6,383,652</u>

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

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

Proprietary Fund

Statement of Net Position

June 30, 2018

	Salem Convention Center
Assets	
Cash and investments	\$ 875,991
Accounts receivable, net	390,648
Inventories and prepayments	<u>57,769</u>
Total current assets	<u>1,324,408</u>
Noncurrent assets	
Capital assets:	
Land and construction in progress	1,611,123
Other capital assets, net	<u>22,567,927</u>
Total noncurrent assets	<u>24,179,050</u>
Total assets	<u>25,503,458</u>
Liabilities	
Accounts payable and accrued liabilities	506,455
Net Position	
Net investment in capital assets	24,179,050
Unrestricted	<u>817,953</u>
Total net position	<u><u>\$ 24,997,003</u></u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2018

	Salem Convention Center
Operating revenues	
Sales	\$ 3,122,866
Rents	1,529,191
Other	648
Total operating revenues	4,652,705
Operating expenses	
Materials and services	3,836,189
Depreciation	730,968
Total operating expenses	4,567,157
Operating income (loss)	85,548
Transfers out	(683,727)
Change in net position	(598,179)
Net position - beginning of year	25,594,637
Prior period adjustment	545
Net position - end of year	\$ 24,997,003

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended June 30, 2018

	Salem Convention Center
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,909,624
Payments to suppliers	(3,769,196)
Net cash provided (used) by operating activities	1,140,428
Cash Flows from Noncapital Financing Activities	
Transfers paid	(683,727)
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(203,833)
Net increase (decrease) in cash and cash equivalents	252,868
Cash and cash equivalents - beginning of year	623,123
Cash and cash equivalents - end of year	\$ 875,991
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 85,548
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	730,968
Changes in assets and liabilities:	
Accounts receivable	256,919
Inventories and prepayments	7,223
Accounts payable and accrued liabilities	59,770
Net cash provided (used) by operating activities	\$ 1,140,428

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

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NOTES TO THE FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Financial Reporting Entity

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

The Agency is governed by a nine member board of directors that include the City's mayor and other council members and is included as a component unit in the City's financial statements.

Urban Renewal Areas

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

Projects are financed in urban renewal plan areas as follows:

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

Governmental Funds

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

Tax Allocation Debt Fund

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

Tax Allocation Improvements Fund

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

Salem Convention Center Gain/Loss Reserve Fund

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

Proprietary Funds

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

Cash and Investments

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

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

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.

Receivables and Deferred Inflows of Resources

Property tax receivables for the governmental fund types that have been collected within 60 days subsequent to year-end are considered measurable and available and are recognized as revenues. All other property tax receivables are offset by deferred inflows of resources, and accordingly, have not been recorded as revenue in the fund financial statements. Real and personal property taxes are levied upon all taxable property within the urban renewal areas and become liens against the property as of July 1 of each year, and are payable in three installments that are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes not collected by May 15 are considered delinquent. In the government-wide financial statements, taxes are recognized as revenue when levied.

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

Capital Assets

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

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

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

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

Debt

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

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

Net Position

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

Budget and Budgetary Accounting

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

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

Use of estimates

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

CASH AND INVESTMENTS

The Agency's cash and investments are comprised of the following at June 30, 2018:

	Book Value
Cash on hand	\$ 2,004
Deposits with City of Salem	11,611,087
Investments	38,471,173
Total cash and investments	\$ 50,084,264

1. Deposits

In the case of deposits, there is a custodial credit risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All Agency deposits are held by the

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

City of Salem, which is covered by the State of Oregon Public Funds Collateralization Program. At June 30, 2018, the Agency's deposits in City bank accounts have a book value of \$11,611,087.

2. Investments

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

Investment type	Fair Value	Weighted avg. maturity in months	% of investment portfolio
Local Government Investment Pool	\$ 38,521,186	0.033	100.0%

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

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

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

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

*Dollar amount limited by ORS 294.810. As of June 30, 2018 this limit is \$49,500,000.

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

the City's name. All investments, except for the investment in the LGIP, which is not evidenced by securities, are held in safekeeping by the financial institution counterparty or by its trust department in the City's name.

At June 30, 2018, the credit risk for the Agency's investments is as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Local Government Investment Pool	\$ 38,521,186	Unrated

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

RECEIVABLES

Receivables for governmental funds at June 30, 2018 are as follows:

	<u>Tax Allocation Debt</u>	<u>Tax Allocation Improvements</u>	<u>Totals</u>
Accounts receivable	\$ -	\$ 460	\$ 460
Property taxes	846,101	-	846,101
Interest	245	8,029	8,274
Notes receivable	-	3,187,004	3,187,004
Total	<u>\$ 846,346</u>	<u>\$ 3,195,493</u>	<u>\$ 4,041,839</u>

Salem Convention Center accounts receivable for June 30, 2018 are \$390,648.

PROPERTY TAXES

Fiscal Year of Levy	Balances July 1, 2017	2017-18 Levy	Adjustments To Date	Collections To Date	Balances June 30, 2018
2017-18	\$ -	\$ 13,078,464	\$ (366,056)	\$ 12,416,219	\$ 296,189
2016-17	279,148	-	8,271	145,343	142,076
2015-16	123,435	-	17,050	50,639	89,846
2014-15	90,102	-	43,332	52,195	81,239
2013-14	33,506	-	34,066	19,411	48,161
2012-13	14,276	-	33,693	1,379	46,590
2011-12	11,113	-	38,246	468	48,891
All Prior	31,608	-	63,729	2,228	93,109
	<u>\$ 583,188</u>	<u>\$ 13,078,464</u>	<u>\$ (127,669)</u>	<u>\$ 12,687,882</u>	<u>\$ 846,101</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

Ensuing Year's Levies

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

The Riverfront/Downtown and North Gateway plan areas will each levy 100% of the amount of their authority under option one of ORS 457.435(2)(a) as selected by the Agency for the retirement of debt obligations.

The Fairview plan area will not levy for the 2018-19 fiscal year.

West Salem plan area will levy 100% of the amount of its authority under the standard rate plan of ORS 457.445(2) as selected by the Agency for the retirement of debt obligations.

The Mill Creek Industrial Park, McGilchrist, and South Waterfront plan areas will each levy 100% of the amount of their authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.

NOTES RECEIVABLE

Riverfront/Downtown

Loan repayments are receivable in monthly or annual installments; interest rates range from 0% to 6%. Notes are secured by the underlying renewal project improvements or land sold. \$ 2,472,910

Fairview

Loan repayments are receivable in monthly installments with an interest rate of 3%. Notes are secured by the underlying renewal project improvements. Some notes are forgivable based on job creation. 446,823

North Gateway

Loan repayments are receivable in monthly or annual installments; interest rates range from 0% to 3%. Notes are secured by the underlying renewal project improvements or land sold. 267,271
\$ 3,187,004

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Land and land improvements	\$ 1,979,524	\$ -	\$ -	\$ 1,979,524
Construction in progress	4,102,015	2,795,534	(661,859)	6,235,690
Governmental activities capital assets, net	<u>\$ 6,081,539</u>	<u>\$ 2,795,534</u>	<u>\$ (661,859)</u>	<u>\$ 8,215,214</u>
<u>Business-type activities</u>				
Land and land improvements	\$ 1,500,646	\$ -	\$ -	\$ 1,500,646
Public art	95,477	15,000	-	110,477
Total non-depreciable	1,596,123	15,000	-	1,611,123
Buildings and building improvements	30,368,457	-	-	30,368,457
Other improvements	254,161	-	-	254,161
Equipment and machinery	1,171,302	188,833	-	1,360,135
Total depreciable	31,793,920	188,833	-	31,982,753
Accumulated depreciation				
Buildings and building improvements	(7,692,854)	(643,801)	-	(8,336,655)
Improvements	(150,603)	(11,006)	-	(161,609)
Equipment and machinery	(840,401)	(76,161)	-	(916,562)
Total accumulated depreciation	(8,683,858)	(730,968)	-	(9,414,826)
Business-type activities capital assets, net	<u>\$ 24,706,185</u>	<u>\$ (527,135)</u>	<u>\$ -</u>	<u>\$ 24,179,050</u>

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.

There was a transfer of \$613,000 for debt reserves released from the Debt Service fund to the Capital Projects fund for bonds that were already paid. DuJour loans of \$22,500,000 were borrowed from the Debt Service fund and transfer to the Capital Projects fund to fund current and future projects for Urban Renewal. Salem Convention Center transferred \$683,727 to the Salem Convention Center Gain/Loss Reserve fund for future projects.

SHORT-TERM DEBT

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
<u>Due to City of Salem:</u>				
Riverfront, 2018	\$ -	\$ 6,500,000	\$ 6,500,000	\$ -
North Gateway, 2018	-	13,000,000	13,000,000	-
Mill Creek, 2018	-	1,500,000	1,500,000	-
McGilchrist, 2018	-	1,500,000	1,500,000	-
Total due to City of Salem	<u>\$ -</u>	<u>\$ 22,500,000</u>	<u>\$ 22,500,000</u>	<u>\$ -</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

LONG-TERM DEBT

Transactions for the year ended June 30, 2018 are as follows:

	Balances July 1, 2017	Matured/ Retired	Balances June 30, 2018	Due in One Year
<u>Tax increment bonds</u>				
Riverfront/Downtown, Series 2009 Bond payable dated Sep 17, 2009, at 4.35%.	\$ 1,975,000	\$ 245,000	\$ 1,730,000	\$ 260,000
Riverfront/Downtown, Series 2015A Bond payable dated Aug 27, 2015, at 1.73%.	153,000	153,000	-	-
<u>Notes</u>				
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001A	4,284,853	305,645	3,979,208	210,994
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001B	234,630		234,630	-
Mill Creek, OR Econ & Comm Dev Dept, Series 2007, L06001C	3,772,081	-	3,772,081	127,728
	<u>\$ 10,419,564</u>	<u>\$ 703,645</u>	<u>\$ 9,715,919</u>	<u>\$ 598,722</u>

Governmental activity urban renewal bonds

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

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

<u>Riverfront/Downtown URA</u>	
2009:	\$335,255

Governmental activity notes

The Agency issues notes to provide funds for the acquisition and construction of capital asset improvements. The Agency's currently outstanding notes represent funding primarily for projects associated with economic development and wetland mitigation in the Mill Creek urban renewal area. Mill Creek tax increment revenues are pledged to repay the notes. Note L06001A, as of December 1, 2017, had a payment made of \$305,645 against the capitalized principal amount for 2017. 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. Note L06001C, no activity has been made on this balance for 2017-18.

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

Future maturities of long-term debt are as follows:

Year	Riverfront/Downtown		Mill Creek		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	\$ 260,000	\$ 75,255	\$ 338,722	\$ 323,349	\$ 598,722	\$ 398,604
2019-20	270,000	63,945	353,034	394,359	623,034	458,304
2020-21	280,000	52,200	387,126	304,465	667,126	356,665
2021-22	295,000	40,020	403,523	288,069	698,523	328,089
2022-27	625,000	41,107	2,289,007	1,168,954	2,914,007	1,210,061
2027-32	-	-	2,766,036	642,242	2,766,036	642,242
2032-37	-	-	1,183,272	194,696	1,183,272	194,696
2037-38	-	-	265,199	10,396	265,199	10,396
Total	\$ 1,730,000	\$ 272,527	\$ 7,985,919	\$ 3,326,530	\$ 9,715,919	\$ 3,599,057

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Notes to the Financial Statements
June 30, 2018

OTHER INFORMATION

Risk Management

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

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

Prior Period Adjustment

In the Salem Convention Center 16/17 fiscal year audit, an amount of \$545 correction needed to be made after the close of the year. Those amounts were paid to the City in 2017/18.

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SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the fiscal year ended June 30, 2018

	Tax Allocation Debt		
	Original/ Final Budget	Actual	Variance¹
Revenues			
Property taxes	\$ 12,904,070	\$ 12,729,845	\$ 174,225
Fees, licenses and permits	-	-	-
Interest on investments	139,310	348,961	(209,651)
Grants	-	-	-
Intergovernmental	-	-	-
Loan payments received	-	-	-
Rents	-	-	-
Other	-	8	(8)
Total revenues	<u>13,043,380</u>	<u>13,078,814</u>	<u>(35,434)</u>
Expenditures			
Operations	-	-	-
Debt service	<u>23,373,660</u>	<u>23,372,062</u>	<u>1,598</u>
Total expenditures	<u>23,373,660</u>	<u>23,372,062</u>	<u>1,598</u>
Revenues over (under) expenditures	<u>(10,330,280)</u>	<u>(10,293,248)</u>	<u>(37,032)</u>
Other financing sources (uses)			
Transfers in	-	-	-
Sale of capital assets	-	-	-
Issuance of short-term debt	-	-	-
Transfers out	<u>(613,000)</u>	<u>(613,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(613,000)</u>	<u>(613,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(10,943,280)	(10,906,248)	(37,032)
Fund balance, beginning of year	<u>18,877,090</u>	<u>18,613,088</u>	<u>264,002</u>
Fund balance, end of year	<u>\$ 7,933,810</u>	<u>\$ 7,706,840</u>	<u>\$ 226,970</u>

Continued

1 () indicates revenues/expenditures in excess of budget

Tax Allocation Improvements		
Original/ Final Budget	Actual	Variance¹
\$ -	\$ -	\$ -
-	728	(728)
137,700	287,683	(149,983)
3,230,280	144,010	3,086,270
-	289,220	(289,220)
78,240	360,612	(282,372)
-	11,806	(11,806)
624,220	2,900	621,320
<u>4,070,440</u>	<u>1,096,959</u>	<u>2,973,481</u>
48,273,650	10,055,301	38,218,349
-	-	-
<u>48,273,650</u>	<u>10,055,301</u>	<u>38,218,349</u>
<u>(44,203,210)</u>	<u>(8,958,342)</u>	<u>(35,244,868)</u>
613,000	613,000	-
-	7,857	(7,857)
23,127,920	22,500,000	627,920
-	-	-
<u>23,740,920</u>	<u>23,120,857</u>	<u>620,063</u>
(20,462,290)	14,162,515	(34,624,805)
<u>20,462,290</u>	<u>21,490,166</u>	<u>(1,027,876)</u>
<u>\$ -</u>	<u>\$ 35,652,681</u>	<u>\$ (35,652,681)</u>

Salem Convention Center Gain/Loss Reserve		
Original/ Final Budget	Actual	Variance¹
\$ -	\$ -	\$ -
-	-	-
37,000	67,231	(30,231)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>37,000</u>	<u>67,231</u>	<u>(30,231)</u>
825,000	276,090	548,910
-	-	-
<u>825,000</u>	<u>276,090</u>	<u>548,910</u>
<u>(788,000)</u>	<u>(208,859)</u>	<u>(579,141)</u>
350,000	683,727	(333,727)
-	-	-
-	-	-
-	-	-
<u>350,000</u>	<u>683,727</u>	<u>(333,727)</u>
(438,000)	474,868	(912,868)
<u>4,447,760</u>	<u>4,397,504</u>	<u>50,256</u>
<u>\$ 4,009,760</u>	<u>\$ 4,872,372</u>	<u>\$ (862,612)</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Balance Sheet - Debt Service Fund
June 30, 2018

	Riverfront/ Downtown	Fairview	North Gateway
Assets			
Cash and investments	\$ 1,398,655	\$ -	\$ 1,102,417
Accounts receivable, net	439,059	-	233,008
Total assets	\$ 1,837,714	\$ -	\$ 1,335,425
 Liabilities, deferred inflows of resources, and fund balances			
Deferred inflows of resources			
Unavailable revenue	\$ 364,988	\$ -	\$ 197,351
Fund balances			
Restricted for debt service	1,472,726	-	1,138,074
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,837,714	\$ -	\$ 1,335,425

Continued

West Salem	Mill Creek Industrial Park	McGilchrist	South Waterfront	Totals
\$ 2,613,834	\$ 1,309,104	\$ 423,633	\$ 716,464	\$ 7,564,107
72,004	47,241	38,963	16,071	846,346
<u>\$ 2,685,838</u>	<u>\$ 1,356,345</u>	<u>\$ 462,596</u>	<u>\$ 732,535</u>	<u>\$ 8,410,453</u>
\$ 57,973	\$ 38,528	\$ 31,595	\$ 13,178	\$ 703,613
<u>2,627,865</u>	<u>1,317,817</u>	<u>431,001</u>	<u>719,357</u>	<u>7,706,840</u>
<u>\$ 2,685,838</u>	<u>\$ 1,356,345</u>	<u>\$ 462,596</u>	<u>\$ 732,535</u>	<u>\$ 8,410,453</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Debt Service Fund
For the fiscal year ended June 30, 2018

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Revenues			
Property taxes	\$ 6,673,025	\$ -	\$ 2,939,100
Interest on investments	87,520	-	174,233
Other	4	-	2
	<hr/>	<hr/>	<hr/>
Total revenues	6,760,549	-	3,113,335
Expenditures			
Debt service	484,474	-	903
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	6,276,075	-	3,112,432
Other financing sources (uses)			
Transfers out	(7,113,000)	-	(13,000,000)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(836,925)	-	(9,887,568)
Fund balance, beginning of year	2,309,651	-	11,025,642
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 1,472,726</u>	<u>\$ -</u>	<u>\$ 1,138,074</u>

Continued

West Salem	Mill Creek Industrial Park	McGilchrist	South Waterfront	Totals
\$ 1,292,306	\$ 817,690	\$ 732,104	\$ 275,620	\$ 12,729,845
25,394	35,911	18,813	7,090	348,961
1	-	1	-	8
1,317,701	853,601	750,918	282,710	13,078,814
-	386,581	104	-	872,062
1,317,701	467,020	750,814	282,710	12,206,752
-	(1,500,000)	(1,500,000)	-	(23,113,000)
1,317,701	(1,032,980)	(749,186)	282,710	(10,906,248)
1,310,164	2,350,797	1,180,187	436,647	18,613,088
<u>\$ 2,627,865</u>	<u>\$ 1,317,817</u>	<u>\$ 431,001</u>	<u>\$ 719,357</u>	<u>\$ 7,706,840</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Riverfront/Downtown (Debt Service Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 6,840,720	\$ 6,840,720	\$ 6,673,025	\$ 167,695
Interest on investments	45,000	45,000	87,520	(42,520)
Other	-	-	4	(4)
Total revenues	<u>6,885,720</u>	<u>6,885,720</u>	<u>6,760,549</u>	<u>125,171</u>
Expenditures				
Debt service				
Principal	6,898,000	6,898,000	6,898,000	-
Interest	87,170	87,170	86,474	696
Total expenditures	<u>6,985,170</u>	<u>6,985,170</u>	<u>6,984,474</u>	<u>696</u>
Excess (deficiency) of revenues over expenditures	(99,450)	(99,450)	(223,925)	124,475
Transfers out	(613,000)	(613,000)	(613,000)	-
Fund balance, beginning of year	<u>2,478,780</u>	<u>2,478,780</u>	<u>2,309,651</u>	<u>169,129</u>
Fund balance, end of year	<u>\$ 1,766,330</u>	<u>\$ 1,766,330</u>	<u>\$ 1,472,726</u>	<u>\$ 293,604</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Fairview (Debt Service Fund)
For the fiscal year ended June 30, 2018

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

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - North Gateway (Debt Service Fund)
For fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 2,963,690	\$ 2,963,690	\$ 2,939,100	\$ 24,590
Interest on investments	62,680	62,680	174,233	(111,553)
Other	-	-	2	(2)
Total revenues	<u>3,026,370</u>	<u>3,026,370</u>	<u>3,113,335</u>	<u>(86,965)</u>
Expenditures				
Debt service				
Principal	13,000,000	13,000,000	13,000,000	-
Interest	<u>1,000</u>	<u>1,000</u>	<u>903</u>	<u>97</u>
Total expenditures	<u>13,001,000</u>	<u>13,001,000</u>	<u>13,000,903</u>	<u>97</u>
Excess (deficiency) of revenues over expenditures	(9,974,630)	(9,974,630)	(9,887,568)	(87,062)
Fund balance, beginning of year	<u>11,054,660</u>	<u>11,054,660</u>	<u>11,025,642</u>	<u>29,018</u>
Fund balance, end of year	<u>\$ 1,080,030</u>	<u>\$ 1,080,030</u>	<u>\$ 1,138,074</u>	<u>\$ (58,044)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - West Salem (Debt Service Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 1,299,540	\$ 1,299,540	\$ 1,292,306	\$ 7,234
Interest on investments	10,050	10,050	25,394	(15,344)
Other	-	-	1	(1)
Total revenues	<u>1,309,590</u>	<u>1,309,590</u>	<u>1,317,701</u>	<u>(8,111)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,309,590	1,309,590	1,317,701	(8,111)
Fund balance, beginning of year	<u>1,333,710</u>	<u>1,333,710</u>	<u>1,310,164</u>	<u>23,546</u>
Fund balance, end of year	<u><u>\$ 2,643,300</u></u>	<u><u>\$ 2,643,300</u></u>	<u><u>\$ 2,627,865</u></u>	<u><u>\$ 15,435</u></u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Mill Creek Industrial Park (Debt Service Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 780,310	\$ 780,310	\$ 817,690	\$ (37,380)
Interest on investments	10,880	10,880	35,911	(25,031)
Total revenues	<u>791,190</u>	<u>791,190</u>	<u>853,601</u>	<u>(62,411)</u>
Expenditures				
Debt service				
Principal	1,805,650	1,805,650	1,805,644	6
Interest	81,340	81,340	80,937	403
Total expenditures	<u>1,886,990</u>	<u>1,886,990</u>	<u>1,886,581</u>	<u>409</u>
Excess (deficiency) of revenues over expenditures	(1,095,800)	(1,095,800)	(1,032,980)	(62,820)
Fund balance, beginning of year	<u>2,367,020</u>	<u>2,367,020</u>	<u>2,350,797</u>	<u>16,223</u>
Fund balance, end of year	<u>\$ 1,271,220</u>	<u>\$ 1,271,220</u>	<u>\$ 1,317,817</u>	<u>\$ (46,597)</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - McGilchrist (Debt Service Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 729,000	\$ 729,000	\$ 732,104	\$ (3,104)
Interest on investments	8,500	8,500	18,813	(10,313)
Other	-	-	1	(1)
	<u>737,500</u>	<u>737,500</u>	<u>750,918</u>	<u>(13,418)</u>
Expenditures				
Debt service				
Principal	1,500,000	1,500,000	1,500,000	-
Interest	500	500	104	396
	<u>1,500,500</u>	<u>1,500,500</u>	<u>1,500,104</u>	<u>396</u>
Excess (deficiency) of revenues over expenditures	(763,000)	(763,000)	(749,186)	(13,814)
Fund balance, beginning of year	<u>1,198,790</u>	<u>1,198,790</u>	<u>1,180,187</u>	<u>18,603</u>
Fund balance, end of year	<u>\$ 435,790</u>	<u>\$ 435,790</u>	<u>\$ 431,001</u>	<u>\$ 4,789</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - South Waterfront (Debt Service Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Property taxes	\$ 290,810	\$ 290,810	\$ 275,620	\$ 15,190
Interest on investments	2,200	2,200	7,090	(4,890)
Total revenues	<u>293,010</u>	<u>293,010</u>	<u>282,710</u>	<u>10,300</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	293,010	293,010	282,710	10,300
Fund balance, beginning of year	<u>444,130</u>	<u>444,130</u>	<u>436,647</u>	<u>7,483</u>
Fund balance, end of year	<u>\$ 737,140</u>	<u>\$ 737,140</u>	<u>\$ 719,357</u>	<u>\$ 17,783</u>

1 () indicates revenues/expenditures in excess of budget

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URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Balance Sheet - Capital Projects Fund
June 30, 2018

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Assets			
Cash and investments	\$ 15,406,432	\$ 2,254,290	\$ 12,561,879
Accounts receivable, net	815	6,830	844
Notes receivable	<u>2,472,910</u>	<u>446,823</u>	<u>267,271</u>
 Total assets	 <u>\$ 17,880,157</u>	 <u>\$ 2,707,943</u>	 <u>\$ 12,829,994</u>
 Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 156,202	\$ -	\$ 961,908
 Deferred inflows of resources			
Unavailable revenue	<u>2,473,725</u>	<u>453,653</u>	<u>267,655</u>
 Fund balances			
Restricted for capital projects	<u>15,250,230</u>	<u>2,254,290</u>	<u>11,600,431</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 17,880,157</u>	 <u>\$ 2,707,943</u>	 <u>\$ 12,829,994</u>

Continued

<u>West Salem</u>	<u>Mill Creek Industrial Park</u>	<u>McGilchrist</u>	<u>South Waterfront</u>	<u>Total</u>
\$ 1,022,909	\$ 1,753,384	\$ 3,291,502	\$ 481,398	\$ 36,771,794
-	-	-	-	8,489
-	-	-	-	<u>3,187,004</u>
<u>\$ 1,022,909</u>	<u>\$ 1,753,384</u>	<u>\$ 3,291,502</u>	<u>\$ 481,398</u>	<u>\$ 39,967,287</u>
\$ -	\$ -	\$ 1,463	\$ -	\$ 1,119,573
-	-	-	-	<u>3,195,033</u>
<u>1,022,909</u>	<u>1,753,384</u>	<u>3,290,039</u>	<u>481,398</u>	<u>35,652,681</u>
<u>\$ 1,022,909</u>	<u>\$ 1,753,384</u>	<u>\$ 3,291,502</u>	<u>\$ 481,398</u>	<u>\$ 39,967,287</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Capital Projects Fund
For the fiscal year ended June 30, 2018

	<u>Riverfront/ Downtown</u>	<u>Fairview</u>	<u>North Gateway</u>
Revenues			
Fees, licenses, and permits	\$ 500	\$ 228	\$ -
Interest on investments	135,727	32,812	55,106
Loan payments received	49,723	80,172	230,717
Rents	6,461	-	5,345
Other	289,220	-	2,900
Total revenues	481,631	113,212	294,068
Expenditures			
Materials and services	3,138,810	19,408	6,098,094
Excess (deficiency) of revenues over expenditures	(2,657,179)	93,804	(5,804,026)
Other financing sources (uses)			
Transfers in	7,113,000	-	13,000,000
Sale of capital assets	-	-	7,857
Total other financing sources (uses)	7,113,000	-	13,007,857
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	4,455,821	93,804	7,203,831
Fund balance, beginning of year	10,794,409	2,160,486	4,396,600
Prior period adjustment	-	-	-
Fund balance, end of year	<u>\$ 15,250,230</u>	<u>\$ 2,254,290</u>	<u>\$ 11,600,431</u>

Continued

<u>West Salem</u>	<u>Mill Creek Industrial Park</u>	<u>McGilchrist</u>	<u>South Waterfront</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 728
19,050	7,900	30,030	7,058	287,683
-	-	-	-	360,612
-	-	-	-	11,806
-	144,010	-	-	436,130
19,050	151,910	30,030	7,058	1,096,959
284,745	284,913	220,963	8,368	10,055,301
(265,695)	(133,003)	(190,933)	(1,310)	(8,958,342)
-	1,500,000	1,500,000	-	23,113,000
-	-	-	-	7,857
-	1,500,000	1,500,000	-	23,120,857
(265,695)	1,366,997	1,309,067	(1,310)	14,162,515
1,288,604	386,387	1,980,972	482,708	21,490,166
-	-	-	-	-
<u>\$ 1,022,909</u>	<u>\$ 1,753,384</u>	<u>\$ 3,290,039</u>	<u>\$ 481,398</u>	<u>\$ 35,652,681</u>

Concluded

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Riverfront/Downtown (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Fees, licenses, and permits	\$ -	\$ -	\$ 500	\$ (500)
Rents	-	-	6,461	(6,461)
Interest on investments	50,000	50,000	135,727	(85,727)
Loan payments received	48,950	48,950	49,723	(773)
Other	289,220	289,220	289,220	-
Total revenues	388,170	388,170	481,631	(93,461)
Expenditures				
Operations	16,811,800	16,811,800	3,138,810	13,672,990
Excess (deficiency) of revenues over expenditures	(16,423,630)	(16,423,630)	(2,657,179)	13,579,529
Other financing sources (uses)				
Issuance of short-term capital related debt	7,113,000	7,113,000	7,113,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(9,310,630)	(9,310,630)	4,455,821	13,579,529
Fund balance, beginning of year	9,310,630	9,310,630	10,794,409	(1,483,779)
Fund balance, end of year	\$ -	\$ -	\$ 15,250,230	\$ 12,095,750

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Fairview (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Fees, licenses and permits	\$ -	\$ -	\$ 228	\$ (228)
Interest on investments	18,000	18,000	32,812	(14,812)
Loan payments received	-	-	80,172	(80,172)
Total revenues	18,000	18,000	113,212	(95,212)
Expenditures				
Operations	2,283,710	2,283,710	19,408	2,264,302
Excess (deficiency) of revenues over expenditures	(2,265,710)	(2,265,710)	93,804	(2,359,514)
Fund balance, beginning of year	2,265,710	2,265,710	2,160,486	105,224
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,254,290</u>	<u>\$ (2,254,290)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - North Gateway (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Rents	\$ -	\$ -	\$ 5,345	\$ (5,345)
Interest on investments	30,800	30,800	55,106	(24,306)
Loan payments received	29,290	29,290	230,717	(201,427)
Other	-	-	2,900	(2,900)
Total revenues	60,090	60,090	294,068	(233,978)
Expenditures				
Operations	16,968,390	16,968,390	6,098,094	10,870,296
Excess (deficiency) of revenues over expenditures	(16,908,300)	(16,908,300)	(5,804,026)	(11,104,274)
Other financing sources (uses)				
Sale of assets	-	-	7,857	(7,857)
Proceeds of short-term capital related debt	13,000,000	13,000,000	13,000,000	-
Total other financing sources (uses)	13,000,000	13,000,000	13,007,857	(7,857)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(3,908,300)	(3,908,300)	7,203,831	(11,112,131)
Fund balance, beginning of year	3,908,300	3,908,300	4,396,600	(488,300)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,600,431</u>	<u>\$ (11,600,431)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - West Salem (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 11,300	\$ 11,300	\$ 19,050	\$ (7,750)
Expenditures				
Operations	<u>1,314,450</u>	<u>1,314,450</u>	<u>284,745</u>	<u>1,029,705</u>
Excess (deficiency) of revenues over expenditures	(1,303,150)	(1,303,150)	(265,695)	(1,037,455)
Fund balance, beginning of year	<u>1,303,150</u>	<u>1,303,150</u>	<u>1,288,604</u>	<u>14,546</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,909</u>	<u>\$ (1,022,909)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Mill Creek Industrial Park (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 10,100	\$ 10,100	\$ 7,900	\$ 2,200
Loan payments received	335,000	335,000	-	335,000
Other	627,920	627,920	144,010	483,910
Total revenues	973,020	973,020	151,910	821,110
Expenditures				
Operations	3,102,940	3,102,940	284,913	2,818,027
Excess (deficiency) of revenues over expenditures	(2,129,920)	(2,129,920)	(133,003)	(1,996,917)
Other financing sources (uses)				
Issuance of short-term capital related debt	1,500,000	1,500,000	1,500,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(629,920)	(629,920)	1,366,997	(1,996,917)
Fund balance, beginning of year	629,920	629,920	386,387	243,533
Fund balance, end of year	\$ -	\$ -	\$ 1,753,384	\$ (1,753,384)

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - McGilchrist (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance¹
	Original	Final	(Budgetary Basis)	
Revenues				
Intergovernmental	\$ 3,230,280	\$ 3,230,280	\$ -	\$ 3,230,280
Interest on investments	15,000	15,000	30,030	(15,030)
Total revenues	<u>3,245,280</u>	<u>3,245,280</u>	<u>30,030</u>	<u>3,215,250</u>
Expenditures				
Operations	<u>7,309,480</u>	<u>7,309,480</u>	<u>220,963</u>	<u>7,088,517</u>
Excess (deficiency) of revenues over expenditures	(4,064,200)	(4,064,200)	(190,933)	(3,873,267)
Issuance of short-term capital related debt	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(2,564,200)	(2,564,200)	1,309,067	(3,873,267)
Fund balance, beginning of year	<u>2,564,200</u>	<u>2,564,200</u>	<u>1,980,972</u>	<u>583,228</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,290,039</u>	<u>\$ (3,290,039)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - South Waterfront (Capital Projects Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Interest on investments	\$ 2,500	\$ 2,500	\$ 7,058	\$ (4,558)
Expenditures				
Operations	<u>482,880</u>	<u>482,880</u>	<u>8,368</u>	<u>474,512</u>
Excess (deficiency) of revenues over expenditures	(480,380)	(480,380)	(1,310)	(479,070)
Fund balance, beginning of year	<u>480,380</u>	<u>480,380</u>	<u>482,708</u>	<u>(2,328)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,398</u>	<u>\$ (481,398)</u>

1 () indicates revenues/expenditures in excess of budget

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Expenditures by Project - Budget and Actual
For the fiscal year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Riverfront/Downtown			
682000 Project coordination/support	\$ -	\$ 389,013	\$ -
682018 Toolbox grant program	-	1,791,186	-
682023 Marketing for Salem Conference Center	-	289,220	-
682081 Art pedestals	-	6,202	-
682083 Streetscape Concepts	-	247,185	-
682085 Streetscape-North Block Design	-	15,481	-
682086 Alley Improvements	-	21,908	-
682087 Left Turn Lane Removals	-	47,419	-
682088 Streetscape-Murals	-	54,349	-
682093 Acquisition	-	234,473	-
682095 UR Rvft-Slm Pol Stn Rd Imprv	-	42,374	-
Total Riverfront/Downtown	<u>16,811,800</u>	<u>3,138,810</u>	<u>13,672,990</u>
Fairview			
683000 Project coordination/support	-	19,408	-
Total Fairview Industrial Park	<u>2,283,710</u>	<u>19,408</u>	<u>2,264,302</u>
North Gateway			
684000 Project coordination/support	-	154,217	-
684032 Toolbox grant program	-	1,077,659	-
684042 Redevelopment Action Plan	-	443	-
684046 Food Alternatives Analysis	-	713	-
684048 N Gateway-Streetscape Imprvnts	-	1,998,686	-
684049 Garten Services Loan	-	36,023	-
684050 Portland Road Improvements	-	428,522	-
684051 (Mt West) Portland Rd Apts	-	849,000	-
684052 CTEC	-	1,520,964	-
684053 UR N Gateway-2640 Portland Rd	-	31,867	-
Total North Gateway	<u>16,968,390</u>	<u>6,098,094</u>	<u>10,870,296</u>
West Salem			
685000 Project coordination/support	-	92,712	-
685008 Toolbox Grant Program	-	156,910	-
685025 PC&S toolbox & grant admin	-	(11)	-
685028 Business district feasibility study	-	26,423	-
685029 Zoning Code Clean Up	-	8,711	-
Total West Salem	<u>1,314,450</u>	<u>284,745</u>	<u>1,029,705</u>
Mill Creek Industrial Park			
686000 Project coordination/support	-	119,147	-
686011 SEDCOR contract	-	75,000	-
686022 Mill Crk Parkway/Kuebler Blvd	-	54,132	-
686023 Mill Creek Drive	-	36,634	-
Total Mill Creek Industrial Park	<u>3,102,940</u>	<u>284,913</u>	<u>2,818,027</u>
McGilchrist			
687000 Project coordination/support	-	15,127	-
687002 Design road improvements, 12th to 25th	-	205,836	-
Total McGilchrist	<u>7,309,480</u>	<u>220,963</u>	<u>7,088,517</u>
South Waterfront			
688000 Project coordination/support	-	8,368	-
Total South Waterfront	<u>482,880</u>	<u>8,368</u>	<u>474,512</u>
Total all projects	<u>\$ 48,273,650</u>	<u>\$ 10,055,301</u>	<u>\$ 38,218,349</u>

URBAN RENEWAL AGENCY OF THE CITY OF SALEM, OREGON
(A Component Unit of the City of Salem, Oregon)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Salem Convention Center (Proprietary Fund)
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance¹</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
Revenues				
Sales, fees, licenses, and permits	\$ 2,185,000	\$ 2,535,000	\$ 3,122,866	\$ (587,866)
Intergovernmental	450,000	450,000	-	450,000
Rents	1,215,000	1,215,000	1,529,191	(314,191)
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	(155,020)	194,980	612,683	(417,703)
Other financing sources (uses)				
Transfers out	(350,000)	(700,000)	(683,727)	(16,273)
Net change in fund balance	(505,020)	(505,020)	(71,044)	(433,976)
Fund balance, beginning of year	505,020	505,020	888,997	(383,977)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	817,953	<u>\$ (817,953)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>24,179,050</u>	
Net position at end of year			<u>\$ 24,997,003</u>	

1 () indicates revenues/expenditures in excess of budget



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
Urban Renewal Agency of the City of Salem, Oregon
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 Urban Renewal Agency of the City of Salem, Oregon (a component unit of the City of Salem, Oregon) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 12, 2018.

Compliance and Other Matters

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

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

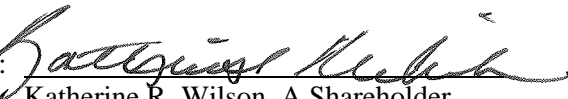
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Restriction on Use

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

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

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