

**CITY OF SALEM  
FINANCE DEPARTMENT**

Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

Disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting or event, are available upon request. Sign language and interpreters for languages other than English are also available on request. To request such an accommodation or interpretation, contact the Finance Department at 503-588-6040 at least **two business days** before meeting; or TTD/TTY telephone (503) 588-6439, is also available 24/7.

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**CITY OF SALEM AND SALEM URA  
FINANCE COMMITTEE**

Committee Members

Councilor Tom Andersen, Chair  
Councilor Virginia Stapleton  
Councilor Trevor Phillips  
Councilor Jose Gonzalez  
Alternate-Councilor Jackie Leung

City Staff

Kristin Retherford, Interim City Manager  
Dan Atchison, City Attorney  
Josh Eggleston, Chief Financial Officer  
Jenny Mattechek, Chief Accountant  
Jeremy Morgan, Supervisor  
Anja Hill, Treasury Supervisor  
Kelli Blechschmidt, Management Analyst I  
Shengnan Thomas, Administrative Analyst I

Next Scheduled Meeting: April 25, 2022

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

**MEETING AGENDA  
Meeting Virtually**

March 28, 2022  
4:00 PM

View Via YouTube:

[https://www.youtube.com/channel/UCQLi9RKZNHu4wfYcs\\_TC0TA](https://www.youtube.com/channel/UCQLi9RKZNHu4wfYcs_TC0TA)

To sign up to testify via Zoom or to submit public comment, contact the Finance Department via email at [finance@cityofsalem.net](mailto:finance@cityofsalem.net) or telephone at 503-588-6040 by 1PM on March 28<sup>th</sup>, 2022.

1. Call to Order
2. Approval of Minutes
  - a. January 24, 2022 (Package page 2)
3. Public Comment  
(Appearance of persons wishing to address the Committee on any matter other than those which appear on this Agenda.)
4. Action Items
5. Management Update/Information Items
  - a. Quarterly Investment Report (FY 2021-22 2nd quarter) (Package page 4)
  - b. FY 2020-21 Federal Grant Compliance Audit Report (Package page 46)
6. Continued Business
7. New Business
8. Adjournment

## Finance Committee of the Salem City Council and the Urban Renewal Agency of the City of Salem Minutes

**DATE:** January 24, 2022

**CHAIRPERSON:** Tom Andersen

**PLACE:** Zoom

**STAFF LIAISON:**

Josh Eggleston

503-588-6130

[JEggleston@cityofsalem.net](mailto:JEggleston@cityofsalem.net)

**Members Present:**

Chair Andersen  
Councilor Stapleton  
Councilor Phillips  
Councilor Gonzalez

**Members Absent:**

Alternate-Councilor Leung

**Staff Present:**

Dan Atchison, City Attorney  
Josh Eggleston, AIC Chief Financial Officer  
Jenny Mattechek, Chief Accountant  
Jeremy Morgan, Accounting Supervisor (Joined at 4:27 PM)  
Kelli Blechschmidt, Management Analyst I  
Shengnan Thomas, Administrative Analyst I

**Guest Present:**

Ryan Pasquarella (from Grove, Mueller, Swank, PC)

1. CALL TO ORDER: 4:01 PM / Quorum

2. APPROVAL OF COMMITTEE MINUTES

a. December 13, 2021

Motion was moved by Member Stapleton, seconded by Member Phillips and carried by the following vote:

Aye: Unanimous

Nay: None

Abstentions: None

3. MANAGEMENT UPDATE / INFORMATION ITEMS

a. Ryan Pasquarella from Grove, Mueller and Swank walked members through the fiscal year end audit June 30, 2021 including the letter to management, the URA report and the City CAFR. The Federal Grant Compliance audit is in process, filing is due March 31, 2022.

Questions or comments by: Chair Andersen, Member Stapleton, Member Phillips

Responses by: Josh Eggleston, AIC Chief Financial Officer and Ryan Pasquarella from Grove, Mueller, Swank, PC

4. CONTINUED BUSINESS

a. Each topic the committee brought up below will be discussed in future meetings.

- Chair Andersen offered to provide feedback for the bond measure and have the Finance Committee work with the Infrastructure Bond Steering Committee.

- Member Phillips would like to discuss marijuana tax increase for use toward a sobering center.
  - Member Stapleton would like to look at the Forecast with an aim toward aiding the unhoused population, climate action, and ways to save money.
  - Member Gonzalez would like to discuss City operation changes since COVID and if there have been any cost reductions as a result.
- b. The reintroduced marijuana bill in the Legislature will be forwarded to the Legislative Committee.

5. ADJOURNMENT: 4:47 PM

The next meeting is scheduled for Monday, February 28, 2022 at 4:00PM.



# CITY OF SALEM, OR

## Investment Performance Review For the Quarter Ended December 31, 2021

### Client Management Team

Lauren Brant, Managing Director  
Allison Kaune, Senior Analyst  
Robert Cheddar, CFA, Managing Director

### PFM Asset Management LLC

650 NE Holladay St., Suite 1600  
Portland, OR 97232  
503-837-8445

213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723

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# Market Summary

## Summary

- ▶ In Q4, U.S. economic conditions were characterized by: (1) a surge in COVID cases as the Omicron variant spread widely; (2) a sharply falling unemployment rate, rising wages, and near-record number of job openings; (3) stickier-than-expected inflation as pent-up consumer demand clashed with continued global supply chain disruptions amid a tight labor market and; (4) a pivot by the Fed to remove monetary accommodation more quickly, setting the stage for rate hikes to begin sooner than previously expected.
- ▶ The public health situation remained precarious with the emergence of the Omicron variant to COVID-19. The surge in new cases affected small businesses already challenged by labor shortages and rising prices due to supply chain challenges. The labor market continued to recover, with the unemployment rate falling to a cycle low, plentiful job opportunities and rising wages. Although the economy has largely rebounded from the pandemic-induced recession, the massive monetary and fiscal support from the Fed and Congress has triggered a multi-decade surge in inflation.
- ▶ While growth is forecast to remain above trend, the real challenge for 2022 is getting inflation down. Mounting inflationary pressures prompted accelerated tapering of bond purchases by the Fed and pulled forward expected rate hikes. Tapering is expected to be complete by mid-March followed by three rate hikes in 2022. The Fed may also let some of its \$8.7 trillion balance sheet roll off sometime later in the year.

## Economic Snapshot

- ▶ U.S. real GDP growth slowed sharply in Q3 to a modest 2.3%, well below the 6.5% growth rate in the first half of 2021. The lackluster growth reflected a slowdown in consumer spending as the Delta variant dampened confidence and behavior. Personal consumption grew at just 2% compared to the previous quarter's 12%. Nevertheless, economists predict a solid rebound for Q4, with the Atlanta Fed forecasting growth of over 6%.
- ▶ The unemployment rate dropped to 3.9% in December, compared to the record low pre-pandemic level of 3.5%. In the past 50 years, unemployment has only been lower during the 22 months prior to the pandemic and for one month in 2000. Although the U.S. economy added a record 6.4 million jobs in 2021, overall employment remains below its pre-pandemic figure largely due to people dropping out of the labor force. This imbalance created a shortage of workers and kept pressure on wages as employers battle to attract and retain workers.
- ▶ Inflation was shockingly high, with the CPI reaching 7% year-over-year. Sharply higher prices for gasoline, heating oil and other energy products were most pronounced. New and used cars continued to show large price increases, but inflation became more widespread and persistent.
- ▶ Manufacturing and services activity chilled a bit with both the ISM Manufacturing and Non-Manufacturing PMI surveys pulling back at quarter end. Nonetheless, both indices remain well above the 50-point threshold indicating growth.
- ▶ Demand for homes remained exceptionally strong, but inventories are lean, leading to even higher prices. Higher prices amid higher mortgage rates will negatively affect affordability and present a headwind to further price increases. Existing home sales rose

by 1.9% to a 6.46 million-unit annual rate in November, marking the third consecutive month of increases, while unseasonably mild weather helped boost housing starts by 12%. Bolstered by near-record-low inventories and high backlogs, home builder confidence is near an all-time high.

## Interest Rates

- ▶ U.S. Treasury yields generally rose in the quarter and the yield curve flattened, as short- to intermediate-term maturities increased between 30 and 40 bps, led higher by expectations for faster Fed rate hikes. Meanwhile, rate changes were more muted to modestly lower on the longer end of the curve, which reflected expectations for longer-term normalization of inflation and GDP growth. At quarter-end, the yield on a 3-month U.S. Treasury Bill stood at 0.03%, the 2-year note rose to 0.73%, the 5-year note climbed to 1.26%, the 10-year note increased to 1.51%, while the 30-year ended the quarter at 1.90%.
- ▶ As a result of yield changes over the quarter, U.S. Treasury returns were largely negative, except for the shortest and longest tenors. For example, the 3-month U.S. Treasury index returned 0.01% for the quarter and the 10-year U.S. Treasury index returned 0.75%. Meanwhile, those indexes representing the "belly" of the curve posted negative returns, with the 2-, 3-, and 5-year Treasury indices returning -0.51%, -0.85%, and -0.90%, respectively.

## Sector Performance

- ▶ Investment in non-government sectors was a modest detractor to portfolio performance in Q4 as yield spreads on most investment-grade (IG) fixed-income sectors widened off recent rock bottom levels. As a result, most IG spread sectors produced negative excess returns for Q4, underperforming similar-maturity Treasuries.
- ▶ Federal agencies were not immune to the broad spread widening experienced in Q4, generating slightly negative excess returns. Although callable yield spreads widened modestly over the quarter due to an uptick in volatility, spreads generally remained low. Non-callable agencies markedly outperformed their optionable counterparts.
- ▶ The taxable municipal sector was one of the best performing IG sectors during Q4, generating positive excess returns. Municipals performed well as lean supply was met with robust demand for new issues, ultimately keeping spreads in check.
- ▶ IG corporates slightly underperformed in Q4 after consistently being one of the top-performing sectors in prior quarters, as incremental spreads widened due to rising rates and the prospects for reduced monetary support from the Fed. As a result, IG corporates posted negative excess returns, with longer duration issues underperforming shorter ones. Underperformance was generally consistent across the quality ratings spectrum.
- ▶ Federal agency-backed mortgage-backed security (MBS) excess returns were generally negative across most collateral and coupon types except 15-year MBS pass-throughs. Conventional 15-year collateral generated modest outperformance, while 30-year collateral MBS and Agency CMBS underperformed. The Fed's announcement of accelerated asset purchase tapering and the looming balance sheet reduction in combination with slowing refinancing activity has weighed on the sector. It is likely to persist for at least the near term.

### Economic Snapshot

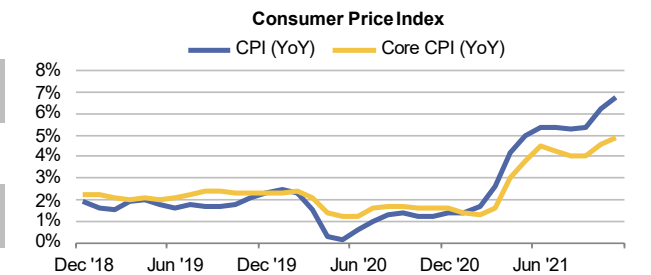
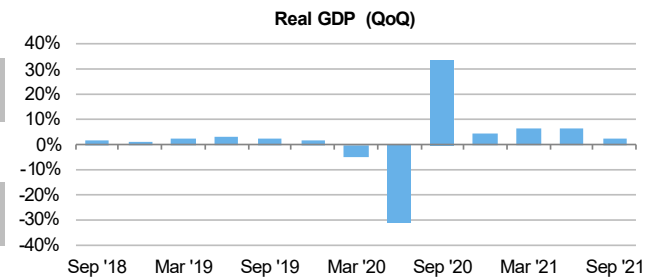
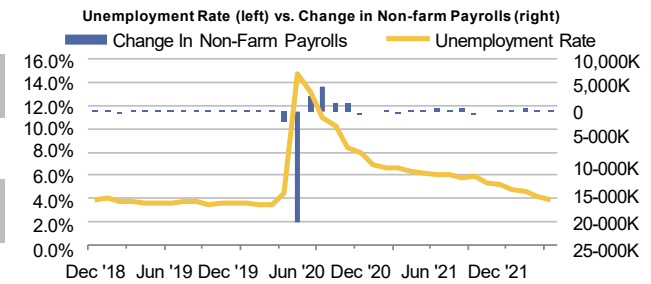
Labor Market		Latest	Sep '21	Dec '20
Unemployment Rate	Dec'21	3.9%	4.7%	6.7%
Change In Non-Farm Payrolls	Dec'21	199,000	379,000	-306,000
Average Hourly Earnings (YoY)	Dec'21	4.7%	4.5%	5.5%
Personal Income (YoY)	Nov'21	7.4%	5.1%	4.8%
Initial Jobless Claims (week)	1/1/22	207,000	364,000	763,000

Growth		Latest	Sep '21	Dec '20
Real GDP (QoQ SAAR)	2021Q3	2.3%	6.7% <sup>1</sup>	33.8% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2021Q3	2.0%	12.0% <sup>1</sup>	41.4% <sup>2</sup>
Retail Sales (YoY)	Nov '21	18.2%	14.2%	2.3%
ISM Manufacturing Survey (month)	Dec '21	58.7	61.1	60.5
Existing Home Sales SAAR (month)	Nov '21	6.46 mil.	6.29 mil.	6.65 mil.

Inflation/Prices		Latest	Sep '21	Dec '20
Personal Consumption Expenditures (YoY)	Nov '21	5.7%	4.4%	1.3%
Consumer Price Index (YoY)	Nov '21	6.8%	5.4%	1.4%
Consumer Price Index Core (YoY)	Nov '21	4.9%	4.0%	1.6%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$75.21	\$75.03	\$48.52
Gold Futures (oz.)	Dec 31	\$1,829	\$1,755	\$1,895



1. Data as of Second Quarter 2021.

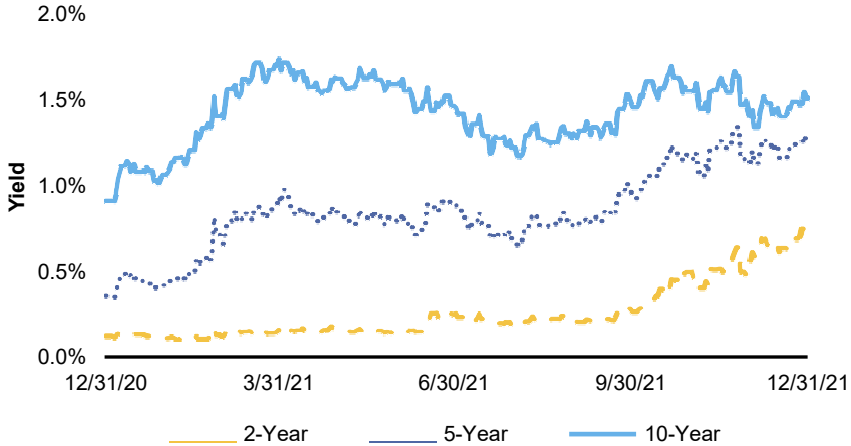
2. Data as of Third Quarter 2020.

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

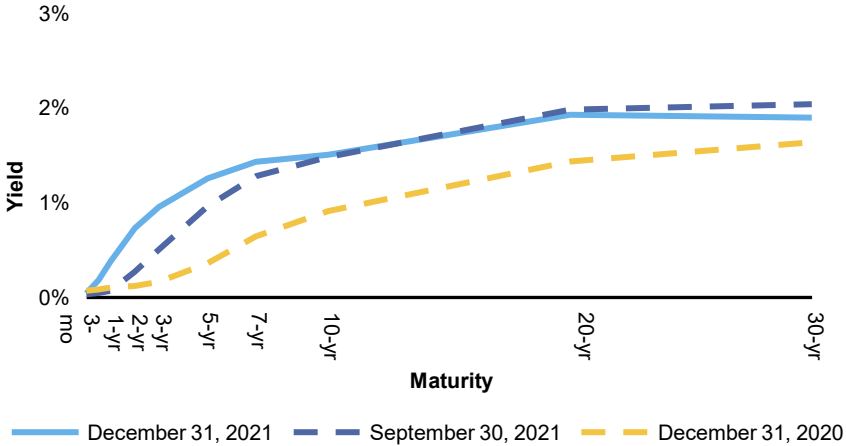
Source: Bloomberg.

### Interest Rate Overview

U.S. Treasury Note Yields



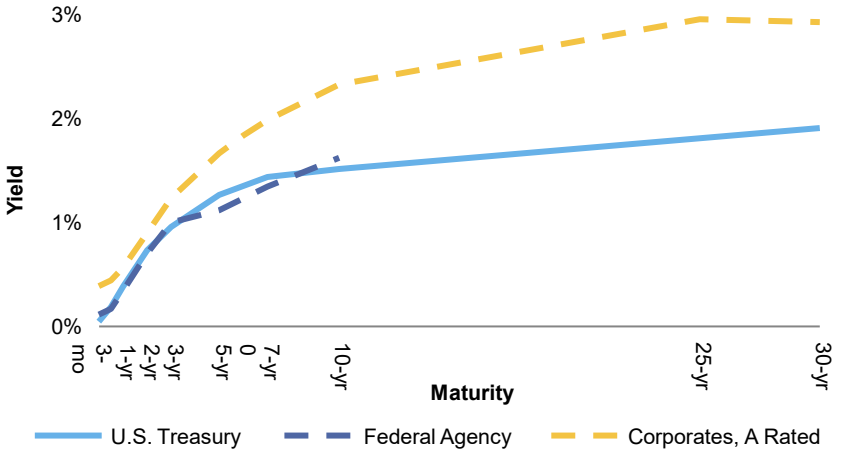
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Dec '21	Sep '21	Change over Quarter	Dec '20	Change over Year
3-Month	0.04%	0.04%	0.00%	0.07%	(0.03%)
1-Year	0.38%	0.07%	0.31%	0.11%	0.27%
2-Year	0.73%	0.28%	0.45%	0.12%	0.61%
5-Year	1.26%	0.97%	0.29%	0.36%	0.90%
10-Year	1.51%	1.49%	0.02%	0.92%	0.59%
30-Year	1.90%	2.05%	(0.15%)	1.65%	0.25%

Yield Curves as of 12/31/2021



Source: Bloomberg.



## ICE BofAML Index Returns

December 31, 2021	As of 12/31/2021		Returns for Periods ended 12/31/2021		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.88	0.70%	(0.53%)	(0.55%)	2.01%
Federal Agency	1.78	0.68%	(0.49%)	(0.43%)	1.89%
U.S. Corporates, A-AAA rated	1.83	1.04%	(0.57%)	(0.24%)	2.88%
Agency MBS (0 to 3 years)	1.87	0.78%	(0.63%)	(2.66%)	2.49%
Taxable Municipals	1.51	0.94%	(0.47%)	2.02%	3.58%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.64	0.87%	(0.68%)	(1.10%)	2.42%
Federal Agency	2.39	0.84%	(0.70%)	(0.86%)	2.07%
U.S. Corporates, A-AAA rated	2.75	1.30%	(0.69%)	(0.64%)	3.65%
Agency MBS (0 to 5 years)	2.87	1.64%	(0.75%)	(1.56%)	2.59%
Taxable Municipals	2.52	1.17%	(0.67%)	0.46%	3.34%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	7.37	1.24%	0.35%	(2.38%)	4.16%
Federal Agency	3.99	1.08%	(0.37%)	(1.15%)	3.43%
U.S. Corporates, A-AAA rated	8.47	2.09%	0.20%	(1.73%)	6.71%
Agency MBS (0 to 30 years)	3.82	1.85%	(0.42%)	(1.21%)	3.08%
Taxable Municipals	11.18	2.55%	0.64%	1.41%	8.83%

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

## Disclosures

*PFM Asset Management LLC (“PFMAM”) is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.*

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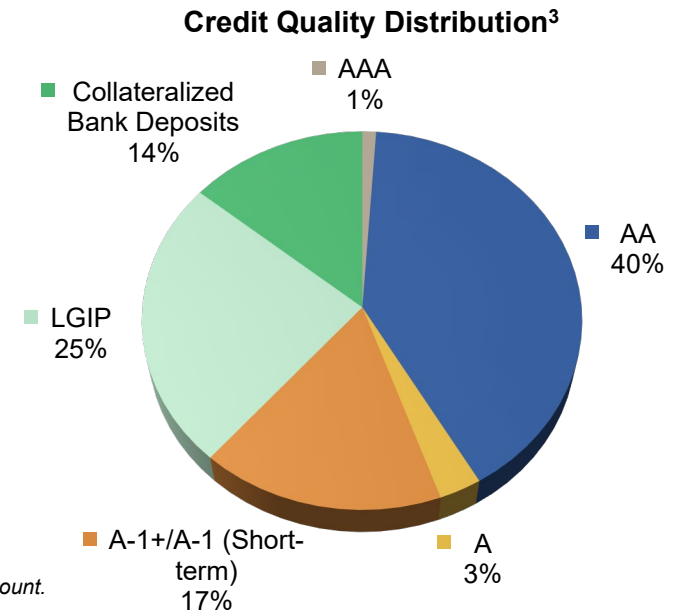
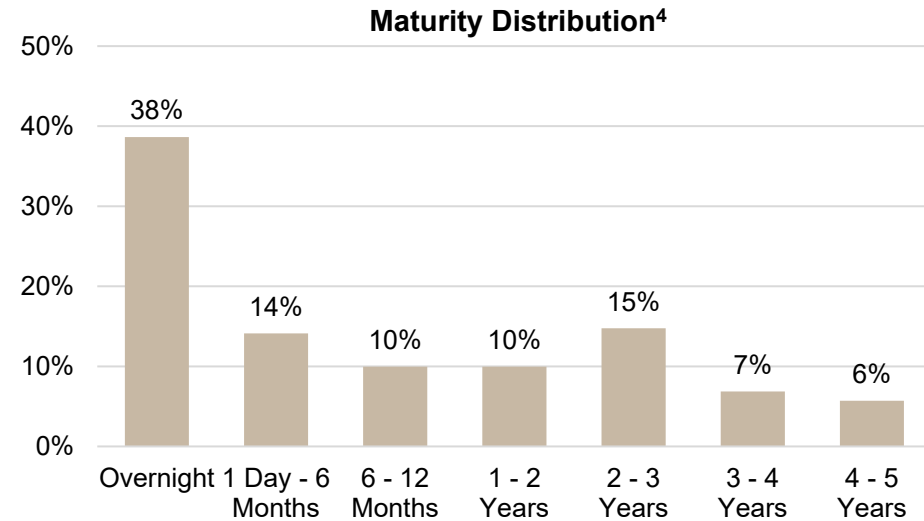
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# Account Summary

The portfolio is in compliance with applicable state statutes and the City's Investment Policy C-7.

Quarter Ended December 31, 2021 – 4Q21 <sup>1</sup>	
Quarterly Summary	
Market Value (MV)	\$429,516,673
Amortized Cost	\$429,154,923
Portfolio Yield on Cost	0.78%
Weighted Average Maturity	1.14 years
Cash Basis Earnings for Quarter <sup>2</sup>	\$1,001,734
Accrual Basis Earnings for Quarter <sup>2</sup>	\$683,989
Quarterly Change	
Amortized Cost – 4Q21	\$429,154,923
Beginning MV – 3Q21	\$344,026,452
Net Contributions	\$71,153,610
Change in Cash	\$15,489,615
Change in MV	(\$1,153,003)
Ending MV – 4Q21	\$429,516,673

Sector Distribution <sup>1</sup>				
Sector	Amortized Cost	Market Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$146,784,013	\$147,600,336	35%	100%
Federal Agencies	\$18,442,295	\$18,264,633	4%	100%
Commercial Paper	\$57,619,699	\$57,608,414	13%	35%
Corporate Notes	\$40,356,936	\$40,091,309	9%	
LGIP	\$105,747,404	\$105,747,404	25%	ORS limit
Collateralized Deposit Accounts	\$60,204,578	\$60,204,578	14%	100%
<b>Total</b>	<b>\$429,154,923</b>	<b>\$429,516,673</b>	<b>100%</b>	



1. Combined portfolio includes funds in the PFAM-managed portfolios, funds in the Oregon LGIP, and the City's US Bank account. Portfolio values are as of December 31, 2021 and exclude accrued interest on the PFAM-managed funds.  
 2. Excludes earnings on LGIP and deposit accounts.  
 3. Ratings by Standard & Poor's (S&P).  
 4. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

## Account Summary

### CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Values	<u>December 31, 2021</u>	Analytics <sup>1</sup>	<u>December 31, 2021</u>
PFM Managed Account	\$182,484,444	Yield at Market	0.88%
Amortized Cost	\$182,105,232	Yield on Cost	1.28%
Market Value	\$182,484,444	Portfolio Duration	2.35
Accrued Interest	\$546,426		

### CITY OF SALEM SHORT TERM PORTFOLIO

Portfolio Values	<u>December 31, 2021</u>	Analytics <sup>1</sup>	<u>December 31, 2021</u>
PFM Managed Account	\$72,070,303	Yield at Market	0.28%
Amortized Cost	\$72,084,721	Yield on Cost	0.32%
Market Value	\$72,070,303	Portfolio Duration	0.55
Accrued Interest	\$0		

### CITY OF SALEM WATER-SEWER REV BOND 2020

Portfolio Values	<u>December 31, 2021</u>	Analytics <sup>1</sup>	<u>December 31, 2021</u>
PFM Managed Account	\$9,009,945	Yield at Market	0.52%
Amortized Cost	\$9,012,988	Yield on Cost	0.39%
Market Value	\$9,009,945	Portfolio Duration	0.86
Accrued Interest	\$89,051		

1. Yield at market, yield on cost, and portfolio duration only include investments held within the separately managed account(s).

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>56.0%</b>	
UNITED STATES TREASURY	56.0%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>6.9%</b>	
FANNIE MAE	2.7%	AA / Aaa / AAA
FEDERAL HOME LOAN BANKS	1.7%	AA / Aaa / NR
FREDDIE MAC	2.5%	AA / Aaa / AAA
<b>Commercial Paper</b>	<b>21.9%</b>	
CREDIT AGRICOLE SA	5.7%	A / Aa / A
CREDIT SUISSE GROUP RK	5.3%	A / Aa / A
MITSUBISHI UFJ FINANCIAL GROUP INC	5.0%	A / Aa / A
NATIXIS NY BRANCH	5.8%	A / Aa / A
<b>Corporate</b>	<b>15.2%</b>	
AMAZON.COM INC	1.9%	AA / A / AA
APPLE INC	3.0%	AA / Aaa / NR
BANK OF AMERICA CO	0.9%	A / A / AA
BLACKROCK INC	0.8%	AA / Aa / NR
CHEVRON CORPORATION	1.5%	AA / Aa / NR
JOHNSON & JOHNSON	1.0%	AAA / Aaa / NR
JP MORGAN CHASE & CO	1.9%	A / A / AA
MICROSOFT CORP	0.8%	AAA / Aaa / AAA
PROCTER & GAMBLE CO	1.2%	AA / Aa / NR
TORONTO-DOMINION BANK	0.9%	A / A / AA
TOYOTA MOTOR CORP	1.0%	A / A / A
VISA INC	0.2%	AA / Aa / NR
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

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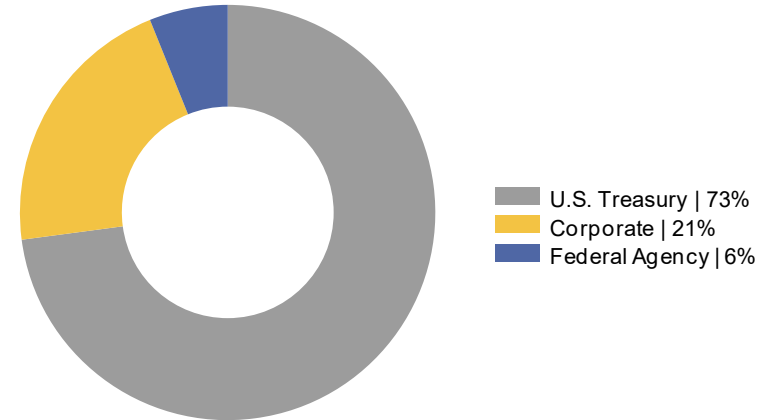
Portfolio Review:  
CITY OF SALEM LONG-TERM PORTFOLIO

## Portfolio Snapshot - CITY OF SALEM LONG-TERM PORTFOLIO<sup>1</sup>

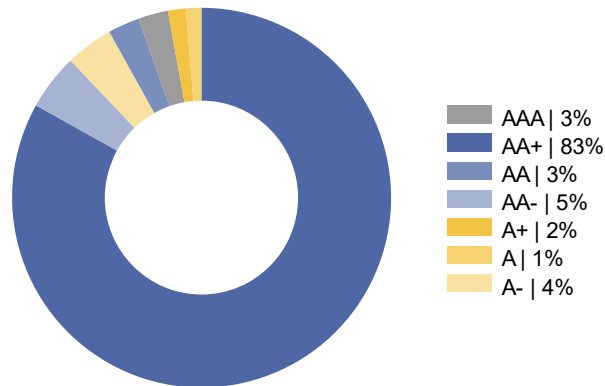
### Portfolio Statistics

<b>Total Market Value</b>	\$183,030,870.03
<b>Portfolio Effective Duration</b>	2.35 years
<b>Benchmark Effective Duration</b>	2.58 years
<b>Yield At Cost</b>	1.28%
<b>Yield At Market</b>	0.88%
<b>Portfolio Credit Quality</b>	AA

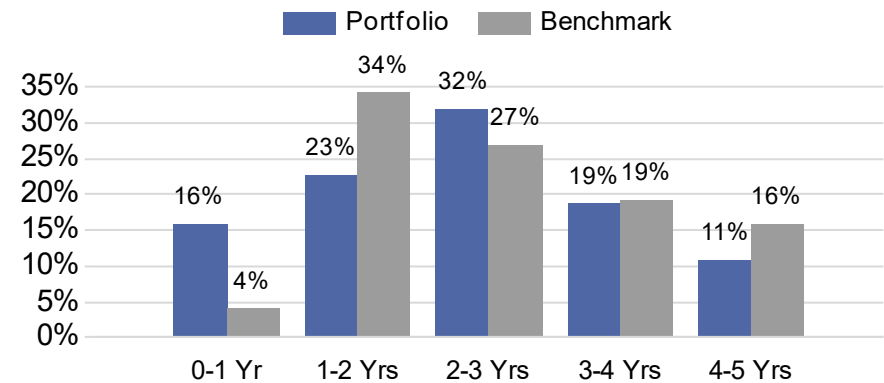
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



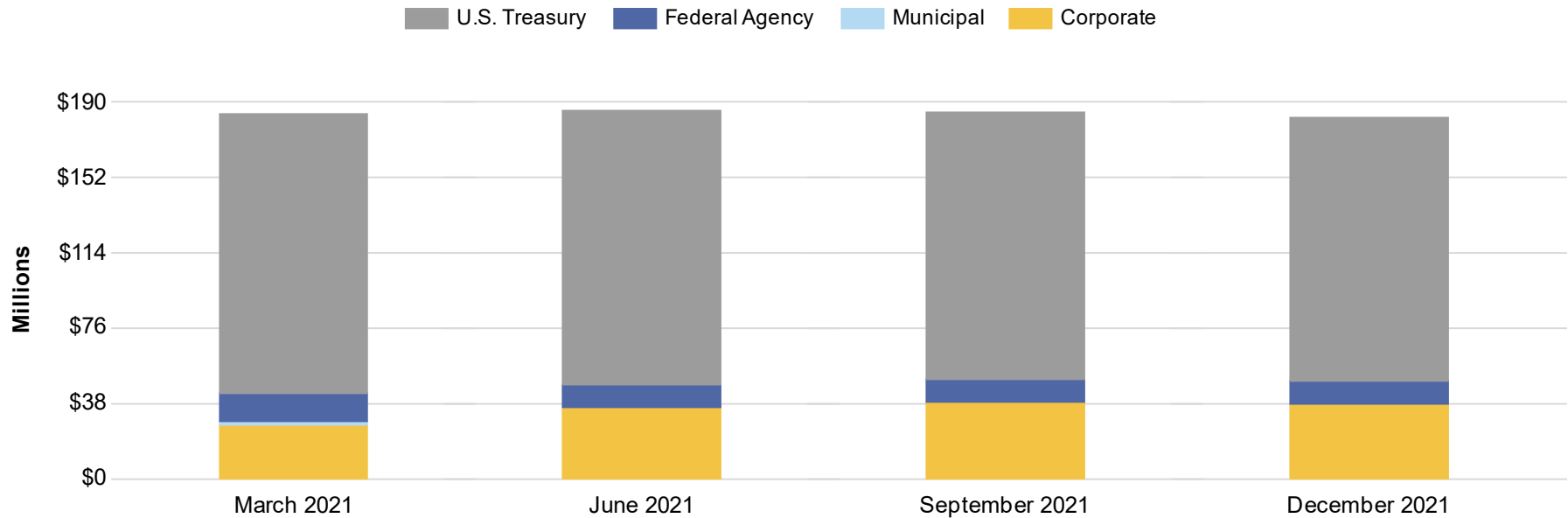
1. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 is was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg.

Total market value includes accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.



### Sector Allocation Review - CITY OF SALEM LONG-TERM PORTFOLIO

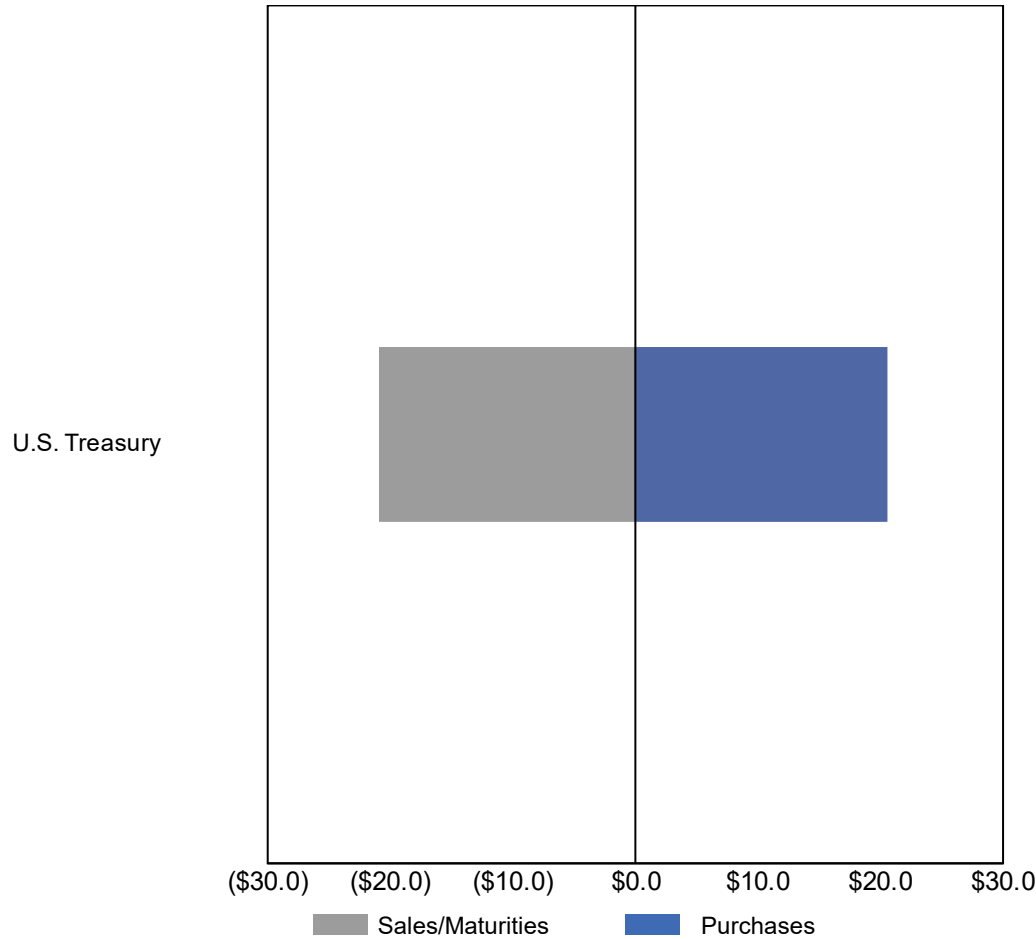
Security Type	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total	Dec-21	% of Total
U.S. Treasury	\$141.1	76.6%	\$138.4	74.4%	\$134.6	72.9%	\$133.1	72.9%
Federal Agency	\$14.3	7.8%	\$11.2	6.1%	\$11.2	6.1%	\$11.1	6.1%
Municipal	\$1.5	0.8%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Corporate	\$27.2	14.8%	\$36.3	19.5%	\$38.6	21.0%	\$38.2	21.0%
<b>Total</b>	<b>\$184.1</b>	<b>100.0%</b>	<b>\$185.9</b>	<b>100.0%</b>	<b>\$184.5</b>	<b>100.0%</b>	<b>\$182.5</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

## Portfolio Activity - CITY OF SALEM LONG-TERM PORTFOLIO

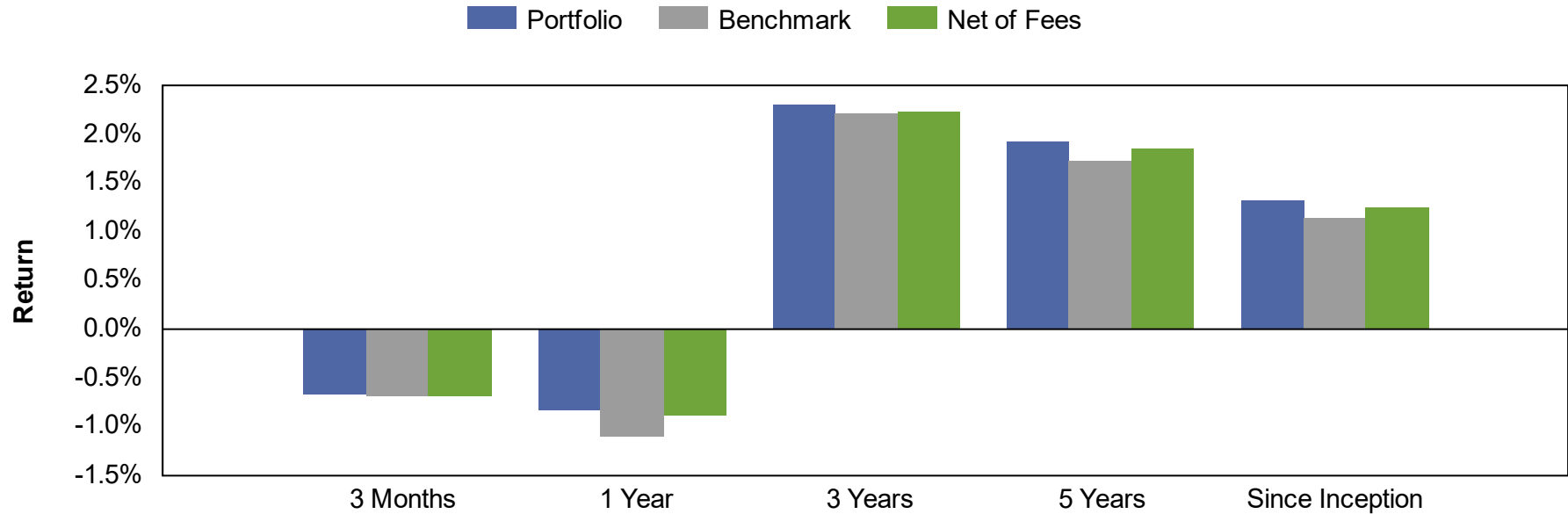
**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
U.S. Treasury	(\$334,020)
<b>Total Net Activity</b>	<b>(\$334,020)</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

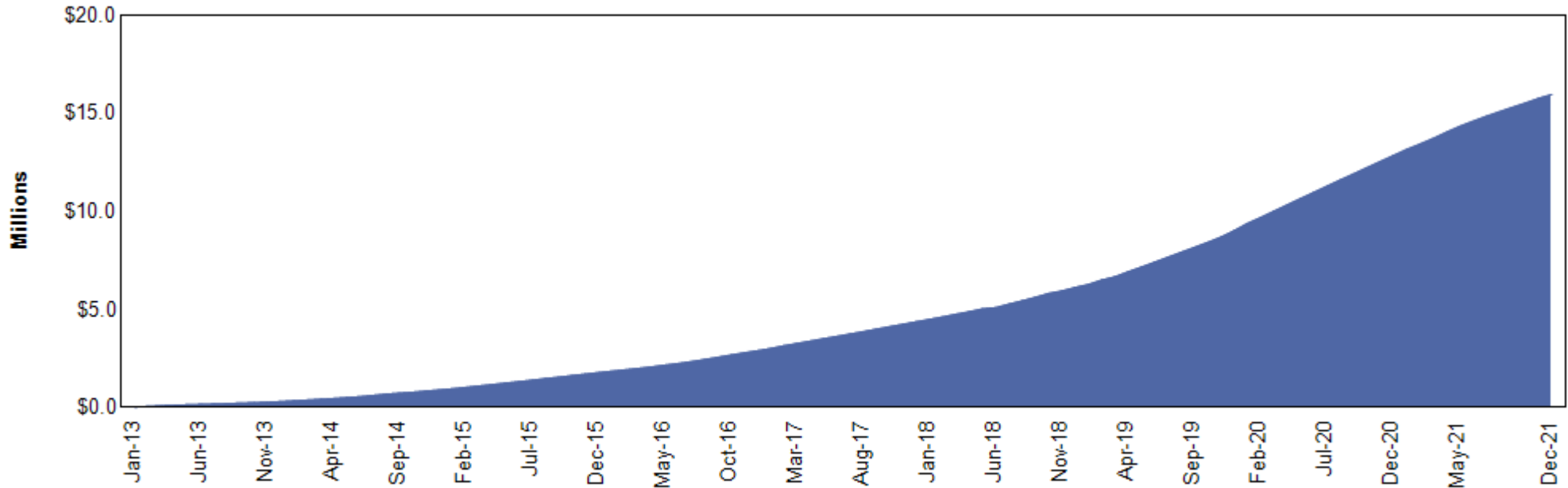
### Portfolio Performance - CITY OF SALEM LONG-TERM PORTFOLIO



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$636,258	\$2,897,273	\$8,978,041	\$12,143,939	\$17,066,786
Change in Market Value	(\$1,862,859)	(\$4,419,724)	\$1,614,384	\$1,872,085	(\$794,107)
<b>Total Dollar Return</b>	<b>(\$1,226,601)</b>	<b>(\$1,522,451)</b>	<b>\$10,592,425</b>	<b>\$14,016,024</b>	<b>\$16,272,679</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	-0.66%	-0.82%	2.30%	1.93%	1.33%
Benchmark <sup>4</sup>	-0.68%	-1.10%	2.21%	1.72%	1.15%
<b>Basis Point Fee</b>	<b>0.02%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>
<b>Net of Fee Return</b>	<b>-0.68%</b>	<b>-0.89%</b>	<b>2.23%</b>	<b>1.86%</b>	<b>1.25%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2012.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.  
 4. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 is was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg.

### Accrual Basis Earnings - CITY OF SALEM LONG-TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	\$636,258	\$2,897,273	\$8,978,041	\$12,143,939	\$17,066,786
Realized Gains / (Losses)	\$41,906	\$176,975	\$45,594	(\$192,086)	(\$60,687)
Change in Amortized Cost	(\$17,967)	\$44,967	\$821,428	\$1,118,857	(\$1,038,839)
<b>Total Earnings</b>	<b>\$660,197</b>	<b>\$3,119,216</b>	<b>\$9,845,062</b>	<b>\$13,070,709</b>	<b>\$15,967,260</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2012.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Realized gains / (losses) are shown on an amortized cost basis.

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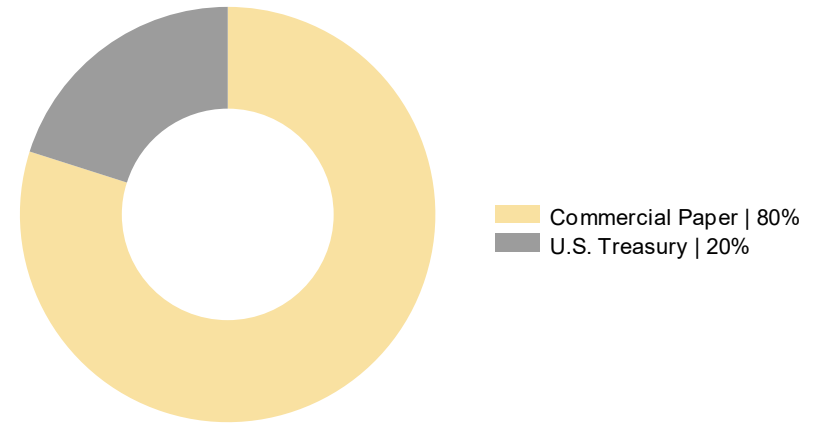
Portfolio Review:  
CITY OF SALEM SHORT TERM PORTFOLIO

## Portfolio Snapshot - CITY OF SALEM SHORT TERM PORTFOLIO<sup>1</sup>

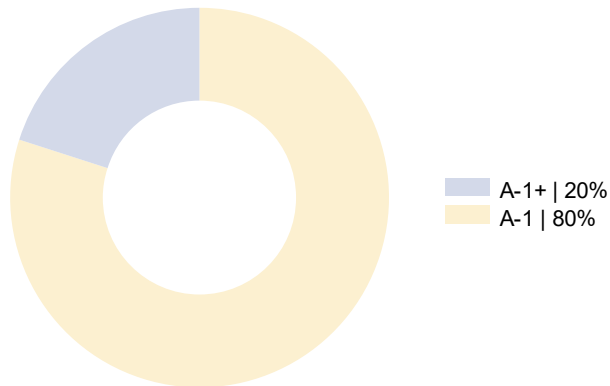
### Portfolio Statistics

<b>Total Market Value</b>	\$72,070,303.25
<b>Portfolio Effective Duration</b>	0.56 years
<b>Yield At Cost</b>	0.28%
<b>Yield At Market</b>	0.32%
<b>Portfolio Credit Quality</b>	A

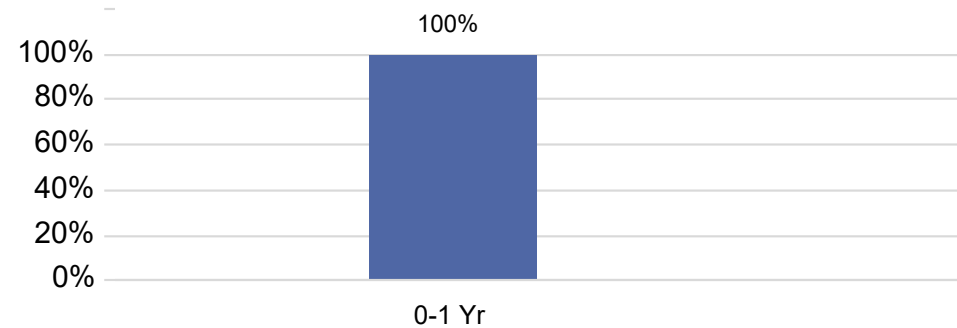
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Total market value includes accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

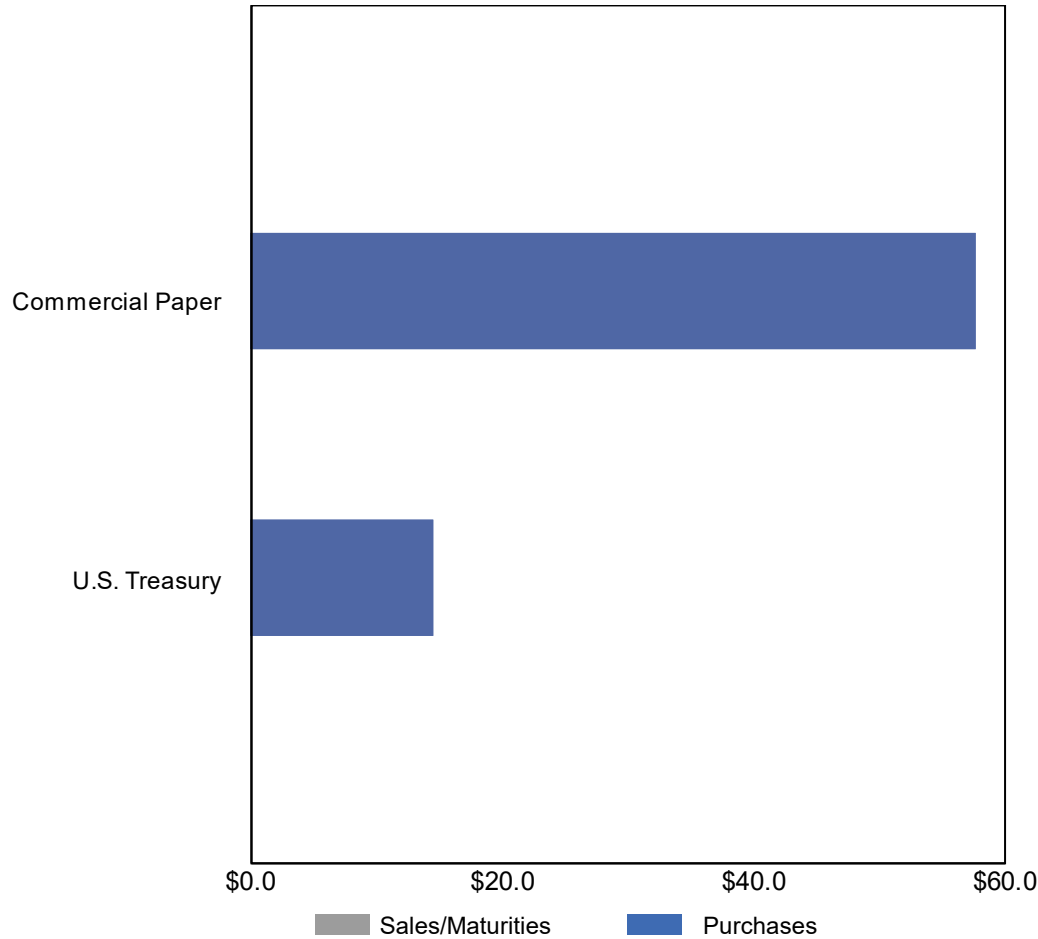
## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>20.1%</b>	
UNITED STATES TREASURY	20.1%	AA / Aa / AA
<b>Commercial Paper</b>	<b>79.9%</b>	
CREDIT AGRICOLE SA	20.8%	A / Aa / A
CREDIT SUISSE GROUP RK	19.4%	A / Aa / A
MITSUBISHI UFJ FINANCIAL GROUP INC	18.4%	A / Aa / A
NATIXIS NY BRANCH	21.3%	A / Aa / A
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

## Portfolio Activity - CITY OF SALEM SHORT TERM PORTFOLIO

**Net Activity by Sector**  
(\$ millions)

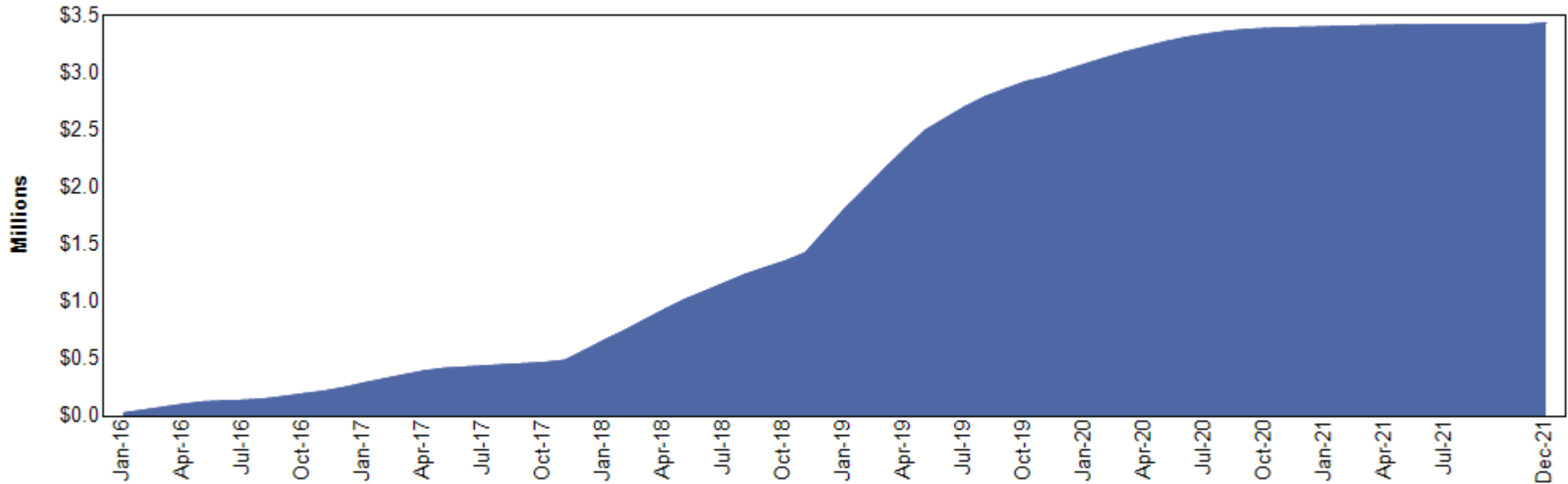


Sector	Net Activity
Commercial Paper	\$57,604,974
U.S. Treasury	\$14,464,080
<b>Total Net Activity</b>	<b>\$72,069,055</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.



### Accrual Basis Earnings - CITY OF SALEM SHORT TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	-	-	\$286,772	\$635,662	\$708,682
Realized Gains / (Losses)	-	-	-	-	\$4,369
Change in Amortized Cost	\$15,667	\$38,671	\$1,526,223	\$2,549,149	\$2,720,596
<b>Total Earnings</b>	<b>\$15,667</b>	<b>\$38,671</b>	<b>\$1,812,995</b>	<b>\$3,184,811</b>	<b>\$3,433,647</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is January 1, 1900.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Realized gains / (losses) are shown on an amortized cost basis.

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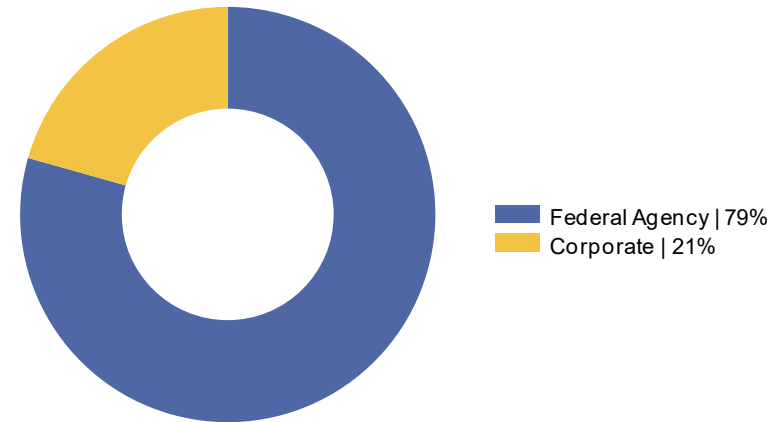
Portfolio Review:  
CITY OF SALEM WATER-SEWER REV BOND 2020

## Portfolio Snapshot - CITY OF SALEM WATER-SEWER REV BOND 2020<sup>1</sup>

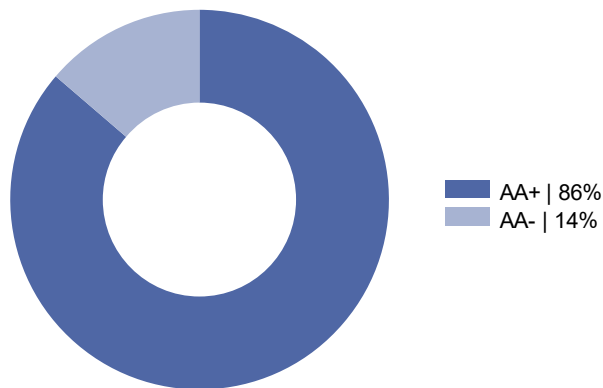
### Portfolio Statistics

<b>Total Market Value</b>	\$9,098,995.33
<b>Portfolio Effective Duration</b>	0.86 years
<b>Yield At Cost</b>	0.39%
<b>Yield At Market</b>	0.52%
<b>Portfolio Credit Quality</b>	AA

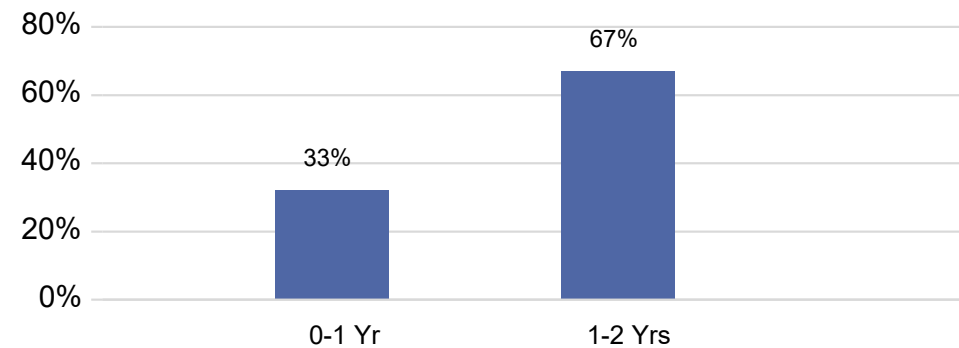
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. The portfolio's benchmark is N/A.. Source: Bloomberg.  
Total market value includes accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

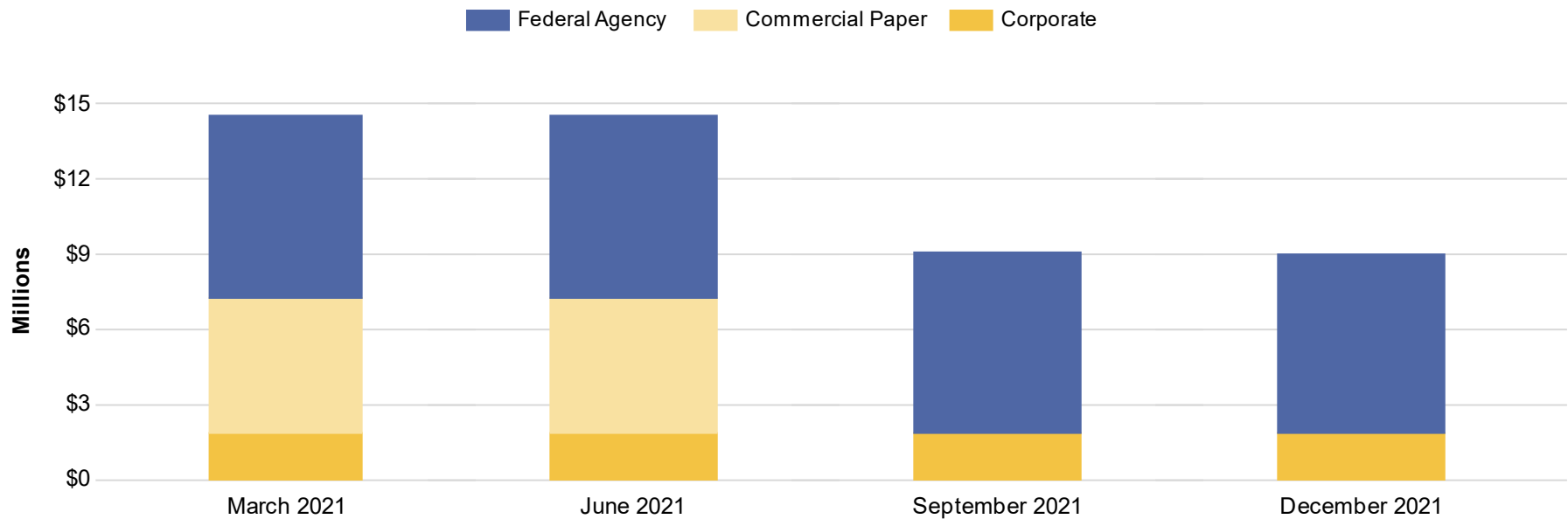
## Issuer Diversification - CITY OF SALEM WATER-SEWER REV BOND 2020

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>Federal Agency</b>	<b>79.4%</b>	
FANNIE MAE	79.4%	AA / Aaa / AAA
<b>Corporate</b>	<b>20.6%</b>	
APPLE INC	6.9%	AA / Aaa / NR
PROCTER & GAMBLE CO	6.9%	AA / Aa / NR
VISA INC	6.8%	AA / Aa / NR
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

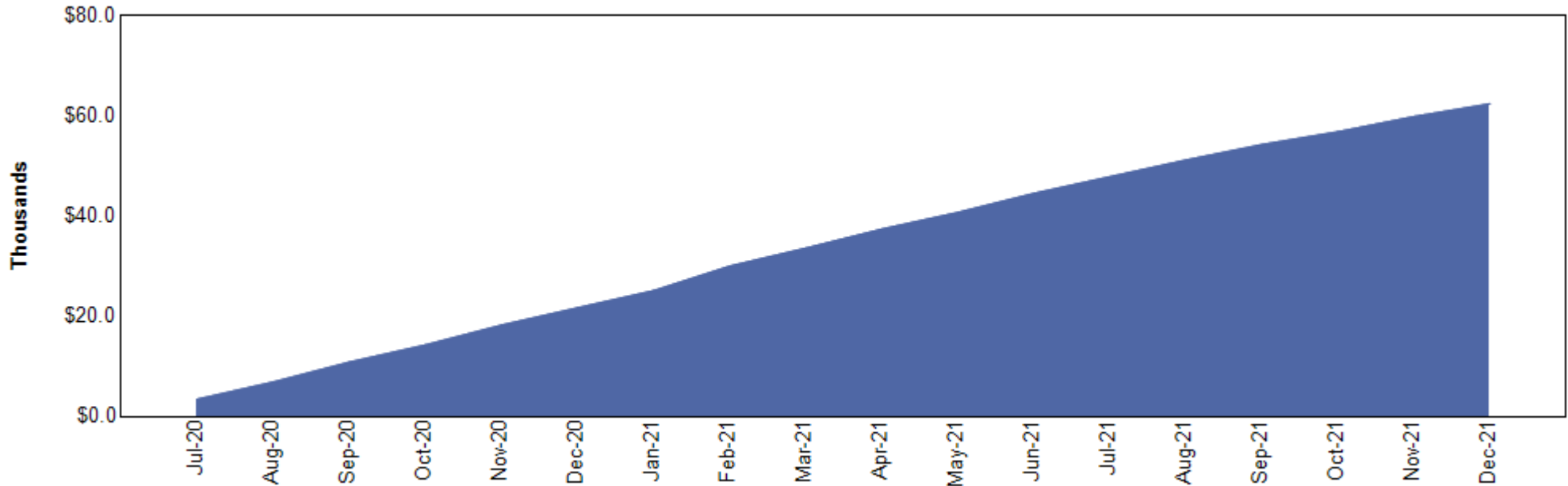
### Sector Allocation Review - CITY OF SALEM WATER-SEWER REV BOND 2020

Security Type	Mar-21	% of Total	Jun-21	% of Total	Sep-21	% of Total	Dec-21	% of Total
Federal Agency	\$7.3	50.1%	\$7.2	50.0%	\$7.2	79.4%	\$7.2	79.4%
Commercial Paper	\$5.4	36.9%	\$5.4	37.0%	\$0.0	0.0%	\$0.0	0.0%
Corporate	\$1.9	13.0%	\$1.9	13.0%	\$1.9	20.6%	\$1.9	20.6%
<b>Total</b>	<b>\$14.5</b>	<b>100.0%</b>	<b>\$14.5</b>	<b>100.0%</b>	<b>\$9.1</b>	<b>100.0%</b>	<b>\$9.0</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes investments held within the separately managed account(s). Detail may not add to total due to rounding.

### Accrual Basis Earnings - CITY OF SALEM WATER-SEWER REV BOND 2020



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception
Interest Earned	\$54,267	\$219,279	-	-	\$334,798
Realized Gains / (Losses)	-	-	-	-	-
Change in Amortized Cost	(\$46,142)	(\$178,565)	-	-	(\$272,421)
<b>Total Earnings</b>	<b>\$8,125</b>	<b>\$40,715</b>	-	-	<b>\$62,377</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is June 30, 2020.
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3. Realized gains / (losses) are shown on an amortized cost basis.

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# Portfolio Transactions and Holdings: CITY OF SALEM

## Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>U.S. Treasury</b>										
US TREASURY NOTES DTD 02/28/2017 1.875% 02/28/2022	912828W55	2,500,000.00	AA+	Aaa	2/26/2019	2/27/2019	2,458,203.13	2.46	15,927.14	2,506,640.50
US TREASURY NOTES DTD 05/01/2017 1.875% 04/30/2022	912828X47	5,400,000.00	AA+	Aaa	5/10/2019	5/16/2019	5,348,531.25	2.21	17,341.16	5,430,375.00
US TREASURY NOTES DTD 04/30/2015 1.750% 04/30/2022	912828WZ9	1,750,000.00	AA+	Aaa	5/8/2019	5/13/2019	1,726,074.22	2.23	5,245.17	1,759,296.88
US TREASURY NOTES DTD 05/31/2017 1.750% 05/31/2022	912828XR6	960,000.00	AA+	Aaa	9/19/2019	9/20/2019	961,312.50	1.70	1,476.92	966,149.95
US TREASURY NOTES DTD 09/15/2019 1.500% 09/15/2022	912828YF1	5,470,000.00	AA+	Aaa	11/13/2019	11/15/2019	5,448,632.81	1.64	24,479.01	5,516,153.13
US TREASURY NOTES DTD 11/15/2012 1.625% 11/15/2022	912828TY6	5,000,000.00	AA+	Aaa	11/13/2019	11/15/2019	4,995,117.19	1.66	10,549.03	5,053,125.00
US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,738,574.22	1.59	14,371.57	3,795,117.00
US TREASURY NOTES DTD 05/02/2016 1.625% 04/30/2023	912828R28	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,506,503.91	1.58	12,524.17	4,564,687.50
US TREASURY NOTES DTD 08/01/2016 1.250% 07/31/2023	912828S92	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,702,685.55	1.60	19,616.17	3,787,500.00
US TREASURY NOTES DTD 08/31/2016 1.375% 08/31/2023	912828D1	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,466,425.78	1.59	21,023.83	4,552,734.60
US TREASURY NOTES DTD 09/30/2021 0.250% 09/30/2023	91282CDA6	7,475,000.00	AA+	Aaa	10/14/2021	10/15/2021	7,459,816.41	0.35	4,774.55	7,422,441.78
US TREASURY NOTES DTD 09/30/2016 1.375% 09/30/2023	912828T26	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,717,480.47	1.61	13,173.94	3,795,117.00
US TREASURY NOTES DTD 01/03/2017 2.250% 12/31/2023	912828V23	3,530,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,619,491.02	1.61	219.41	3,635,900.00
US TREASURY NOTES DTD 01/31/2017 2.250% 01/31/2024	912828V80	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,718,953.13	1.61	43,312.50	4,740,875.00
US TREASURY NOTES DTD 03/15/2021 0.250% 03/15/2024	91282CBR1	5,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	4,992,773.44	0.30	3,729.28	4,940,625.00



## CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>U.S. Treasury</b>										
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,698,289.06	1.61	24,974.59	4,733,687.50
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	2,500,000.00	AA+	Aaa	4/27/2021	4/28/2021	2,501,464.84	0.36	2,008.93	2,474,609.50
US TREASURY NOTES DTD 05/31/2017 2.000% 05/31/2024	912828XT2	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,333,876.95	1.62	9,230.77	5,394,375.00
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,678,343.75	1.61	254.14	4,727,218.52
US TREASURY NOTES DTD 08/31/2019 1.250% 08/31/2024	912828YE4	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,163,457.03	1.62	22,298.00	5,297,578.13
US TREASURY NOTES DTD 09/30/2019 1.500% 09/30/2024	912828YH7	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,575,742.19	1.61	17,629.12	4,672,593.52
US TREASURY N/B NOTES DTD 10/15/2021 0.625% 10/15/2024	91282CDB4	5,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,992,382.81	0.68	6,696.43	4,959,375.00
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,219,238.28	1.63	13,487.57	5,332,031.25
US TREASURY NOTES DTD 11/17/2014 2.250% 11/15/2024	912828G38	4,070,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,192,735.94	1.62	11,889.57	4,218,809.38
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	4,750,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,777,275.39	1.63	229.63	4,857,616.95
US TREASURY NOTES DTD 03/31/2020 0.500% 03/31/2025	912828ZF0	4,100,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,059,320.31	0.80	5,237.64	4,031,452.92
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	6,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,898,984.38	0.65	6,277.17	5,819,062.80
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	2,000,000.00	AA+	Aaa	1/15/2021	1/19/2021	1,992,500.00	0.45	20.72	1,938,125.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	5,900,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,790,066.41	0.77	9,258.83	5,708,250.00
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	2,665,000.00	AA+	Aaa	3/16/2021	3/18/2021	2,623,255.27	0.82	4,527.56	2,588,797.52
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	4,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	3,951,718.75	1.02	2,637.36	3,918,124.80
<b>Security Type Sub-Total</b>		<b>132,470,000.00</b>					<b>132,309,226.39</b>	<b>1.33</b>	<b>344,421.88</b>	<b>133,138,446.13</b>

## CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>Federal Agency</b>										
FEDERAL HOME LOAN BANKS NOTES DTD 02/21/2020 1.375% 02/17/2023	3130AJ7E3	4,500,000.00	AA+	Aaa	4/13/2020	4/15/2020	4,617,990.00	0.44	23,031.25	4,546,377.00
FREDDIE MAC NOTES DTD 07/23/2020 0.375% 07/21/2025	3137EAEU9	2,850,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,844,129.00	0.42	4,750.00	2,775,067.80
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	1,400,000.00	AA+	Aaa	9/29/2020	9/30/2020	1,397,830.00	0.41	1,429.17	1,360,441.60
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	2,500,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,490,025.00	0.46	2,552.08	2,429,360.00
<b>Security Type Sub-Total</b>		<b>11,250,000.00</b>					<b>11,349,974.00</b>	<b>0.44</b>	<b>31,762.50</b>	<b>11,111,246.40</b>
<b>Corporate</b>										
TOYOTA MOTOR CREDIT CORP BONDS DTD 01/09/2017 2.600% 01/11/2022	89236TDP7	2,750,000.00	A+	A1	1/8/2019	1/10/2019	2,705,972.50	3.16	33,763.89	2,749,986.25
JOHNSON & JOHNSON CORP NOTES (CALLABLE) DTD 03/03/2017 2.250% 03/03/2022	478160CD4	2,500,000.00	AAA	Aaa	3/5/2019	3/7/2019	2,467,900.00	2.70	18,437.50	2,504,610.00
PROCTER & GAMBLE CO/THE CORP NOTES DTD 08/11/2017 2.150% 08/11/2022	742718EU9	2,500,000.00	AA-	Aa3	11/13/2019	11/15/2019	2,524,850.00	1.78	20,902.78	2,527,287.50
APPLE INC (CALLABLE) BONDS DTD 02/09/2017 3.000% 02/09/2024	037833CG3	2,380,000.00	AA+	Aaa	1/17/2020	1/22/2020	2,477,699.00	1.94	28,163.33	2,477,132.56
BLACKROCK INC CORP NOTES DTD 03/18/2014 3.500% 03/18/2024	09247XAL5	2,000,000.00	AA-	Aa3	11/19/2019	11/21/2019	2,130,520.00	1.92	20,027.78	2,109,944.00
BANK OF AMERICA CORP (CALLABLE) CORPORAT DTD 10/21/2020 0.810% 10/24/2024	06051GJH3	2,500,000.00	A-	A2	7/20/2021	7/22/2021	2,505,125.00	0.75	3,768.75	2,483,537.50
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/12/2021	3/16/2021	2,041,100.00	1.05	4,316.67	2,014,456.00
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/11/2021	3/15/2021	2,048,380.00	0.96	4,316.67	2,014,456.00
JPMORGAN CHASE & CO CORPORATE NOTES DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	5,000,000.00	A-	A2	5/25/2021	6/1/2021	5,010,350.00	0.77	3,433.33	4,940,305.00

## CITY OF SALEM LONG-TERM PORTFOLIO

Portfolio Holdings

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>Corporate</b>										
MICROSOFT CORP NOTES DTD 11/03/2015 3.125% 11/03/2025	594918BJ2	2,000,000.00	AAA	Aaa	3/16/2021	3/18/2021	2,186,160.00	1.06	10,069.44	2,132,524.00
APPLE INC (CALLABLE) CORPORATE NOTES DTD 02/08/2021 0.700% 02/08/2026	037833EB2	5,000,000.00	AA+	Aaa	2/8/2021	2/10/2021	4,996,800.00	0.71	13,902.78	4,882,315.00
AMAZON.COM INC CORPORATE NOTES DTD 05/12/2021 1.000% 05/12/2026	023135BX3	5,000,000.00	AA	A1	6/8/2021	6/10/2021	5,010,400.00	0.96	6,805.56	4,944,090.00
TORONTO-DOMINION BANK CORPORATE NOTES DTD 06/03/2021 1.200% 06/03/2026	89114TZD7	2,500,000.00	A	A1	6/16/2021	6/18/2021	2,509,725.00	1.12	2,333.33	2,454,107.50
<b>Security Type Sub-Total</b>		<b>38,130,000.00</b>					<b>38,614,981.50</b>	<b>1.35</b>	<b>170,241.81</b>	<b>38,234,751.31</b>
<b>Managed Account Sub Total</b>		<b>181,850,000.00</b>					<b>182,274,181.89</b>		<b>546,426.19</b>	<b>182,484,443.84</b>
<b>Securities Sub Total</b>		<b>\$181,850,000.00</b>					<b>\$182,274,181.89</b>		<b>\$546,426.19</b>	<b>\$182,484,443.84</b>
<b>Accrued Interest</b>										<b>\$546,426.19</b>
<b>Total Investments</b>										<b>\$183,030,870.03</b>

## Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>U.S. Treasury</b>										
US TREASURY BILL DTD 12/02/2021 0.000% 12/01/2022	912796P94	14,500,000.00	A-1+	P-1	12/22/2021	12/23/2021	14,464,080.28	0.26	0.00	14,461,889.65
<b>Security Type Sub-Total</b>		<b>14,500,000.00</b>					<b>14,464,080.28</b>	<b>0.26</b>	<b>0.00</b>	<b>14,461,889.65</b>
<b>Commercial Paper</b>										
NATIXIS NY BRANCH COMM PAPER DTD 08/19/2021 0.000% 05/16/2022	63873KEG8	5,400,000.00	A-1	P-1	11/15/2021	11/16/2021	5,394,298.50	0.21	0.00	5,393,196.00
MUFG BANK LTD/NY COMM PAPER DTD 11/12/2021 0.000% 05/16/2022	62479MEG4	8,300,000.00	A-1	P-1	11/15/2021	11/16/2021	8,289,984.67	0.24	0.00	8,291,633.60
NATIXIS NY BRANCH COMM PAPER DTD 10/20/2021 0.000% 06/01/2022	63873KF10	10,000,000.00	A-1	P-1	12/1/2021	12/3/2021	9,986,500.00	0.27	0.00	9,985,500.00
CREDIT AGRICOLE CIB NY COMM PAPER DTD 12/01/2021 0.000% 06/01/2022	22533UF16	15,000,000.00	A-1	P-1	12/1/2021	12/3/2021	14,982,000.00	0.24	0.00	14,983,665.00
MUFG BANK LTD/NY COMM PAPER DTD 12/01/2021 0.000% 06/01/2022	62479MF16	5,000,000.00	A-1	P-1	12/1/2021	12/3/2021	4,991,500.00	0.34	0.00	4,994,025.00
CREDIT SUISSE NEW YORK COMM PAPER DTD 11/29/2021 0.000% 08/26/2022	2254EBHS3	14,000,000.00	A-1	P-1	12/1/2021	12/3/2021	13,960,691.11	0.38	0.00	13,960,394.00
<b>Security Type Sub-Total</b>		<b>57,700,000.00</b>					<b>57,604,974.28</b>	<b>0.29</b>	<b>0.00</b>	<b>57,608,413.60</b>
<b>Managed Account Sub Total</b>		<b>72,200,000.00</b>					<b>72,069,054.56</b>		<b>0.00</b>	<b>72,070,303.25</b>
<b>Securities Sub Total</b>		<b>\$72,200,000.00</b>					<b>\$72,069,054.56</b>		<b>\$0.00</b>	<b>\$72,070,303.25</b>
<b>Accrued Interest</b>										<b>\$0.00</b>
<b>Total Investments</b>										<b>\$72,070,303.25</b>

## Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Market Value
<b>Federal Agency</b>										
FANNIE MAE NOTES DTD 01/11/2019 2.625% 01/11/2022	3135G0U92	1,080,000.00	AA+	Aaa	4/27/2020	4/29/2020	1,122,260.40	0.32	13,387.50	1,080,602.64
FANNIE MAE NOTES DTD 01/23/2018 2.375% 01/19/2023	3135G0T94	5,950,000.00	AA+	Aaa	4/24/2020	4/28/2020	6,284,509.00	0.30	63,590.63	6,072,784.20
<b>Security Type Sub-Total</b>		<b>7,030,000.00</b>					<b>7,406,769.40</b>	<b>0.30</b>	<b>76,978.13</b>	<b>7,153,386.84</b>
<b>Corporate</b>										
PROCTER & GAMBLE CO/THE CORP NOTES DTD 08/11/2017 2.150% 08/11/2022	742718EU9	615,000.00	AA-	Aa3	4/24/2020	4/28/2020	637,847.25	0.51	5,142.08	621,712.73
VISA INC CORPORATE (CALLABLE) NOTES DTD 12/14/2015 2.800% 12/14/2022	92826CAC6	605,000.00	AA-	Aa3	4/27/2020	4/29/2020	636,490.25	0.79	799.94	615,837.37
APPLE CORP NOTES (CALLABLE) DTD 02/23/2016 2.850% 02/23/2023	037833BU3	605,000.00	AA+	Aaa	4/30/2020	5/4/2020	639,013.10	0.82	6,130.67	619,007.57
<b>Security Type Sub-Total</b>		<b>1,825,000.00</b>					<b>1,913,350.60</b>	<b>0.71</b>	<b>12,072.69</b>	<b>1,856,557.67</b>
<b>Managed Account Sub Total</b>		<b>8,855,000.00</b>					<b>9,320,120.00</b>		<b>89,050.82</b>	<b>9,009,944.51</b>
<b>Securities Sub Total</b>		<b>\$8,855,000.00</b>					<b>\$9,320,120.00</b>		<b>\$89,050.82</b>	<b>\$9,009,944.51</b>
<b>Accrued Interest</b>										<b>\$89,050.82</b>
<b>Total Investments</b>										<b>\$9,098,995.33</b>

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
10/14/2021	10/15/2021	7,475,000.00	91282CDA6	US TREASURY NOTES	0.25%	9/30/2023	7,460,586.50	0.35%	
11/9/2021	11/12/2021	5,000,000.00	91282CDB4	US TREASURY N/B NOTES	0.62%	10/15/2024	4,994,786.66	0.68%	
11/9/2021	11/12/2021	4,100,000.00	912828ZF0	US TREASURY NOTES	0.50%	3/31/2025	4,061,742.01	0.80%	
11/9/2021	11/12/2021	4,000,000.00	91282CCF6	US TREASURY N/B NOTES	0.75%	5/31/2026	3,965,243.34	1.02%	
<b>Total BUY</b>		<b>20,575,000.00</b>					<b>20,482,358.51</b>		<b>0.00</b>
<b>INTEREST</b>									
10/15/2021	10/15/2021	2,500,000.00	91282CBV2	US TREASURY N/B NOTES	0.37%	4/15/2024	4,687.50		
10/24/2021	10/24/2021	2,500,000.00	06051GJH3	BANK OF AMERICA CORP (CALLABLE) CORPORAT	0.81%	10/24/2024	10,125.00		
10/31/2021	10/31/2021	5,400,000.00	912828X47	US TREASURY NOTES	1.87%	4/30/2022	50,625.00		
10/31/2021	10/31/2021	5,250,000.00	912828YM6	US TREASURY NOTES	1.50%	10/31/2024	39,375.00		
10/31/2021	10/31/2021	4,500,000.00	912828R28	US TREASURY NOTES	1.62%	4/30/2023	36,562.50		
10/31/2021	10/31/2021	1,750,000.00	912828WZ9	US TREASURY NOTES	1.75%	4/30/2022	15,312.50		
11/3/2021	11/3/2021	2,000,000.00	594918BJ2	MICROSOFT CORP NOTES	3.12%	11/3/2025	31,250.00		
11/11/2021	11/11/2021	4,000,000.00	166764BW9	CHEVRON CORP (CALLABLE) NOTES	1.55%	5/11/2025	31,080.00		
11/12/2021	11/12/2021	5,000,000.00	023135BX3	AMAZON.COM INC CORPORATE NOTES	1.00%	5/12/2026	25,000.00		
11/15/2021	11/15/2021	4,070,000.00	912828G38	US TREASURY NOTES	2.25%	11/15/2024	45,787.50		
11/15/2021	11/15/2021	5,000,000.00	912828TY6	US TREASURY NOTES	1.62%	11/15/2022	40,625.00		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
11/30/2021	11/30/2021	960,000.00	912828XR6	US TREASURY NOTES	1.75%	5/31/2022	8,400.00		
11/30/2021	11/30/2021	4,000,000.00	91282CCF6	US TREASURY N/B NOTES	0.75%	5/31/2026	15,000.00		
11/30/2021	11/30/2021	5,250,000.00	912828XT2	US TREASURY NOTES	2.00%	5/31/2024	52,500.00		
12/1/2021	12/1/2021	5,000,000.00	46647PCH7	JPMORGAN CHASE & CO CORPORATE NOTES	0.82%	6/1/2025	20,600.00		
12/3/2021	12/3/2021	2,500,000.00	89114TZD7	TORONTO-DOMINION BANK CORPORATE NOTES	1.20%	6/3/2026	15,000.00		
12/31/2021	12/31/2021	2,000,000.00	91282CBC4	US TREASURY NOTES	0.37%	12/31/2025	3,750.00		
12/31/2021	12/31/2021	3,530,000.00	912828V23	US TREASURY NOTES	2.25%	12/31/2023	39,712.50		
12/31/2021	12/31/2021	4,600,000.00	912828XX3	US TREASURY NOTES	2.00%	6/30/2024	46,000.00		
12/31/2021	12/31/2021	4,750,000.00	912828YY0	US TREASURY NOTES	1.75%	12/31/2024	41,562.50		
<b>Total INTEREST</b>		<b>74,560,000.00</b>					<b>572,955.00</b>		<b>0.00</b>
<b>MATURITY</b>									
10/15/2021	10/15/2021	7,465,000.00	9128285F3	US TREASURY NOTES	2.87%	10/15/2021	7,572,309.38		
<b>Total MATURITY</b>		<b>7,465,000.00</b>					<b>7,572,309.38</b>		<b>0.00</b>
<b>SELL</b>									
11/9/2021	11/12/2021	8,100,000.00	9128285V8	US TREASURY NOTES	2.50%	1/15/2022	8,200,520.89		35,332.03

### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>SELL</b>									
11/9/2021	11/12/2021	5,000,000.00	912828U65	US TREASURY NOTES	1.75%	11/30/2021	5,043,548.28		6,574.44
<b>Total SELL</b>		<b>13,100,000.00</b>					<b>13,244,069.17</b>		<b>41,906.47</b>



## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
11/15/2021	11/16/2021	5,400,000.00	63873KEG8	NATIXIS NY BRANCH COMM PAPER	0.00%	5/16/2022	5,394,298.50	0.21%	
11/15/2021	11/16/2021	8,300,000.00	62479MEG4	MUFG BANK LTD/NY COMM PAPER	0.00%	5/16/2022	8,289,984.67	0.24%	
12/1/2021	12/3/2021	5,000,000.00	62479MF16	MUFG BANK LTD/NY COMM PAPER	0.00%	6/1/2022	4,991,500.00	0.34%	
12/1/2021	12/3/2021	10,000,000.00	63873KF10	NATIXIS NY BRANCH COMM PAPER	0.00%	6/1/2022	9,986,500.00	0.27%	
12/1/2021	12/3/2021	15,000,000.00	22533UF16	CREDIT AGRICOLE CIB NY COMM PAPER	0.00%	6/1/2022	14,982,000.00	0.24%	
12/1/2021	12/3/2021	14,000,000.00	2254EBHS3	CREDIT SUISSE NEW YORK COMM PAPER	0.00%	8/26/2022	13,960,691.11	0.38%	
12/22/2021	12/23/2021	14,500,000.00	912796P94	US TREASURY BILL	0.00%	12/1/2022	14,464,080.28	0.26%	
<b>Total BUY</b>		<b>72,200,000.00</b>					<b>72,069,054.56</b>		<b>0.00</b>

### Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
12/14/2021	12/14/2021	605,000.00	92826CAC6	VISA INC CORPORATE (CALLABLE) NOTES	2.80%	12/14/2022	8,470.00		
<b>Total INTEREST</b>		<b>605,000.00</b>					<b>8,470.00</b>		<b>0.00</b>

## Important Disclosures

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

**TO:** Finance Committee of the City of Salem and  
the Urban Renewal Agency

**THROUGH:** Josh Eggleston, Chief Financial Officer

**FROM:** Jennifer Mattechek, Chief Accountant

**SUBJECT:**

FY 2020-21 City of Salem Federal Grant Compliance Report Audit

**ISSUE:**

Results of the FY 2020-21 City of Salem Federal Grant Compliance Report audit

**RECOMMENDATION:**

Information Only

**SUMMARY:**

The certified public accounting firm of Grove, Mueller & Swank, PC, completed the annual audit of the City's Federal Grant Compliance Report for the FY 2020-21 fiscal year ending June 30, 2021. There were no formal findings or recommendations for improvement as a result of the audit. Grove Mueller & Swank, PC concluded the audit on February 16, 2022 and City Finance staff have distributed the final results to all required agencies per Federal Grant Compliance Reporting requirements.

**FACTS AND FINDINGS:**

The City of Salem and the Salem Urban Renewal agency receives federal grant funding for various projects including construction, airport project and public safety. As a condition of receiving federal grants, the City must adhere to specific reporting requirements on the use of these funds. Annually, the federal government mandates what specific types of grants that local governments are required to have audited for grant compliance standards. The City's FY 2020-21 audit included the review of HOME Investment Partnership programs, Highway Planning and Construction, Coronavirus Relief Funds and Coronavirus State and Local Fiscal Recovery funds. This was the fifth annual Federal Grant Compliance Report audit performed by Grove, Mueller & Swank, PC, pursuant to its current contract with the City and Urban Renewal Agency.

The City's FY 2020-21 Federal Grant Compliance Report can be found on the City's webpage at:

<https://www.cityofsalem.net/citydocuments/federal-grant-compliance-fy-21.pdf>

**BACKGROUND:**

A report on the audit of the FY 2020-21 Annual Comprehensive Financial Report was provided at the Salem City Council and Salem Urban Renewal Agency Finance Committee meeting held on January 24, 2022. At the time of this meeting the audit of the FY 2020-21 Federal Grant Compliance Report was pending and City Finance staff informed the Committee final audit finds would be reported once the audit procedures concluded.

***CITY OF SALEM, OREGON  
FEDERAL GRANT COMPLIANCE REPORT  
Year Ended June 30, 2021***



**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
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# GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

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(503) 581-7788 • FAX (503) 581-0152 • [www.gms.cpa](http://www.gms.cpa)

***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2021.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Grove, Mueller & Swank, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

December 30, 2021



# GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

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## ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

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

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Salem, Oregon's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Salem, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grove, Mueller & Swank, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

February 16, 2022

**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Amount Paid to Subrecipients</i>
<b>Department of Housing and Urban Development</b>				
Direct funding				
Community Planning and Development				
HOME Investment Partnerships Program	14.239	M-16-DC-41-0204	\$ 24,686	\$ 24,686
HOME Investment Partnerships Program	14.239	M-18-DC-41-0204	448,679	448,679
HOME Investment Partnerships Program	14.239	M-19-DC-41-0204	164,349	164,349
HOME Investment Partnerships Program	14.239	M-20-DC-41-0204	38,470	38,470
HOME Investment Partnerships Program	14.239	Admin	77,803	-
<i>Total Community Planning and Development</i>			<u>753,987</u>	<u>676,184</u>
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-41-0004	5,931	5,931
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-41-0004	10,387	10,387
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-41-0004	6,586	6,586
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-41-0004	13,700	13,700
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-41-0004	595,073	358,138
Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-41-0004	353,567	311,770
<i>Total CDBG - Entitlement Grants Cluster</i>			<u>985,244</u>	<u>706,512</u>
<b>Total Department of Housing and Urban Development</b>			<u>1,739,231</u>	<u>1,382,696</u>
<b>Department of Justice</b>				
Direct funding				
Drug Enforcement Administration				
Law Enforcement Assistance-Narcotics & Dangerous Drugs Training				
Organized Crime Drug Enforcement Task Force				
DEA Task Force Grant	16.004	Unknown	41,342	-
DEA Task Force Grant-OCDETF Grant	16.004	PA-OR-0259	1,175	-
Passed through Oregon Criminal Justice Service Division				
Office on Violence Against Women				
Violence Against Women Formula Grants	16.588	VAWA-C-2018-SalemPD-00012	112,146	-
Victims of Crime Act Grants	16.575	VOCA-SP-2020-SalemPD-00004	4,675	-
Direct funding				
Criminal Division				
Equitable Sharing Program	16.922	Various	1,200	-
<b>Total Department of Justice</b>			<u>160,538</u>	<u>-</u>
<b>Department of Transportation</b>				
<b>Federal Aviation Administration</b>				
Direct funding				
Airport Improvement Program	20.106	3-41-0055-023-2019	73,790	-
Airport Improvement Program	20.106	3-41-0055-027-2021	23,000	-
<b>Total Federal Aviation Administration</b>			<u>96,790</u>	<u>-</u>
<b>Federal Highway Administration</b>				
Passed through Oregon Department of Transportation:				
<b>Highway Planning and Construction Cluster</b>				
Brown Road NE: San Francisco-Sunnyview, Sidewalks & Bike Lanes	20.205	30833/K19234	49,133	-
Salem Regional Traffic Signal Center	20.205	31840/K19229	281,520	-
COS Signal Enhcmts (Unit 2)	20.205	32727/K20220	54,594	-
Commercial St: Oxford St SE-Winding Way SE	20.205	32428/K20169	54,921	-
Broadway Street at Pine Street	20.205	32433/K20204	12,841	-
Hilfiker Ln-Commercial St Intersection Improvements	20.205	33020/K20738	122,328	-
River Rd: Shangri-La to Wheatland	20.205	33250/K20740	42,796	-
Union Street NE: Commercial St NE to 12th St NE	20.205	32443/K20737	278,822	-
McGilchrist St SE: 12th St SE to 25th St SE	20.205	32537/K20739	286,575	-
McGilchrist St SE at 22nd Ave SE	20.205	34064/K21887	25,923	-
<b>Total Highway Planning and Construction Cluster</b>			<u>1,209,453</u>	<u>-</u>

**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**YEAR ENDED JUNE 30, 2021**

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Amount Paid to Subrecipients</i>
<b>National Highway Traffic Safety Administration</b>				
<i>Highway Safety Cluster</i>				
Passed through Oregon Association of Chiefs of Police				
State and Community Highway Safety				
Speed Equipment Grant	20.600	Unknown	\$ 6,662	\$ -
Occupant Protection	20.600	Unknown	23,610	-
Distracted Driving Enforcement	20.600	Unknown	1,344	-
Passed through Oregon Association of Chiefs of Police				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
DUII Enforcement-Oregon Impact Grant	20.608	Unknown	10,870	-
Passed through Oregon Association of Chiefs of Police				
National Priority Safety Programs				
Drug Recognition Expert	20.616	Various	1,283	-
Pedestrian Safety	20.616	Unknown	10,845	-
<i>Total Highway Safety Cluster</i>			<u>54,614</u>	<u>-</u>
<i>Total Department of Transportation</i>			<u>1,360,857</u>	<u>-</u>
<b>Department of Treasury</b>				
Passed through Oregon Department of Administrative Services				
Coronavirus Relief Fund				
	21.019	1112	2,502,531	-
Business Oregon/CARES				
	21.019	C2020377	105,043	105,043
Direct funding				
Coronavirus State and Local Fiscal Recovery Funds				
	21.027	Unknown	500,000	500,000
<i>Total Department of Treasury</i>			<u>3,107,574</u>	<u>605,043</u>
<b>Department of General Services Administration</b>				
Passed through Oregon Department of Administrative Services				
Donation of Federal Surplus Personal Property				
	39.003	Unknown	3,585	-
<b>Department of Energy</b>				
Direct funding				
Bonneville Power Administration				
Minto Brown Island Phase 3	81.000	86230	45,240	-
<b>Department of Homeland Security</b>				
Passed through Oregon Emergency Management				
FEMA Disaster DR4562 Santiam Canyon Wildfire				
	97.036	DR4562	7,605	-
Emergency Management Performance Grants				
	97.042	19-542	111,034	-
Homeland Security Grant Program				
Bomb Teams Equipment/Training Grant	97.067	19-258	11,207	-
<i>Total Department of Homeland Security</i>			<u>129,846</u>	<u>-</u>
<i>Total Federal Expenditures</i>			<u>\$ 6,546,871</u>	<u>\$ 1,382,696</u>

See notes to schedule of expenditures of federal awards.

**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*YEAR ENDED JUNE 30, 2021*

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***PURPOSE OF THE SCHEDULE***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Salem, Oregon (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

*Basis of Presentation*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

***INDIRECT COST RATE***

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**CITY OF SALEM, OREGON**  
**FEDERAL GRANT COMPLIANCE REPORT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*YEAR ENDED JUNE 30, 2021*

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**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's opinion issued:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction Cluster
21.019	Coronavirus Relief Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.