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# COMPREHENSIVE ANNUAL

# FINANCIAL REPORT

For Fiscal Year Ended June 30, 2015



New Commercial Street  
Bridge over Pringle Creek  
March 2014



O R E G O N

**CITY OF SALEM,  
OREGON**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

For the Fiscal Year Ended

June 30, 2015

Prepared by the Administrative Services Department - Finance Division

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

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

# **Introductory Section**



FINANCE DEPARTMENT  
555 Liberty St. SE, Room 230 • Salem, OR 97301-3513

**December 4, 2015**

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

The Administrative Services Department, Finance Division is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Salem, Oregon (City), for the fiscal year ended June 30, 2015. To the best of our knowledge, and in the opinion of the City's independent auditor, the basic financial statements present fairly, in all material respects, the financial position of the City and the results of operations of the various funds and component units in conformity with accounting principles generally accepted in the United States (GAAP).

The City is required by State law to undergo an annual audit and publish, within six months of the close of each fiscal year, a complete set of audited financial statements in conformity with the provisions of Oregon Revised Statutes. The City's basic financial statements have been audited by Merina & Company, LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2015. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the above requirements, the audit was also designed to meet the special needs of federal grantor agencies as required by the Single Audit Act and the Office of Management and Budget's Circular A-133. These standards require the auditor to report on the fair presentation of the financial statements, as well as the City's internal controls and compliance with legal requirements, with emphasis on the administration of federal and state awards. The report on the City's Single Audit for the fiscal year ended June 30, 2015 indicates no instances of material weakness in the internal control structure and no violations of applicable laws and regulations. Information related to the Single Audit, including a Schedule of Expenditures of Federal Awards, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a Schedule of Findings and Questioned Costs is included in a separately issued federal grant compliance report.

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

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

## CITY PROFILE

The City of Salem, incorporated in 1860, is the capital of the State of Oregon, and the seat of Marion County. It is located in Marion and Polk Counties in the Mid-Willamette Valley and is approximately 45 miles south of Portland, Oregon. Salem has a population of 159,265 and covers 49 square miles. The City operates under a home rule charter available at <http://www.cityofsalem.net/Departments/Legal/Pages/CityCharter.aspx>. The Charter provides specific and general powers for conducting the City's business through an elected council and appointed city manager. The council-manager form of government separates legislative policy functions from administrative functions.

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

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

### **Reporting entity**

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

### **Budget process**

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

## ECONOMIC CONDITIONS AND OUTLOOK

### **Recent economic performance**

Employment levels in many industries improved in 2014, most notably in the areas of construction, and professional and business services. Most industries other than information services and natural resources experienced modest increases in employment.

In 2014, industries with the highest levels of employment in the Salem Metropolitan Statistical Area (MSA) were educational and health services (22,800 employees), state government (21,100), and local government and schools (17,100).

The average unemployment rate for the Salem MSA improved significantly in 2014, from 8.2% to 7.4%. However, this level continues to exceed the State of Oregon (6.9%) and national (6.2%) rates.

From 2004 to 2014, nonfarm employment in the Salem MSA has increased from 146,500 to 157,770 (7.7%). During the same period, the civilian labor force residing within the Salem MSA has increased from 182,900 to 184,800 (1.0%).



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

The City, with major funding assistance secured from federal and state sources and the urban renewal agency, has begun construction of the Peter Courtney Minto Island Bridge. The bridge and associated trail will provide direct bicycle and pedestrian access to Minto-Brown Island Park from Riverfront Park near downtown. This project will complete the connection of more than 1,000 acres of parks and many miles of trails readily accessible from downtown.

The "South Block" construction is nearing completion. Pringle Square is a private, mixed-use development of nine acres on the former Boise Cascade site near downtown. The site plans include multiple buildings with residential and office/retail space. The City anticipates construction on the north block portion of the project to begin in 2016. The north block will include a short-term rehabilitation facility and office uses.

### **Long-term financial planning**

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

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

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

*Economic impact of Oregon Public Employees Retirement System (PERS) future rates* – The City's PERS employer contribution rates increased moderately for the biennium beginning July 1, 2015. Due to the Oregon Supreme Court ruling striking down some of the PERS reforms enacted in 2013, rates effective July 1, 2017 are likely to increase significantly. More information can be found in the notes to the financial statements.

### **Relevant financial policies**

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

## **Major initiatives**

Council goals for 2015-2016 are safe community, strong neighborhoods, a well-planned community, vibrant economy, and good governance.

The safe community goal strives to ensure people feel safe in our community by focusing on the public's safety, including prevention, and an effective and timely response when an emergency or threat arises.

Strong neighborhoods means preserving livability for residents in Salem's strong and distinctive neighborhoods.

A well-planned community provides our community with opportunities for artistic, cultural, and recreational pursuits and preserves our community's natural environment.

A vibrant economy will create the environment and opportunity for smaller traded sector businesses and local companies to retain and expand in Salem and foster strategic partnerships to grow jobs and income, attract visitors, and conduct strategic recruitment of traded sector employers.

Good governance will maintain sustainability through multi-year financial plans to balance anticipated revenue and long-term facility needs with community-defined service levels, contractual commitments, and regulatory requirements.

## **OTHER INFORMATION**

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salem, Oregon, for its CAFR for the fiscal year ended June 30, 2014. The City has received this award 17 times. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current report continues to meet the standards of the Certificate of Achievement Program, and we are submitting it to GFOA to determine its eligibility for certification.

### **Acknowledgments**

The required financial reports were prepared by the City's Finance Division, including Sandra Montoya, Dave Hauser, Barbara Brown, Denise John, Jeremy Morgan, Anja Straw, Leslie Wyne, and Melody Kanz. The Finance Division would like to thank all City personnel who contributed to these reports and the members of the City Council, Finance Committee, Budget Committee, City Manager, and Deputy City Manager for their interest and support in the professional and progressive management of the financial operations of the City. Preparation of these reports would not have been successful without their support.

Respectfully submitted,



Deborah Bond, CPA  
Administrative Services and Finance Director



Government Finance Officers Association

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

Presented to

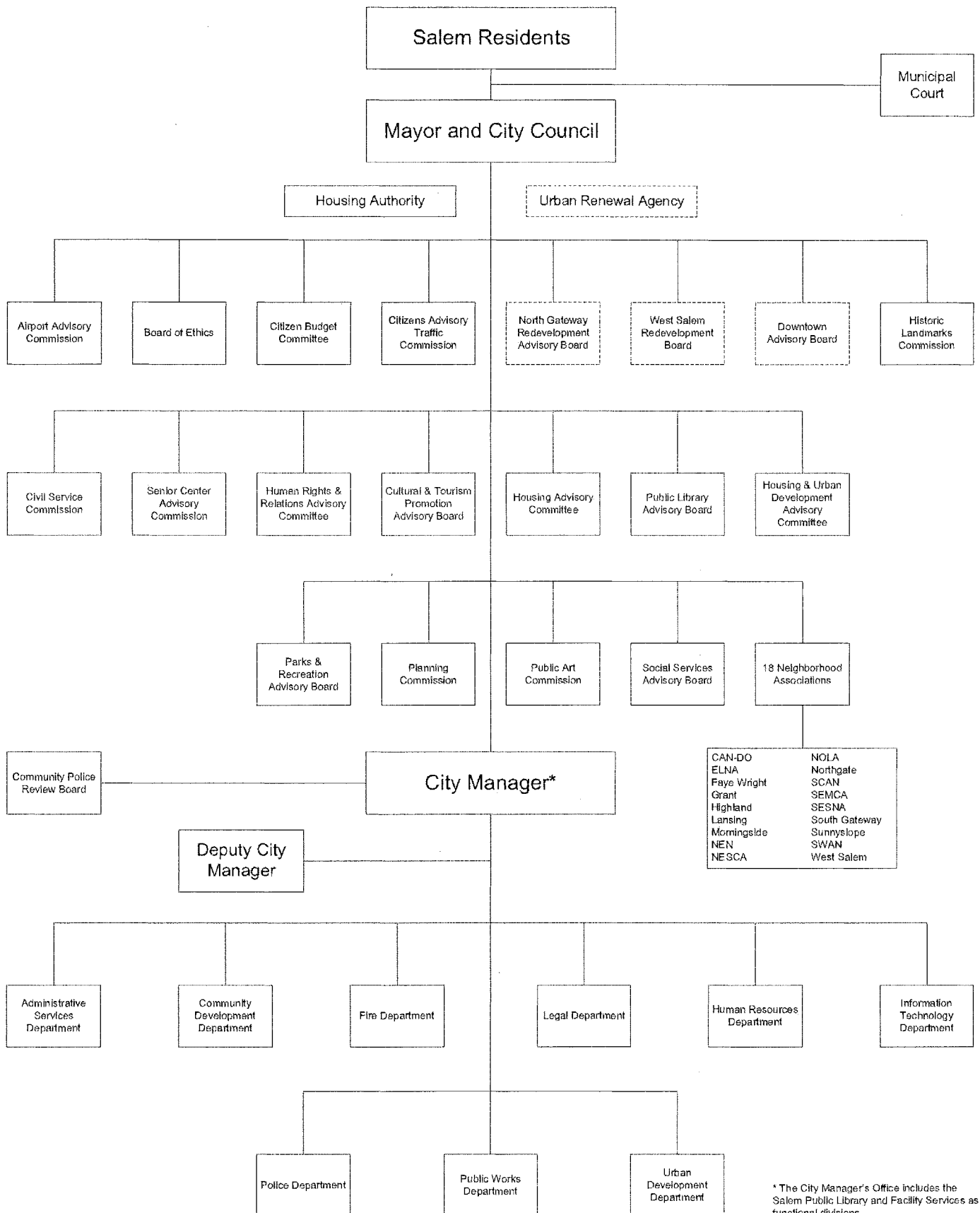
**City of Salem  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# Organization of the City of Salem, Oregon



\* The City Manager's Office includes the Salem Public Library and Facility Services as functional divisions.

# CITY OF SALEM, OREGON

## CITY COUNCIL

<u>Ward No.</u>	<u>Name</u>	<u>Term Expires December 31,</u>
Mayor	Anna M. Peterson	2016
1	Chuck Bennett	2016
2	Tom Andersen	2018
3	Brad Nanke	2016
4	Steve McCoid	2018
5	Diana Dickey	2016
6	Daniel Benjamin	2018
7	Warren Bednarz	2016
8	Jim Lewis	2018

## ADMINISTRATIVE STAFF

*City Manager:* Linda Norris (retired March 31, 2015)  
*Interim City Manager:* Kacey Duncan (appointed April 1, 2015)  
*Administrative Services and Finance Director:* Deborah Bond

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

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# Financial Section

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Salem, Oregon  
Salem, Oregon

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Salem, Oregon'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General Fund, Public Works Fund, and the Community Renewal Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note IV (I) to the financial statements, the City of Salem, Oregon adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the defined benefit pension plan (PERS), and the schedule of funding progress - OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, the defined benefit pension plan (PERS), and to the schedule of funding progress-OPEB, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salem, Oregon's basic financial statements. The introductory section, combining statements, budgetary comparison schedules, other financial schedules, statistical section, and SEC Rule 15c2-12 Disclosures, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

#### **Reports on Other Legal and Regulatory Requirements**

##### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of the City of Salem, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salem, Oregon's internal control over financial reporting and compliance.

**Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 4, 2015, on our consideration of the City of Salem, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
December 4, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

This discussion and analysis of the City of Salem's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter (beginning on page 1), basic financial statements (beginning on page 31), and notes to the financial statements (beginning on page 56).

**FINANCIAL HIGHLIGHTS**

- The net position of the City at the close of fiscal year 2014-15 is \$1.1 billion. Of this amount, \$30.8 million, the unrestricted net position, is available to meet the City's ongoing obligations.
- The increase in net position of \$65.3 million for the year is comprised of a \$38.9 million increase from governmental activities and a \$26.4 million increase from business-type activities.
- The net decrease of \$3.8 million in capital assets represents an increase in capital assets for governmental purposes of \$2.7 million and a decrease in business-type capital assets of \$6.5 million. The governmental increase is primarily reflected in streets infrastructure. The decrease in business-type capital assets is a result of current year depreciation not offset by the addition of new capital assets (see the Capital Asset discussion on page 23 for more details).
- Net long-term liabilities decreased \$29.3 million from the previous year. This represents a decrease in governmental liabilities of \$13.0 million and a decrease of \$16.3 million in business-type liabilities. Both decreases are due to scheduled debt repayment and no issuance of new long-term debt.
- The government-wide statements reflect implementation of the Governmental Accounting Standards Board (GASB) Statement 68 to illustrate the financial aspects of pension liabilities and the resources available to pay them. This includes a restated beginning net position which reduced net position by \$95.5 million, that includes elimination of the prepaid PERS bond obligation of \$52.8 million reported in the prior year. The current year statements reflect the addition of a net pension asset of \$23.3 million, deferred outflows of \$9.9 million and deferred inflows of \$44.9 million, with a net reduction to expense of \$31.0 million. (See the PERS note on page 81 for more details.)
- On a fund basis, the City's governmental funds reported a combined ending fund balance of \$127.5 million. Of this amount, a total of \$37.8 million (29.6%) is either committed or unassigned and available to fund ongoing activities. Unassigned fund balance increased \$3.0 million from the prior year. Committed fund balances increased \$1.7 million. The remaining fund balance of \$89.7 million (70.4%) is either restricted or is a non-spendable asset. This represents a decrease in restricted/non-spendable assets of \$4.4 million, primarily for funds restricted for capital construction. The increase in fund balance overall is not significant at \$0.3 million, but reflects a \$5.5 million increase in four of the major funds offset by a decrease of \$4.9 million in the remaining major capital improvement fund due to spending of street bond proceeds.
- At year-end, the unassigned fund balance in the General fund was \$23.5 million, or 25.5% of total General fund expenditures.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Government-wide financial statements (pages 31-33).** The government-wide financial statements present the financial picture of the City from the economic resources measurement focus, using the accrual basis of accounting, which is similar to that used by private-sector companies.

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

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

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

*Salem Housing Authority* – A discretely presented component unit of the City.

**Fund financial statements (pages 36-47 and 50-53).** The fund financial statement section includes statements for each of the three basic fund types: governmental, proprietary, and fiduciary.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

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

**Notes to the financial statements (pages 56-92).** The notes provide additional, essential information regarding the data provided in the government-wide and fund financial statements. For a fuller understanding of the financial statements, read the notes in conjunction with them.

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

**Required supplementary information (RSI) (pages 93-94).** This section presents information about the City's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

**Supplemental information (pages 98-147).** This section includes combining statements of nonmajor governmental funds, nonmajor business-type funds, internal service funds, and changes in assets and liabilities of agency funds, as well as budgetary comparison schedules not shown as part of the basic financial statements. Also included in this section are schedules detailing bonded debt, property tax transactions, and internal service fund adjustments for preparation of government-wide statements.

**FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

**Government-wide Financial Analysis**

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

**Financial Position**

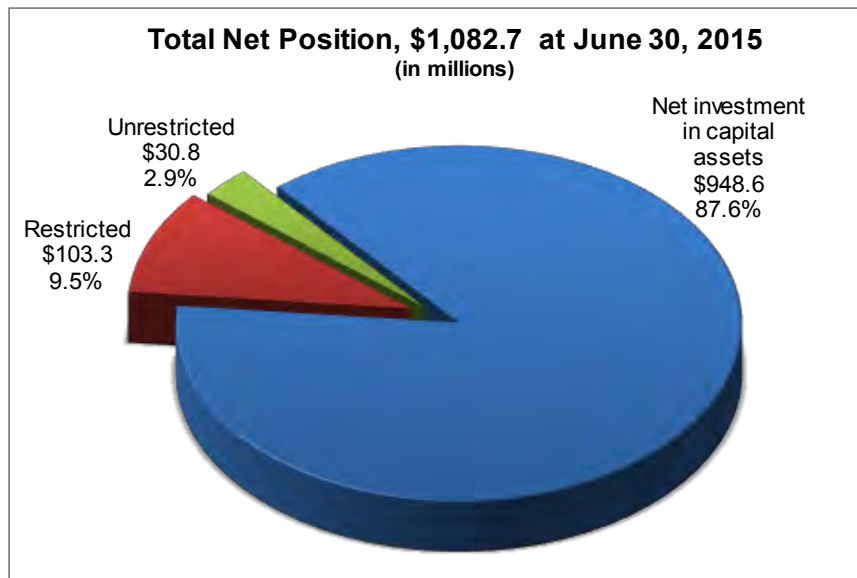
Net position, over time, is a useful indicator of a government's financial position. The following table shows a summary of the Statement of Net Position for the past two years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cash and investments	\$ 159.2	\$ 155.9	\$ 55.3	\$ 48.5	\$ 214.5	\$ 204.4
Other assets	49.3	87.3	27.3	18.5	76.6	105.8
Capital assets	526.2	523.5	656.3	662.8	1,182.5	1,186.3
Total assets	<u>734.7</u>	<u>766.7</u>	<u>738.9</u>	<u>729.8</u>	<u>1,473.6</u>	<u>1,496.5</u>
Deferred outflows of resources	7.1	0.0	7.6	5.5	14.7	5.5
Other liabilities	10.1	9.6	3.2	2.7	13.3	12.3
Long-term liabilities	181.7	194.7	165.8	182.1	347.5	376.8
Total liabilities	<u>191.8</u>	<u>204.3</u>	<u>169.0</u>	<u>184.8</u>	<u>360.8</u>	<u>389.1</u>
Deferred inflows of resources	32.3	0.0	12.5	0.0	44.8	0.0
Net position:						
Net investment in capital assets	446.3	435.8	502.3	487.3	948.6	923.1
Restricted	87.1	79.8	16.2	11.3	103.3	91.1
Unrestricted	(15.7)	46.8	46.5	51.9	30.8	98.7
Total net position	<u>\$ 517.7</u>	<u>\$ 562.4</u>	<u>\$ 565.0</u>	<u>\$ 550.5</u>	<u>\$ 1,082.7</u>	<u>\$ 1,112.9</u>

See the Statement of Net Position (page 31) for more detailed information.



The City ended the year with a net position of \$1.1 billion. \$948.6 million, or 87.6% of this amount, reflects the City's net investment in capital assets. This includes all capital assets (land, buildings, infrastructure, improvements, and machinery and equipment, net of accumulated depreciation) plus related deferred inflows and less related outstanding debt, used to acquire the assets. The City uses these capital assets to provide services to citizens and consequently they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

An additional portion of net position, \$103.3 million, or 9.5%, represents resources that are subject to external restrictions on how they may be used, such as debt service or capital projects. The remaining balance of unrestricted net position, totaling \$30.8 million, or 2.9%, may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental Activities.** The total net position from governmental activities increased \$38.9 million, or 8.1%, not considering the restatement of beginning net position. This is reflected on the Statement of Net Position primarily as a decrease in other assets of \$38.0 million, an increase in deferred outflows of \$7.1 million, a decrease in long-term liabilities of \$13.0 million, and an increase in deferred inflows of \$32.3 million. Factoring in the restatement of beginning net position and other minor balance changes brings the change in final net position to \$44.7 million between June 30, 2014 and June 30, 2015. The changes to other assets, long term liabilities and deferred inflows and outflows are primarily due to principal payments on long term debt and implementation of GASB Statement 68, which places the full actuarial amount of pension obligations and resources on the Statement of Net Position. Pension amounts were formerly disclosed only in the notes to the financial statements and required supplementary information (RSI) sections of the CAFR. More information on the effects of GASB Statement 68 and pension details are shown in the notes to the financial statement and RSI.

**Business-type Activities.** The total net position of business-type activities increased \$26.4 million, or 4.9%. The most significant changes on the Statement of Net Position are decreases in capital assets and long-term liabilities and increases in other assets and deferred inflows. Capital assets decreased \$6.5 million because current depreciation exceeded the addition of new capital assets. Other assets, long-term liabilities, and deferred inflows and outflows changed substantially due to regular debt service payments and implementation of GASB Statement 68.

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

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

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

**Results of Operations**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program revenues:						
Charge for services	\$ 37.9	\$ 37.7	\$ 101.8	\$ 97.3	\$ 139.7	\$ 135.0
Operating grants and contrib.	13.8	13.3	-	0.1	13.8	13.4
Capital grants and contrib.	12.5	10.6	6.2	5.5	18.7	16.1
General revenues:						
Taxes and franchise fees	101.6	96.0	-	-	101.6	96.0
Shared state tax revenue	4.8	4.7	-	-	4.8	4.7
Interest	1.0	0.8	0.4	0.3	1.4	1.1
Other	0.7	0.2	0.8	0.3	1.5	0.5
Total revenues	<u>172.3</u>	<u>163.3</u>	<u>109.2</u>	<u>103.5</u>	<u>281.5</u>	<u>266.8</u>
Program expenses						
General government	19.6	23.1	-	-	19.6	23.1
Public safety	48.3	60.5	-	-	48.3	60.5
Community development	25.6	22.6	-	-	25.6	22.6
Community services	7.4	8.3	-	-	7.4	8.3
Engineering and streets	21.5	20.9	-	-	21.5	20.9
Library services	3.3	4.5	-	-	3.3	4.5
Interest on long-term debt	7.1	8.0	-	-	7.1	8.0
Water and sewer	-	-	70.9	78.1	70.9	78.1
Emergency services	-	-	0.9	1.1	0.9	1.1
WVPS communications center	-	-	7.3	8.9	7.3	8.9
Police Regional Records	-	-	0.2	0.2	0.2	0.2
Salem Convention Center	-	-	4.1	3.9	4.1	3.9
Total expenses	<u>132.8</u>	<u>147.9</u>	<u>83.4</u>	<u>92.2</u>	<u>216.2</u>	<u>240.1</u>
Excess before special items and transfers	39.5	15.4	25.8	11.3	65.3	26.7
Transfers	(0.6)	(0.4)	0.6	0.4	-	-
Change in net position	<u>38.9</u>	<u>15.0</u>	<u>26.4</u>	<u>11.7</u>	<u>65.3</u>	<u>26.7</u>
Net position - beginning	562.4	547.4	550.5	538.8	1,112.9	1,086.2
Restatement*	(83.6)	-	(11.9)	-	(95.5)	-
Restated net position - beginning	<u>478.8</u>	<u>-</u>	<u>538.6</u>	<u>-</u>	<u>1,017.4</u>	<u>-</u>
Net position - ending	<u>\$ 517.7</u>	<u>\$ 562.4</u>	<u>\$ 565.0</u>	<u>\$ 550.5</u>	<u>\$ 1,082.7</u>	<u>\$ 1,112.9</u>

\* The effect on FY15 beginning balances due to implementation of GASB statement 68. More detail is available in the notes.

See the Statement of Activities (pages 32-33) for more detailed information.

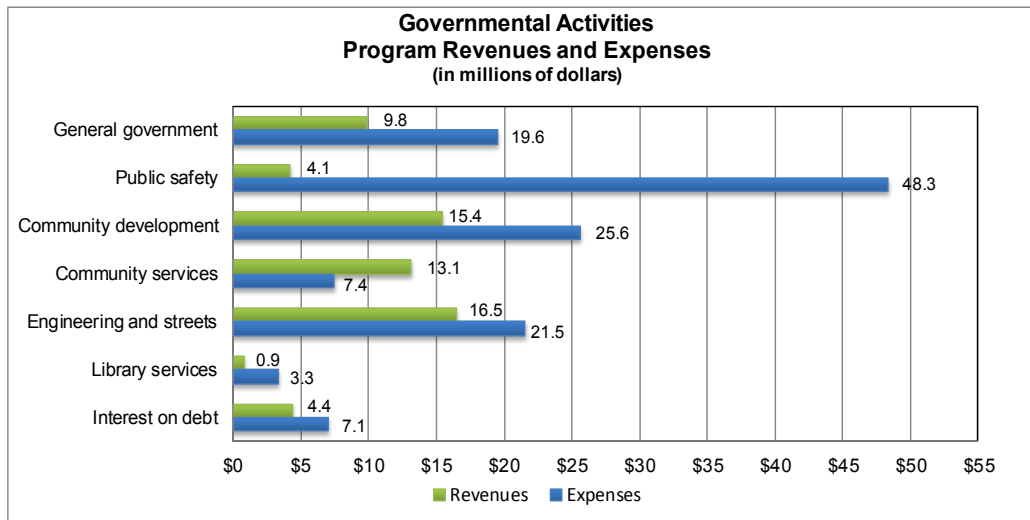
**Governmental Activities.** The governmental net position before transfers increased \$39.5 million, accounting for 60.5% of the City's total growth in net position before transfers. This increase is \$24.1 million larger than the prior year's increase. The increased change in net position over the prior year's change is primarily related to the following activity.

- Program expenses, particularly noted in public safety, were substantially lower this year. This is primarily due to implementation of GASB Statement 68 and the negative pension liability (pension asset) reported by the Oregon Public Employees Retirement System (PERS) this year. Negative pension expense of \$22.4 million in program expenses was associated with recognition of the pension asset.

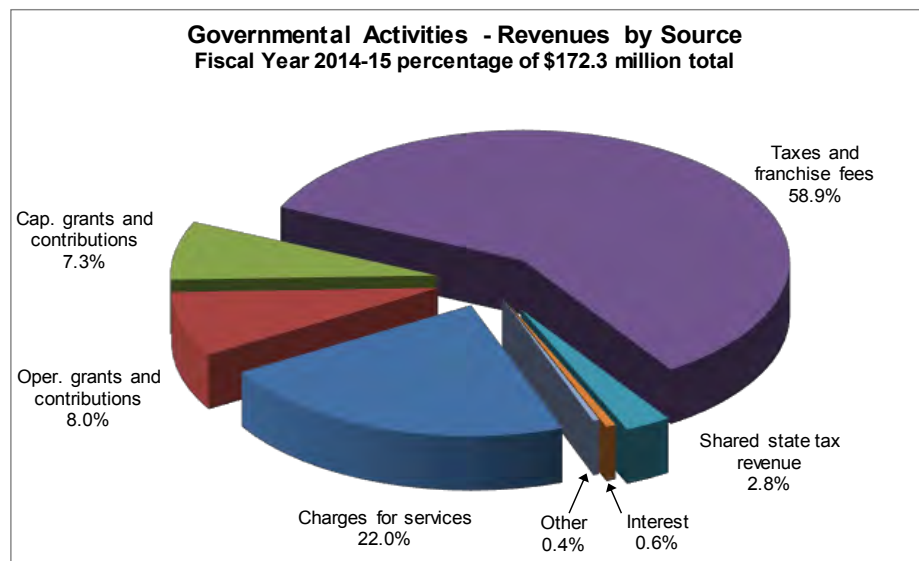
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

- Without the negative expense adjustment to implement GASB Statement 68, the change in net position in governmental funds before transfers would be \$17.8 million which is an increase of 18.7% over the prior year. Property tax revenues increased by \$4.4 million while expenses were reduced by continued thoughtful spending and less construction activity.

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



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

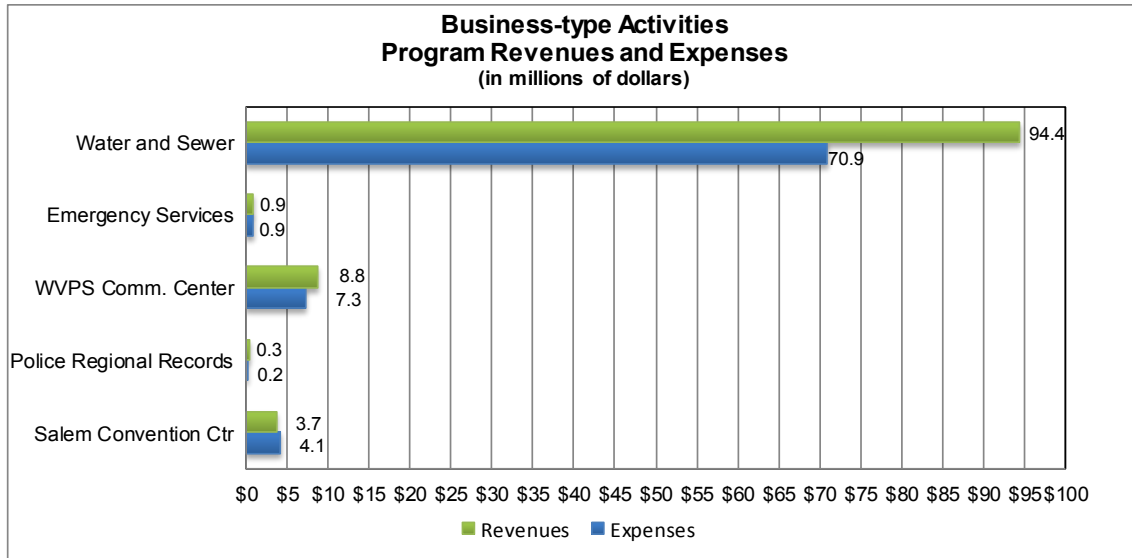


**Business-type Activities.** The table on page 18 shows that the City's net position from business-type activities increased by \$25.8 million before transfers. This is \$14.5 million more than the prior year's change and is primarily related to the following activity.

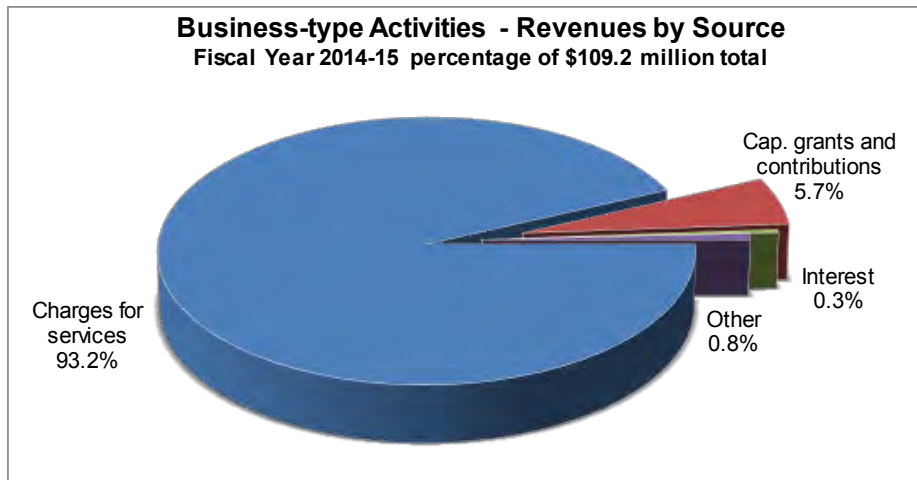
- Charges for services increased \$4.5 million, primarily due to utility revenue increases of \$4.7 million as a result of the 3% rate increase in January 2015.
- A negative expense adjustment of \$8.6 million to implement GASB Statement 68.
- \$1.2 million reduction in construction related expense.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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



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



**Fund-based Financial Analysis**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the City's major governmental and proprietary funds. The financial statements of governmental funds show more detail than governmental activities in

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

the government-wide statements, and focus on near-term inflows, outflows, and ending balances of spendable resources. The statements of proprietary funds show detail for each enterprise included in business-type activities, with the same focus used in government-wide reporting.

**Governmental Funds.** At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$127.5 million, an increase of \$0.3 million, or 0.2%, from last year. The unassigned General fund balance of \$23.5 million, or 18.4% of the total governmental fund balance, is available for spending at the City's discretion. The remainder of the balance is constrained as follows. Non-spendable balances are \$0.6 million, or 0.5%. Amounts restricted to capital projects, debt service, or with other donor or legal restrictions are \$89.2 million, or 70.0%. Committed fund balances are \$14.2 million, or 11.1%.

The total General fund balance increased \$3.0 million, from \$21.0 million to \$24.0 million, of which \$23.5 million is unassigned. Total revenues increased 4.6% or \$4.2 million, primarily from property taxes. Total expenditures increased \$1.9 million, primarily in the general government and public safety functions due to personnel cost increases. The total ending fund balance is 21.4% of the fiscal year 2015-16 budgeted fund revenues and complies with the ending fund balance/reserve policy adopted by the Council.

Public Works fund balance increased \$1.2 million, or 57.1%, from \$2.1 million to \$3.3 million. The increase is due to increased support for street bond funded projects and a slight uptick in state gas tax revenue, as well as savings in maintenance and electricity costs.

Capital Improvements fund balance decreased \$4.8 million, from \$39.3 million to \$34.5 million. This was primarily due to spending of streets and bridges bond proceeds.

Tax Allocation Improvements fund balance increased \$1.3 million. This change was primarily due to decreased construction expenditures of \$1.4 million in the West Salem area. A spending increase in the Riverfront urban renewal area of \$4.3 million (Minto-Island bridge contribution) offset a similar decrease in the Mill Creek area (reservoir project completed last year).

**Proprietary Funds.** At June 30, 2015, the City's enterprise funds reported a combined net position of \$562.7 million (excluding the internal service consolidation adjustment), an increase of \$26.0 million. Internal service funds increased \$2.8 million to a net position of \$35.5 million.

The Water and Sewer fund net position increased \$25.0 million, from a restated beginning net position of \$507.1 million to \$532.1 million. At June 30, 2015, \$475.7 million is the net investment in capital assets, \$16.2 million is restricted for capital projects, and \$40.2 million is unrestricted. Of the unrestricted funds, \$18.2 million are designated as a 120-day operating reserve, including \$6.9 million designated for rate stabilization. The remaining unrestricted balance includes additional funding set aside for the completion of capital projects. The increase in net position was generated by operating income of \$24.7 million and included a negative expense adjustment of \$6.7 million due to pension liabilities reported under GASB Statement 68. The remaining increase in net position is related to infrastructure construction.

The City Services and Equipment Replacement Reserve funds combined net position increased \$2.5 million, primarily due to improved operating income generated by cost savings.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

**Budgetary Highlights**

The following is a brief review of the changes from the originally adopted budget to the final amended budget, and differences between the final budget and actual activity for the General fund. See the budget and actual comparison on pages 44-45 for more detailed information.

**General Fund**

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

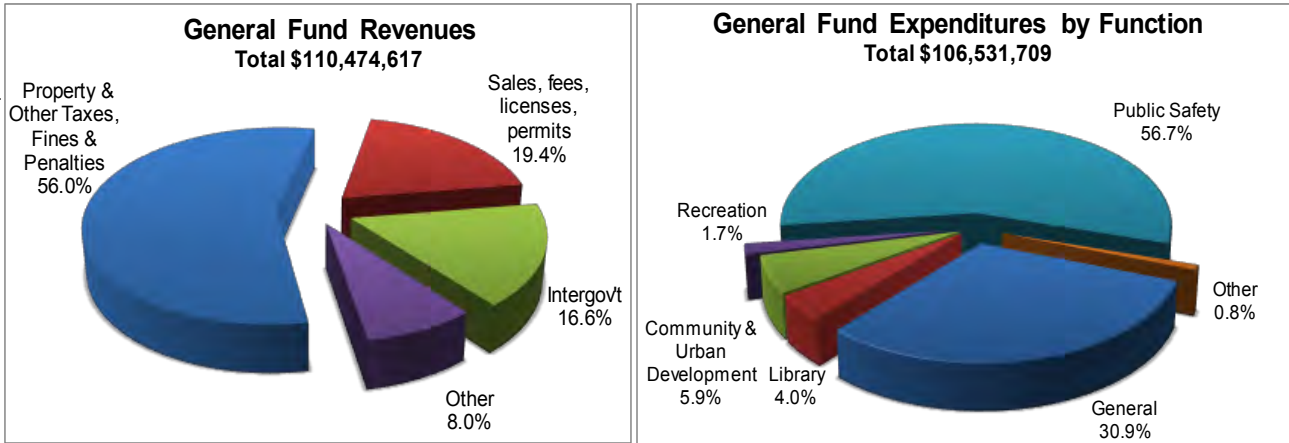
- Transfer of \$43,000 from contingency to personal services to enable spending of funds donated for Center 50+ staffing.
- Transfer of \$275,000 from contingency to capital outlay for purchase of budget software.
- Transfer of \$59,800 from contingency to personal services for additional temporary staffing in parking services during the holiday season.
- Transfer of \$65,000 from contingency to materials and services for higher than anticipated court-appointed legal services for defendants in criminal proceedings.
- Additional \$1,500,000 of spending authority in capital outlay to purchase parking meter equipment, funded by an interfund loan. Loan proceeds were in the original budget.
- Additional \$187,500 of spending authority in materials and services to enable spending of an EPA grant.
- Additional \$12,500 of spending authority in materials and services to enable spending of funds donated for improvements at Bush Barn.

Differences between actual results and the final amended budget resulted in the General fund balance ending \$14.5 million greater than originally budgeted. This is primarily due to:

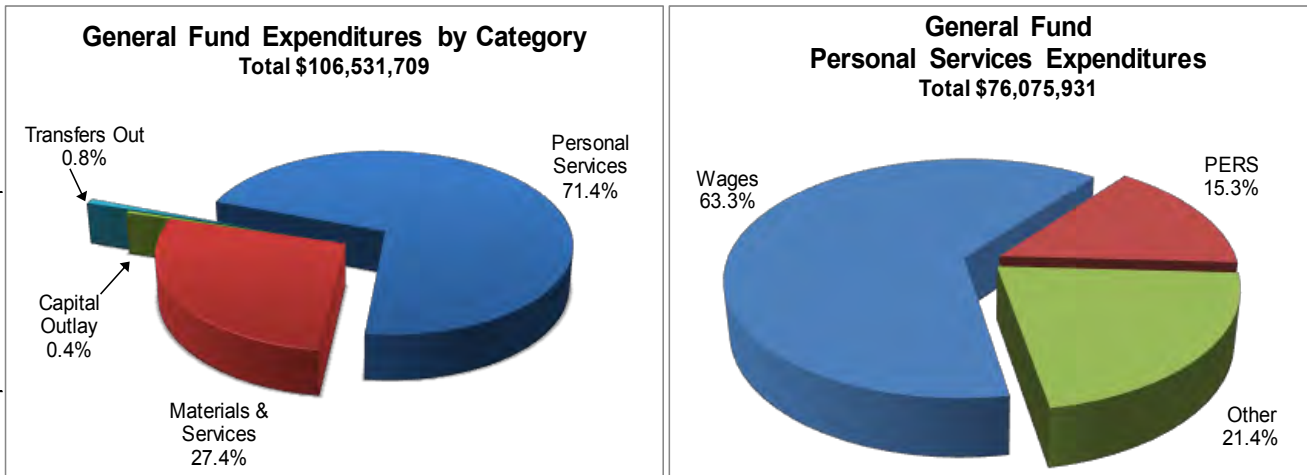
- \$1.4 million larger than budgeted beginning balance due to prior year spending reductions,
- \$2.1 million higher than budgeted property tax revenue,
- \$0.8 million higher than budgeted franchise fee revenue,
- \$5.3 million less than budgeted in personal services due to pension contribution savings of \$3.5 million and general savings due to unfilled positions,
- \$1.0 in general materials and services savings due to cost cutting efforts,
- \$1.5 million budgeted for purchase of parking meter equipment was not spent during the year,
- \$2.1 million in unspent contingency.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**



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



**Capital Assets**

As of June 30, 2015, the City had invested \$1.2 billion in capital assets, as summarized in the following table. This represents a net decrease (including additions, deductions, and depreciation) of \$3.8 million, or 0.3%, from the prior year. The governmental capital asset increase of \$2.7 million, net of depreciation is about a third of the prior year governmental increase. The net governmental increase reflects decreased construction activity in airport, street, and Mill Creek water reservoir projects and increased activity in park and urban renewal projects, with a land purchase to increase Riverfront Park in the area of Pringle Creek and commencement of construction of the pedestrian bridge and related trail improvements from Riverfront Park to Minto-Brown Island Park. The business-type decrease of \$6.5 million is primarily a utility infrastructure decrease due to annual depreciation exceeding additions, partially offset by increased work in progress, which will become part of infrastructure in future years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land, land improvements, and art	\$ 233.8	\$ 229.1	\$ 17.1	\$ 17.0	\$ 250.9	\$ 246.1
Buildings	41.8	43.1	24.5	25.2	66.3	68.3
Improvements	21.4	21.0	-	-	21.4	21.0
Equipment and machinery	9.0	10.2	0.6	0.8	9.6	11.0
Vehicles	9.2	9.0	-	-	9.2	9.0
Infrastructure	144.1	138.9	-	-	144.1	138.9
Utility systems	-	-	561.4	569.7	561.4	569.7
Work-in-progress	66.9	72.2	52.7	50.1	119.6	122.3
Total	<u>\$ 526.2</u>	<u>\$ 523.5</u>	<u>\$ 656.3</u>	<u>\$ 662.8</u>	<u>\$ 1,182.5</u>	<u>\$ 1,186.3</u>

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

**Change in Capital Assets for the Fiscal Year Ended June 30, 2015**  
(in millions)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning balance	\$ 523.5	\$ 662.8	\$ 1,186.3
Additions	18.3	10.8	29.1
Retirement	(1.2)	(0.3)	(1.5)
Accumulated depreciation	(14.4)	(17.0)	(31.4)
Ending balance	<u>\$ 526.2</u>	<u>\$ 656.3</u>	<u>\$ 1,182.5</u>

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

**Debt Outstanding**

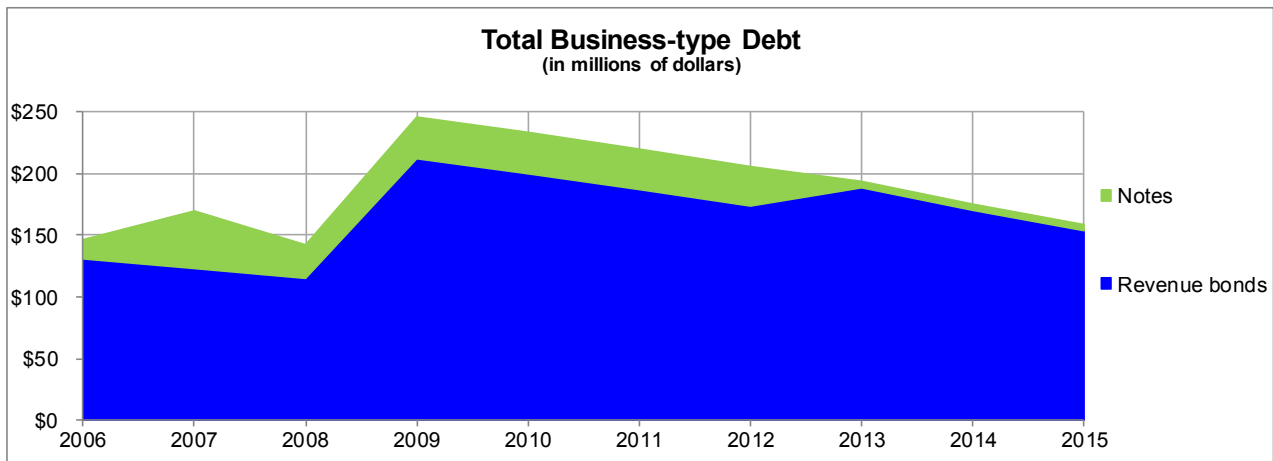
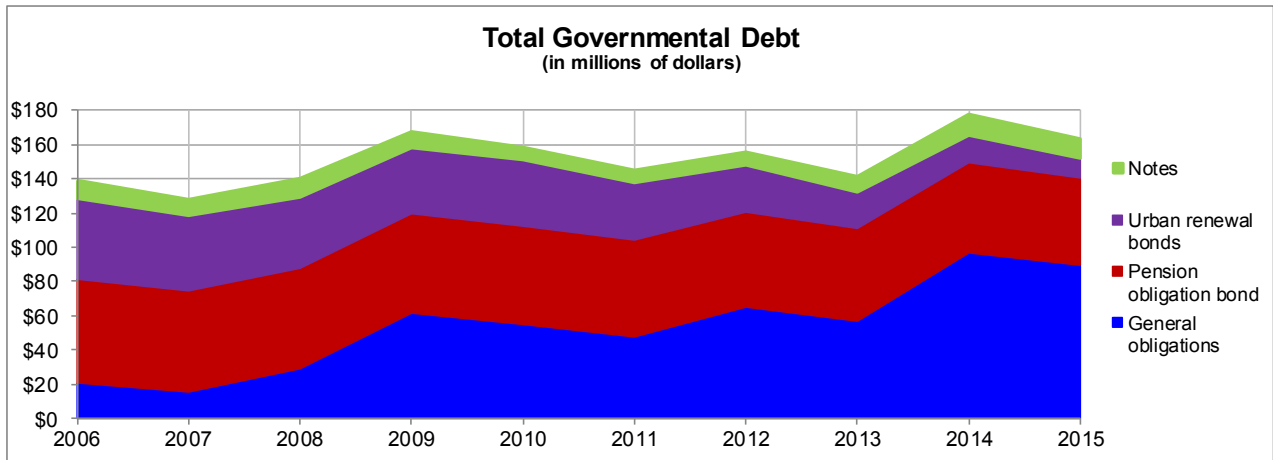
As of June 30, 2015, the City had a total of \$322.2 million in outstanding long-term debt, compared to \$353.2 million last year, an 8.8% net decrease, as illustrated in the following table.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Bonds:</b>						
General obligation	\$ 89.6	\$ 96.8	\$ -	\$ -	\$ 89.6	\$ 96.8
Revenue	-	-	153.8	170.3	153.8	170.3
Pension obligation	51.0	52.7	-	-	51.0	52.7
Urban Renewal	11.5	16.0	-	-	11.5	16.0
<b>Notes</b>	<b>11.3</b>	<b>12.3</b>	<b>5.0</b>	<b>5.1</b>	<b>16.3</b>	<b>17.4</b>
<b>Total outstanding debt</b>	<b>\$ 163.4</b>	<b>\$ 177.8</b>	<b>\$ 158.8</b>	<b>\$ 175.4</b>	<b>\$ 322.2</b>	<b>\$ 353.2</b>

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



Additional information on the City's debt is in the notes to the financial statements (pages 72-75) and supplemental information (pages 142-144).

No new long term debt was incurred during fiscal year 2014-15.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

*Debt Administration* – Since 1995, the City has had debt policies that provide guidance in the issuance of long and short-term indebtedness. These policies govern all types of indebtedness, including general obligations, revenue bonds, and lease purchase financings. Oregon Revised Statutes impose a limit on non-self-supporting general obligation (GO) debt of 3.0% of the real market value (RMV) of all taxable property within the City's boundaries. The City has adopted a more stringent limit of 1.5% of RMV. The actual level of GO debt on June 30, 2015 was 0.67% of RMV. The City also limits its property tax levy for GO debt service to no more than \$2.42 per \$1,000 assessed value. The actual levy for GO debt was \$0.9886 for 2014-15.

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

**Debt Per Capita, and as a Percent of Real Market Value (RMV)**  
**As of June 30, 2015**

	<u>Amount</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
Population (2014)	159,265		
2014-15 Measure 5 RMV	\$ 12,917,229,291	\$ 81,105	-
Total bonded debt outstanding	298,523,669 *	1,874	2.31%
Net direct GO debt	85,948,669 *	540	0.67%
Net overlapping debt	284,606,301	1,787	2.20%
Net direct and overlapping debt	370,554,970	2,327	2.87%

\*Excludes issuance premium

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

*Fiscal year 2015-16 Adopted Budget* - The annual budget for fiscal year 2015-16 for all funds anticipates a personal services increase of 4.9%, materials and services decrease of 4.7%, capital outlay increase of 21.2%, and non-operating (including debt service and transfers) decrease of 8.7%. Personal services increases include health insurance, cost of living adjustments, PERS rates, and staff increases in parking services, information technology, parks, and the utility fund.

Other significant budgeted capital expenditures are \$52.9 million for transportation related improvements; \$32.5 million for utility improvements; and \$15.1 million for parks projects including \$8.1 million for the Minto-Brown Island Bicycle and Pedestrian Bridge and Trail.

The budget anticipates a 2.8% increase in property tax as a result of decreased property tax compression and an anticipated assessed property value increase of 3.95%.

*Water, Wastewater, and Stormwater Services* - The Council adopted a new financial policy for the Water and Sewer fund in April, 2014. This policy guides forecasting and rate proposals to maintain a fiscally healthy utility fund able to operate on a cash basis. The policy includes operating and debt reserves, debt coverage ratios, capital funding strategies, and parameters for rate development. This allows the City to minimize proposed rate increases while continuing to fund debt service, operations, capital investments identified in the Capital Improvement Program, and reserves for operations and debt. In fiscal year 2015-16, the stormwater fee will be 100% implemented. In October, 2014 the Council approved a 3% revenue slope increase for City provided utilities effective January 2015 and an additional 3% in January 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

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

<b>Rating Agency</b>	<b>General Obligation</b>	<b>Utility Revenue</b>	<b>Full Faith and Credit</b>
Moody's	Aa2	Aa3	-
Standard & Poor's	AA	AA-	AA

GO bond ratings were reaffirmed by Moody's in July 2013. Utility bonds were affirmed in May 2010. Moody's comments regarding the City's strong GO bond ratings included the City's:

- Large tax base diversifying to supplement still large but somewhat challenged governmental employment,
- Manageable debt burden with notable use of full faith and credit pledge,
- Well-managed financial operations; recent reserve growth with planned spend-downs in the medium term future.

GO and Full Faith and Credit ratings were upgraded from AA- to AA by Standard & Poor's in September 2014. Standard & Poor's positive comments regarding these strong ratings include:

- Strong financial policies and practices,
- Very strong budgetary flexibility due to available reserves equal to 24.6% of 2013 operating expenditures,
- Very strong liquidity with total government available cash equal to 93% of total fund expenditures and six times debt service,
- An adequate economy and budgetary performance.

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

*Local Annexation Initiatives* - The City pursues a strategy of annexing contiguous properties whenever doing so would result in a more orderly boundary and a more equitable distribution of the cost of services. On November 11, 2014, voters passed ballot measures for two annexations, one on Wallace Road NW and one on Swegle Road NE. These properties were annexed into the City and zoned Multiple Family Residential 1 (RM1).

**FINANCIAL CONTACT**

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

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# **Basic Financial Statements**

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**City of Salem, Oregon**  
**Statement of Net Position**  
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Salem Housing Authority FYE 9/30/14
<b>Assets</b>				
Current assets				
Cash and investments	\$ 150,980,503	\$ 38,161,192	\$ 189,141,695	\$ 2,330,153
Accounts receivable, net	33,155,229	11,897,557	45,052,786	477,753
Due from other governmental agencies	127,889	80,128	208,017	-
Internal balances	(3,270,785)	3,270,785	-	-
Inventories and prepayments	1,609,816	1,181,598	2,791,414	70,910
Total current assets	<u>182,602,652</u>	<u>54,591,260</u>	<u>237,193,912</u>	<u>2,878,816</u>
Noncurrent assets				
Restricted cash and investments	8,255,391	17,151,907	25,407,298	1,188,990
Notes receivable	-	1,345,768	1,345,768	4,612,252
Deferred assessments	835,566	3,037,130	3,872,696	-
Net pension asset	16,774,015	6,480,272	23,254,287	-
Capital assets:				
Land and construction in progress	300,686,257	69,782,375	370,468,632	1,653,799
Other capital assets, net	225,539,671	586,510,069	812,049,740	11,011,795
Total noncurrent assets	<u>552,090,900</u>	<u>684,307,521</u>	<u>1,236,398,421</u>	<u>18,466,836</u>
Total assets	<u>734,693,552</u>	<u>738,898,781</u>	<u>1,473,592,333</u>	<u>21,345,652</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	-	4,873,776	4,873,776	-
Deferred outflows related to pensions	7,125,428	2,752,751	9,878,179	-
Total deferred outflows of resources	<u>7,125,428</u>	<u>7,626,527</u>	<u>14,751,955</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	8,852,006	2,648,237	11,500,243	562,420
Interest payable	1,148,751	543,857	1,692,608	4,110
Due to other agencies	71,565	-	71,565	-
Claims and judgments due within one year	1,800,000	-	1,800,000	-
Long-term debt due within one year	12,596,966	15,600,708	28,197,674	91,147
Compensated absences due within one year	1,345,295	548,339	1,893,634	-
Total current liabilities	<u>25,814,583</u>	<u>19,341,141</u>	<u>45,155,724</u>	<u>657,677</u>
Noncurrent liabilities				
Security deposit payable	7,899	36,597	44,496	110,656
Unearned revenue	841,823	1,173,345	2,015,168	140,739
Developer reimbursement	835,566	1,749,238	2,584,804	-
Long-term debt	150,823,638	143,220,347	294,043,985	1,430,301
Net OPEB obligation	5,160,478	1,795,167	6,955,645	257,135
Claims and judgments payable	3,753,460	-	3,753,460	-
Compensated absences payable	4,542,510	1,631,168	6,173,678	177,984
Total noncurrent liabilities	<u>165,965,374</u>	<u>149,605,862</u>	<u>315,571,236</u>	<u>2,116,815</u>
Total liabilities	<u>191,779,957</u>	<u>168,947,003</u>	<u>360,726,960</u>	<u>2,774,492</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	32,367,054	12,504,300	44,871,354	-
<b>Net Position</b>				
Net investment in capital assets	446,247,364	502,345,165	948,592,529	11,235,060
Restricted for:				
Capital projects	50,171,418	16,242,400	66,413,818	359,834
Debt service	16,129,662	-	16,129,662	46,397
Community enhancement	7,048,334	-	7,048,334	-
Community renewal	13,502,440	-	13,502,440	-
Permanent	245,126	-	245,126	-
Permanent - non-expendable	11,000	-	11,000	-
Housing Authority assistance payments	-	-	-	484,628
Unrestricted	(15,683,375)	46,486,440	30,803,065	6,445,241
Total net position	<u>\$ 517,671,969</u>	<u>\$ 565,074,005</u>	<u>\$ 1,082,745,974</u>	<u>\$ 18,571,160</u>

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

**City of Salem, Oregon**  
**Statement of Activities**  
*For the fiscal year ended June 30, 2015*

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants/ Contributions
<b>Governmental activities</b>			
General government	\$ 19,569,966	\$ 9,721,341	\$ 45,327
Public safety	48,297,656	3,122,368	1,038,954
Community development	25,640,012	10,758,042	2,976,072
Community services	7,413,884	5,711,620	214,993
Engineering and streets	21,531,878	3,437,418	9,537,179
Library services	3,357,157	826,307	27,733
Interest on debt	7,063,013	4,353,300	-
<b>Total governmental activities</b>	<u>132,873,566</u>	<u>37,930,396</u>	<u>13,840,258</u>
<b>Business-type activities</b>			
Water and sewer	70,951,961	88,106,019	-
Emergency services	860,417	862,363	-
WVPS communications center	7,329,036	8,785,249	-
Police regional records system	168,121	322,900	-
Salem Convention Center	4,114,169	3,739,372	-
<b>Total business-type activities</b>	<u>83,423,704</u>	<u>101,815,903</u>	<u>-</u>
<b>Total</b>	<u>\$ 216,297,270</u>	<u>\$ 139,746,299</u>	<u>\$ 13,840,258</u>
<b>Component unit</b>			
Salem Housing Authority	<u>\$ 22,235,693</u>	<u>\$ 2,685,680</u>	<u>\$ 19,774,347</u>

**General revenues**

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

**Transfers**

**Total general revenues and transfers**

**Change in net position**

**Restated net position - beginning of year**

**Net position - end of year**

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

Continued

Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	Salem Housing Authority FYE 9/30/14
\$ 55,850	\$ (9,747,448)	\$ -	\$ (9,747,448)	
-	(44,136,334)	-	(44,136,334)	
1,671,003	(10,234,895)	-	(10,234,895)	
7,212,172	5,724,901	-	5,724,901	
3,548,812	(5,008,469)	-	(5,008,469)	
-	(2,503,117)	-	(2,503,117)	
-	(2,709,713)	-	(2,709,713)	
<u>12,487,837</u>	<u>(68,615,075)</u>	<u>-</u>	<u>(68,615,075)</u>	
6,247,189	-	23,401,247	23,401,247	
-	-	1,946	1,946	
-	-	1,456,213	1,456,213	
-	-	154,779	154,779	
-	-	(374,797)	(374,797)	
<u>6,247,189</u>	<u>-</u>	<u>24,639,388</u>	<u>24,639,388</u>	
<u>\$ 18,735,026</u>	<u>(68,615,075)</u>	<u>24,639,388</u>	<u>(43,975,687)</u>	
<u>\$ -</u>				<u>\$ 224,334</u>
	82,194,991	-	82,194,991	-
	3,125,123	-	3,125,123	-
	4,821,232	-	4,821,232	-
	16,142,631	-	16,142,631	-
	99,835	-	99,835	-
	1,024,656	383,525	1,408,181	108,075
	48,197	13,049	61,246	314,967
	593,905	795,832	1,389,737	-
	(585,500)	585,500	-	-
	<u>107,465,070</u>	<u>1,777,906</u>	<u>109,242,976</u>	<u>423,042</u>
	38,849,995	26,417,294	65,267,289	647,376
	<u>478,821,974</u>	<u>538,656,711</u>	<u>1,017,478,685</u>	<u>17,923,784</u>
<u>\$ 517,671,969</u>	<u>\$ 565,074,005</u>	<u>\$ 1,082,745,974</u>		<u>\$ 18,571,160</u>

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## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

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

The columns presented in these statements consist of:

#### ***General***

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

#### ***Public Works***

This fund accounts for the operation and maintenance of public facilities such as streets and parks. The major revenue sources are highway funds and reimbursements from other City funds.

#### ***Capital Improvements***

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

#### ***Tax Allocation Improvements***

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

#### ***Community Renewal***

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

#### ***Other Governmental Funds***

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

**City of Salem, Oregon**  
**Balance Sheet**  
**Governmental Funds**  
*June 30, 2015*

	<b>General Fund</b>	<b>Public Works</b>	<b>Capital Improvements</b>
<b>Assets</b>			
Cash and investments	\$ 26,416,270	\$ 2,669,477	\$ 34,606,609
Accounts receivable, net	6,235,693	974,526	2,566,718
Due from other agencies	127,889	-	-
Inventories and prepayments	484,422	46,153	-
Advances to other funds	-	-	-
Assessments receivable	-	45,018	-
	<b>\$ 33,264,274</b>	<b>\$ 3,735,174</b>	<b>\$ 37,173,327</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 5,819,584	\$ 424,464	\$ 1,870,624
Due to other agencies	71,565	-	-
Advances from other funds	940,000	-	327,559
Security deposit payable	6,449	450	-
Developer reimbursement payable	-	45,018	-
	<b>6,837,598</b>	<b>469,932</b>	<b>2,198,183</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue	2,426,521	11,510	510,772
<b>Fund balances</b>			
Nonspendable	484,422	46,153	-
Restricted	-	-	34,464,372
Committed	-	3,207,579	-
Unassigned	23,515,733	-	-
	<b>24,000,155</b>	<b>3,253,732</b>	<b>34,464,372</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 33,264,274</b>	<b>\$ 3,735,174</b>	<b>\$ 37,173,327</b>

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

Continued

<u>Tax Allocation Improvements</u>	<u>Community Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 18,244,821	\$ 37,087	\$ 46,642,612	\$ 128,616,876
6,871,177	13,559,657	2,936,347	33,144,118
-	-	-	127,889
-	-	17,903	548,478
-	-	327,559	327,559
-	-	790,548	835,566
<u>\$ 25,115,998</u>	<u>\$ 13,596,744</u>	<u>\$ 50,714,969</u>	<u>\$ 163,600,486</u>
\$ 28,955	\$ 94,304	\$ 304,184	\$ 8,542,115
-	-	-	71,565
-	-	-	1,267,559
-	-	1,000	7,899
-	-	790,548	835,566
<u>28,955</u>	<u>94,304</u>	<u>1,095,732</u>	<u>10,724,704</u>
<u>6,870,655</u>	<u>13,455,224</u>	<u>2,105,307</u>	<u>25,379,989</u>
-	-	28,903	559,478
18,216,388	47,216	36,446,599	89,174,575
-	-	11,038,428	14,246,007
-	-	-	23,515,733
<u>18,216,388</u>	<u>47,216</u>	<u>47,513,930</u>	<u>127,495,793</u>
<u>\$ 25,115,998</u>	<u>\$ 13,596,744</u>	<u>\$ 50,714,969</u>	<u>\$ 163,600,486</u>

Concluded

**City of Salem, Oregon**  
**Reconciliation of the Balance Sheet**  
**of Governmental Funds to the Statement of Net Position**  
*June 30, 2015*

Total fund balances	\$	127,495,793
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).		526,225,928
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Notes receivable - earned but unavailable		22,126,392
Property taxes - earned but unavailable		3,253,599
Net pension PERS asset (liability)		16,774,015
Deferred outflows related to pension		7,125,428
Internal service funds are used by management to charge the costs of fleet management, insurance, and other commonly utilized city services to individual funds. Assets, liabilities, and deferred inflows and outflows of the internal service funds are included in governmental activities in the statement of net position.		22,655,506
Accrued interest payable		(1,148,751)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the funds.		
Long-term debt including bonds payable, bond premiums, and notes payable		(163,420,604)
Compensated absences payable		(5,887,805)
Net OPEB obligation		(5,160,478)
Deferred inflows related to pension		<u>(32,367,054)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>517,671,969</u></b>

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

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

*For the fiscal year ended June 30, 2015*

	<b>General Fund</b>	<b>Public Works</b>	<b>Capital Improvements</b>
<b>Revenues</b>			
Property taxes	\$ 59,053,072	\$ -	\$ -
Other taxes	44,565	-	-
Sales, fees, licenses, and permits	20,186,929	176,147	7,000
Special assessments	-	8,676	-
Rents	1,254,898	8,494	-
Grants	957,914	266,931	3,831,931
Intergovernmental	10,000,657	16,859,401	4,708,174
Fines and penalties	2,772,139	-	-
Interest on investments	171,231	9,378	243,031
Loan payments received	1,384	-	36,312
Other	273,408	14,153	64,405
<b>Total revenues</b>	<b>94,716,197</b>	<b>17,343,180</b>	<b>8,890,853</b>
<b>Expenditures</b>			
Current			
General government	19,026,685	-	-
Community development	6,265,642	-	-
Community service	1,773,909	5,054,230	-
Public safety	60,207,543	-	-
Engineering/streets	-	10,170,378	-
Library	4,303,872	-	-
Capital Outlay	439,148	34,450	15,103,975
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>92,016,799</b>	<b>15,259,058</b>	<b>15,103,975</b>
Excess (deficiency) of revenues over (under) expenditures	2,699,398	2,084,122	(6,213,122)
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	-	-
Transfers in	1,145,000	75,000	1,357,990
Transfers out	(841,490)	(976,080)	-
<b>Total other financing sources (uses)</b>	<b>303,510</b>	<b>(901,080)</b>	<b>1,357,990</b>
<b>Net change in fund balances</b>	<b>3,002,908</b>	<b>1,183,042</b>	<b>(4,855,132)</b>
Fund balances - beginning of year	20,997,247	2,070,690	39,319,504
Fund balances - end of year	<b>\$ 24,000,155</b>	<b>\$ 3,253,732</b>	<b>\$ 34,464,372</b>

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

Continued

<u>Tax Allocation Improvements</u>	<u>Community Renewal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 23,664,302	\$ 82,717,374
-	-	3,132,857	3,177,422
323	1,000	5,140,402	25,511,801
-	-	468,296	476,972
6,218	-	2,283,254	3,552,864
-	2,919,669	164,256	8,140,701
298,620	834,567	5,580,675	38,282,094
-	-	-	2,772,139
110,814	-	321,476	855,930
863,853	690,926	16,143	1,608,618
523	-	594,316	946,805
<u>1,280,351</u>	<u>4,446,162</u>	<u>41,365,977</u>	<u>168,042,720</u>
-	-	610,694	19,637,379
-	3,374,267	8,021,873	17,661,782
-	-	231,254	7,059,393
-	-	113,959	60,321,502
-	-	22,998	10,193,376
-	-	52,561	4,356,433
8,904,227	-	2,583,292	27,065,092
-	1,050,000	12,966,503	14,016,503
-	-	6,777,542	6,777,542
<u>8,904,227</u>	<u>4,424,267</u>	<u>31,380,676</u>	<u>167,089,002</u>
<u>(7,623,876)</u>	<u>21,895</u>	<u>9,985,301</u>	<u>953,718</u>
6,247	-	-	6,247
8,945,360	-	376,379	11,899,729
-	-	(10,700,264)	(12,517,834)
<u>8,951,607</u>	<u>-</u>	<u>(10,323,885)</u>	<u>(611,858)</u>
1,327,731	21,895	(338,584)	341,860
<u>16,888,657</u>	<u>25,321</u>	<u>47,852,514</u>	<u>127,153,933</u>
<u>\$ 18,216,388</u>	<u>\$ 47,216</u>	<u>\$ 47,513,930</u>	<u>\$ 127,495,793</u>

Concluded



**City of Salem, Oregon**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
*For the fiscal year ended June 30, 2015*

Net change in fund balances-total governmental funds	\$	341,860
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and capital construction costs as expenditures. However, in the government-wide statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense. The amounts shown here represent capitalized capital outlay and change in construction in progress as well as the current year depreciation expense.		
Capital outlay		14,774,559
Depreciation		(13,957,492)
Various other transactions involving capital assets increase or decrease net assets.		
Developer donated infrastructure and other donated assets		1,276,203
Book value of sold or disposed assets		(240,124)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows for program revenue		(840,522)
Change in deferred inflows for general revenue		(574,682)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred or amortized in the statement of activities.		
Principal payments on long-term debt		14,016,503
Amortize bond premium		354,730
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore accrued interest expense is not reported as an expenditure in governmental funds.		
		(285,471)
Net revenue and expense related to net pension activity		21,651,955
Compensated absences earned in the current year but not used are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
		(136,471)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net revenue of the Internal service funds is reported with governmental activities.		
		2,468,947
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>38,849,995</b>

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

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**City of Salem, Oregon**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 56,965,620	\$ 56,965,620	\$ 59,053,072	\$ (2,087,452)
Other taxes	49,790	49,790	44,565	5,225
Sales, fees, licenses, and permits	19,460,070	19,460,070	20,186,929	(726,859)
Rents	1,093,310	1,093,310	1,254,898	(161,588)
Grants	779,130	979,130	957,914	21,216
Intergovernmental	17,396,100	17,396,100	17,349,077	47,023
Fines and penalties	2,613,630	2,613,630	2,772,139	(158,509)
Interest on investments	130,420	130,420	171,231	(40,811)
Loan payments received	6,329,500	6,329,500	6,326,384	3,116
Other	291,150	291,150	273,408	17,742
Total revenues	<u>105,108,720</u>	<u>105,308,720</u>	<u>108,389,617</u>	<u>(3,080,897)</u>
<b>Expenditures</b>				
Operations				
Mayor and council	216,770	216,770	181,319	35,451
City manager	1,466,310	1,466,310	1,336,229	130,081
Human resources	1,198,870	1,198,870	1,055,408	143,462
Legal	2,071,920	2,071,920	1,797,962	273,958
Administrative services	5,553,320	5,618,320	5,151,068	467,252
Information technology	9,732,290	9,732,290	8,998,519	733,771
Non-departmental	13,646,100	15,421,100	13,436,175	1,984,925
Total general government	<u>33,885,580</u>	<u>35,725,580</u>	<u>31,956,680</u>	<u>3,768,900</u>
Community development	3,671,790	3,671,790	3,300,109	371,681
Urban development	4,307,750	4,567,550	3,985,177	582,373
Total community development	<u>7,979,540</u>	<u>8,239,340</u>	<u>7,285,286</u>	<u>954,054</u>
Community services	1,891,810	1,934,810	1,773,909	160,901
Library	4,671,900	4,671,900	4,303,872	368,028
Police	37,469,420	37,469,420	35,421,812	2,047,608
Fire	26,179,270	26,179,270	24,948,660	1,230,610
Total public safety	<u>63,648,690</u>	<u>63,648,690</u>	<u>60,370,472</u>	<u>3,278,218</u>
Contingency	2,500,000	2,057,200	-	2,057,200
Total expenditures	<u>114,577,520</u>	<u>116,277,520</u>	<u>105,690,219</u>	<u>10,587,301</u>
Excess (deficiency) of revenues over expenditures	<u>(9,468,800)</u>	<u>(10,968,800)</u>	<u>2,699,398</u>	<u>(13,668,198)</u>

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

Continued

1 ( ) indicates revenues/expenditures in excess of budget

City of Salem, Oregon  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Other financing sources (uses)</b>				
Loan proceeds	-	1,500,000	940,000	560,000
Sale of capital assets	25,000	25,000	-	25,000
Transfers in	1,145,000	1,145,000	1,145,000	-
Transfers out	(847,120)	(847,120)	(841,490)	(5,630)
Total other financing sources (uses)	<u>322,880</u>	<u>1,822,880</u>	<u>1,243,510</u>	<u>579,370</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(9,145,920)	(9,145,920)	3,942,908	(13,088,828)
Fund balance - beginning of year	<u>19,564,780</u>	<u>19,564,780</u>	<u>20,997,247</u>	<u>(1,432,467)</u>
Fund balance - end of year	<u>\$ 10,418,860</u>	<u>\$ 10,418,860</u>	24,940,155	<u>\$ (14,521,295)</u>

Reconciliation to generally accepted accounting principles:

Adjustments for indirect cost allocation	
Revenues	7,348,420
Expenditures:	
General government	(7,348,420)
Advance from Water/Sewer fund (page 133)	(940,000)
Fund balance-end of year (modified accrual)	<u>\$ 24,000,155</u>

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

Concluded

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Public Works**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget<sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 172,480	\$ 172,480	\$ 176,147	\$ (3,667)
Special assessments	400	400	8,676	(8,276)
Rents	6,980	6,980	8,494	(1,514)
Grants	315,640	315,640	266,931	48,709
Intergovernmental	16,477,110	16,477,110	16,859,401	(382,291)
Interest on investments	-	-	9,378	(9,378)
Other	1,220	1,220	14,153	(12,933)
<b>Total revenues</b>	<u>16,973,830</u>	<u>16,973,830</u>	<u>17,343,180</u>	<u>(369,350)</u>
<b>Expenditures</b>				
Operations	17,113,830	17,113,830	15,259,058	1,854,772
Contingency	498,920	498,920	-	498,920
<b>Total expenditures</b>	<u>17,612,750</u>	<u>17,612,750</u>	<u>15,259,058</u>	<u>2,353,692</u>
Excess (deficiency) of revenues over expenditures	<u>(638,920)</u>	<u>(638,920)</u>	<u>2,084,122</u>	<u>(2,723,042)</u>
<b>Other financing sources (uses)</b>				
Transfers in	75,000	75,000	75,000	-
Transfers out	(976,080)	(976,080)	(976,080)	-
<b>Total other financing sources (uses)</b>	<u>(901,080)</u>	<u>(901,080)</u>	<u>(901,080)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(1,540,000)</u>	<u>(1,540,000)</u>	<u>1,183,042</u>	<u>(2,723,042)</u>
Fund balance - beginning of year	<u>1,540,000</u>	<u>1,540,000</u>	<u>2,070,690</u>	<u>(530,690)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,253,732</u>	<u>\$ (3,253,732)</u>

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

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Community Renewal**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 1,000	\$ (1,000)
Grants	4,636,830	4,636,830	2,919,669	1,717,161
Intergovernmental	316,880	835,000	834,567	433
Loan payments received	465,000	465,000	690,926	(225,926)
<b>Total revenues</b>	<b>5,418,710</b>	<b>5,936,830</b>	<b>4,446,162</b>	<b>1,490,668</b>
<b>Expenditures</b>				
Operations	4,886,830	4,886,830	3,374,267	1,512,563
Debt service	531,880	1,050,000	1,050,000	-
<b>Total expenditures</b>	<b>5,418,710</b>	<b>5,936,830</b>	<b>4,424,267</b>	<b>1,512,563</b>
Net change in fund balance	-	-	21,895	(21,895)
Fund balance - beginning of year	-	-	25,321	(25,321)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,216</u>	<u>\$ (47,216)</u>

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

1 ( ) indicates revenues/expenditures in excess of budget

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## **FUND FINANCIAL STATEMENTS**

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### **Major Proprietary Funds**

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

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

The columns presented in these statements consist of:

#### ***Water and Sewer***

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

#### ***Other Proprietary Funds***

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

#### ***Governmental Activities Internal Service***

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



City of Salem, Oregon  
Proprietary Funds  
Statement of Net Position  
June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Other Funds	Totals	
<b>Assets</b>				
Current assets				
Cash and investments	\$ 32,751,441	\$ 5,409,751	\$ 38,161,192	\$ 22,363,627
Accounts receivable, net	11,427,270	470,287	11,897,557	11,111
Due from other governmental agencies	80,128	-	80,128	-
Inventories and prepayments	1,082,680	98,918	1,181,598	1,061,336
Advances to other funds	940,000	-	940,000	-
Total current assets	<u>46,281,519</u>	<u>5,978,956</u>	<u>52,260,475</u>	<u>23,436,074</u>
Noncurrent assets				
Restricted cash and investments	17,151,907	-	17,151,907	8,255,391
Notes receivable	1,345,768	-	1,345,768	-
Deferred assessments	3,037,130	-	3,037,130	-
Net pension asset	5,013,624	1,466,648	6,480,272	512,059
Capital assets:				
Land and construction in progress	68,206,252	1,576,123	69,782,375	971,670
Other capital assets, net	561,392,705	25,117,364	586,510,069	10,215,879
Total noncurrent assets	<u>656,147,386</u>	<u>28,160,135</u>	<u>684,307,521</u>	<u>19,954,999</u>
Total assets	<u>702,428,905</u>	<u>34,139,091</u>	<u>736,567,996</u>	<u>43,391,073</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	2,129,735	623,016	2,752,751	217,516
Deferred charge on refunding	4,873,776	-	4,873,776	-
Total deferred outflows of resources	<u>7,003,511</u>	<u>623,016</u>	<u>7,626,527</u>	<u>217,516</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	2,193,348	454,889	2,648,237	309,891
Interest payable	543,857	-	543,857	-
Claims and judgments due within one year	-	-	-	1,800,000
Unearned revenue due within one year	-	-	-	841,823
Long-term debt due within one year	15,600,708	-	15,600,708	-
Compensated absences due within one year	440,460	107,879	548,339	21,742
Total current liabilities	<u>18,778,373</u>	<u>562,768</u>	<u>19,341,141</u>	<u>2,973,456</u>
Noncurrent liabilities				
Security deposit payable	36,597	-	36,597	-
Unearned revenue	1,173,345	-	1,173,345	-
Developer reimbursement payable	1,749,238	-	1,749,238	-
Long-term debt	143,220,347	-	143,220,347	-
Net OPEB obligation	1,395,998	399,169	1,795,167	262,869
Claims and judgments payable	-	-	-	3,753,460
Compensated absences payable	1,262,034	369,134	1,631,168	167,536
Total noncurrent liabilities	<u>148,837,559</u>	<u>768,303</u>	<u>149,605,862</u>	<u>4,183,865</u>
Total liabilities	<u>167,615,932</u>	<u>1,331,071</u>	<u>168,947,003</u>	<u>7,157,321</u>
<b>Deferred inflows of resources:</b>				
Deferred inflows related to pensions	9,674,264	2,830,036	12,504,300	988,067
<b>Net Position</b>				
Net investment in capital assets	475,651,678	26,693,487	502,345,165	11,187,549
Restricted for:				
Capital projects	16,242,400	-	16,242,400	8,248,696
Unrestricted	40,248,142	3,907,513	44,155,655	16,026,956
Total net position	<u>\$ 532,142,220</u>	<u>\$ 30,601,000</u>	<u>562,743,220</u>	<u>\$ 35,463,201</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>2,330,785</u>	
Net position of business-type activities			<u>\$ 565,074,005</u>	

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

**City of Salem, Oregon**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
*For the fiscal year ended June 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and</b>	<b>Other</b>	<b>Totals</b>	<b>Activities</b>
	<b>Sewer</b>	<b>Funds</b>		<b>Internal</b>
				<b>Service Funds</b>
<b>Operating revenues</b>				
Sales, fees, licenses, and permits	\$ 83,536,385	\$ 3,249,128	\$ 86,785,513	\$ 31,735
Assessments	1,956	-	1,956	-
Rents	17,871	1,316,754	1,334,625	1,658,405
Internal and intergovernmental	4,361,391	363,739	4,725,130	35,382,049
Member agencies	-	8,706,374	8,706,374	-
Fines and penalties	-	60,040	60,040	-
Other	18,381	13,849	32,230	1,229,889
Total operating revenues	<u>87,935,984</u>	<u>13,709,884</u>	<u>101,645,868</u>	<u>38,302,078</u>
<b>Operating expenses</b>				
Personal services	21,390,184	6,202,079	27,592,263	2,395,826
Materials and services	25,420,641	5,411,371	30,832,012	31,838,265
Depreciation	16,413,931	858,293	17,272,224	1,502,538
Total operating expenses	<u>63,224,756</u>	<u>12,471,743</u>	<u>75,696,499</u>	<u>35,736,629</u>
Operating income (loss)	<u>24,711,228</u>	<u>1,238,141</u>	<u>25,949,369</u>	<u>2,565,449</u>
<b>Non-operating revenues (expenses)</b>				
Interest on investments	351,835	31,690	383,525	168,729
Grants and contributions	5,300,506	-	5,300,506	-
Other revenue (expenses)	(891,511)	-	(891,511)	48,197
Interest on debt	(6,244,618)	-	(6,244,618)	-
Total non-operating revenues (expenses)	<u>(1,483,788)</u>	<u>31,690</u>	<u>(1,452,098)</u>	<u>216,926</u>
Net income (loss) before capital contributions and transfers	23,227,440	1,269,831	24,497,271	2,782,375
Capital contributions	946,683	-	946,683	41,807
Transfers in	864,540	-	864,540	2,636,708
Transfers out	(37,845)	(241,195)	(279,040)	(2,604,103)
Change in net position	25,000,818	1,028,636	26,029,454	2,856,787
Restated net position - beginning of year	<u>507,141,402</u>	<u>29,572,364</u>		<u>32,606,414</u>
Total net position - end of year	<u>\$ 532,142,220</u>	<u>\$ 30,601,000</u>		<u>\$ 35,463,201</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>387,840</u>	
Change in net position of business-type activities			<u>\$ 26,417,294</u>	

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

**City of Salem, Oregon**  
**Proprietary Funds**  
**Statement of Cash Flows**  
For the fiscal year ended June 30, 2015

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer</b>	<b>Other Funds</b>	<b>Totals</b>	<b>Activities Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 82,779,414	\$ 4,850,130	\$ 87,629,544	\$ 2,936,219
Receipts from interfund services provided	4,353,698	363,739	4,717,437	35,382,049
Member agencies	-	8,706,374	8,706,374	-
Payments to suppliers	(25,561,630)	(5,349,965)	(30,911,595)	(30,765,592)
Payments to employees	(27,906,822)	(8,129,218)	(36,036,040)	(3,073,661)
Other receipts (payments)	(1,177,510)	-	(1,177,510)	-
Net cash provided (used) by operating activities	<u>32,487,150</u>	<u>441,060</u>	<u>32,928,210</u>	<u>4,479,015</u>
<b>Cash Flows from Non-capital Financing Activities</b>				
Transfers received	864,540	-	864,540	370,000
Transfers paid	(977,845)	(241,195)	(1,219,040)	(2,604,103)
Net cash provided (used) by non-capital related financing activities	<u>(113,305)</u>	<u>(241,195)</u>	<u>(354,500)</u>	<u>(2,234,103)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital contributions	3,771,313	-	3,771,313	-
Acquisition and construction of capital assets	(7,881,762)	(24,909)	(7,906,671)	(40,696)
Principal paid on debt	(16,347,565)	-	(16,347,565)	-
Interest paid on debt	(5,661,208)	-	(5,661,208)	-
Sale of capital assets	13,049	-	13,049	88,685
Net cash provided (used) by capital and related financing activities	<u>(26,106,173)</u>	<u>(24,909)</u>	<u>(26,131,082)</u>	<u>47,989</u>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	351,835	31,689	383,524	168,729
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,619,507</b>	<b>206,645</b>	<b>6,826,152</b>	<b>2,461,630</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>43,283,841</b>	<b>5,203,106</b>	<b>48,486,947</b>	<b>28,157,388</b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 49,903,348</u></b>	<b><u>\$ 5,409,751</u></b>	<b><u>\$ 55,313,099</u></b>	<b><u>\$ 30,619,018</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 24,711,228	\$ 1,238,141	\$ 25,949,369	\$ 2,565,449
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	16,413,931	858,293	17,272,224	1,502,538
Other income (expense)	(1,177,510)	-	(1,177,510)	(82,024)
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	(613,140)	210,359	(402,781)	16,190
Inventories and prepayments	(22,331)	(6,595)	(28,926)	(124,432)
Deferred outflows of resources	(48,646)	(14,230)	(62,876)	(4,967)
Accounts payable and accrued liabilities	(231,243)	68,001	(163,242)	90,413
Unearned revenue	-	-	-	102,036
Claims reserve	-	-	-	1,086,680
Compensated absences payable	81,596	25,627	107,223	3,944
Net pension liability	(16,300,999)	(4,768,572)	(21,069,571)	(1,664,879)
Deferred inflows of resources	9,674,264	2,830,036	12,504,300	988,067
Net cash provided (used) by operating activities	<u>\$ 32,487,150</u>	<u>\$ 441,060</u>	<u>\$ 32,928,210</u>	<u>\$ 4,479,015</u>
<b>Non-cash investing, capital, and financing activities</b>				
Contributions of capital assets	\$ 1,469,907	\$ -	\$ 1,469,907	\$ -
Contribution of capital assets from governmental fund	946,683	-	946,683	41,807

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

**City of Salem, Oregon**  
**Statement of Fiduciary Net Position**  
**Agency Funds**  
*June 30, 2015*

<b>Assets:</b>	
Cash and investments	\$ 719,295
Accounts receivable, net	<u>1,872</u>
 Total assets	 <u><u>\$ 721,167</u></u>
 <b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 176,127
Amounts held in trust	543,476
Due to other agencies	<u>1,564</u>
 Total liabilities	 <u><u>\$ 721,167</u></u>

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

# CITY OF SALEM, OREGON

## Notes to the Financial Statements

### NOTES INDEX

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**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting entity**

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

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

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

*Discretely presented component unit.* The Salem Housing Authority (Authority) is a municipal corporation created by the City to provide housing assistance to low income families under annual contribution contracts with the U.S. Department of Housing and Urban Development. The Authority's Board of Commissioners consists of eight City Council members and one representative from a Housing Authority affordable housing unit who is appointed by the City Council. The City provides services to the Authority on a contract basis. The Authority has a fiscal year end of September 30, and the data included in this report is as of September 30, 2014. The Authority's accounting records are maintained separately from the City's, and debts incurred by the Authority are not obligations of the City. The Authority is reported as a discretely presented component unit in this CAFR because it does not share common management with the City and does not meet the financial benefit or burden criteria. The Authority's separate financial statements may be obtained from the Housing Authority of the City of Salem, Oregon, 360 Church Street SE, Salem, Oregon, or [www.cityofsalem.net/sha](http://www.cityofsalem.net/sha).

**City of Salem, Oregon**  
**Notes to the Financial Statements**

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Jointly Governed Organization – The City participates in the Mid-Willamette Valley Cable Regulatory Commission (MWVCRC), a jointly governed organization between the City of Salem and Marion County. The MWVCRC is responsible for monitoring and enforcing the provisions of franchise agreements with local cable companies and providing cable access for public purposes within the Salem Urban Growth Boundary. The City, under a renewable annual agreement, funds the MWVCRC based upon the amount of cable franchise fees collected by the City. For fiscal year 2014-15, the City paid \$672,428 to the MWVCRC. Separate financial statements for the MWVCRC may be obtained at:

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. *Governmental activities*, which are normally supported by taxes, franchise fees, and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges for services provided.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in their respective fund financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information (starting on page 98).

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

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



**City of Salem, Oregon**  
**Notes to the Financial Statements**

June 30, 2015

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay *liabilities* of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The *Public Works fund* accounts for maintenance of streets and park operation services. Principal revenues are state shared fuel tax and reimbursements from other city funds.

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

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

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**

*June 30, 2015*

The City reports one major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

**1. Deposits and investments**

The City maintains a common cash and investment pool that is available for use by all funds, including the Agency. Interest earned on the pooled cash and investments is allocated to funds monthly based on the 13-month moving average balances of cash and investments, as a proportion of the City's total cash and investments.

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

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

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

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

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
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**2. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (for the current portion of interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Property taxes receivable collected within 30 days of fiscal year end are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred inflows and accordingly have not been recorded as revenue in the governmental fund financial statements. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Taxes not collected by May 15 are considered delinquent.

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

Measure 5 limits the combined maximum allowable tax rate for all non-school general governments to \$10 per \$1,000 of real market value (RMV). When the combined tax rates result in a tax that exceeds the \$10 per \$1,000 of RMV, compression occurs. This results in proportionately reduced tax collections for each taxing district. The City of Salem was unable to levy \$691,750 for fiscal year 2014-15 as a result of compression.

Measure 50 set permanent tax rates for each taxing jurisdiction and limits maximum assessed value (MAV) to a growth rate of 3%, with certain exceptions. Every year, on the assessment date (July 1), the MAV and the RMV is established for each property and the lesser of the two values becomes the taxable assessed value used to calculate the property tax. While the City's permanent tax rate per \$1,000 does not change, annual growth in property tax receipts occurs through allowed annual increases to assessed values up to the Measure 5 limitations and through increased property values associated with new construction.

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

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

**3. Restricted assets**

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

**4. Inventories and prepaid items**

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items.

**5. Capital assets**

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

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

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

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

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

**6. Deferred outflows and inflows of resources**

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

**7. Compensated absences**

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

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**

*June 30, 2015*

**8. Long-term obligations**

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

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

**9. Fund equity**

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

- Non-spendable – not in a spendable form such as inventories, long-term receivables, or permanent fund principal.
- Restricted – legally constrained to specific purposes by external creditors, grantors, or state or federal law. These resources may not be spent in another manner without an act of the providers.
- Committed – committed by the City Council through passage of an ordinance. Committed amounts may only be modified or rescinded through passage of a new ordinance.
- Assigned – amounts the City intends to use for specific purposes that are neither restricted nor committed. The City has not established a policy regarding the assignment of funds. The City currently has no balances classified as Assigned.
- Unassigned – available for spending for any purpose. Under GASB 54, any “rainy day” funds that do not have formal criteria meeting the restricted or committed definitions must be reported in this category. Only the General fund can report a positive unassigned balance, though negative amounts could potentially appear in other governmental funds.

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

**10. Fund reserves**

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

**11. Use of estimates**

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

**12. Pensions**

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budget policies and budgetary control**

Oregon Local Budget Law (in ORS 294) requires that annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. Annual appropriations lapse on June 30, which is the fiscal year end.

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

Supplemental budget appropriations and appropriation transfers subsequent to budget adoption must be approved by the Council. Certain budget amounts reported in the financial statements were revised after the original budget was adopted. The Council approved three supplemental budget appropriations: one in September 2014 for \$2,238,000, one in May 2015 for \$518,120, and one in June 2015 for \$230,000.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

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

Restricted cash and investments are comprised of proceeds from loans and bonds that are obligated for various construction projects. Cash and investments as of June 30, 2015 consist of the following:

	<u>Book Value</u>
Cash on hand	\$ 12,175
Deposits with financial institutions	13,995,803
Investments	201,260,310
Total cash and investments	<u>\$ 215,268,288</u>

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

**1. Deposits**

As of June 30, 2015, City bank deposits had a book balance of \$13,995,803 and a bank balance of \$14,120,473. The difference is due to transactions in transit. The Oregon Public Funds Collateralization Program covers City bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. As of June 30, 2015, \$250,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

**2. Investments**

As of June 30, 2015, the City held the following investments and maturities:

Investment type	Fair Value	Weighted Avg. Maturity in Months	% of Investment Portfolio
Corporate bonds	\$ 34,359,522	21.501	17.1%
Local Government Investment Pool	54,240,188	0.033	26.9%
Municipal bonds	1,222,076	5.254	0.6%
U.S. Agency securities	40,380,906	8.561	20.0%
U.S. Treasury securities	71,341,805	22.329	35.4%
<b>Total</b>	<b>\$201,544,497</b>	<b>18.232</b>	<b>100.0%</b>

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

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

Investment type	Maximum % of portfolio	Maximum time to maturity
Bankers' acceptances	20%	6 months
Certificates of deposit	25%	2 years
Commercial paper	20%	9 months
Corporate bonds	15%	5 years
Local Government Investment Pool	100% *	N/A
Municipal bonds	10%	5 years
Repurchase agreements	10%	3 months
U.S. Agency securities	100%	5 years
U.S. Treasury securities	100%	5 years

\*Dollar amount limited by ORS 294.810

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**

*June 30, 2015*

ORS 294.810 limits the amount that may be placed in the LGIP. The limit as of June 30, 2015 is \$46,364,262 per customer number. The limit is updated each September based on the U.S. City Average Consumer Price Index. The limit can be temporarily exceeded for ten business days if the excess is due to funds deposited on a pass-through basis. At June 30, 2015, the City held in the LGIP a total of \$27,844,969 of City funds and \$26,395,219 of Agency funds.

The City's policy for investing in individual issuers varies depending on the type of investment. Investments in a single financial institution shall not exceed the smallest of 33% of the City's total portfolio or 5% of the equity of the institution, with the exception of U.S. Treasury securities, which can be up to 100% of the City's portfolio. At June 30, 2015, more than 5% of the City's portfolio is invested in each of these issuers: U.S. Treasury, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. These investments are 35.4%, 12.3%, and 6.6%, respectively, of the City's total investments.

As of June 30, 2015, the credit risk for the City's investments is as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Corporate bonds		
Apple	\$ 2,474,725	AA+/Aa1
Berkshire Hathaway	3,000,330	AA/Aa2
Chevron	1,991,432	AA/Aa1
Coca Cola	2,400,238	AA/Aa3
Exxon-Mobil	2,497,970	AAA/Aaa
General Electric Capital Corp	2,548,815	AA+/A1
Google	4,059,692	AA/Aa2
IBM	2,484,125	AA-/Aa3
Johnson & Johnson	1,560,006	AAA/Aaa
JP Morgan Chase	4,000,500	A+/Aa3
Procter & Gamble	4,502,979	AA-/Aa3
Toyota	2,838,710	AA-/Aa3
Local Government Investment Pool	54,240,188	Unrated
Municipal Bonds		
Washington State GO	1,222,076	AA+/Aa1
U.S. Agencies		
Federal Home Loan Bank	2,204,094	AA+/Aaa
Federal Home Loan Mortgage Corporation	13,353,215	AA+/Aaa
Federal National Mortgage Association	24,823,597	AA+/Aaa
U.S. Treasury	71,341,805	AA+/Aaa
Total	<u>\$ 201,544,497</u>	

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



**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

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

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

**B. Receivables**

Receivables as of June 30, 2015 for major governmental funds and nonmajor funds in aggregate, net of allowance for uncollectible accounts, are as follows:

	General	Public Works	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Funds	Total
Accounts	\$2,603,174	\$ 992,081	\$ 2,055,946	\$ 522	\$ 104,433	\$ 476,500	\$ 6,232,656
Property taxes	3,332,112	-	-	-	-	1,320,571	4,652,683
Interest	371,470	158	505	31,423	355,245	7,608	766,409
Assessments	6,562	11,351	-	-	-	1,131,668	1,149,581
Loans and notes	-	-	510,267	6,839,232	13,099,979	-	20,449,478
Less: Allowance for uncollectible accounts	(77,625)	(29,064)	-	-	-	-	(106,689)
<b>Total</b>	<b><u>\$6,235,693</u></b>	<b><u>\$ 974,526</u></b>	<b><u>\$ 2,566,718</u></b>	<b><u>\$ 6,871,177</u></b>	<b><u>\$13,559,657</u></b>	<b><u>\$2,936,347</u></b>	<b><u>\$33,144,118</u></b>

Approximately \$17.4 million in assessments, loans, and notes is not expected to be received within the next year.

Property tax levies for the year beginning July 1, 2015 are as follows:

- The City's permanent property tax rate for General fund operations is \$5.8315 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.
- The Urban Renewal Agency of the City of Salem will tax as follows:
  - Riverfront/Downtown and North Gateway plan areas will use 100 percent of the amount of their authority under option one of ORS 457.435(2)(a) as selected by the Agency for the retirement of debt obligations.
  - Fairview plan area will not levy for fiscal year 2015-16.
  - West Salem plan area will use 100 percent of the amount of its authority under the standard rate plan of ORS 457.445(2) as selected by the Agency for the retirement of debt obligations.
  - Mill Creek Industrial Park plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.

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- McGilchrist plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.
  - South Waterfront plan area will use 100 percent of the amount of its authority under the reduced rate plan of ORS 457.445(1) as selected by the Agency for the retirement of debt obligations.
- In addition, the City will levy \$11,447,500 for retirement of general obligation long-term debt due in fiscal year 2015-16.

In accordance with GASB Statement 65, governmental funds report deferred inflows of resources in connection with receivables for revenues that are not available to liquidate liabilities of the current period. As of June 30, 2015, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

	Deferred Inflows
Assessments	\$ 131,837
Community Development Block Grant loans	13,455,224
Cultural/tourism fund loans	18,769
Economic improvement district liens	1,248
Property taxes (General fund)	2,306,194
Property taxes (Debt service funds)	947,405
System development charges	1,137,885
Urban renewal loans	7,381,427
Total deferred inflows of resources	\$ 25,379,989

Receivables as of June 30, 2015 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

	Water and Sewer	Other Funds	Total Enterprise	Internal Services
Accounts	\$ 10,885,009	\$ 502,987	\$ 11,387,996	\$ 11,111
Assessments	819,855	-	819,855	-
Interest	46,303	-	46,303	-
Less: Allowance for uncollectible accounts	(323,897)	(32,700)	(356,597)	-
Total	\$ 11,427,270	\$ 470,287	\$ 11,897,557	\$ 11,111

Due from other agencies as of June 30, 2015 are as follows:

Agency	Fund	Amount
Salem Housing Authority	General fund	\$ 127,889
City of Turner	Water and Sewer	80,128
Total due from other agencies		\$ 208,017

**City of Salem, Oregon**  
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**C. Capital assets**

**1. Capital asset activity for governmental activities for the year ended June 30, 2015 is as follows:**

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 229,065,899	\$ 5,558,331	\$ (863,277)	\$ 233,760,953
Construction work-in-progress	72,252,172	4,502,144	(9,829,012)	66,925,304
Total non-depreciable	<u>301,318,071</u>	<u>10,060,475</u>	<u>(10,692,289)</u>	<u>300,686,257</u>
Buildings and building improvements	70,938,791	-	-	70,938,791
Other improvements	42,339,464	1,663,745	-	44,003,209
Motor pool	22,374,983	1,690,465	(782,168)	23,283,280
Equipment and machinery	35,010,428	731,662	(437,842)	35,304,248
Infrastructure	380,617,870	14,857,610	-	395,475,480
Total depreciable	<u>551,281,536</u>	<u>18,943,482</u>	<u>(1,220,010)</u>	<u>569,005,008</u>
Accumulated depreciation				
Buildings and building improvements	(27,795,179)	(1,405,219)	-	(29,200,398)
Other improvements	(21,328,921)	(1,313,169)	-	(22,642,090)
Motor pool	(13,420,172)	(1,387,177)	741,680	(14,065,669)
Equipment and machinery	(24,833,282)	(1,750,886)	368,051	(26,216,117)
Infrastructure	(241,737,484)	(9,603,579)	-	(251,341,063)
Total accumulated depreciation	<u>(329,115,038)</u>	<u>(15,460,030)</u>	<u>1,109,731</u>	<u>(343,465,337)</u>
Governmental activities capital assets, net	<u>\$ 523,484,569</u>	<u>\$ 13,543,927</u>	<u>\$ (10,802,568)</u>	<u>\$ 526,225,928</u>

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

General government	\$ 665,644
Community development	939,645
Community service	1,199,707
Public safety	1,336,063
Engineering and streets	9,610,374
Library	206,059
Capital assets held by the City's internal service funds are charged to the various funds based on their usage of the assets	<u>1,502,538</u>
Total depreciation expense for governmental activities	<u>\$ 15,460,030</u>

**City of Salem, Oregon**  
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**3. Capital asset activity for business-type activities for the year ended June 30, 2015 is as follows:**

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land, land improvements, and art	\$ 17,023,954	\$ 65,686	\$ -	\$ 17,089,640
Construction work-in-progress	50,108,453	2,584,282	-	52,692,735
Total non-depreciable	<u>67,132,407</u>	<u>2,649,968</u>	<u>-</u>	<u>69,782,375</u>
Buildings and building improvements	31,272,483	11,092	-	31,283,575
Equipment and machinery	6,016,256	10,816	-	6,027,072
Water and sewer system	825,851,158	8,123,205	(257,959)	833,716,404
Total depreciable	<u>863,139,897</u>	<u>8,145,113</u>	<u>(257,959)</u>	<u>871,027,051</u>
Accumulated depreciation				
Buildings and building improvements	(6,076,578)	(676,808)	-	(6,753,386)
Equipment and machinery	(5,258,412)	(181,485)	-	(5,439,897)
Water and sewer system	(256,167,727)	(16,413,931)	257,959	(272,323,699)
Total accumulated depreciation	<u>(267,502,717)</u>	<u>(17,272,224)</u>	<u>257,959</u>	<u>(284,516,982)</u>
Business-type activities capital assets, net	<u>\$ 662,769,587</u>	<u>\$ (6,477,143)</u>	<u>\$ -</u>	<u>\$ 656,292,444</u>

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

Water and Sewer	\$ 16,413,931
Emergency Medical Services	80,730
WVPS Communications Center	75,349
Salem Convention Center	702,214
Total depreciation expense for business-type activities	<u>\$ 17,272,224</u>

**5. Capital asset activity for discretely presented component unit – Housing Authority of the City of Salem for its fiscal year ended September 30, 2014 is as follows:**

<u>Business-type activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,013,321	\$ -	\$ (378,867)	\$ 1,634,454
Construction work-in-progress	528,792	19,345	(528,792)	19,345
Total non-depreciable	<u>2,542,113</u>	<u>19,345</u>	<u>(907,659)</u>	<u>1,653,799</u>
Buildings and improvements	35,079,147	542,240	(13,209,885)	22,411,502
Equipment and machinery	2,731,031	64,979	(1,118,330)	1,677,680
Total depreciable	<u>37,810,178</u>	<u>607,219</u>	<u>(14,328,215)</u>	<u>24,089,182</u>
Accumulated depreciation				
Buildings and improvements	(19,146,286)	(826,215)	8,189,197	(11,783,304)
Equipment and machinery	(1,645,838)	(131,757)	483,512	(1,294,083)
Total accumulated depreciation	<u>(20,792,124)</u>	<u>(957,972)</u>	<u>8,672,709</u>	<u>(13,077,387)</u>
Business-type activities, net	<u>\$ 19,560,167</u>	<u>\$ (331,408)</u>	<u>\$ (6,563,165)</u>	<u>\$ 12,665,594</u>

**City of Salem, Oregon**  
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**D. Deferred outflows of resources and deferred inflows of resources**

In business-type activities, the fiscal year 2012-13 refunding of revenue bonds resulted in a difference between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bond. The balance on June 30, 2015 is \$4,873,776 and is reported as a deferred outflow of resources.

Deferred outflows and inflows of resources related to pensions are reported in both business-type activities and governmental activities. Balances on June 30, 2015 are as follows. Governmental deferred outflows are \$7,125,428, and deferred inflows are \$32,367,054. Business-type deferred outflows are \$2,752,751, and deferred inflows are \$12,504,300. More information on pension related amounts can be found in note IV. C., Defined benefit pension plan (PERS).

**E. Interfund receivables, payables, advances, and transfers**

The composition of interfund balances as of June 30, 2015, is as follows:

**1. Advances**

An interfund loan of \$594,200 was made from the Community Enhancement fund (Telephone System Replacement funds) to the Capital Improvements fund in fiscal year 2012-13 for airport improvements. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance of \$327,559 will be repaid over the remaining term of the loan.

An interfund loan of \$940,000 was made from the Water and Sewer fund to the General fund in fiscal year 2014-15 for purchase of parking meter equipment for the downtown Capitol Mall parking area. This is a six-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%.

**2. Transfers**

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

Transfers out	Transfers in							Total Transfers Out
	General	Public Works	Capital Improvement	Tax Alloc. Improvement	Nonmajor Governmental	Water and Sewer	Internal Services	
General	\$ -	\$ -	\$ 675,000	\$ -	\$ 33,030	\$133,460	\$ -	\$ 841,490
Public works	-	-	250,000	-	-	726,080	-	976,080
Nonmajor governmental	1,145,000	75,000	427,750	8,945,360	102,154	5,000	-	10,700,264
Nonmajor business	-	-	-	-	241,195	-	-	241,195
Water and sewer	-	-	5,240	-	-	-	32,605	37,845
Internal services	-	-	-	-	-	-	2,604,103	2,604,103
<b>Total transfers in</b>	<b>\$1,145,000</b>	<b>\$ 75,000</b>	<b>\$1,357,990</b>	<b>\$8,945,360</b>	<b>\$ 376,379</b>	<b>\$864,540</b>	<b>\$2,636,708</b>	<b>\$15,400,977</b>

**City of Salem, Oregon**  
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**F. Leases**

**Operating leases**

The City leases building and office facilities under operating leases with renewable options up to five years. The costs for such leases were \$428,525 for the fiscal year ended June 30, 2015. Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Lease Payments Due
2016	\$ 434,267
2017	440,086
2018	445,983
2019	451,960
2020	458,016
2021-25	2,383,802
Total	<u>\$ 4,614,114</u>

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

Facility Name	Leased space as a percentage of:		
	Original Cost	Accumulated Depreciation	Book Value
Chemeketa parkade, 8.2% leased	\$ 348,927	\$ 313,386	\$ 35,541
Liberty parkade, 6.4% leased	147,663	132,623	15,040
Total	<u>\$ 496,590</u>	<u>\$ 446,009</u>	<u>\$ 50,581</u>

Lessor revenues of \$1,718,454 were received by the City for leased office and retail space in two of its parkades. Lease contracts are for five-year terms.

As of June 30, 2015, future minimum rents contractually due from operating leases are as follows:

Fiscal Year Ending June 30	Lease Payments Due
2016	\$ 1,741,482
2017	1,764,818
2018	1,788,466
2019	1,812,432
2020	1,836,718
2021-25	9,559,434
Total	<u>\$ 18,503,350</u>

**City of Salem, Oregon**  
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**G. Due to other agencies**

Cable franchise fees of \$56,394 are due from the General fund to the Mid Willamette Valley Cable Regulatory Commission, and \$15,171 in unclaimed property escheatments are due from the General fund to the Oregon Division of State Lands.

**H. Compensated absences**

In prior years, compensated absences have been liquidated primarily by the General, Public Works, and Water and Sewer funds. Changes in compensated absences are as follows:

	Balance July 1, 2014	Leave Earned	Leave Taken	Balance June 30, 2015	Due Within One Year
Governmental activities	\$ 5,747,389	\$ 4,935,428	\$ 4,795,012	\$ 5,887,805	\$ 1,345,295
Business-type activities	2,072,284	1,132,317	1,025,094	2,179,507	548,339
Total	<u>\$ 7,819,673</u>	<u>\$ 6,067,745</u>	<u>\$ 5,820,106</u>	<u>\$ 8,067,312</u>	<u>\$ 1,893,634</u>

**I. Debt**

The City issues various types of debt to finance capital activities. Each type of debt is discussed below. The following tables provide details on the year's activities for each of the City's debt issuances, by governmental and business-type activities. Tables indicating future debt maturities for governmental and business-type activities are also provided, with balances as of June 30, 2015. The City's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations.

**1. Changes in long-term debt**

	Original Amount	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
<b>Governmental activities debt</b>						
<u>General obligation bonds:</u>						
Refunding & Streets-Bridges, Ser. 2009 (3.60%)	\$ 34,480,000	\$ 23,215,000	\$ -	\$ 1,530,000	\$ 21,685,000	\$ 1,665,000
Streets-Bridges, Ser. 2012 (2.62%)	25,000,000	14,220,000	-	885,000	13,335,000	930,000
Streets-Bridges, Ser. 2013 (2.82%)	43,665,000	41,315,000	-	2,555,000	38,760,000	2,665,000
Refunding Fire Bond Ser. 2012 (2.25%)	18,289,298	14,001,172	-	1,832,503	12,168,669	1,873,966
Subtotal general obligation bonds		92,751,172	-	6,802,503	85,948,669	7,133,966
Premium		4,003,673	-	354,730	3,648,943	-
Total general obligation bonds		<u>96,754,845</u>	-	<u>7,157,233</u>	<u>89,597,612</u>	<u>7,133,966</u>
Limited tax pension obligation, 2005 (5.04%)	61,685,000	52,750,000	-	1,735,000	51,015,000	1,995,000
<u>Urban renewal bonds:</u>						
North Gateway, Ser. 2003 (5.40%)	26,175,000	1,500,000	-	1,500,000	-	-
Riverfront/Downtown, Ser. 2003A (5.35%)	3,425,000	1,175,000	-	270,000	905,000	285,000
Riverfront/Downtown, Ser. 2003B (6.25%)	24,925,000	9,420,000	-	2,145,000	7,275,000	2,280,000
Riverfront/Downtown, Ser. 2009 (4.35%)	3,660,000	2,655,000	-	220,000	2,435,000	225,000
West Salem, Ser. 2013 (1.90%)	1,500,000	1,206,000	-	294,000	912,000	299,000
Total urban renewal bonds		<u>15,956,000</u>	-	<u>4,429,000</u>	<u>11,527,000</u>	<u>3,089,000</u>
Total governmental bonds		<u>165,460,845</u>	-	<u>13,321,233</u>	<u>152,139,612</u>	<u>12,217,966</u>
<u>Notes:</u>						
HUD Sec108, Ser. 2003A (5.05%)	7,200,000	3,558,912	-	3,558,912	-	-
HUD Sec108, Ser. 2015A (1.46%)	2,730,000	-	2,730,000	221,088	2,508,912	379,000
OECDL L06001A, Mill Creek, Ser. 2007 (4.41%)	4,000,000	3,999,999	-	-	3,999,999	-
OECDL L06001B, Mill Creek, Ser. 2007 (4.41%)	1,000,000	1,000,000	-	-	1,000,000	-
OECDL L06001C, Mill Creek, Ser. 2007 (5.00%)	3,772,081	3,772,081	-	-	3,772,081	-
Total notes		<u>12,330,992</u>	<u>2,730,000</u>	<u>3,780,000</u>	<u>11,280,992</u>	<u>379,000</u>
Total governmental activities long-term debt		<u>\$ 177,791,837</u>	<u>\$ 2,730,000</u>	<u>\$ 17,101,233</u>	<u>\$ 163,420,604</u>	<u>\$ 12,596,966</u>

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	Original Amount	Balance June 30, 2014	Reductions	Balance June 30, 2015	Due Within One Year
<b><i>Business-type activities debt</i></b>					
<u>Revenue bonds - water and sewer</u>					
Full Faith & Credit, Ser. 2009 (4.07%)	\$100,075,000	\$ 82,230,000	\$ 3,945,000	\$ 78,285,000	\$ 4,105,000
Series 2012 A refunding (1.99%)	63,360,000	60,422,000	-	60,422,000	-
Series 2012 B refunding (1.99%)	49,361,000	23,565,000	12,239,000	11,326,000	11,326,000
Subtotal revenue bonds		166,217,000	16,184,000	150,033,000	15,431,000
Premiums		4,094,263	272,951	3,821,312	-
Total revenue bonds		170,311,263	16,456,951	153,854,312	15,431,000
<u>Notes</u>					
Oregon ECDD G09001 (4.17%)	5,875,000	5,130,308	163,565	4,966,743	169,708
Total business-type activities long-term debt		<u>\$ 175,441,571</u>	<u>\$ 16,620,516</u>	<u>\$ 158,821,055</u>	<u>\$ 15,600,708</u>

**2. Governmental activity general obligation bonds**

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

**3. Limited tax pension obligation**

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

Each participating government is responsible for their annual debt service payments and the City of Salem is current with all payments. However, because this is a pooled issue, the rating agencies evaluate the strength of the bonds based on the lowest rated participant. Moody's has downgraded this Oregon Local Governments Limited Tax Pension Obligation, Series 2005 issue to A1 from Aa3. The City will continue to make all required debt service payments.

**4. Governmental activity urban renewal bonds**

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



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

Riverfront/Downtown URA

2003A: \$337,120      2003B: \$2,492,500      2009: \$335,255

**5. Governmental activity notes**

The Agency issues notes to provide funds for the acquisition and construction of capital asset improvements. The Agency's outstanding notes represent funding primarily for projects associated with economic development and wetland mitigation. The \$1,000,000 note from OECD, L06001B, is potentially forgivable based on job creation performance in the Mill Creek urban renewal area.

In July 2003, the City executed a 20-year contract with the U.S. Department of Housing and Urban Development (HUD) for Section 108 loan guarantee funds in the amount of \$7.2 million as part of the funding needed to construct the Salem Convention Center. The City was required to pledge as security its yearly allocation of CDBG entitlement funds. Three other sources of income have provided sufficient resources to make the debt service payments, so no entitlement funds have been used for loan repayment.

On May 28, 2015, the City participated in a HUD refunding of the 2003 pooled debt issuance. At the time of the sale, the City was able to apply \$680,000 of funds on hand toward the outstanding principal balance and will realize \$472,676 in interest savings over the remaining life of the debt.

**6. Governmental activity future maturities of long-term debt**

Fiscal Year	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015-16	\$ 379,000	\$ 539,886	\$ 12,217,966	\$ 6,281,369	\$ 12,596,966	\$ 6,821,255
2016-17	507,711	211,964	13,040,368	5,761,218	13,548,079	5,973,182
2017-18	513,387	774,646	13,923,729	5,195,783	14,437,116	5,970,429
2018-19	647,042	340,609	11,539,071	4,604,474	12,186,113	4,945,083
2019-20	658,237	705,900	12,444,415	4,114,086	13,102,652	4,819,986
2020-25	2,641,410	1,526,992	68,020,120	12,010,919	70,661,530	13,537,911
2025-30	2,494,254	1,038,370	17,305,000	1,494,868	19,799,254	2,533,238
2030-35	2,381,767	521,757	-	-	2,381,767	521,757
2035-38	1,058,184	73,708	-	-	1,058,184	73,708
	<u>\$11,280,992</u>	<u>\$5,733,832</u>	<u>\$148,490,669</u>	<u>\$39,462,717</u>	<u>\$159,771,661</u>	<u>\$45,196,549</u>

**City of Salem, Oregon**  
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**7. Business-type activity revenue bonds**

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

Amidst the 2009 global financial crisis, the City's utility system was forced to convert its short-term commercial paper debt into long-term bonds. Due to coverage ratio constraints in the utility system at that time, the debt was issued as a full faith and credit issuance. In 2012, when the utility system refunded its existing debt, a utility revenue pledge was formally extended to the 2009 full faith and credit debt.

At June 30, 2015, defeased water and sewer revenue bonds are as follows:

<u>Water and Sewer Debt</u>	<u>Defeased Debt in Escrow</u>
Series 2003	11,480,000
Series 2004	23,795,000
Series 2005	14,445,000
Total defeased debt in escrow	\$ 49,720,000

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

**8. Business-type activity notes**

Notes are obligations of the City's Water and Sewer fund and are payable solely from the net revenues derived from this enterprise. The City used note financing to provide funds for capital improvements. Notes are subordinate to revenue bonds.

**9. Business-type activity future maturities of long-term debt**

Year	<u>Notes</u>		<u>Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015-16	\$ 169,708	\$ 231,492	\$ 15,431,000	\$ 5,146,655	\$ 15,600,708	\$ 5,378,147
2016-17	175,896	224,703	15,752,000	4,831,543	15,927,896	5,056,246
2017-18	187,132	217,668	14,720,000	4,405,131	14,907,132	4,622,799
2018-19	193,417	210,182	13,743,000	3,998,514	13,936,417	4,208,696
2019-20	199,838	201,962	13,201,000	3,610,471	13,400,838	3,812,433
2020-25	1,149,176	865,698	49,446,000	12,069,753	50,595,176	12,935,451
2025-30	1,452,358	559,666	27,740,000	3,463,250	29,192,358	4,022,916
2030-34	1,439,218	175,156	-	-	1,439,218	175,156
	<u>\$4,966,743</u>	<u>\$2,686,527</u>	<u>\$150,033,000</u>	<u>\$37,525,317</u>	<u>\$154,999,743</u>	<u>\$40,211,844</u>

**City of Salem, Oregon**  
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**J. Conduit debt obligations**

Conduit obligations are defined as those issued with approval of the City for the benefit of eligible third parties that provide health care or senior citizen use facilities. They are not a part of the City's financial reporting entity. At June 30, 2015, the following issues are outstanding.

***Hospital Facility Authority of the City of Salem***

Date Issued	Purpose	Original Amount	Outstanding Balance June 30, 2015
<u>Capital Manor, Inc.</u>			
06/2012	Revenue Bonds, Series 2012 Pay off outstanding balances of the 2004 Bonds, the 2006 bonds and the swap agreements.	\$ 50,135,000	\$ 48,610,000
<u>Salem Hospital</u>			
11/2006	Revenue Bonds, Series 2006A Finance various capital projects. Bonds totaling \$120,000,000 were issued at a premium in the amount of \$3,122,698.	123,122,698	115,736,000
10/2008	Revenue Bonds, Series 2008A financing for various capital projects, and establish debt reserve.	60,487,771	46,497,000
11/2008	Revenue Bonds, Series 2008B Refinance a portion of the 2008 taxable line of credit and provide financing for various capital projects.	75,000,000	75,000,000
06/2013	Revenue Bonds, Series 2013A Refinance 2008C and provide financing for various capital projects.	35,000,000	34,580,000
06/2013	Revenue Bonds, Series 2013B Refinance 2008C and provide financing for various capital projects.	35,000,000	34,585,000
		<u>\$ 378,745,469</u>	<u>\$ 355,008,000</u>

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

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**K. Fund balance**

Fund balances for governmental funds as of June 30, 2015 are as follows:

	General Fund	Public Works	Capital Improvements	Tax Allocation Improvements	Community Renewal	Other Governmental Funds	Total
<b><u>Nonspendable:</u></b>							
Prepaid Items	\$ 484,422	\$ 46,153	\$ -	\$ -	\$ -	\$ 17,903	\$ 548,478
Permanent fund principal	-	-	-	-	-	11,000	11,000
Total nonspendable	484,422	46,153	-	-	-	28,903	559,478
<b><u>Restricted:</u></b>							
Capital projects	-	-	34,464,372	18,216,388	-	12,822,131	65,502,891
Community renewal	-	-	-	-	47,216	-	47,216
Debt service	-	-	-	-	-	16,331,008	16,331,008
Permanent funds	-	-	-	-	-	245,126	245,126
General government	-	-	-	-	-	58,797	58,797
Community development:							
SCC Gain/Loss	-	-	-	-	-	4,216,970	4,216,970
Other	-	-	-	-	-	67,729	67,729
Community services	-	-	-	-	-	676,429	676,429
Library services	-	-	-	-	-	35,702	35,702
Public safety	-	-	-	-	-	544,475	544,475
Engineering/Streets	-	-	-	-	-	1,448,232	1,448,232
Total restricted	-	-	34,464,372	18,216,388	47,216	36,446,599	89,174,575
<b><u>Committed:</u></b>							
Public works	-	3,207,579	-	-	-	-	3,207,579
Airport	-	-	-	-	-	682,736	682,736
Downtown parking	-	-	-	-	-	621,501	621,501
Economic improvement	-	-	-	-	-	98,881	98,881
Cultural/Tourism	-	-	-	-	-	1,216,221	1,216,221
Public art	-	-	-	-	-	1,106	1,106
Parking leasehold	-	-	-	-	-	783,246	783,246
Building & safety	-	-	-	-	-	4,986,843	4,986,843
General government	-	-	-	-	-	1,683,040	1,683,040
Community services	-	-	-	-	-	24,949	24,949
Library services	-	-	-	-	-	923,904	923,904
Public safety	-	-	-	-	-	16,001	16,001
Total committed	-	3,207,579	-	-	-	11,038,428	14,246,007
<b><u>Unassigned:</u></b>							
	23,515,733	-	-	-	-	-	23,515,733
Total fund balances	\$24,000,155	\$3,253,732	\$34,464,372	\$18,216,388	\$ 47,216	\$47,513,930	\$127,495,793

**L. Net position**

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

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

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

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets	\$ 526,225,928	\$ 656,292,444	\$ 1,182,518,372
Capital asset related debt			
Outstanding debt	(112,405,604)	(158,821,055)	(271,226,659)
Deferred outflows	-	4,873,776	4,873,776
Unexpended proceeds	32,427,040	-	32,427,040
Net capital asset related debt	(79,978,564)	(153,947,279)	(233,925,843)
Net investment in capital assets	446,247,364	502,345,165	948,592,529
Restricted:			
Capital projects			
Capital improvements	43,551,399	16,242,400	59,793,799
Extra capacity facilities	12,390,327	-	12,390,327
Tax allocation improvements	25,087,043	-	25,087,043
Development district	1,569,689	-	1,569,689
Unexpended proceeds moved to investment in capital assets	(32,427,040)	-	(32,427,040)
Total capital projects	50,171,418	16,242,400	66,413,818
Debt service			
General debt	690,032	-	690,032
Tax allocation debt	15,439,630	-	15,439,630
Total debt service	16,129,662	-	16,129,662
Other purposes			
Community enhancement	7,048,334	-	7,048,334
Permanent	245,126	-	245,126
Permanent - non-expendable	11,000	-	11,000
Community renewal	13,502,440	-	13,502,440
Total other purposes	20,806,900	-	20,806,900
Total restricted	87,107,980	16,242,400	103,350,380

Continued

**City of Salem, Oregon**  
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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Unrestricted:			
General fund	26,490,732	-	26,490,732
Special revenue funds			
Public works	3,219,089	-	3,219,089
Airport	682,736	-	682,736
Downtown parking	621,501	-	621,501
Economic improvement	100,129	-	100,129
Cultural and tourism	1,234,990	-	1,234,990
Public art	1,106	-	1,106
Parking leasehold	783,246	-	783,246
Building and safety	4,986,843	-	4,986,843
Community enhancement	2,320,335	-	2,320,335
Internal service funds	14,148,320	-	14,148,320
Enterprise funds			
Water and sewer	-	48,208,324	48,208,324
Emergency services	-	2,720,620	2,720,620
WVPS communication center	-	1,186,203	1,186,203
Police regional records system	-	1,109,467	1,109,467
Salem convention center	-	507,777	507,777
Net pension asset/liability	16,261,956	6,480,272	22,742,228
Net pension obligation bond	(51,015,000)	-	(51,015,000)
Net OPEB obligation	(5,160,478)	(1,795,167)	(6,955,645)
Compensated absences	(5,887,805)	(2,179,507)	(8,067,312)
Deferred inflows/outflows related to pensions	(24,471,075)	(9,751,549)	(34,222,624)
Total unrestricted	(15,683,375)	46,486,440	30,803,065
Total net position	<u>\$ 517,671,969</u>	<u>\$ 565,074,005</u>	<u>\$ 1,082,745,974</u>

Concluded

**IV. OTHER INFORMATION**

**A. Risk management**

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

The City provides a tiered medical benefit package for all eligible participants. The monthly member (employee only) medical premiums paid are \$524 for the Kaiser Permanente HMO plan, and \$592 for the Preferred Provider Organization (PPO) plan. Additional premiums for vision and dental benefits are also paid, as elected by the employee, up to a maximum of \$1,931 for all medical, vision, and dental plan premiums per employee (including dependents), except as otherwise provided in accordance with labor agreements. Specific claim stop-loss coverage is purchased for individual claims exceeding \$175,000. During fiscal year 2014-15, total medical, vision, and dental claims expense of \$18,241,554 was incurred.

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

The City's property is insured through a commercial carrier. The coverage provides a per occurrence limit of \$400 million. Deductibles vary depending on the type of loss, but generally are \$25,000. The City retains the first \$1,000,000 of all liability claims. An excess liability insurance policy purchased from a commercial carrier provides coverage for liability claims in excess of \$1,000,000, up to \$10 million per occurrence.

The changes in the aggregate liability (reserves) for workers compensation and general liability/casualty claims for fiscal years 2013-14 and 2014-15 are as follows:

**Workers Compensation**

Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2014	\$2,262,050	\$688,009	\$ (1,203,481)	\$ 625,842	\$2,372,420
2015	2,372,420	705,013	(754,364)	794,551	3,117,620

**Liability/Casualty**

Fiscal year ended June 30,	Claims payable July 1,	Claims incurred	Claims paid	Changes to prior year estimates	Claims payable June 30,
2014	\$2,029,530	\$362,771	\$ (424,648)	\$ 126,707	\$2,094,360
2015	2,094,360	61,450	(414,402)	694,432	2,435,840

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

**B. Commitments and contingencies**

**1. Grants**

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

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**2. Litigation matters**

The City is presently involved in certain litigation matters arising from the normal course of business. In the opinion of management and the City's legal counsel, adverse disposition of any such legal matter will not have a material effect on the City's financial position. At June 30, 2015, reserves have been established to provide for the estimated liability in such cases.

**3. Construction commitments**

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2015-16. The reappropriated budget for these projects is \$693,000.

**C. Defined benefit pension plan (PERS)**

**1. Plan description**

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

**2. Benefits provided**

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

**Pension benefits**

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to



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age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 defined benefit pension plan is closed to new members hired on or after August 29, 2003.

**Death benefits**

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

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

**Disability benefits**

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

**Benefit Changes**

Members that choose to continue participation in a variable equities investment account after retiring may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

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

**Pension benefits**

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

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

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

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

**Death benefits**

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

**Disability benefits**

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

**Benefit changes after retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

**c. OPSRP Individual Account Program (IAP)**

**Pension benefits**

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

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

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**Death benefits**

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

**Record keeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

**3. Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined benefit plan and the other postemployment benefit plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$9,662,055, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 15.82% for Tier One/Tier Two General Service Members and Tier One/Tier Two Police and Fire, 8.62% for OPSRP pension program general service members, 12.73% for OPSRP pension program police and fire members, and 6% for OPSRP IAP.

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

At June 30, 2015, the City reported an asset of \$23,254,287 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 1.0259027%, which was unchanged from its proportion as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$30,961,883. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	44,871,354
Changes in proportion and differences between City contributions and proportionate share of contributions	216,124	-
City contributions subsequent to the measurement date	9,662,055	-
Total	\$ 9,878,179	\$ 44,871,354

\$9,662,055 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Year ended June 30:	
2016	\$ (11,170,856)
2017	(11,170,856)
2018	(11,170,856)
2019	(11,170,854)
2020	28,192
Thereafter	-

**5. Actuarial assumptions**

The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP pension program component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Actuarial Cost Method	Entry Age Normal
Experience Study Report	2012, published September 18, 2013
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Healthy retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**6. Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core fixed income	7.20%	4.50%
Short-term bonds	8.00%	3.70%
Intermediate-term bonds	3.00%	4.10%
High yield bonds	1.80%	6.66%
Large-cap US equities	11.65%	7.20%
Mid-cap US equities	3.88%	7.30%
Small-cap US equities	2.27%	7.45%
Developed foreign equities	14.21%	6.90%
Emerging foreign equities	5.49%	7.40%
Private equities	20.00%	8.26%
Opportunity funds/Absolute return	5.00%	6.01%
Real estate (Property)	13.75%	6.51%
Real estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed inflation - mean		2.75%

**7. Discount rate**

The discount rate used to measure the total pension liability was 7.75% for the defined benefit pension plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Decrease 1% (6.75%)	Discount Rate (7.75%)	Increase 1% (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 49,244,180	\$ (23,254,287)	\$ (84,570,986)

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

**9. Pension plan fiduciary net position**

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

**10. Changes in plan provisions subsequent to the measurement date**

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

**D. Defined benefit pension plan (RHIA)**

**1. Plan description**

As a member of Oregon Public Employees Retirement System (PERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. PERS issues a financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

**2. Funding policy**

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

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

Participating employers are required to contribute to RHIA at a rate assessed by PERS, currently 0.59% of annual covered payroll for Tier I/Tier II employees, and 0.49% for OPSRP employees. The PERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years.

**E. Other Post-employment Benefits (OPEB)**

**1. *Plan description***

The City administers a single-employer defined benefit healthcare plan. Benefit provisions are established through negotiations between the City and collective bargaining units. The healthcare plan provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents. Premiums are paid by the retiree. The level of benefits provided by the plan is the same as that afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and eligible dependents until age 26.

The City's post-retirement healthcare plan was established in accordance with ORS 243.303. ORS stipulate that for establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs (which, because of the effect of age, is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the City's implicit rate subsidy.

**2. *Funding policy***

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2014, the City contributed \$853,210 to the plan.

Since the City is self-insured, the actuarially determined net obligation at July 1, 2013 of \$6,955,645 shown on the next page bears little risk of not being funded over time because the City has an adequate fund balance, has stop-loss insurance, has annually paid all claims, and has the ability to raise rates as needed to meet annual claims.

**3. *Annual OPEB cost and net OPEB obligation***

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. The net OPEB obligation represents the cumulative difference between the ARC and actual contributions, beginning when the City implemented GASB Statement 45 (fiscal year 2007-08). The following table shows the components of the City's annual OPEB cost for the fiscal year 2013-14, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.



**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

Annual required contribution	\$ 1,237,026
Interest on net OPEB obligation	267,645
Adjustment to the annual required contribution	<u>(386,949)</u>
	1,117,722
Annual OPEB cost (expense) contributions made	<u>(853,210)</u>
Increase in net OPEB obligation	264,512
Net OPEB obligation, 7/1/2013	<u>6,691,133</u>
Net OPEB obligation, 6/30/2014	<u><u>\$ 6,955,645</u></u>

The net OPEB obligation of \$6,955,645 at June 30, 2014 is recognized as a noncurrent liability as shown on the statement of net position.

The City's annual OPEB cost, actual contribution, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation by fiscal year were as follows:

<u>Fiscal year</u> ending June 30	<u>Annual</u> <u>OPEB cost</u>	<u>Contribution</u>	<u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u>	<u>Net OPEB</u> <u>obligation</u>
2012	\$ 1,437,227	\$ 852,264	59.3 %	\$ 5,375,313
2013	1,426,522	110,702	7.8	6,691,133
2014	1,117,722	853,210	76.3	6,955,645

**4. Funded status and funding progress**

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$11,207,568 and the actuarial value of assets was \$0, resulting in a 100% unfunded actuarial accrued liability (UAAL) of \$11,207,568. The covered payroll (annual payroll of active employees covered by the plan) was \$73,114,399, and the ratio of the UAAL to the covered payroll was 15.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**5. Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

The July 1, 2013 actuarial valuation used the projected unit credit method, an assumed 4% rate of return, inflation of 3%, and a healthcare cost inflation trend of 9% in 2014 reduced by decrements to an ultimate rate of 5% in 2023. The UAAL and gains or losses are amortized as a level dollar amount over an open period of 30 years.

**F. Outstanding encumbrances**

At June 30, 2015, the City has encumbered the following commitments that required reappropriation in the 2015-16 fiscal year budget.

Fund	Amount
General	\$ 144,120
Public Works	28,000
Capital Improvements	362,840
Community Renewal	300,000
Non-major governmental	212,470
Water and Sewer	39,000
City Services	226,000
Total	\$ 1,312,430

**G. Deficit net position**

The Willamette Valley Communications Center fund has a deficit net position of \$139,080 at June 30, 2015. However, the fund has a positive fund balance. The deficit net position was created by pension amounts associated with implementation of GASB Statement 68.

**H. Subsequent events**

On August 25, 2015, the Urban Renewal Agency of the City of Salem refunded Riverfront/ Downtown Series 2003 A & B by issuing Riverfront Downtown Series 2015 A & B. The refunding will result in interest savings of \$60,638 for Series A and \$537,719 for Series B.

**I. New Accounting Pronouncements – GASB Statements No. 68 and 71**

The Governmental Accounting Standards Board (GASB) issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures as related to pensions. GASB Statement 71 addresses an issue regarding application of the transition provisions of Statement 68. The City implemented GASB Statements 68 and 71 in the year ending June 30, 2015. More information can be found in Note C - Pension Plan, and Note J - Change in Accounting Principle.

**City of Salem, Oregon**  
**Notes to the Financial Statements**  
*June 30, 2015*

**J. Change in Accounting Principle**

Based on implementation of GASB Statements 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$562,373,321	\$550,556,135	\$1,112,929,456
Cumulative effect of change in accounting principle	(83,551,347)	(11,899,424)	(95,450,771)
Net positon - beginning (as restated)	<u>\$478,821,974</u>	<u>\$538,656,711</u>	<u>\$1,017,478,685</u>

**CITY OF SALEM, OREGON**  
**Required Supplementary Information**  
*June 30, 2015*

**1. Defined Benefit Pension Plan (PERS)**

**A. Changes in plan provisions**

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 disclosure information, which can be found at: [http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

**B. Changes of assumptions**

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 disclosure information, which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf).

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 experience study for the system, which was published on September 18, 2013, and can be found at:

<http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	1.02590270%	\$ (25,254,287)	\$76,037,025	-33.21%	103.60%
2014	1.02590270%	52,353,318	75,971,067	68.91%	91.97%

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

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

**CITY OF SALEM, OREGON**  
**Required Supplementary Information**  
*June 30, 2015*

**Schedule of contributions (PERS)**  
**For the last two fiscal years**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2015	\$9,471,303	\$9,734,410	\$(263,107)	\$76,037,025	12.80%
2014	10,237,304	10,237,304	-	75,971,067	13.48%

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

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

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

Other post-employment benefits schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2009	\$ -	\$ 13,983,079	\$ 13,983,079	0.00%	\$ 75,468,328	18.53%
7/1/2011	-	14,080,132	14,080,132	0.00	72,880,663	19.32
7/1/2013	-	11,207,568	11,207,568	0.00	73,114,399	15.33

The City's other post-employment benefits include retiree healthcare. The actuarial cost method for retiree healthcare benefits is the projected unit credit method. The last actuarial valuation completed was as of July 1, 2013.

# **Supplemental Information**

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## **COMBINING STATEMENTS - Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

#### ***Airport***

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

#### ***Downtown Parking***

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

#### ***Economic Improvement District***

This fund accounts for receipts from assessment payments for businesses within the defined downtown boundary to promote downtown marketing and enhancement activity.

#### ***Cultural/Tourism***

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

#### ***Public Art***

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

#### ***Parking Leasehold***

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

#### ***Building and Safety***

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

#### ***Community Enhancement***

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

#### ***Permanent Funds***

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

### **Debt Service Funds**

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

#### ***General Debt***

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

#### ***Tax Allocation Bond Debt***

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

### **Capital Projects Funds**

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

#### ***Extra Capacity Facilities***

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

#### ***Development Districts***

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



**City of Salem, Oregon**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
*June 30, 2015*

**Special Revenue  
Funds**

	<b>Airport</b>	<b>Downtown Parking</b>	<b>Economic Improvement</b>	<b>Cultural/ Tourism</b>	<b>Public Art</b>	<b>Parking Leasehold</b>	<b>Building and Safety</b>
<b>Assets</b>							
Cash and investments	\$ 651,423	\$ 663,723	\$ 94,376	\$ 900,108	\$ 1,106	\$ 764,730	\$ 5,001,715
Accounts receivable, net	44,743	8,249	8,794	352,363	-	30,515	14,998
Inventories and prepayments	2,599	-	-	-	-	-	15,304
Advances to other funds	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 698,765</b>	<b>\$ 671,972</b>	<b>\$ 103,170</b>	<b>\$ 1,252,471</b>	<b>\$ 1,106</b>	<b>\$ 795,245</b>	<b>\$ 5,032,017</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 13,430	\$ 50,471	\$ 3,041	\$ 17,481	\$ -	\$ 10,999	\$ 29,870
Security deposit payable	-	-	-	-	-	1,000	-
Developer reimbursement payable	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>13,430</b>	<b>50,471</b>	<b>3,041</b>	<b>17,481</b>	<b>-</b>	<b>11,999</b>	<b>29,870</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue	-	-	1,248	18,769	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,248</b>	<b>18,769</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>							
Nonspendable	2,599	-	-	-	-	-	15,304
Restricted	-	-	-	-	-	-	-
Committed	682,736	621,501	98,881	1,216,221	1,106	783,246	4,986,843
<b>Total fund balances</b>	<b>685,335</b>	<b>621,501</b>	<b>98,881</b>	<b>1,216,221</b>	<b>1,106</b>	<b>783,246</b>	<b>5,002,147</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 698,765</b>	<b>\$ 671,972</b>	<b>\$ 103,170</b>	<b>\$ 1,252,471</b>	<b>\$ 1,106</b>	<b>\$ 795,245</b>	<b>\$ 5,032,017</b>

Continued

**City of Salem, Oregon**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
*June 30, 2015*

	Special Revenue Funds		Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Community Enhancement	Permanent Funds	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	
<b>Assets</b>							
Cash and investments	\$ 9,451,192	\$ 256,126	\$ 556,153	\$ 15,401,548	\$ 11,330,723	\$ 1,569,689	\$ 46,642,612
Accounts receivable, net	191	-	585,363	735,349	1,155,782	-	2,936,347
Inventories and prepayments	-	-	-	-	-	-	17,903
Advances to other funds	327,559	-	-	-	-	-	327,559
Assessments receivable	-	-	-	-	790,548	-	790,548
<b>Total assets</b>	<b>\$ 9,778,942</b>	<b>\$ 256,126</b>	<b>\$ 1,141,516</b>	<b>\$ 16,136,897</b>	<b>\$ 13,277,053</b>	<b>\$ 1,569,689</b>	<b>\$ 50,714,969</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 82,714	\$ -	\$ -	\$ -	\$ 96,178	\$ -	\$ 304,184
Security deposit payable	-	-	-	-	-	-	1,000
Developer reimbursement payable	-	-	-	-	790,548	-	790,548
<b>Total liabilities</b>	<b>82,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>886,726</b>	<b>-</b>	<b>1,095,732</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue	-	-	420,251	527,154	1,137,885	-	2,105,307
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>420,251</b>	<b>527,154</b>	<b>1,137,885</b>	<b>-</b>	<b>2,105,307</b>
<b>Fund balances</b>							
Nonspendable	-	11,000	-	-	-	-	28,903
Restricted	7,048,334	245,126	721,265	15,609,743	11,252,442	1,569,689	36,446,599
Committed	2,647,894	-	-	-	-	-	11,038,428
<b>Total fund balances</b>	<b>9,696,228</b>	<b>256,126</b>	<b>721,265</b>	<b>15,609,743</b>	<b>11,252,442</b>	<b>1,569,689</b>	<b>47,513,930</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,778,942</b>	<b>\$ 256,126</b>	<b>\$ 1,141,516</b>	<b>\$ 16,136,897</b>	<b>\$ 13,277,053</b>	<b>\$ 1,569,689</b>	<b>\$ 50,714,969</b>

Concluded

**City of Salem, Oregon**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
*For the fiscal year ended June 30, 2015*

	Special Revenue Funds						
	Airport	Downtown Parking	Economic Improvement	Cultural/ Tourism	Public Art	Parking Leasehold	Building and Safety
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	3,125,123	-	-	-
Sales, fees, licenses, and permits	35,351	16,441	-	-	-	-	2,933,622
Special assessments	-	437,202	8,814	-	-	-	-
Rents	1,053,414	653,087	-	-	-	576,753	-
Grants	-	-	-	-	-	-	-
Intergovernmental	-	863,858	-	5,685	872	-	156,960
Interest on investments	4,769	3,346	1,160	6,620	18	3,729	29,562
Loan payments received	-	-	-	11,239	-	-	-
Other	1,941	15,136	29	70,107	-	1,118	90
<b>Total revenues</b>	<b>1,095,475</b>	<b>1,989,070</b>	<b>10,003</b>	<b>3,218,774</b>	<b>890</b>	<b>581,600</b>	<b>3,120,234</b>
<b>Expenditures</b>							
Current							
General government	-	-	-	-	5,120	-	-
Community development	1,000,905	1,743,832	83,926	1,811,144	-	371,787	2,895,494
Community service	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Engineering/Streets	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	7,357
Debt service							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	4,904	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,005,809</b>	<b>1,743,832</b>	<b>83,926</b>	<b>1,811,144</b>	<b>5,120</b>	<b>371,787</b>	<b>2,902,851</b>
Excess (deficiency) of revenues over (under) expenditures	89,666	245,238	(73,923)	1,407,630	(4,230)	209,813	217,383
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	1,000	-	-
Transfers out	(37,915)	-	-	(1,457,291)	-	-	(17,544)
<b>Total other financing sources (uses)</b>	<b>(37,915)</b>	<b>-</b>	<b>-</b>	<b>(1,457,291)</b>	<b>1,000</b>	<b>-</b>	<b>(17,544)</b>
<b>Net change in fund balance</b>	<b>51,751</b>	<b>245,238</b>	<b>(73,923)</b>	<b>(49,661)</b>	<b>(3,230)</b>	<b>209,813</b>	<b>199,839</b>
Fund balances - beginning of year	633,584	376,263	172,804	1,265,882	4,336	573,433	4,802,308
Fund balances - end of year	<b>\$ 685,335</b>	<b>\$ 621,501</b>	<b>\$ 98,881</b>	<b>\$ 1,216,221</b>	<b>\$ 1,106</b>	<b>\$ 783,246</b>	<b>\$ 5,002,147</b>

Continued

**City of Salem, Oregon**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the fiscal year ended June 30, 2015

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Community Enhancement	Permanent Funds	General Debt	Tax Allocation Bond Debt	Extra Capacity Facilities	Development Districts	
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ 10,487,759	\$ 13,176,543	\$ -	\$ -	\$ 23,664,302
Other taxes	-	-	-	7,734	-	-	3,132,857
Sales, fees, licenses, and permits	56,244	-	-	-	2,084,701	14,043	5,140,402
Special assessments	-	-	-	-	22,280	-	468,296
Rents	-	-	-	-	-	-	2,283,254
Grants	164,256	-	-	-	-	-	164,256
Intergovernmental	-	-	4,353,300	-	200,000	-	5,580,675
Interest on investments	59,195	1,562	31,091	98,172	72,506	9,746	321,476
Loan payments received	4,904	-	-	-	-	-	16,143
Other	498,069	7,826	-	-	-	-	594,316
<b>Total revenues</b>	<b>782,668</b>	<b>9,388</b>	<b>14,872,150</b>	<b>13,282,449</b>	<b>2,379,487</b>	<b>23,789</b>	<b>41,365,977</b>
<b>Expenditures</b>							
Current							
General government	345,619	-	-	259,955	-	-	610,694
Community development	114,785	-	-	-	-	-	8,021,873
Community service	231,254	-	-	-	-	-	231,254
Public safety	113,959	-	-	-	-	-	113,959
Engineering/Streets	22,998	-	-	-	-	-	22,998
Library	48,325	4,236	-	-	-	-	52,561
Capital outlay	-	-	-	-	2,561,892	14,043	2,583,292
Debt service							
Principal retirement	-	-	8,537,503	4,429,000	-	-	12,966,503
Interest and fiscal charges	-	-	5,943,230	829,408	-	-	6,777,542
<b>Total expenditures</b>	<b>876,940</b>	<b>4,236</b>	<b>14,480,733</b>	<b>5,518,363</b>	<b>2,561,892</b>	<b>14,043</b>	<b>31,380,676</b>
Excess (deficiency) of revenues over (under) expenditures	(94,272)	5,152	391,417	7,764,086	(182,405)	9,746	9,985,301
<b>Other financing sources (uses)</b>							
Transfers in	273,225	-	-	-	102,154	-	376,379
Transfers out	(167,154)	-	-	(8,945,360)	(75,000)	-	(10,700,264)
<b>Total other financing sources (uses)</b>	<b>106,071</b>	<b>-</b>	<b>-</b>	<b>(8,945,360)</b>	<b>27,154</b>	<b>-</b>	<b>(10,323,885)</b>
<b>Net change in fund balance</b>	<b>11,799</b>	<b>5,152</b>	<b>391,417</b>	<b>(1,181,274)</b>	<b>(155,251)</b>	<b>9,746</b>	<b>(338,584)</b>
Fund balances - beginning of year	9,684,429	250,974	329,848	16,791,017	11,407,693	1,559,943	47,852,514
Fund balances - end of year	\$ 9,696,228	\$ 256,126	\$ 721,265	\$ 15,609,743	\$ 11,252,442	\$ 1,569,689	\$ 47,513,930

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## **COMBINING STATEMENTS**

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### **Nonmajor Business-type Funds**

#### **Enterprise Funds**

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

#### ***Emergency Services***

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

#### ***Willamette Valley Public Safety (WVPS) Communications Center***

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

#### ***Police Regional Records System***

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

#### ***Salem Convention Center***

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

**City of Salem, Oregon**  
**Combining Statement of Net Position**  
**Nonmajor Business-type Funds**  
*June 30, 2015*

	<u>Emergency Services</u>	<u>WVPS Communications Center</u>	<u>Police Regional Records System</u>	<u>Salem Convention Center</u>	<u>Totals Nonmajor Business-type Funds</u>
<b>Assets</b>					
Current assets					
Cash and investments	\$ 2,686,242	\$ 1,017,182	\$ 1,109,467	\$ 596,860	\$ 5,409,751
Accounts receivable, net	37,935	173,663	-	258,689	470,287
Inventories and prepayments	2,906	50,047	-	45,965	98,918
Total current assets	<u>2,727,083</u>	<u>1,240,892</u>	<u>1,109,467</u>	<u>901,514</u>	<u>5,978,956</u>
Noncurrent assets					
Net pension asset	67,205	1,399,443	-	-	1,466,648
Capital assets:					
Land and other construction in progress	-	-	-	1,576,123	1,576,123
Other capital assets, net	605,287	196,824	3,213	24,312,040	25,117,364
Total noncurrent assets	<u>672,492</u>	<u>1,596,267</u>	<u>3,213</u>	<u>25,888,163</u>	<u>28,160,135</u>
Total assets	<u>3,399,575</u>	<u>2,837,159</u>	<u>1,112,680</u>	<u>26,789,677</u>	<u>34,139,091</u>
<b>Deferred outflows of resources:</b>					
Deferred outflows related to pensions	28,547	594,469	-	-	623,016
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	6,463	54,689	-	393,737	454,889
Compensated absences due within one year	-	107,879	-	-	107,879
Total current liabilities	<u>6,463</u>	<u>162,568</u>	<u>-</u>	<u>393,737</u>	<u>562,768</u>
Noncurrent liabilities					
Net OPEB obligation	31,894	367,275	-	-	399,169
Compensated absences	28,627	340,507	-	-	369,134
Total noncurrent liabilities	<u>60,521</u>	<u>707,782</u>	<u>-</u>	<u>-</u>	<u>768,303</u>
Total liabilities	<u>66,984</u>	<u>870,350</u>	<u>-</u>	<u>393,737</u>	<u>1,331,071</u>
<b>Deferred inflows of resources:</b>					
Deferred inflows related to pensions	129,678	2,700,358	-	-	2,830,036
<b>Net Position</b>					
Net investment in capital assets	605,287	196,824	3,213	25,888,163	26,693,487
Other unrestricted	2,626,173	(335,904)	1,109,467	507,777	3,907,513
Total net position	<u>\$ 3,231,460</u>	<u>\$ (139,080)</u>	<u>\$ 1,112,680</u>	<u>\$ 26,395,940</u>	<u>\$ 30,601,000</u>

**City of Salem, Oregon**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Business-type Funds**  
*For the fiscal year ended June 30, 2015*

	<b>Emergency Services</b>	<b>WVPS Communications Center</b>	<b>Police Regional Records System</b>	<b>Salem Convention Center</b>	<b>Totals Nonmajor Business-type Funds</b>
<b>Operating revenues</b>					
Sales, fees, licenses, and permits	\$ 787,805	\$ 18,317	\$ -	\$ 2,443,006	\$ 3,249,128
Rents	1,600	24,400	-	1,290,754	1,316,754
Internal and intergovernmental	4,691	173,818	185,230	-	363,739
Member agencies	-	8,568,704	137,670	-	8,706,374
Fines and penalties	60,040	-	-	-	60,040
Other	8,227	10	-	5,612	13,849
Total operating revenues	<u>862,363</u>	<u>8,785,249</u>	<u>322,900</u>	<u>3,739,372</u>	<u>13,709,884</u>
<b>Operating expenses</b>					
Personal services	281,044	5,921,035	-	-	6,202,079
Materials and services	498,643	1,332,652	168,121	3,411,955	5,411,371
Depreciation	80,730	75,349	-	702,214	858,293
Total operating expenses	<u>860,417</u>	<u>7,329,036</u>	<u>168,121</u>	<u>4,114,169</u>	<u>12,471,743</u>
Operating income (loss)	<u>1,946</u>	<u>1,456,213</u>	<u>154,779</u>	<u>(374,797)</u>	<u>1,238,141</u>
<b>Non-operating revenues (expenses)</b>					
Interest on investments	17,590	7,994	6,106	-	31,690
Net income (loss) before capital contributions and transfers	19,536	1,464,207	160,885	(374,797)	1,269,831
Transfers out	-	-	-	(241,195)	(241,195)
Change in net position	19,536	1,464,207	160,885	(615,992)	1,028,636
Restated total net position - beginning of year	3,211,924	(1,603,287)	951,795	27,011,932	29,572,364
Total net position - end of year	<u>\$ 3,231,460</u>	<u>\$ (139,080)</u>	<u>\$ 1,112,680</u>	<u>\$ 26,395,940</u>	<u>\$ 30,601,000</u>



**City of Salem, Oregon**  
**Combining Statement of Cash Flows**  
**Nonmajor Business-type Funds**  
*For the fiscal year ended June 30, 2015*

	Emergency Services	WVPS Communications Center	Police Regional Records System	Salem Convention Center	Total Nonmajor Business-type Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 857,064	\$ 242,860	\$ -	\$ 3,750,206	\$ 4,850,130
Receipts from interfund services provided	4,691	173,818	185,230	-	363,739
Member agencies	-	8,568,704	137,670	-	8,706,374
Payments to suppliers	(497,348)	(1,309,803)	(168,121)	(3,374,693)	(5,349,965)
Payments to employees	(353,736)	(7,775,482)	-	-	(8,129,218)
Net cash provided (used) by operating activities	<u>10,671</u>	<u>(99,903)</u>	<u>154,779</u>	<u>375,513</u>	<u>441,060</u>
<b>Cash Flows from Non-capital Financing Activities</b>					
Transfers paid	-	-	-	(241,195)	(241,195)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	-	-	-	(24,909)	(24,909)
<b>Cash Flows from Investing Activities</b>					
Interest on investments	17,589	7,994	6,106	-	31,689
Net increase (decrease) in cash and cash equivalents	28,260	(91,909)	160,885	109,409	206,645
<b>Cash and cash equivalents - beginning of year</b>	<u>2,657,982</u>	<u>1,109,091</u>	<u>948,582</u>	<u>487,451</u>	<u>5,203,106</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 2,686,242</u>	<u>\$ 1,017,182</u>	<u>\$ 1,109,467</u>	<u>\$ 596,860</u>	<u>\$ 5,409,751</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 1,946	\$ 1,456,213	\$ 154,779	\$ (374,797)	\$ 1,238,141
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	80,730	75,349	-	702,214	858,293
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Accounts receivable	(608)	200,133	-	10,834	210,359
Inventories and prepayments	(1,133)	(2,920)	-	(2,542)	(6,595)
Deferred outflows of resources	(651)	(13,579)	-	-	(14,230)
Accounts payable and accrued liabilities	2,428	25,769	-	39,804	68,001
Compensated absences payable	16,787	8,840	-	-	25,627
Net pension liability	(218,506)	(4,550,066)	-	-	(4,768,572)
Deferred inflows of resources	129,678	2,700,358	-	-	2,830,036
Net cash provided (used) by operating activities	<u>\$ 10,671</u>	<u>\$ (99,903)</u>	<u>\$ 154,779</u>	<u>\$ 375,513</u>	<u>\$ 441,060</u>

## **COMBINING STATEMENTS**

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### **Internal Service Funds**

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

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

#### ***City Services***

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

#### ***Equipment Replacement Reserve***

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

#### ***Self-Insurance***

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

**City of Salem, Oregon**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
*June 30, 2015*

	<u>City Services</u>	<u>Equipment Replacement Reserve</u>	<u>Self Insurance</u>	<u>Totals</u>
<b>Assets</b>				
Current assets				
Cash and investments	\$ 4,108,058	\$ 4,270,869	\$ 13,984,700	\$ 22,363,627
Accounts receivable, net	11,111	-	-	11,111
Inventories and prepayments	977,459	-	83,877	1,061,336
Total current assets	<u>5,096,628</u>	<u>4,270,869</u>	<u>14,068,577</u>	<u>23,436,074</u>
Noncurrent assets				
Restricted cash and investments	8,255,391	-	-	8,255,391
Net pension asset	406,252	-	105,807	512,059
Capital assets:				
Land and other construction in progress	971,670	-	-	971,670
Other capital assets, net	10,215,229	-	650	10,215,879
Total noncurrent assets	<u>19,848,542</u>	<u>-</u>	<u>106,457</u>	<u>19,954,999</u>
Total assets	<u>24,945,170</u>	<u>4,270,869</u>	<u>14,175,034</u>	<u>43,391,073</u>
<b>Deferred outflows of resources:</b>				
Deferred outflows related to pensions	172,571	-	44,945	217,516
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	195,198	-	114,693	309,891
Claims and judgments due within one year	-	-	1,800,000	1,800,000
Unearned revenue	-	-	841,823	841,823
Compensated absences due within one year	21,742	-	-	21,742
Total current liabilities	<u>216,940</u>	<u>-</u>	<u>2,756,516</u>	<u>2,973,456</u>
Noncurrent liabilities				
Net OPEB obligation	222,757	-	40,112	262,869
Claims and judgments payable	-	-	3,753,460	3,753,460
Compensated absences payable	130,558	-	36,978	167,536
Total noncurrent liabilities	<u>353,315</u>	<u>-</u>	<u>3,830,550</u>	<u>4,183,865</u>
Total liabilities	<u>570,255</u>	<u>-</u>	<u>6,587,066</u>	<u>7,157,321</u>
<b>Deferred inflows of resources:</b>				
Deferred inflows related to pensions	783,902	-	204,165	988,067
<b>Net Position</b>				
Net investment in capital assets	11,186,899	-	650	11,187,549
Restricted for:				
Capital projects	8,248,696	-	-	8,248,696
Unrestricted	4,327,989	4,270,869	7,428,098	16,026,956
Total net position	<u>\$ 23,763,584</u>	<u>\$ 4,270,869</u>	<u>\$ 7,428,748</u>	<u>\$ 35,463,201</u>

**City of Salem, Oregon**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**

*For the fiscal year ended June 30, 2015*

	<b>City Services</b>	<b>Equipment Replacement Reserve</b>	<b>Self Insurance</b>	<b>Totals</b>
<b>Operating revenues</b>				
Sales, fees, licenses, and permits	\$ 12,258	\$ 19,477	\$ -	\$ 31,735
Rents	1,658,405	-	-	1,658,405
Internal and intergovernmental	7,883,593	2,176,370	25,322,086	35,382,049
Other	19,885	-	1,210,004	1,229,889
Total operating revenues	<u>9,574,141</u>	<u>2,195,847</u>	<u>26,532,090</u>	<u>38,302,078</u>
<b>Operating expenses</b>				
Personal services	1,897,642	-	498,184	2,395,826
Materials and services	6,011,576	28,447	25,798,242	31,838,265
Depreciation	1,502,538	-	-	1,502,538
Total operating expenses	<u>9,411,756</u>	<u>28,447</u>	<u>26,296,426</u>	<u>35,736,629</u>
Operating income (loss)	<u>162,385</u>	<u>2,167,400</u>	<u>235,664</u>	<u>2,565,449</u>
<b>Non-operating revenues (expenses)</b>				
Interest on investments	73,285	23,735	71,709	168,729
Other revenue (expenses)	(40,488)	88,685	-	48,197
Total non-operating revenues	<u>32,797</u>	<u>112,420</u>	<u>71,709</u>	<u>216,926</u>
Income (loss) before transfers	195,182	2,279,820	307,373	2,782,375
Capital contributions	41,807	-	-	41,807
Transfers in	2,266,708	370,000	-	2,636,708
Transfers out	(370,000)	(2,234,103)	-	(2,604,103)
Change in net position	2,133,697	415,717	307,373	2,856,787
Restated total net position - beginning of year	<u>21,629,887</u>	<u>3,855,152</u>	<u>7,121,375</u>	<u>32,606,414</u>
Total net position - end of year	<u>\$ 23,763,584</u>	<u>\$ 4,270,869</u>	<u>\$ 7,428,748</u>	<u>\$ 35,463,201</u>

**City of Salem, Oregon**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*For the fiscal year ended June 30, 2015*

	<u>City Services</u>	<u>Equipment Replacement Reserve</u>	<u>Self Insurance</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,686,305	\$ 3,073	\$ 1,246,841	\$ 2,936,219
Receipts from interfund services provided	7,883,593	2,176,370	25,322,086	35,382,049
Payments to suppliers	(6,207,920)	(28,447)	(24,529,225)	(30,765,592)
Payments to employees	(2,434,414)	-	(639,247)	(3,073,661)
Net cash provided (used) by operating activities	<u>927,564</u>	<u>2,150,996</u>	<u>1,400,455</u>	<u>4,479,015</u>
<b>Cash Flows from Non-capital Financing Activities</b>				
Transfers received	-	370,000	-	370,000
Transfers paid	(370,000)	(2,234,103)	-	(2,604,103)
Net cash provided (used) by non-capital related financing activities	<u>(370,000)</u>	<u>(1,864,103)</u>	<u>-</u>	<u>(2,234,103)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(40,696)	-	-	(40,696)
Sale of capital assets	-	88,685	-	88,685
Net cash provided (used) by capital and related financing activities	<u>(40,696)</u>	<u>88,685</u>	<u>-</u>	<u>47,989</u>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	73,285	23,735	71,709	168,729
Net increase (decrease) in cash and cash equivalents	590,153	399,313	1,472,164	2,461,630
<b>Cash and cash equivalents - beginning of year</b>	<u>11,773,296</u>	<u>3,871,556</u>	<u>12,512,536</u>	<u>28,157,388</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 12,363,449</u>	<u>\$ 4,270,869</u>	<u>\$ 13,984,700</u>	<u>\$ 30,619,018</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 162,385	\$ 2,167,400	\$ 235,664	\$ 2,565,449
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	1,502,538	-	-	1,502,538
Other income (expense)	(82,024)	-	-	(82,024)
Changes in assets, deferred outflows, liabilities, and deferred inflows:				
Accounts receivable	(4,243)	(16,404)	36,837	16,190
Inventories and prepayments	(128,409)	-	3,977	(124,432)
Deferred outflows of resources	(3,941)	-	(1,026)	(4,967)
Accounts payable and accrued liabilities	14,089	-	76,324	90,413
Unearned revenue	-	-	102,036	102,036
Claims reserve	-	-	1,086,680	1,086,680
Compensated absences payable	4,131	-	(187)	3,944
Net pension liability	(1,320,864)	-	(344,015)	(1,664,879)
Deferred inflows of resources	783,902	-	204,165	988,067
Net cash provided (used) by operating activities	<u>\$ 927,564</u>	<u>\$ 2,150,996</u>	<u>\$ 1,400,455</u>	<u>\$ 4,479,015</u>

## COMBINING STATEMENT

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### **Agency Funds**

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

**City of Salem, Oregon**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
*For the Fiscal Year Ended June 30, 2015*

	<b>Balances July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2015</b>
<b><u>Court Restitution</u></b>				
<b>Assets</b>				
Cash and investments	\$ 625	\$ 12,262	\$ 12,703	\$ 184
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 12,474	\$ 12,474	\$ -
Amount held in trust	625	12,262	12,703	184
Total liabilities	\$ 625	\$ 24,736	\$ 25,177	\$ 184
<b><u>Unitary Assessments</u></b>				
<b>Assets</b>				
Cash and investments	\$ 63,749	\$ 741,759	\$ 743,612	\$ 61,896
<b>Liabilities</b>				
Accounts payable	\$ 63,749	\$ 734,867	\$ 736,720	\$ 61,896
Amount held in trust	-	88,683	88,683	-
Due to other agencies	-	653,076	653,076	-
Total liabilities	\$ 63,749	\$ 1,476,626	\$ 1,478,479	\$ 61,896
<b><u>County Corrections</u></b>				
<b>Assets</b>				
Cash and investments	\$ 20,899	\$ 242,355	\$ 242,877	\$ 20,377
<b>Liabilities</b>				
Accounts payable	\$ 20,899	\$ 236,075	\$ 236,597	\$ 20,377
Amount held in trust	-	35,182	35,182	-
Due to other agencies	-	207,173	207,173	-
Total liabilities	\$ 20,899	\$ 478,430	\$ 478,952	\$ 20,377

Continued

**City of Salem, Oregon**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
*For the Fiscal Year Ended June 30, 2015*

	<b>Balances July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2015</b>
<b><u>Performance Deposits</u></b>				
Assets				
Cash and investments	\$ 274,507	\$ 528,008	\$ 260,660	\$ 541,855
Receivables	100	2,112,031	2,112,131	-
Total assets	<u>\$ 274,607</u>	<u>\$ 2,640,039</u>	<u>\$ 2,372,791</u>	<u>\$ 541,855</u>
Liabilities				
Accounts payable	\$ -	\$ 288,727	\$ 288,727	\$ -
Amount held in trust	274,607	1,375,031	1,107,783	541,855
Total liabilities	<u>\$ 274,607</u>	<u>\$ 1,663,758</u>	<u>\$ 1,396,510</u>	<u>\$ 541,855</u>
<b><u>Assistance Programs</u></b>				
Assets				
Cash and investments	\$ 1,909	\$ 16,590	\$ 17,349	\$ 1,150
Receivables	-	17,575	17,451	124
Total assets	<u>\$ 1,909</u>	<u>\$ 34,165</u>	<u>\$ 34,800</u>	<u>\$ 1,274</u>
Liabilities				
Accounts payable	\$ 8	\$ 7	\$ 15	\$ -
Amount held in trust	1,901	23,340	23,967	1,274
Total liabilities	<u>\$ 1,909</u>	<u>\$ 23,347</u>	<u>\$ 23,982</u>	<u>\$ 1,274</u>
<b><u>Building Permit Surcharge</u></b>				
Assets				
Cash and investments	\$ 24,464	\$ 236,490	\$ 231,638	\$ 29,316
Receivables	3,444	242,539	244,235	1,748
Total assets	<u>\$ 27,908</u>	<u>\$ 479,029</u>	<u>\$ 475,873</u>	<u>\$ 31,064</u>
Liabilities				
Accounts payable	\$ 24,535	\$ 231,327	\$ 226,362	\$ 29,500
Due to other agencies	3,373	232,755	234,564	1,564
Total liabilities	<u>\$ 27,908</u>	<u>\$ 464,082</u>	<u>\$ 460,926</u>	<u>\$ 31,064</u>

Continued



**City of Salem, Oregon**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
*For the Fiscal Year Ended June 30, 2015*

	<b>Balances July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2015</b>
<b><u>Law Enforcement Medical Liability Assessment</u></b>				
<b>Assets</b>				
Cash and investments	\$ 278	\$ 2,989	\$ 3,070	\$ 197
<b>Liabilities</b>				
Accounts payable	\$ 278	\$ 2,972	\$ 3,053	\$ 197
Amount held in trust	-	2,989	2,989	-
Total liabilities	\$ 278	\$ 5,961	\$ 6,042	\$ 197
<b><u>Reimbursement Districts</u></b>				
<b>Assets</b>				
Cash and investments	\$ 54	\$ 10,812	\$ 2	\$ 10,864
Receivables	-	12,027	12,027	-
Total assets	\$ 54	\$ 22,839	\$ 12,029	\$ 10,864
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 10,701	\$ -	\$ 10,701
Amount held in trust	54	22,841	22,732	163
Total liabilities	\$ 54	\$ 33,542	\$ 22,732	\$ 10,864
<b><u>Cafeteria Plan Benefits</u></b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 1,050,627	\$ 997,171	\$ 53,456
<b>Liabilities</b>				
Payroll payable	\$ -	\$ 547,368	\$ 493,912	\$ 53,456

Continued

**City of Salem, Oregon**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
*For the Fiscal Year Ended June 30, 2015*

	<u>Balances July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2015</u>
<b><u>Total - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and investments	\$ 386,485	\$ 2,841,892	\$ 2,509,082	\$ 719,295
Receivables	<u>3,544</u>	<u>2,384,172</u>	<u>2,385,844</u>	<u>1,872</u>
Total assets	<u>\$ 390,029</u>	<u>\$ 5,226,064</u>	<u>\$ 4,894,926</u>	<u>\$ 721,167</u>
<b>Liabilities</b>				
Accounts payable	\$ 109,469	\$ 1,517,150	\$ 1,503,948	\$ 122,671
Payroll payable	-	547,368	493,912	53,456
Amounts held in trust	277,187	1,560,328	1,294,039	543,476
Due to other agencies	<u>3,373</u>	<u>1,093,004</u>	<u>1,094,813</u>	<u>1,564</u>
Total liabilities	<u>\$ 390,029</u>	<u>\$ 4,717,850</u>	<u>\$ 4,386,712</u>	<u>\$ 721,167</u>

Concluded

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## BUDGETARY COMPARISON SCHEDULES

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

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

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#### Governmental Funds

##### Major Governmental Funds

- *Capital Improvements*
- *Tax Allocation Improvements*

##### Nonmajor Governmental Funds

##### Special Revenue Funds

- *Airport*
- *Downtown Parking*
- *Economic Improvement District*
- *Cultural / Tourism*
- *Public Art*
- *Parking Leasehold*
- *Building and Safety*
- *Community Enhancement*
- *Permanent Funds*

##### Debt Service Funds

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

##### Capital Projects Funds

- *Extra Capacity Facilities*
- *Development Districts*

#### Proprietary Funds

##### Major Business-type Fund

- *Water and Sewer*

##### Nonmajor Business-type Funds

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

##### Internal Service Funds

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

**City of Salem, Oregon**  
**Capital Improvements**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 148,360	\$ 148,360	\$ 7,000	\$ 141,360
Grants	19,614,010	19,614,010	4,964,824	14,649,186
Intergovernmental	14,444,100	14,444,100	4,715,563	9,728,537
Interest on investments	1,860	1,860	297,560	(295,700)
Loan payments received	33,900	33,900	36,312	(2,412)
Other	418,000	956,000	551,852	404,148
<b>Total revenues</b>	<b>34,660,230</b>	<b>35,198,230</b>	<b>10,573,111</b>	<b>24,625,119</b>
<b>Expenditures</b>				
Operations	104,475,050	105,013,050	22,317,236	82,695,814
Excess (deficiency) of revenues over expenditures	(69,814,820)	(69,814,820)	(11,744,125)	(58,070,695)
<b>Other financing sources (uses)</b>				
Transfers in	21,930,540	21,930,540	19,954,075	1,976,465
Transfers out	(540)	(540)	-	(540)
<b>Total other financing sources (uses)</b>	<b>21,930,000</b>	<b>21,930,000</b>	<b>19,954,075</b>	<b>1,975,925</b>
<b>Net change in fund balance</b>	<b>(47,884,820)</b>	<b>(47,884,820)</b>	<b>8,209,950</b>	<b>(56,094,770)</b>
Fund balance - beginning of year	47,884,820	47,884,820	44,711,369	3,173,451
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	52,921,319	<u>\$ (52,921,319)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance to Water and Sewer fund (page 133)	(9,880,692)
Transfer of net activity and fund balance to City Services Fund (page 138)	(8,248,696)
Advance from Community Enhancement fund (page 127)	<u>(327,559)</u>

Fund balance - end of year (modified accrual) \$ 34,464,372

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Tax Allocation Improvements**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 323	\$ (323)
Rents	-	-	6,218	(6,218)
Intergovernmental	-	-	298,620	(298,620)
Interest on investments	65,060	65,060	110,814	(45,754)
Loan payments received	346,170	346,170	863,853	(517,683)
Other	303,620	303,620	523	303,097
<b>Total revenues</b>	<u>714,850</u>	<u>714,850</u>	<u>1,280,351</u>	<u>(565,501)</u>
<b>Expenditures</b>				
Operations	28,457,460	28,457,460	8,904,227	19,553,233
Excess (deficiency) of revenues over expenditures	<u>(27,742,610)</u>	<u>(27,742,610)</u>	<u>(7,623,876)</u>	<u>(20,118,734)</u>
<b>Other financing sources (uses)</b>				
Loan proceeds	6,325,000	6,325,000	6,325,000	-
Proceeds of long-term debt	1,845,810	1,845,810	-	1,845,810
Sale of property	-	-	6,247	(6,247)
Transfers in	2,620,570	2,620,570	2,620,360	210
<b>Total other financing sources (uses)</b>	<u>10,791,380</u>	<u>10,791,380</u>	<u>8,951,607</u>	<u>1,839,773</u>
<b>Net change in fund balance</b>	<u>(16,951,230)</u>	<u>(16,951,230)</u>	<u>1,327,731</u>	<u>(18,278,961)</u>
<b>Fund balance - beginning of year</b>	<u>16,951,230</u>	<u>16,951,230</u>	<u>16,888,657</u>	<u>62,573</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,216,388</u>	<u>\$ (18,216,388)</u>

1 ( ) indicates revenues/expenditures in excess of budget

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

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 46,000	\$ 46,000	\$ 35,351	\$ 10,649
Rents	1,008,240	1,008,240	1,053,414	(45,174)
Interest on investments	3,000	3,000	4,769	(1,769)
Other	-	-	1,941	(1,941)
<b>Total revenues</b>	<u>1,057,240</u>	<u>1,057,240</u>	<u>1,095,475</u>	<u>(38,235)</u>
<b>Expenditures</b>				
Operations	1,197,290	1,197,290	1,000,905	196,385
Debt service	42,840	42,840	42,819	21
Contingency	377,920	377,920	-	377,920
<b>Total expenditures</b>	<u>1,618,050</u>	<u>1,618,050</u>	<u>1,043,724</u>	<u>574,326</u>
Excess (deficiency) of revenues over expenditures	<u>(560,810)</u>	<u>(560,810)</u>	<u>51,751</u>	<u>(612,561)</u>
Fund balance - beginning of year	<u>560,810</u>	<u>560,810</u>	<u>633,584</u>	<u>(72,774)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,335</u>	<u>\$ (685,335)</u>

1 ( ) indicates revenue/expenditures in excess of budget

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

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 7,500	\$ 7,500	\$ 16,441	\$ (8,941)
Special assessments	434,180	434,180	437,202	(3,022)
Rents	558,970	558,970	653,087	(94,117)
Intergovernmental	1,488,510	1,488,510	863,858	624,652
Interest on investments	2,000	2,000	3,346	(1,346)
Other	5,000	5,000	15,136	(10,136)
<b>Total revenues</b>	<u>2,496,160</u>	<u>2,496,160</u>	<u>1,989,070</u>	<u>507,090</u>
<b>Expenditures</b>				
Operations	2,511,160	2,511,160	1,743,832	767,328
Contingency	252,000	252,000	-	252,000
<b>Total expenditures</b>	<u>2,763,160</u>	<u>2,763,160</u>	<u>1,743,832</u>	<u>1,019,328</u>
Excess (deficiency) of revenues over expenditures	(267,000)	(267,000)	245,238	(512,238)
Fund balance - beginning of year	<u>267,000</u>	<u>267,000</u>	<u>376,263</u>	<u>(109,263)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621,501</u>	<u>\$ (621,501)</u>

1 ( ) indicates revenues/expenditures in excess of budget



**City of Salem, Oregon**  
**Economic Improvement District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 5,000	\$ 5,000	\$ 8,814	\$ (3,814)
Interest on investments	250	250	1,160	(910)
Other	-	-	29	(29)
Total revenues	5,250	5,250	10,003	(4,753)
<b>Expenditures</b>				
Operations	176,800	176,800	83,926	92,874
Net change in fund balance	(171,550)	(171,550)	(73,923)	(97,627)
Fund balance - beginning of year	171,550	171,550	172,804	(1,254)
Fund balance - end of year	\$ -	\$ -	\$ 98,881	\$ (98,881)

1 ( ) indicates revenue/expenditures in excess of budget

**City of Salem, Oregon**  
**Cultural / Tourism**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget <sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other taxes	\$ 2,931,960	\$ 2,931,960	\$ 3,125,123	\$ (193,163)
Intergovernmental	7,500	7,500	5,685	1,815
Interest on investments	3,800	3,800	6,620	(2,820)
Loan payments received	-	-	11,239	(11,239)
Other	12,000	12,000	70,107	(58,107)
<b>Total revenues</b>	<u>2,955,260</u>	<u>2,955,260</u>	<u>3,218,774</u>	<u>(263,514)</u>
<b>Expenditures</b>				
Operations	1,972,700	1,972,700	1,811,144	161,556
Contingency	120,000	120,000	-	120,000
<b>Total expenditures</b>	<u>2,092,700</u>	<u>2,092,700</u>	<u>1,811,144</u>	<u>281,556</u>
Excess (deficiency) of revenues over expenditures	<u>862,560</u>	<u>862,560</u>	<u>1,407,630</u>	<u>(545,070)</u>
<b>Other financing sources (uses)</b>				
Transfers out	(1,526,000)	(1,526,000)	(1,457,291)	(68,709)
<b>Net change in fund balance</b>	<u>(663,440)</u>	<u>(663,440)</u>	<u>(49,661)</u>	<u>(613,779)</u>
Fund balance - beginning of year	<u>1,177,240</u>	<u>1,177,240</u>	<u>1,265,882</u>	<u>(88,642)</u>
Fund balance - end of year	<u>\$ 513,800</u>	<u>\$ 513,800</u>	<u>\$ 1,216,221</u>	<u>\$ (702,421)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Public Art**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget <sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 2,630	\$ 2,630	\$ 872	\$ 1,758
Interest on investments	-	-	18	(18)
Total revenues	<u>2,630</u>	<u>2,630</u>	<u>890</u>	<u>1,740</u>
<b>Expenditures</b>				
Operations	<u>6,070</u>	<u>6,070</u>	<u>5,120</u>	<u>950</u>
Excess (deficiency) of revenues over expenditures	(3,440)	(3,440)	(4,230)	790
<b>Other financing sources (uses)</b>				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net change in fund balance	(2,440)	(2,440)	(3,230)	790
Fund balance - beginning of year	<u>2,440</u>	<u>2,440</u>	<u>4,336</u>	<u>(1,896)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,106</u>	<u>\$ (1,106)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Parking Leasehold**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget<sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Rents	\$ 543,160	\$ 543,160	\$ 576,753	\$ (33,593)
Interest on investments	3,100	3,100	3,729	(629)
Other	-	-	1,118	(1,118)
<b>Total revenues</b>	<u>546,260</u>	<u>546,260</u>	<u>581,600</u>	<u>(35,340)</u>
<b>Expenditures</b>				
Operations	808,260	808,260	371,787	436,473
Contingency	404,560	404,560	-	404,560
<b>Total expenditures</b>	<u>1,212,820</u>	<u>1,212,820</u>	<u>371,787</u>	<u>841,033</u>
<b>Net change in fund balance</b>	<u>(666,560)</u>	<u>(666,560)</u>	<u>209,813</u>	<u>(876,373)</u>
Fund balance - beginning of year	<u>666,560</u>	<u>666,560</u>	<u>573,433</u>	<u>93,127</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,246</u>	<u>\$ (783,246)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Building and Safety**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 3,423,430	\$ 3,423,430	\$ 2,933,622	\$ 489,808
Intergovernmental	169,140	169,140	156,960	12,180
Interest on investments	15,600	15,600	29,562	(13,962)
Other	-	-	90	(90)
<b>Total revenues</b>	<u>3,608,170</u>	<u>3,608,170</u>	<u>3,120,234</u>	<u>487,936</u>
<b>Expenditures</b>				
Operations	3,349,020	3,349,020	2,902,851	446,169
Contingency	300,000	300,000	-	300,000
<b>Total expenditures</b>	<u>3,649,020</u>	<u>3,649,020</u>	<u>2,902,851</u>	<u>746,169</u>
Excess (deficiency) of revenues over expenditures	<u>(40,850)</u>	<u>(40,850)</u>	<u>217,383</u>	<u>(258,233)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>(17,544)</u>	<u>(252,456)</u>
<b>Net change in fund balance</b>	<u>(310,850)</u>	<u>(310,850)</u>	<u>199,839</u>	<u>(510,689)</u>
Fund balance - beginning of year	<u>3,956,760</u>	<u>3,956,760</u>	<u>4,802,308</u>	<u>(845,548)</u>
Fund balance - end of year	<u>\$ 3,645,910</u>	<u>\$ 3,645,910</u>	<u>\$ 5,002,147</u>	<u>\$ (1,356,237)</u>

1 ( ) indicates revenues/expenditures in excess of budget

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

*For the fiscal year ended June 30, 2015*

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget<sup>1</sup></b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 3,010,000	\$ 3,010,000	\$ 56,244	\$ 2,953,756
Grants	-	-	164,256	(164,256)
Interest on investments	15,000	15,000	59,195	(44,195)
Loan payments received	-	-	42,819	(42,819)
Other	1,184,890	1,184,890	498,069	686,821
<b>Total revenues</b>	<b>4,209,890</b>	<b>4,209,890</b>	<b>820,583</b>	<b>3,389,307</b>
<b>Expenditures</b>				
Operations	2,948,960	2,948,960	876,940	2,072,020
Excess (deficiency) of revenues over expenditures	1,260,930	1,260,930	(56,357)	1,317,287
<b>Other financing sources (uses)</b>				
Transfers in	337,660	337,660	273,225	64,435
Transfers out	(3,247,000)	(3,247,000)	(167,154)	(3,079,846)
<b>Total other financing sources (uses)</b>	<b>(2,909,340)</b>	<b>(2,909,340)</b>	<b>106,071</b>	<b>(3,015,411)</b>
<b>Net change in fund balance</b>	<b>(1,648,410)</b>	<b>(1,648,410)</b>	<b>49,714</b>	<b>(1,698,124)</b>
Fund balance - beginning of year	9,154,500	9,154,500	9,318,955	(164,455)
Fund balance - end of year	<u>\$ 7,506,090</u>	<u>\$ 7,506,090</u>	9,368,669	<u>\$ (1,862,579)</u>
Reconciliation to generally accepted accounting principles:				
Advance to Capital Improvements fund (page 118)			<u>327,559</u>	
Fund balance - end of year (modified accrual)			<u>\$ 9,696,228</u>	

1 ( ) indicates revenues/expenditures in excess of budget

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

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget<sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ -	\$ -	\$ 1,562	\$ (1,562)
Other	8,770	8,770	7,826	944
Total revenues	8,770	8,770	9,388	(618)
<b>Expenditures</b>				
Operations	19,500	19,500	4,236	15,264
Net change in fund balance	(10,730)	(10,730)	5,152	(15,882)
Fund balance - beginning of year	243,450	243,450	250,974	(7,524)
Fund balance - end of year	<u>\$ 232,720</u>	<u>\$ 232,720</u>	<u>\$ 256,126</u>	<u>\$ (23,406)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**General Debt**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget <sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 10,425,000	\$ 10,425,000	\$ 10,487,759	\$ (62,759)
Intergovernmental	4,353,300	4,353,300	4,353,300	-
Interest on investments	20,000	20,000	31,091	(11,091)
 Total revenues	 14,798,300	 14,798,300	 14,872,150	 (73,850)
<b>Expenditures</b>				
Debt service	14,480,760	14,480,760	14,480,733	27
 Net change in fund balance	 317,540	 317,540	 391,417	 (73,877)
Fund balance - beginning of year	234,000	234,000	329,848	(95,848)
Fund balance - end of year	<u>\$ 551,540</u>	<u>\$ 551,540</u>	<u>\$ 721,265</u>	<u>\$ (169,725)</u>

1 ( ) indicates revenues/expenditures in excess of budget



**City of Salem, Oregon**  
**Tax Allocation Bond Debt**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**

*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Property taxes	\$ 11,878,150	\$ 11,878,150	\$ 13,176,543	\$ (1,298,393)
Other taxes	-	-	7,734	(7,734)
Interest on investments	87,540	87,540	98,172	(10,632)
<b>Total revenues</b>	<u>11,965,690</u>	<u>11,965,690</u>	<u>13,282,449</u>	<u>(1,316,759)</u>
<b>Expenditures</b>				
Operations	259,960	259,960	259,955	5
Debt service	11,628,160	11,628,160	11,583,408	44,752
<b>Total expenditures</b>	<u>11,888,120</u>	<u>11,888,120</u>	<u>11,843,363</u>	<u>44,757</u>
Excess (deficiency) of revenues over expenditures	77,570	77,570	1,439,086	(1,361,516)
<b>Other financing sources (uses)</b>				
Transfers out	(2,620,570)	(2,620,570)	(2,620,360)	(210)
<b>Net change in fund balance</b>	<u>(2,543,000)</u>	<u>(2,543,000)</u>	<u>(1,181,274)</u>	<u>(1,361,726)</u>
Fund balance - beginning of year	16,672,000	16,672,000	16,791,017	(119,017)
Fund balance - end of year	<u>\$ 14,129,000</u>	<u>\$ 14,129,000</u>	<u>\$ 15,609,743</u>	<u>\$ (1,480,743)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Extra Capacity Facilities**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget<sup>1</sup></b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 5,899,480	\$ 5,899,480	\$ 4,556,998	\$ 1,342,482
Special assessments	-	-	51,370	(51,370)
Grants	1,585,000	1,585,000	-	1,585,000
Intergovernmental	500,000	500,000	219,250	280,750
Interest on investments	-	-	115,127	(115,127)
<b>Total revenues</b>	<b>7,984,480</b>	<b>7,984,480</b>	<b>4,942,745</b>	<b>3,041,735</b>
<b>Expenditures</b>				
Operations	22,409,670	22,409,670	4,261,800	18,147,870
Excess (deficiency) of revenues over expenditures	(14,425,190)	(14,425,190)	680,945	(15,106,135)
<b>Other financing sources (uses)</b>				
Transfers in	102,000	102,000	102,154	(154)
Transfers out	(1,895,000)	(1,895,000)	(895,000)	(1,000,000)
<b>Net change in fund balance</b>	<b>(16,218,190)</b>	<b>(16,218,190)</b>	<b>(111,901)</b>	<b>(16,106,289)</b>
Fund balance - beginning of year	16,218,190	16,218,190	17,726,051	(1,507,861)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	17,614,150	<u>\$ (17,614,150)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance to Water and Sewer fund (page 133)	<u>(6,361,708)</u>
Fund balance - end of year (modified accrual)	<u>\$ 11,252,442</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Development Districts**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 500,000	\$ 500,000	\$ 14,043	\$ 485,957
Interest on investments	5,000	5,000	9,746	(4,746)
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>23,789</u>	<u>481,211</u>
<b>Expenditures</b>				
Operations	<u>1,955,910</u>	<u>1,955,910</u>	<u>14,043</u>	<u>1,941,867</u>
Excess (deficiency) of revenues over expenditures	(1,450,910)	(1,450,910)	9,746	(1,460,656)
Fund balance - beginning of year	<u>1,450,910</u>	<u>1,450,910</u>	<u>1,559,943</u>	<u>(109,033)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,569,689</u>	<u>\$ (1,569,689)</u>

1 ( ) indicates revenue/expenditures in excess of budget

**City of Salem, Oregon**  
**Water and Sewer**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget<sup>1</sup></u>
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 78,960,790	\$ 78,960,790	\$ 83,547,568	\$ (4,586,778)
Special assessments	37,600	37,600	1,956	35,644
Rents	16,670	16,670	17,871	(1,201)
Grants	54,730	54,730	-	54,730
Intergovernmental	5,023,450	5,023,450	4,361,391	662,059
Interest on investments	147,910	147,910	271,405	(123,495)
Loan payments received	77,350	77,350	102,801	(25,451)
Other	91,200	91,200	205,468	(114,268)
<b>Total revenues</b>	<b>84,409,700</b>	<b>84,409,700</b>	<b>88,508,460</b>	<b>(4,098,760)</b>
<b>Expenditures</b>				
Operations	60,493,710	61,493,710	55,857,267	5,636,443
Debt service	22,008,800	22,008,800	22,008,773	27
Contingency	3,500,000	-	-	-
<b>Total expenditures</b>	<b>86,002,510</b>	<b>83,502,510</b>	<b>77,866,040</b>	<b>5,636,470</b>
Excess (deficiency) of revenues over expenditures	(1,592,810)	907,190	10,642,420	(9,735,230)
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	13,049	(13,049)
Transfers in	864,540	864,540	864,540	-
Transfers out	(7,080,000)	(9,580,000)	(9,505,240)	(74,760)
<b>Total other financing sources (uses)</b>	<b>(6,215,460)</b>	<b>(8,715,460)</b>	<b>(8,627,651)</b>	<b>(87,809)</b>
Net change in fund balance	(7,808,270)	(7,808,270)	2,014,769	(9,823,039)
Fund balance - beginning of year	35,552,630	35,552,630	38,638,797	(3,086,167)
Fund balance - end of year	<u>\$ 27,744,360</u>	<u>\$ 27,744,360</u>	40,653,566	<u>\$ (12,909,206)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 118)	9,880,692
Transfer of net activity and fund balance from Extra Capacity Facilities (page 131)	6,361,708
Inventories	833,282
Advances to General Fund (page 45)	940,000
Capital assets	629,598,957
Net pension asset	5,013,624
Deferred outflows related to pension	2,129,735
Deferred charge on refunding	4,873,776
OPEB obligation	(1,395,998)
Deferred inflows related to pension	(9,674,264)
Accrued revenue from deferred inflows	2,292,054
Interest payable	(543,857)
Long-term obligations	(158,821,055)
Net position at end of year	<u>\$ 532,142,220</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Emergency Services**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 727,640	\$ 727,640	\$ 787,805	\$ (60,165)
Rents	-	-	1,600	(1,600)
Intergovernmental	-	-	4,691	(4,691)
Fines and penalties	35,000	35,000	60,040	(25,040)
Interest on investments	10,000	10,000	17,590	(7,590)
Other	2,000	2,000	8,227	(6,227)
<b>Total revenues</b>	<b>774,640</b>	<b>774,640</b>	<b>879,953</b>	<b>(105,313)</b>
<b>Expenditures</b>				
Operations	875,710	875,710	869,166	6,544
Contingency	60,000	60,000	-	60,000
<b>Total expenditures</b>	<b>935,710</b>	<b>935,710</b>	<b>869,166</b>	<b>66,544</b>
<b>Net change in fund balance</b>	<b>(161,070)</b>	<b>(161,070)</b>	<b>10,787</b>	<b>(171,857)</b>
Fund balance - beginning of year	2,615,840	2,615,840	2,681,206	(65,366)
Fund balance - end of year	<b>\$ 2,454,770</b>	<b>\$ 2,454,770</b>	<b>2,691,993</b>	<b>\$ (237,223)</b>

Reconciliation to generally accepted accounting principles:

Capital assets	605,287
Net pension asset	67,205
Deferred outflows related to pensions	28,547
Deferred inflows related to pensions	(129,678)
OPEB obligation	(31,894)
<b>Net position at end of year</b>	<b>\$ 3,231,460</b>

1 ( ) indicates revenue/expenditures in excess of budget

**City of Salem, Oregon**  
**Willamette Valley Public Safety (WVPS) Communications Center**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 14,000	\$ 14,000	\$ 18,317	\$ (4,317)
Rents	24,400	24,400	24,400	-
Intergovernmental	151,500	151,500	173,818	(22,318)
Member agencies	8,563,620	8,563,620	8,568,704	(5,084)
Interest on investments	7,500	7,500	7,994	(494)
Other	-	-	10	(10)
Total revenues	8,761,020	8,761,020	8,793,243	(32,223)
<b>Expenditures</b>				
Operations	9,371,300	9,521,300	9,116,974	404,326
Contingency	250,000	100,000	-	100,000
Total expenditures	9,621,300	9,621,300	9,116,974	504,326
Net change in fund balance	(860,280)	(860,280)	(323,731)	(536,549)
Fund balance - beginning of year	860,280	860,280	1,061,548	(201,268)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	737,817	<u>\$ (737,817)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	196,824
Net pension asset	1,399,443
Deferred outflows related to pensions	594,469
Deferred inflows related to pensions	(2,700,358)
OPEB obligation	<u>(367,275)</u>
Net position at end of year	<u>\$ (139,080)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Police Regional Records System**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget <sup>1</sup></u>
<b>Revenues</b>				
Intergovernmental	\$ 185,230	\$ 185,230	\$ 185,230	\$ -
Member agencies	139,280	139,280	137,670	1,610
Interest on investments	4,000	4,000	6,106	(2,106)
<b>Total revenues</b>	<u>328,510</u>	<u>328,510</u>	<u>329,006</u>	<u>(496)</u>
<b>Expenditures</b>				
Operations	1,231,360	1,231,360	168,121	1,063,239
Contingency	30,000	30,000	-	30,000
<b>Total expenditures</b>	<u>1,261,360</u>	<u>1,261,360</u>	<u>168,121</u>	<u>1,093,239</u>
Excess (deficiency) of revenues over expenditures	(932,850)	(932,850)	160,885	(1,093,735)
Fund balance - beginning of year	932,850	932,850	948,582	(15,732)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	1,109,467	<u>\$ (1,109,467)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>3,213</u>	
Net position at end of year			<u>\$ 1,112,680</u>	

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Salem Convention Center**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget <sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ 2,209,000	\$ 2,209,000	\$ 2,443,006	\$ (234,006)
Rents	915,000	915,000	1,290,754	(375,754)
Other	741,500	741,500	5,612	735,888
<b>Total revenues</b>	<u>3,865,500</u>	<u>3,865,500</u>	<u>3,739,372</u>	<u>126,128</u>
<b>Expenditures</b>				
Operations	3,578,480	3,578,480	3,436,864	141,616
Contingency	1,018,070	1,018,070	-	1,018,070
<b>Total expenditures</b>	<u>4,596,550</u>	<u>4,596,550</u>	<u>3,436,864</u>	<u>1,159,686</u>
Excess (deficiency) of revenues over expenditures	(731,050)	(731,050)	302,508	(1,033,558)
<b>Other financing sources (uses)</b>				
Transfers out	(300,000)	(300,000)	(241,195)	(58,805)
<b>Net change in fund balance</b>	<u>(1,031,050)</u>	<u>(1,031,050)</u>	<u>61,313</u>	<u>(1,092,363)</u>
Fund balance - beginning of year	<u>1,031,050</u>	<u>1,031,050</u>	<u>446,464</u>	<u>584,586</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>507,777</u>	<u>\$ (507,777)</u>
Reconciliation to generally accepted accounting principles:				
Capital assets			<u>25,888,163</u>	
Net position at end of year			<u>\$ 26,395,940</u>	

1 ( ) indicates revenues/expenditures in excess of budget



**City of Salem, Oregon**  
**City Services**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget<sup>1</sup></u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 12,258	\$ (12,258)
Rents	1,657,250	1,657,250	1,658,405	(1,155)
Intergovernmental	9,045,780	9,045,780	7,883,593	1,162,187
Interest on investments	44,750	44,750	56,565	(11,815)
Other	-	-	19,885	(19,885)
<b>Total revenues</b>	<u>10,747,780</u>	<u>10,747,780</u>	<u>9,630,706</u>	<u>1,117,074</u>
<b>Expenditures</b>				
Operations	10,426,650	10,426,650	8,617,499	1,809,151
Contingency	300,000	70,000	-	70,000
<b>Total expenditures</b>	<u>10,726,650</u>	<u>10,496,650</u>	<u>8,617,499</u>	<u>1,879,151</u>
Excess (deficiency) of revenues over expenditures	<u>21,130</u>	<u>251,130</u>	<u>1,013,207</u>	<u>(762,077)</u>
<b>Other financing sources (uses)</b>				
Transfers out	(8,454,000)	(8,684,000)	(8,684,000)	-
<b>Net change in fund balance</b>	<u>(8,432,870)</u>	<u>(8,432,870)</u>	<u>(7,670,793)</u>	<u>(762,077)</u>
Fund balance - beginning of year	11,071,530	11,071,530	12,191,392	(1,119,862)
Fund balance - end of year	<u>\$ 2,638,660</u>	<u>\$ 2,638,660</u>	4,520,599	<u>\$ (1,881,939)</u>

Reconciliation to generally accepted accounting principles:

Transfer of net activity and fund balance from Capital Improvements (page 118)	8,248,696
Inventories	235,226
Net pension asset	406,252
Capital assets	11,186,899
Deferred outflows related to pensions	172,571
Net OPEB obligation	(222,757)
Deferred inflows related to pensions	(783,902)
<b>Net position at end of year</b>	<u>\$ 23,763,584</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Equipment Replacement Reserve**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Sales, fees, licenses, and permits	\$ -	\$ -	\$ 19,477	\$ (19,477)
Intergovernmental	2,176,370	2,176,370	2,176,370	-
Interest on investments	-	-	23,735	(23,735)
<b>Total revenues</b>	<b>2,176,370</b>	<b>2,176,370</b>	<b>2,219,582</b>	<b>(43,212)</b>
<b>Expenditures</b>				
Operations	2,318,900	2,548,900	2,262,550	286,350
Excess (deficiency) of revenues over expenditures	(142,530)	(372,530)	(42,968)	(329,562)
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	-	88,685	(88,685)
Transfers in	140,000	370,000	370,000	-
<b>Net change in fund balance</b>	<b>(2,530)</b>	<b>(2,530)</b>	<b>415,717</b>	<b>(418,247)</b>
Fund balance - beginning of year	2,572,400	2,572,400	3,855,152	(1,282,752)
Fund balance - end of year	<u>\$ 2,569,870</u>	<u>\$ 2,569,870</u>	<u>\$ 4,270,869</u>	<u>\$ (1,700,999)</u>

1 ( ) indicates revenues/expenditures in excess of budget

**City of Salem, Oregon**  
**Self Insurance**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
*For the fiscal year ended June 30, 2015*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget <sup>1</sup>
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 25,271,260	\$ 25,271,260	\$ 25,322,086	\$ (50,826)
Interest on investments	53,900	53,900	71,709	(17,809)
Other	285,000	285,000	1,210,004	(925,004)
<b>Total revenues</b>	<b>25,610,160</b>	<b>25,610,160</b>	<b>26,603,799</b>	<b>(993,639)</b>
<b>Expenditures</b>				
Operations	36,159,560	36,159,560	25,350,622	10,808,938
Excess (deficiency) of revenues over expenditures	(10,549,400)	(10,549,400)	1,253,177	(11,802,577)
Fund balance - beginning of year	10,549,400	10,549,400	11,821,906	(1,272,506)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	13,075,083	<u>\$ (13,075,083)</u>

Reconciliation to generally accepted accounting principles:

Capital assets	650
Net pension asset	105,807
Deferred outflows related to pensions	44,945
Net OPEB obligation	(40,112)
Claims and judgments	(5,553,460)
Deferred inflows related to pensions	<u>(204,165)</u>
Net position at end of year	<u>\$ 7,428,748</u>

1 ( ) indicates revenues/expenditures in excess of budget

# **Other Financial Schedules**

**City of Salem, Oregon**  
**Schedule of Bond Principal and Bond Interest Transactions**  
*For the fiscal year ended June 30, 2015*

	<u>Issued/ Maturity Date</u>	<u>True Interest Cost</u>	<u>Original Amount</u>	<u>Principal Balance June 30, 2014</u>	<u>Additions</u>
<b><u>Governmental activity</u></b>					
General obligation bonds					
Refunding and Streets-Bridges, Series 2009	06/01/09-24	3.60	\$ 34,480,000	\$ 23,215,000	\$ -
Streets-Bridges, Series 2012	01/26/12-26	2.62	25,000,000	14,220,000	-
Refunding Fire Bond, Series 2012	04/25/12-21	2.25	18,289,298	14,001,172	-
Streets-Bridges, Series 2013	08/20/13-24	2.80	43,665,000	41,315,000	-
Subtotal general obligation bonds				92,751,172	-
Premium				4,003,673	-
Total general obligation bonds				96,754,845	-
Limited tax pension obligation, Series 2005	09/23/05-28	5.04	61,685,000	52,750,000	-
Urban renewal bonds					
North Gateway, Series 2003	03/12/03-18	5.40	26,175,000	1,500,000	-
Riverfront/Downtown, Series 2003A	07/29/03-18	5.37	3,425,000	1,175,000	-
Riverfront/Downtown, Series 2003B	07/29/03-18	6.27	24,925,000	9,420,000	-
Riverfront/Downtown, Series 2009	09/17/09-24	4.35	3,660,000	2,655,000	-
West Salem, Series 2013	07/23/13-18	1.90	1,500,000	1,206,000	-
Total urban renewal bonds				15,956,000	-
Total governmental bonds				165,460,845	-
Notes					
HUD Sec 108, Series 2003A	08/07/03-23	5.05	7,200,000	3,558,912	-
HUD Sec 108, Series 2015A	05/28/15-23	1.46	2,730,000	-	2,730,000
OECDL L06001A, Mill Creek, Series 2007	06/23/11-35	4.41	3,999,999	3,999,999	-
OECDL L06001B, Mill Creek, Series 2007	10/20/10-21	4.41	1,000,000	1,000,000	-
OECDL L06001C, Mill Creek, Series 2007	10/17/13-33	5.00	3,772,081	3,772,081	-
Total notes				12,330,992	2,730,000
Total governmental activity long-term debt				\$ 177,791,837	\$ 2,730,000
<b><u>Business-type activity</u></b>					
Revenue bonds - water and sewer					
Full Faith and Credit, Series 2009	05/12/09-29	4.07	100,075,000	\$ 82,230,000	\$ -
Series 2012 A refunding	10/16/12-25	1.99	63,360,000	60,422,000	-
Series 2012 B refunding	10/16/12-16	1.99	49,361,000	23,565,000	-
Subtotal revenue bonds				166,217,000	-
Premiums				4,094,263	-
Total revenue bonds				170,311,263	-
Notes					
Oregon Econ & Comm Dev Dept G09001	05/12/09-33	4.17	5,875,000	5,130,308	-
Total business-type activity long-term debt				\$ 175,441,571	\$ -
Total long-term debt				\$ 353,233,408	\$ 2,730,000

Continued

Refunding	Principal Paid	Principal Balance June 30, 2015	Interest Paid	Total Principal and Interest Paid	Current Portion	
					Principal	Interest
\$ -	\$ 1,530,000	\$ 21,685,000	\$ 1,067,188	\$ 2,597,188	\$ 1,665,000	\$ 1,005,988
-	885,000	13,335,000	372,564	1,257,564	930,000	349,377
-	1,832,503	12,168,669	304,776	2,137,279	1,873,966	263,313
-	2,555,000	38,760,000	1,580,400	4,135,400	2,665,000	1,503,750
-	6,802,503	85,948,669	3,324,928	10,127,431	7,133,966	3,122,428
-	354,730	3,648,943	-	354,730	-	-
-	7,157,233	89,597,612	3,324,928	10,482,161	7,133,966	3,122,428
-	1,735,000	51,015,000	2,618,302	4,353,302	1,995,000	2,533,999
-	1,500,000	-	40,500	1,540,500	-	-
-	270,000	905,000	62,863	332,863	285,000	48,418
-	2,145,000	7,275,000	588,750	2,733,750	2,280,000	454,688
-	220,000	2,435,000	115,493	335,493	225,000	105,923
-	294,000	912,000	21,518	315,518	299,000	15,913
-	4,429,000	11,527,000	829,124	5,258,124	3,089,000	624,942
-	13,321,233	152,139,612	6,772,354	20,093,587	12,217,966	6,281,369
2,508,912	1,050,000	-	-	1,050,000	-	-
-	221,088	2,508,912	-	221,088	379,000	25,253
-	-	3,999,999	-	-	-	514,633
-	-	1,000,000	-	-	-	-
-	-	3,772,081	-	-	-	-
2,508,912	1,271,088	11,280,992	-	1,271,088	379,000	539,886
<u>\$ 2,508,912</u>	<u>\$ 14,592,321</u>	<u>\$ 163,420,604</u>	<u>\$ 6,772,354</u>	<u>\$ 21,364,675</u>	<u>\$ 12,596,966</u>	<u>\$ 6,821,255</u>
-	\$ 3,945,000	\$ 78,285,000	\$ 3,853,225	\$ 7,798,225	\$ 4,105,000	\$ 3,695,425
-	-	60,422,000	1,341,368	1,341,368	-	1,341,368
-	12,239,000	11,326,000	228,581	12,467,581	11,326,000	109,862
-	16,184,000	150,033,000	5,423,174	21,607,174	15,431,000	5,146,655
-	272,951	3,821,312	-	272,951	-	-
-	16,456,951	153,854,312	5,423,174	21,880,125	15,431,000	5,146,655
-	163,565	4,966,743	238,034	401,599	169,708	231,492
<u>\$ -</u>	<u>\$ 16,620,516</u>	<u>\$ 158,821,055</u>	<u>\$ 5,661,208</u>	<u>\$ 22,281,724</u>	<u>\$ 15,600,708</u>	<u>\$ 5,378,147</u>
<u>\$ -</u>	<u>\$ 31,212,837</u>	<u>\$ 322,241,659</u>	<u>\$ 12,433,562</u>	<u>\$ 43,646,399</u>	<u>\$ 28,197,674</u>	<u>\$ 12,199,402</u>

Concluded

**City of Salem, Oregon**  
**Schedule of Future Long-term Debt Service Requirements**  
*June 30, 2015*

**Governmental Activities**

Fiscal Year	Notes		General Obligation, Urban Renewal, & Limited Tax Pension Obligation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015-16	\$ 379,000	\$ 539,886	\$ 12,217,966	\$ 6,281,369	\$ 12,596,966	\$ 6,821,255
2016-17	507,711	211,964	13,040,368	5,761,218	13,548,079	5,973,182
2017-18	513,387	774,646	13,923,729	5,195,783	14,437,116	5,970,429
2018-19	647,042	340,609	11,539,071	4,604,476	12,186,113	4,945,085
2019-20	658,236	705,901	12,444,416	4,114,085	13,102,652	4,819,986
2020-21	751,620	348,453	13,505,787	3,581,532	14,257,407	3,929,985
2021-22	623,289	324,490	14,684,332	3,022,230	15,307,621	3,346,720
2022-23	404,803	302,681	15,810,000	2,472,559	16,214,803	2,775,240
2023-24	421,925	284,616	17,190,000	1,797,925	17,611,925	2,082,541
2024-25	439,773	266,752	6,830,000	1,136,672	7,269,773	1,403,424
2025-26	458,378	248,147	7,425,000	829,586	7,883,378	1,077,733
2026-27	477,773	228,752	6,465,000	494,395	6,942,773	723,147
2027-28	497,992	208,532	3,415,000	170,887	3,912,992	379,419
2028-29	519,069	187,456	-	-	519,069	187,456
2029-30	541,041	165,484	-	-	541,041	165,484
2030-31	438,125	142,580	-	-	438,125	142,580
2031-32	456,454	124,251	-	-	456,454	124,251
2032-33	475,552	105,153	-	-	475,552	105,153
2033-34	495,451	85,254	-	-	495,451	85,254
2034-35	516,186	64,519	-	-	516,186	64,519
2035-36	537,793	42,912	-	-	537,793	42,912
2036-37	255,194	20,399	-	-	255,194	20,399
2037-38	265,198	10,396	-	-	265,198	10,396
<b>Totals</b>	<b>\$ 11,280,992</b>	<b>\$ 5,733,833</b>	<b>\$ 148,490,669</b>	<b>\$ 39,462,717</b>	<b>\$ 159,771,661</b>	<b>\$ 45,196,550</b>

**Business-type Activities**

Fiscal Year	Notes		Water/Sewer Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015-16	\$ 169,708	\$ 231,492	\$ 15,431,000	\$ 5,146,654	\$ 15,600,708	\$ 5,378,147
2016-17	175,896	224,703	15,752,000	4,831,544	15,927,896	5,056,247
2017-18	187,132	217,668	14,720,000	4,405,131	14,907,132	4,622,799
2018-19	193,417	210,182	13,743,000	3,998,514	13,936,417	4,208,696
2019-20	199,838	201,962	13,201,000	3,610,471	13,400,838	3,812,433
2020-21	211,405	192,969	10,413,000	3,182,579	10,624,405	3,375,548
2021-22	217,862	184,513	10,768,000	2,809,909	10,985,862	2,994,422
2022-23	229,755	173,620	11,158,000	2,422,268	11,387,755	2,595,888
2023-24	241,742	162,132	9,822,000	2,018,463	10,063,742	2,180,595
2024-25	248,412	152,463	7,285,000	1,636,534	7,533,412	1,788,997
2025-26	260,583	140,042	6,455,000	1,344,625	6,715,583	1,484,667
2026-27	277,976	126,362	6,780,000	1,021,875	7,057,976	1,148,237
2027-28	290,375	112,463	7,075,000	725,250	7,365,375	837,713
2028-29	303,019	97,218	7,430,000	371,500	7,733,019	468,718
2029-30	320,405	83,582	-	-	320,405	83,582
2030-31	333,037	68,363	-	-	333,037	68,363
2031-32	350,794	52,544	-	-	350,794	52,544
2032-33	368,681	35,881	-	-	368,681	35,881
2033-34	386,706	18,369	-	-	386,706	18,369
<b>Totals</b>	<b>\$ 4,966,743</b>	<b>\$ 2,686,528</b>	<b>\$ 150,033,000</b>	<b>\$ 37,525,317</b>	<b>\$ 154,999,743</b>	<b>\$ 40,211,846</b>

**City of Salem, Oregon**  
**Schedule of Internal Service Funds Adjustments**  
**for Preparation of Government-wide**  
**Statement of Net Position**  
*June 30, 2015*

**Assets**

Current assets	
Cash and investments	\$ 22,363,627
Accounts receivable, net	11,111
Inventories and prepayments	1,061,336
Total current assets	<u>23,436,074</u>
Noncurrent assets	
Restricted cash	8,255,391
Net pension asset	512,059
Capital assets:	
Land and construction in progress	971,670
Other capital assets, net	10,215,879
Total noncurrent assets	<u>19,954,999</u>
Total assets	<u>43,391,073</u>

**Deferred outflows of resources:**

Deferred outflows related to pensions	<u>217,516</u>
---------------------------------------	----------------

**Liabilities**

Current liabilities	
Accounts payable and accrued liabilities	309,891
Claims and judgments due within one year	1,800,000
Unearned revenue	841,823
Compensated absences due within one year	21,742
Total current liabilities	<u>2,973,456</u>
Noncurrent liabilities	
Net OPEB obligation	262,869
Claims and judgments payable	3,753,460
Compensated absences payable	167,536
Total noncurrent liabilities	<u>4,183,865</u>
Total liabilities	<u>7,157,321</u>

**Deferred inflows of resources:**

Deferred inflows related to pensions	<u>988,067</u>
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**Net position**

Net investment in capital assets	11,187,549
Restricted for Capital Projects	8,248,696
Unrestricted	16,026,956
Total net position	<u>\$ 35,463,201</u>

**Tie to Government-wide statement**

Total net position	\$ 35,463,201
Back out:	
Amount reflected in capital assets	(11,187,549)
Net pension asset (liability)	(512,059)
Deferred outflows related to pension	(217,516)
Add in:	
Amount due from (to) Business-type funds, June 30, 2014	(1,942,945)
Amount due from (to) Business-type funds for current year	(387,840)
Compensated absences	189,278
Net OPEB obligation	262,869
Deferred inflows related to pension	<u>988,067</u>

Amount reflected from Internal Service funds (page 38)	<u>\$ 22,655,506</u>
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**City of Salem, Oregon**  
**Schedule of Internal Service Funds Adjustments**  
**for Preparation of Government-wide**  
**Statement of Activities**  
*For the fiscal year ended June 30, 2015*

	Internal Service Funds	Governmental Funds	Business-type Funds
<b>Operating revenues</b>			
Sales, fees, licenses, and permits	\$ 31,735	\$ 20,022	\$ 9,216
Rents	1,658,405	1,046,334	481,593
Internal and intergovernmental	35,382,049	22,323,517	10,274,784
Other revenue	1,229,889	-	-
	<u>38,302,078</u>	<u>23,389,873</u>	<u>10,765,593</u>
<b>Operating expenses</b>			
Personal services	2,395,826	1,511,593	695,737
Materials and services	31,838,265	20,087,645	9,245,686
Depreciation	1,502,538	947,993	436,330
Allocated to programs in governmental activities			
Business type	-	-	-
General governmental	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Engineering and streets	-	-	-
Library	-	-	-
	<u>35,736,629</u>	<u>22,547,231</u>	<u>10,377,753</u>
Total operating expenses	<u>35,736,629</u>	<u>22,547,231</u>	<u>10,377,753</u>
Operating income (loss)	<u>2,565,449</u>	<u>842,642</u>	<u>387,840</u>
<b>Non-Operating revenues (expenses)</b>			
Interest on investments	168,729	-	-
Other revenue (expenses)	48,197	-	-
	<u>216,926</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>216,926</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	2,782,375	-	-
Capital contributions	41,807	-	-
Transfers in	2,636,708	-	-
Transfers out	(2,604,103)	-	-
Change in net position	2,856,787	-	-
Total net position - beginning of year	32,606,414	-	-
Total net position - end of year	<u>\$ 35,463,201</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

Other Outside	Allocation Of Loss / Gain To Programs	Governmental Government- wide Statement	Business-type Government- wide Statement
\$ 2,497	\$ -	\$ 2,497	\$ -
130,478	-	130,478	-
2,783,748	-	2,783,748	-
1,229,889	-	1,229,889	-
<hr/> 4,146,612	<hr/> -	<hr/> 4,146,612	<hr/> -
188,496	-	188,496	-
2,504,934	-	2,504,934	-
118,215	-	118,215	-
-	-	-	(387,840)
-	(202,150)	(202,150)	-
-	(59,491)	(59,491)	-
-	(42,806)	(42,806)	-
-	(395,620)	(395,620)	-
-	(119,571)	(119,571)	-
-	(23,004)	(23,004)	-
<hr/> 2,811,645	<hr/> (842,642)	<hr/> 1,969,003	<hr/> (387,840)
<hr/> 1,334,967	<hr/> 842,642	<hr/> 2,177,609	<hr/> 387,840
-	-	168,729	-
-	-	48,197	-
-	-	216,926	-
-	-	2,394,535	387,840
-	-	41,807	-
-	-	2,636,708	-
-	-	(2,604,103)	-
-	-	2,468,947	387,840
-	-	32,606,414	-
<hr/> <hr/> \$ -	<hr/> <hr/> \$ -	<hr/> <hr/> \$ 35,075,361	<hr/> <hr/> \$ 387,840

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# Statistical Section

## STATISTICAL STATEMENTS

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

<b>Contents</b>	<b>Page</b>
Financial trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	151
Revenue capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	158
Debt capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	162
Demographic and economic information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	169
Operating information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	172

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

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SCHEDULE 1

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

As of June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 327,440,127	\$ 344,710,450	\$ 374,773,296	\$ 390,527,598	\$ 398,944,555	\$ 415,079,585	\$ 421,436,571	\$ 427,554,634	\$ 435,779,633	\$ 446,247,364
Restricted	73,179,894	76,787,636	76,928,490	72,978,304	83,633,922	77,974,325	77,665,043	78,206,939	79,809,835	87,107,980
Unrestricted	28,117,048	28,051,360	26,915,249	27,997,396	31,944,930	39,973,858	39,406,449	41,659,637	46,783,853	(15,683,375) <sup>1</sup>
Total governmental activities net position	428,737,069	449,549,446	478,617,035	491,503,298	514,523,407	533,027,768	538,508,063	547,421,210	562,373,321	517,671,969
Business-type activities										
Net investment in capital assets	403,429,170	428,269,321	473,659,787	468,116,427	468,759,084	464,074,289	472,165,125	474,358,737	487,328,016	502,345,165
Restricted	36,200,882	30,358,017	17,762,194	25,441,205	31,495,476	27,122,086	22,901,553	10,592,627	11,344,749	16,242,400
Unrestricted	33,462,950	37,235,908	31,734,864	29,133,838	32,080,141	32,760,968	35,778,358	53,878,267	51,883,370	46,486,440
Total business-type activities net position	473,093,002	495,863,246	523,156,845	522,691,470	532,334,701	523,957,343	530,845,036	538,829,631	550,556,135	565,074,005
Primary government										
Net investment in capital assets	730,869,297	772,979,771	848,433,083	858,644,025	867,703,639	879,153,874	893,601,696	901,913,371	923,107,649	948,592,529
Restricted	109,380,776	107,145,653	94,690,684	98,419,509	115,129,398	105,096,411	100,566,596	88,799,566	91,154,584	103,350,380
Unrestricted	61,579,998	65,287,268	58,650,113	57,131,234	64,025,071	72,734,826	75,184,807	95,537,904	98,667,223	30,803,065
Total primary government net position	\$ 901,830,071	\$ 945,412,692	\$ 1,001,773,880	\$ 1,014,194,768	\$ 1,046,858,108	\$ 1,056,985,111	\$ 1,069,353,099	\$ 1,086,250,841	\$ 1,112,929,456	\$ 1,082,745,974

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

\*Salem Housing Authority was included as a blended component unit for FYE 2006 through 2010. It is discretely presented from FYE 2011 forward.

Notes: 1. Negative unrestricted statement of net position is due to implementation of GASB 68.

SCHEDULE 2

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

As of June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 14,794,481	\$ 15,129,054	\$ 16,067,657	\$ 12,557,894	\$ 10,662,002	\$ 17,240,091	\$ 21,514,149	\$ 21,296,860	\$ 23,128,615	\$ 19,569,966
Public safety	47,404,366	49,777,067	51,994,616	53,443,465	53,685,252	56,509,443	59,245,778	58,805,455	60,447,533	48,297,656
Community development	21,901,472	24,130,733	29,606,057	25,988,161	27,700,099	23,810,219	23,353,314	20,991,991	22,641,646	25,640,012
Community services	8,290,322	9,049,614	9,953,583	10,554,331	7,217,375	7,939,666	8,077,160	7,903,455	8,315,343	7,413,884
Engineering and streets	26,438,511	26,560,667	28,372,823	28,064,453	26,271,205	24,500,538	26,825,997	27,175,114	20,886,835	21,531,878
Library services	4,334,243	4,627,364	4,544,617	4,503,422	4,358,817	4,441,873	4,490,150	4,535,827	4,525,863	3,357,157
Interest on debt	6,954,491	6,519,617	7,227,113	7,265,661	7,944,547	7,541,629	7,014,742	6,699,240	8,005,607	7,063,013
Total governmental activities	130,117,886	135,794,116	147,766,466	142,377,387	137,839,297	141,983,459	150,521,290	147,407,942	147,951,442	132,873,566
Business-type activities:										
Water and sewer	59,215,393	58,546,859	69,124,563	72,992,423	69,447,251	67,304,246	67,641,644	72,271,694	78,156,729	70,951,961
Housing Authority	19,298,961	17,590,873	18,759,080	18,749,228	22,869,199	-	-	-	-	-
Emergency services	2,398,983	2,205,742	1,923,960	2,265,540	1,483,101	987,118	1,055,673	1,294,706	1,093,116	860,417
WVPS communications center	5,576,780	5,838,891	6,046,467	6,469,078	6,490,525	6,846,721	7,075,463	8,875,249	8,869,085	7,329,036
Oregon public electronic network	420,857	398,259	160,321	-	-	-	-	-	-	-
Police regional records system	-	-	-	-	247,214	239,432	309,859	249,368	239,226	168,121
Salem Convention Center	3,250,577	3,370,621	3,556,028	4,249,083	3,535,376	3,879,670	3,551,405	3,763,233	3,876,195	4,114,169
Total business-type activities	90,161,551	87,951,245	99,570,419	104,725,352	104,072,666	79,257,187	79,634,044	86,454,250	92,234,351	83,423,704
Total expenses	\$ 220,279,437	\$ 223,745,361	\$ 247,336,885	\$ 247,102,739	\$ 241,911,963	\$ 221,240,646	\$ 230,155,334	\$ 233,862,192	\$ 240,185,793	\$ 216,297,270
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 8,061,708	\$ 7,772,808	\$ 8,274,233	\$ 10,621,057	\$ 9,890,857	\$ 9,636,473	\$ 8,416,253	\$ 9,051,015	\$ 9,727,451	\$ 9,721,341
Public safety	3,136,461	4,039,897	4,022,978	4,248,201	3,276,484	2,597,900	2,702,450	2,954,822	3,036,252	3,122,368
Community development	12,624,326	12,615,667	12,947,688	8,692,993	13,057,525	9,935,284	8,647,772	9,913,422	13,035,916	10,758,042
Community services	3,083,674	3,298,755	3,228,406	3,183,119	624,081	1,180,119	4,963,753	4,720,655	5,453,282	5,711,620
Engineering and streets	10,368,122	10,184,210	11,122,510	10,482,300	8,465,378	8,398,305	8,702,792	8,673,693	3,086,927	3,437,418
Library services	867,647	859,570	792,898	777,889	871,213	833,995	842,339	845,041	839,415	826,307
Interest on debt	-	-	2,947,051	2,898,830	2,875,690	2,844,620	2,804,660	2,757,900	2,469,450	4,353,300
Operating grants and contributions	12,168,667	11,266,927	11,609,101	11,141,729	12,115,403	13,352,583	12,395,767	11,438,240	13,339,534	13,840,258
Capital grants and contributions	22,604,206	19,312,072	32,778,270	12,889,532	13,029,362	13,301,390	7,004,622	7,854,947	10,630,480	12,487,837
Total governmental activities	72,914,811	69,349,906	87,723,135	64,935,650	64,205,993	62,080,669	56,480,408	58,209,735	61,618,707	64,258,491
Business-type activities:										
Charges for services										
Water and sewer	56,004,278	59,168,890	59,313,030	64,745,475	70,711,576	72,440,296	71,066,622	74,458,723	84,279,309	88,106,019
Housing Authority	852,471	862,066	1,164,221	1,621,844	1,668,943	-	-	-	-	-
Emergency services	1,427,867	980,060	1,150,568	1,381,724	1,446,292	1,170,744	1,119,374	1,117,833	858,984	862,363
WVPS communications center	5,254,760	5,468,754	5,535,768	6,034,856	6,299,390	6,576,751	6,789,803	8,479,940	8,377,806	8,785,249
Oregon public electronic network	386,600	188,420	1,890	-	-	-	-	-	-	-
Police regional records system	-	-	-	-	367,308	383,900	318,694	324,853	311,775	322,900
Salem Convention Center	2,651,357	3,112,783	3,348,490	3,603,585	2,970,073	3,642,622	3,216,611	3,425,715	3,476,830	3,739,372
Operating grants and contributions	17,539,867	17,470,265	17,476,430	16,918,001	17,735,354	56,066	48,828	111,221	62,804	-
Capital grants and contributions	27,289,919	18,837,880	34,708,402	8,384,088	10,694,759	4,795,965	3,372,399	5,568,746	5,527,869	6,247,189
Total business-type activities	111,407,119	106,089,118	122,698,799	102,689,573	111,893,695	89,066,344	85,932,331	93,487,031	102,895,377	108,063,092
Total program revenues	\$ 184,321,930	\$ 175,439,024	\$ 210,421,934	\$ 167,625,223	\$ 176,099,688	\$ 151,147,013	\$ 142,412,739	\$ 151,696,766	\$ 164,514,084	\$ 172,321,583

Continued



SCHEDULE 2

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

As of June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (57,203,075)	\$ (66,444,210)	\$ (60,043,331)	\$ (77,441,737)	\$ (73,633,304)	\$ (79,902,790)	\$ (94,040,882)	\$ (89,198,207)	\$ (86,332,735)	\$ (68,615,075)
Business-type activities	21,245,568	18,137,873	23,128,380	(2,035,779)	7,821,029	9,809,157	6,298,287	7,032,781	10,661,026	24,639,388
Total net expense	<u>\$ (35,957,507)</u>	<u>\$ (48,306,337)</u>	<u>\$ (36,914,951)</u>	<u>\$ (79,477,516)</u>	<u>\$ (65,812,275)</u>	<u>\$ (70,093,633)</u>	<u>\$ (87,742,595)</u>	<u>\$ (82,165,426)</u>	<u>\$ (75,671,709)</u>	<u>\$ (43,975,687)</u>
<b>General Revenues</b>										
Governmental activities:										
Property tax	\$ 56,011,987	\$ 59,199,262	\$ 63,192,216	\$ 65,579,277	\$ 74,042,268	\$ 75,711,745	\$ 77,131,275	\$ 77,692,414	\$ 77,784,406	\$ 82,194,991
Transient occupancy tax	2,051,782	2,394,765	2,506,226	2,416,440	2,138,196	2,215,001	2,239,286	2,445,339	2,730,822	3,125,123
Shared state revenue	3,524,371	3,686,377	4,831,918	2,276,288	3,936,080	4,048,300	4,349,029	4,494,802	4,686,535	4,821,232
Franchise fees based on gross receipts	12,081,564	13,046,417	13,660,585	14,073,056	13,831,430	13,697,602	14,452,337	15,403,281	15,401,430	16,142,631
Payment in lieu of taxes	95,631	96,320	96,820	139,295	108,901	97,143	97,194	94,504	102,646	99,835
Investment earnings	4,250,681	5,196,018	4,082,322	2,199,541	1,330,733	611,855	759,531	692,002	776,162	1,024,656
Gain on sale of assets	192,475	657,993	1,318,527	3,090,684	1,233,877	-	-	3,490	13,160	48,197
Miscellaneous	2,991,803	3,622,778	791,185	784,077	889,903	555,015	501,675	269,034	217,028	593,905
Transfers in (out)	(36,669,946)	(643,343)	(1,368,879)	(230,658)	(857,975)	1,470,490	(9,150)	(2,983,512)	(427,343)	(585,500)
Total governmental activities	<u>44,530,348</u>	<u>87,256,587</u>	<u>89,110,920</u>	<u>90,328,000</u>	<u>96,653,413</u>	<u>98,407,151</u>	<u>99,521,177</u>	<u>98,111,354</u>	<u>101,284,846</u>	<u>107,465,070</u>
Business-type activities:										
Investment earnings	3,380,797	3,751,647	3,485,243	1,121,690	467,557	238,610	258,335	238,187	315,511	383,525
Gain or (loss) on sale of assets	14,835	-	(59,683)	37,949	45,270	4,121	6,358	16,818	8,150	13,049
Miscellaneous	233,809	237,381	79,429	180,107	535,878	400,629	315,563	284,196	314,474	795,832
Transfers in (out)	36,669,946	643,343	1,368,879	230,658	857,975	(1,470,490)	9,150	2,983,512	427,343	585,500
Total business-type activities	<u>40,299,387</u>	<u>4,632,371</u>	<u>4,873,868</u>	<u>1,570,404</u>	<u>1,906,680</u>	<u>(827,130)</u>	<u>589,406</u>	<u>3,522,713</u>	<u>1,065,478</u>	<u>1,777,906</u>
Total primary government	<u>\$ 84,829,735</u>	<u>\$ 91,888,958</u>	<u>\$ 93,984,788</u>	<u>\$ 91,898,404</u>	<u>\$ 98,560,093</u>	<u>\$ 97,580,021</u>	<u>\$ 100,110,583</u>	<u>\$ 101,634,067</u>	<u>\$ 102,350,324</u>	<u>\$ 109,242,976</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (12,672,727)	\$ 20,812,377	\$ 29,067,589	\$ 12,886,263	\$ 23,020,109	\$ 18,504,361	\$ 5,480,295	\$ 8,913,147	\$ 14,952,111	\$ 38,849,995
Business-type activities	61,544,955	22,770,244	28,002,248	(465,375)	9,727,709	8,982,027	6,887,693	10,555,494	11,726,504	26,417,294
Total	<u>\$ 48,872,228</u>	<u>\$ 43,582,621</u>	<u>\$ 57,069,837</u>	<u>\$ 12,420,888</u>	<u>\$ 32,747,818</u>	<u>\$ 27,486,388</u>	<u>\$ 12,367,988</u>	<u>\$ 19,468,641</u>	<u>\$ 26,678,615</u>	<u>\$ 65,267,289</u>

Concluded

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

\*Salem Housing Authority was included as a blended component unit for FYE 2006 through 2010. It is discretely presented from FYE 2011 forward.

SCHEDULE 3

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

As of June 30	2006	2007	2008	2009	2010
<b>General fund</b>					
Nonspendable:	*	*	*		
Prepaid items				\$ -	\$ -
Long-term receivable				1,411	1,078
Restricted for:					
Library services				11	15
Unassigned				14,940	17,567
Unreserved	\$ 14,296	\$ 11,894	\$ 11,241	n/a	n/a
<b>Total General Fund</b>	<u>\$ 14,296</u>	<u>\$ 11,894</u>	<u>\$ 11,241</u>	<u>\$ 16,362</u>	<u>\$ 18,660</u>
<b>All other governmental funds</b>					
Nonspendable:	*	*	*		
Prepaid items				\$ -	\$ -
Permanent fund principal				11	11
Restricted for:					
Capital projects				70,367	59,667
Community renewal				-	14
Debt service				9,484	15,811
Permanent funds - spendable				197	202
General government				172	178
Community development-SCC Gain/Loss				2,387	2,903
Community development-Other				65	66
Community services				598	610
Library services				31	35
Public safety				560	471
Engineering/Streets				856	1,397
Committed for:					
Public works				1,772	2,589
Capital projects				109	1,578
Airport				374	334
Downtown parking				562	445
Economic improvement				199	184
Cultural/Tourism				618	465
Public Art				-	-
Parking leasehold				306	346
Building & safety				4,081	4,747
General government-replace phone system				1,133	1,330
Community services				94	104
Library services				1,028	941
Public safety				81	76
Engineering & streets				163	-
Reserved	\$ 16,686	\$ 16,023	\$ 15,447	n/a	n/a
Unreserved					
Special revenue funds	8,462	10,363	9,856		
Capital projects funds	46,094	39,211	46,754		
<b>Total all other governmental funds</b>	<u>\$ 71,242</u>	<u>\$ 65,597</u>	<u>\$ 72,057</u>	<u>\$ 95,248</u>	<u>\$ 94,504</u>

Continued

SCHEDULE 3

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

As of June 30	2011	2012	2013	2014	2015
<b>General fund</b>					
Nonspendable:					
Prepaid items	\$ -	\$ 409	\$ 420	\$ 452	\$ 484
Long-term receivable	733	373	-	-	-
Restricted for:					
Library services	9	10	-	-	-
Unassigned	18,257	17,779	20,379	20,545	23,516
Unreserved	n/a	n/a	n/a	n/a	n/a
<b>Total General Fund</b>	<b>\$ 18,999</b>	<b>\$ 18,571</b>	<b>\$ 20,799</b>	<b>\$ 20,997</b>	<b>\$ 24,000</b>
<b>All other governmental funds</b>					
Nonspendable:					
Prepaid items	\$ -	\$ 87	\$ 87	\$ 63	\$ 64
Permanent fund principal	11	11	11	11	11
Restricted for:					
Capital projects	45,818	54,021	32,438	69,176	65,503
Community renewal	-	-	35	25	47
Debt service	16,499	17,550	17,604	17,121	16,331
Permanent funds - spendable	213	217	232	240	245
General government	178	179	179	181	59
Community development-SCC Gain/Loss	3,285	3,827	3,980	4,065	4,217
Community development-Other	66	-	67	67	68
Community services	590	612	685	733	676
Library services	24	28	28	39	36
Public safety	476	582	497	405	544
Engineering/Streets	1,803	1,792	1,701	1,549	1,448
Committed for:					
Public works	3,099	2,495	1,687	2,024	3,208
Capital projects	-	-	-	-	-
Airport	457	531	564	631	683
Downtown parking	429	516	326	376	622
Economic improvement	-	77	183	173	99
Cultural/Tourism	655	557	882	1,266	1,216
Public Art	1	1	1	4	1
Parking leasehold	421	500	548	573	783
Building & safety	4,397	3,555	3,748	4,789	4,987
General government-replace phone system	1,481	1,652	1,692	1,704	1,683
Community services	236	-	43	45	25
Library services	914	950	975	881	924
Public safety	14	22	15	16	16
Engineering & streets	-	-	-	-	-
Reserved	n/a	n/a	n/a	n/a	n/a
Unreserved	n/a	n/a	n/a	n/a	n/a
Special revenue funds	n/a	n/a	n/a	n/a	n/a
Capital projects funds	n/a	n/a	n/a	n/a	n/a
<b>Total all other governmental funds</b>	<b>\$ 81,067</b>	<b>\$ 89,762</b>	<b>\$ 68,208</b>	<b>\$ 106,157</b>	<b>\$ 103,496</b>

Concluded

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

\*Schedule revised with the implementation of GASB Statement 54 (data not available for 2006-2008).

n/a = not applicable

SCHEDULE 4

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

As of June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Property taxes	\$ 56,377,125	\$ 59,147,634	\$ 62,534,967	\$ 65,076,281	\$ 73,308,330	\$ 74,888,230	\$ 77,310,933	\$ 77,798,977	\$ 78,604,201	\$ 82,717,374
Other taxes	2,051,782	2,394,765	2,506,226	2,465,062	2,187,338	2,268,440	2,292,159	2,500,211	2,788,858	3,177,422
Sales, fees, licenses, and permits	26,856,734	27,728,489	27,183,966	23,614,958	25,807,215	22,457,234	22,154,528	24,878,758	27,040,176	25,511,801
Fines and penalties	2,361,762	2,662,454	3,364,017	3,477,483	3,586,829	3,452,573	3,067,266	2,547,538	2,712,724	2,772,139
Special assessments	21,270	16,231	220,419	305,709	210,759	62,135	678,843	618,003	767,990	476,972
Interest on investments	3,539,377	4,227,106	4,082,325	1,751,896	1,048,597	649,822	636,903	577,575	642,954	855,930
Grants	6,900,717	4,468,002	9,498,793	7,583,257	7,122,044	7,615,558	5,823,954	4,773,444	8,631,220	8,140,701
Intergovernmental	31,424,433	32,950,915	32,364,710	32,562,714	29,604,924	29,762,148	35,150,303	35,784,928	32,002,982	38,282,094
Rents	2,754,033	2,867,711	2,821,984	3,150,271	2,969,490	3,185,058	2,922,831	3,222,814	3,281,528	3,552,864
Loan payments received	1,254,707	1,359,957	1,809,555	945,685	1,039,133	775,791	979,261	888,884	1,723,421	1,608,618
Other	1,856,119	2,748,616	1,173,104	2,228,245	1,763,737	1,658,861	1,298,618	1,114,307	1,026,446	946,805
<b>Total revenues</b>	<b>135,398,059</b>	<b>140,571,880</b>	<b>147,560,066</b>	<b>143,161,561</b>	<b>148,648,396</b>	<b>146,775,850</b>	<b>152,315,599</b>	<b>154,705,439</b>	<b>159,222,500</b>	<b>168,042,720</b>
<b>Expenditures</b>										
General government	12,074,124	12,017,046	12,917,309	12,866,024	12,248,432	12,699,597	17,072,868	17,044,104	18,640,507	19,637,379
Community development	15,741,075	16,222,112	18,684,997	16,999,782	18,090,131	17,902,814	16,239,064	15,490,499	16,418,121	17,661,782
Community service	7,965,800	8,596,541	8,904,403	9,065,932	6,226,902	6,703,357	7,038,423	6,550,095	7,055,808	7,059,393
Public safety	46,972,496	49,351,315	50,530,558	52,032,875	52,973,430	54,709,814	57,952,163	57,116,459	59,453,631	60,321,502
Engineering/streets	20,036,780	18,945,244	19,260,210	18,982,507	14,679,516	14,982,329	16,745,253	16,563,872	10,692,492	10,193,376
Library	4,111,896	4,422,147	4,223,940	4,232,387	4,167,415	4,122,063	4,232,024	4,260,510	4,386,708	4,356,433
Capital outlay	16,444,956	23,055,009	38,952,034	27,669,123	23,126,615	27,023,802	28,361,412	35,162,576	32,666,666	27,065,092
Debt service										
Principal retirement	11,722,183	15,017,720	10,848,800	9,745,888	12,643,046	14,170,379	15,530,579	16,535,545	15,754,955	14,016,503
Interest and fiscal charges	6,602,058	6,687,773	6,982,291	7,381,980	7,876,030	7,694,560	6,976,146	6,669,810	7,886,344	6,777,542
<b>Total expenditures</b>	<b>141,671,368</b>	<b>154,314,907</b>	<b>171,304,542</b>	<b>158,976,498</b>	<b>152,031,517</b>	<b>160,008,715</b>	<b>170,147,932</b>	<b>175,393,470</b>	<b>172,955,232</b>	<b>167,089,002</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(6,273,309)</b>	<b>(13,743,027)</b>	<b>(23,744,476)</b>	<b>(15,814,937)</b>	<b>(3,383,121)</b>	<b>(13,232,865)</b>	<b>(17,832,333)</b>	<b>(20,688,031)</b>	<b>(13,732,732)</b>	<b>953,718</b>

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Continued

SCHEDULE 4

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

As of June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Other financing sources (uses)</b>										
Transfers in	2,147,208	4,162,590	7,501,428	11,894,240	7,326,962	12,616,741	7,565,121	6,780,093	7,494,154	11,899,729
Issuance of debt	2,483,572	4,061,026	22,800,000	39,199,000	3,660,000	857,055	26,283,080	2,335,090	49,461,855	-
Pension bond issuance	61,685,000	-	-	-	-	-	-	-	-	-
Pension obligation payment	(61,685,000)	-	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	18,289,298	-	-	-
Bond issuance premium	-	-	-	2,156,577	-	-	-	-	2,928,425	-
Payments to refunded bond escrow agents	-	-	-	(3,402,175)	-	-	(18,289,298)	-	-	-
Sale of capital assets	209,802	1,655,711	5,651,681	3,954,736	1,697,190	75,848	34,056	25,000	17,329	6,247
Transfers out	(2,164,708)	(4,183,270)	(6,403,037)	(9,675,190)	(7,747,524)	(13,414,877)	(7,782,861)	(7,777,958)	(8,022,063)	(12,517,834)
Total other financing sources (uses)	2,675,874	5,696,057	29,550,072	44,127,188	4,936,628	134,767	26,099,396	1,362,225	51,879,700	(611,858)
Net change in fund balances	\$ (3,597,435)	\$ (8,046,970)	\$ 5,805,596	\$ 28,312,251	\$ 1,553,507	\$ (13,098,098)	\$ 8,267,063	\$ (19,325,806)	\$ 38,146,968	\$ 341,860
Debt service as a percentage of noncapital expenditures	10.92%	15.76%	12.16%	12.44%	14.97%	15.85%	15.06%	15.51%	16.05%	13.65%

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Concluded

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

SCHEDULE 5

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

Fiscal Year Ended June 30	Residential Property	Farm Property	Commercial Property <sup>1</sup>	Industrial Property <sup>1</sup>	Personal Property	Utility Property	Total Taxable Assessed Value	Total Direct Tax Rate	Measure 5 Taxable RMV	Estimated Real Market Value	Assessed Value as a Percentage of Est. Real Market Value
2006	\$4,825,660	\$14,470	\$1,922,354	\$611,322	\$285,974	\$240,664	\$7,900,444	\$7.34	\$10,228,766	\$12,827,708	61.59%
2007	5,159,610	11,604	2,012,731	616,441	290,980	241,913	8,333,279	7.32	11,641,958	14,349,657	58.07%
2008	5,537,787	9,043	2,113,383	650,094	307,022	274,330	8,891,659	7.34	13,533,997	16,493,796	53.91%
2009	5,863,831	9,148	2,194,995	681,961	318,561	263,389	9,331,885	7.29	14,319,704	17,493,838	53.34%
2010	6,099,347	9,869	2,324,963	686,402	334,752	343,793	9,799,126	7.82	13,960,557	17,271,564	56.74%
2011	6,294,093	12,233	2,390,664	685,623	331,581	352,705	10,066,899	7.78	13,414,743	16,905,161	59.55%
2012	6,445,378	11,802	2,492,669	721,290	324,688	293,778	10,289,605	7.80	12,756,685	16,259,047	63.29%
2013	6,452,158	15,708	3,050,982	259,270	329,907	276,354	10,384,379	7.82	12,267,502	15,967,484	65.03%
2014	6,589,878	16,044	3,223,771	134,585	324,092	270,290	10,558,660	7.71	12,243,883	16,055,929	65.76%
2015	6,942,528	16,764	3,300,222	108,190	320,313	276,310	10,964,327	7.77	12,917,229	16,845,667	65.09%

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

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

SCHEDULE 6

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

Fiscal Year Ended June 30	City Direct Rates				Salem/Keizer School District	Marion County	Other Agencies	Total
	Basic Rate	General Obligation Rate	Urban Renewal Rate	Total Direct				
2006	\$ 5.62	\$ 0.75	\$ 0.97	\$ 7.34	\$ 6.37	\$ 2.89	\$ 2.08	\$ 18.68
2007	5.63	0.76	0.93	7.32	6.23	2.90	2.06	18.51
2008	5.61	0.73	1.00	7.34	6.22	2.89	1.82	18.27
2009	5.59	0.64	1.06	7.29	6.31	2.89	1.82	18.31
2010	5.53	0.97	1.32	7.82	6.20	2.85	1.98	18.85
2011	5.53	0.92	1.33	7.78	5.99	2.85	1.88	18.50
2012	5.53	0.96	1.31	7.80	6.11	2.85	1.97	18.73
2013	5.52	0.96	1.34	7.82	6.35	2.85	1.98	19.00
2014	5.54	0.95	1.22	7.71	6.38	2.86	1.96	18.91
2015	5.54	0.97	1.26	7.77	6.12	2.86	1.99	18.74

Source: Marion County Summary of Tax Roll

SCHEDULE 7

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

Property Taxpayers	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Valuation*	Taxable Assessed Valuation	Rank	Percentage of Total County Taxable Assessed Valuation
Portland General Electric Company	\$ 81,437,779	1	0.74%	\$ 70,217,310	2	0.89%
Northwest Natural Gas Company	71,364,500	2	0.65%	58,811,800	3	0.74%
Lancaster Development Company	65,777,140	3	0.60%	45,174,760	4	0.57%
Metropolitan Life Insurance Company	44,077,610	4	0.40%	33,364,250	6	0.42%
CenturyLink	37,541,500	5	0.34%	73,262,000	1	0.93%
State Investments LLC	35,911,547	6	0.33%	-	-	-
HD Salem OR Landlord LLC	33,396,330	7	0.31%	-	-	-
Wal-Mart Real Estate Business	33,039,530	8	0.30%	24,176,520	7	0.31%
Comcast Corporation	32,334,380	9	0.29%	-	-	-
State Accident Insurance Fund	30,420,920	10	0.28%	23,388,700	8	0.30%
Mitsubishi Silicon America	-	-	-	38,246,690	5	0.48%
PPG Industries, Inc	-	-	-	21,107,414	9	0.27%
Price-ASG LLC	-	-	-	18,487,510	10	0.23%
All other taxpayers	10,499,025,637		95.76%	7,494,207,343		94.86%
<b>Total</b>	<b>\$ 10,964,326,873</b>		<b>100.00%</b>	<b>\$ 7,900,444,297</b>		<b>100.00%</b>

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



SCHEDULE 8

City of Salem, Oregon  
 Property Tax Levies and Collections  
 Last Seven Fiscal Years<sup>1</sup>  
 (Includes Urban Renewal Tax Increment)

Fiscal Year of Levy	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments and Discounts	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections, Discounts and Adjustments in Subsequent Years	Total Collections to Date		Outstanding Taxes Levied by Fiscal Year
				Amount Collected	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2008-09	\$ 67,729,529	\$ 1,838,289	\$ 65,891,240	\$ 62,930,121	92.91%	\$ 2,925,528	\$ 65,855,649	99.95%	\$ 35,591
2009-10	76,213,066	2,148,430	74,064,636	70,857,175	92.97%	3,114,934	73,972,109	99.88%	92,527
2010-11	77,615,253	2,098,618	75,516,635	72,262,984	93.10%	3,132,365	75,395,349	99.84%	121,286
2011-12	79,314,605	2,342,806	76,971,799	73,998,354	93.30%	2,673,517	76,671,871	99.61%	299,928
2012-13	79,624,242	2,322,020	77,302,222	74,456,966	93.51%	2,152,431	76,609,397	99.10%	692,825
2013-14	80,026,048	2,328,202	77,697,846	75,270,772	94.06%	1,348,209	76,618,981	98.61%	1,078,865
2014-15	84,192,771	2,433,706	81,759,065	79,532,985	94.47%	-	79,532,985	97.28%	2,226,080

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

Note: 1. Marion County schedule, Summary of Property Tax Collections by Fiscal Year Ending, shows the collections by levy for the last seven levies. All prior levies are combined, so the detail is not available beyond seven years.

**SCHEDULE 9**

**City of Salem, Oregon  
Ratios of Outstanding Debt by Type<sup>1</sup>  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>General Government</b>			
	<b>General Obligation Bonds<sup>2,5</sup></b>	<b>Urban Renewal Tax Increment Bonds</b>	<b>Urban Renewal Bonds</b>	<b>Notes</b>
2006 <sup>3</sup>	\$ 20,758,974	\$ 1,650,025	\$ 45,595,000	\$ 10,637,256
2007 <sup>3</sup>	15,510,000	5,000	44,015,000	9,367,536
2008 <sup>3</sup>	29,073,499	-	41,495,000	10,510,142
2009 <sup>3</sup>	61,614,975	-	38,515,000	9,349,478
2010 <sup>3</sup>	55,027,980	-	38,765,000	7,276,887
2011	47,694,890	-	33,475,000	7,330,112
2012	65,054,925	-	27,470,000	7,661,036
2013	56,850,076	-	21,230,000	9,048,890
2014	96,754,845	-	15,956,000	12,330,992
2015	89,597,612	-	11,527,000	11,280,992

Continued

SCHEDULE 9

City of Salem, Oregon  
 Ratios of Outstanding Debt by Type<sup>1</sup>  
 Last Ten Fiscal Years

Business-Type Activities				Percentage of Total Personal Income <sup>4</sup>	Per Capita <sup>4</sup>
Water/Sewer Revenue Bonds	Water/Sewer Revenue / Full Faith and Credit Bonds	Notes	Total		
\$ 130,913,357	-	\$ 15,709,656	\$ 225,264,268	5.33%	\$ 1,530
123,137,654	-	46,759,614	238,794,804	5.49%	1,599
115,066,951	-	27,362,302	223,507,894	4.83%	1,468
112,125,266	100,075,000	33,897,314	355,577,033	7.19%	2,301
103,136,612	96,895,000	35,555,422	336,656,901	6.64%	2,145
93,782,958	93,390,000	32,925,377	308,598,337	5.85%	1,960
83,979,304	89,780,000	32,139,966	306,085,231	5.80%	1,966
102,609,214	86,060,000	5,287,907	281,086,087	5.19%	1,797
88,081,263	82,230,000	5,130,308	300,483,408	5.42%	1,905
75,569,312	78,285,000	4,966,743	271,226,659	N/A	1,703

Concluded

Source: City of Salem Finance Division

- Notes:
1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
  2. Excludes limited tax pension obligation bonded debt and related repayments.
  3. Salem Housing Authority is included as a blended component unit for FYE 2006 through 2010.
  4. See Statistical Schedule 14 *Demographic and Economic Statistics* for total personal income and population.
  5. Matches general obligation bonds plus premium found in the notes to the financial statements.

SCHEDULE 10

**City of Salem, Oregon**  
**Ratios of General Bonded Debt Outstanding<sup>1,3</sup>**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population	Assessed Value	General Obligation Bonds <sup>2</sup>	Full Faith and Credit backed revenue bonds <sup>3</sup>	Less: Amounts Available in General Debt Service Fund <sup>4</sup>	Total <sup>3</sup>	Percentage of Estimated Actual Taxable Value of Property <sup>3</sup>	General Bonded Debt Per Capita <sup>3</sup>
2006	147,250	\$ 7,900,444,297	\$ 20,758,974	\$ -	\$ 1,558,611	\$ 19,200,363	0.24%	\$ 130
2007	149,305	8,333,279,030	15,510,000	-	1,850,622	13,659,378	0.16%	91
2008	152,290	8,891,659,048	29,073,499	-	1,053,411	28,020,088	0.32%	184
2009	154,510	9,331,885,135	61,614,975	100,075,000	358,059	161,331,916	1.73%	1,044
2010	156,955	9,799,125,647	55,027,980	98,895,000	738,810	153,184,170	1.56%	976
2011	157,460	10,066,899,077	47,694,890	93,390,000	425,307	140,659,583	1.40%	893
2012	155,710	10,289,605,321	65,054,925	89,780,000	448,927	154,385,998	1.50%	991
2013	156,455	10,384,378,954	56,850,076	86,060,000	129,392	142,780,684	1.37%	913
2014	157,770	10,558,660,293	96,754,845	82,230,000	307,721	178,677,124	1.69%	1,133
2015	159,265	10,964,326,873	89,597,612	78,285,000	693,010	167,189,602	1.52% <sup>5</sup>	1,050 <sup>6</sup>

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

- Notes:
1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
  2. Matches general obligation bonds plus premium found in the notes to the financial statements.
  3. The Full Faith and Credit, Series 2009 bond is payable solely from the revenues of the water/sewer utility per the 2012 Master Water and Sewer system Revenue Bond Declaration.
  4. These amounts are only applicable to governmental General Obligation bonds.
  5. With only General Obligation bonds, this figure is 0.82% for 2015.
  6. With only General Obligation bonds, this figure is 563 for 2015.

SCHEDULE 11

**City of Salem, Oregon**  
**Computation of Direct and Overlapping Debt**  
**As of June 30, 2015**  
**(dollars in thousands)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Marion County	\$ 9,665	38.7619%	\$ 3,746
Marion County School District 24J	413,665	60.1012%	248,617
Marion County School District 5	26,523	0.0288%	8
Chemeketa Community College	92,590	31.9002%	29,536
Polk County	7,100	33.1924%	2,357
Willamette ESD	1,180	28.9567%	342
Subtotal, overlapping debt			284,606
General obligation bonds <sup>2</sup>			89,598
Limited tax pension obligation bonds <sup>3</sup>			51,015
Urban renewal bonds <sup>4</sup>			11,527
Notes <sup>5</sup>			11,281
Subtotal, City direct debt <sup>6</sup>			163,421
Total direct and overlapping debt			<u>\$ 448,027</u>

Sources: City of Salem Finance Division  
Oregon State Treasury

Notes:

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

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

<sup>2</sup> Direct, general obligations of the City. Includes issuance premium.

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

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

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

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

**SCHEDULE 12**

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

<u>As of June 30,</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real market value (RMV)	\$ 10,228,766,174	\$ 11,641,957,321	\$ 13,533,996,590	\$ 14,319,704,036
Legal debt margin:				
Debt limit (3% of RMV) <sup>1</sup>	306,862,985	349,258,720	406,019,898	429,591,121
Debt applicable to limit:				
General Obligation Bonds	20,758,974	15,510,000	29,073,499	61,614,975
Less:				
Funds applicable to the payment of principal <sup>2</sup>	(1,558,611)	(1,850,622)	(1,053,411)	(358,059)
Premium received on Refunding and Streets-Bridges, Series 2009 and 2013	-	-	-	(1,898,110)
Total net debt applicable to limit	<u>19,200,363</u>	<u>13,659,378</u>	<u>28,020,088</u>	<u>59,358,806</u>
Legal debt margin <sup>3</sup>	<u>\$ 287,662,622</u>	<u>\$ 335,599,342</u>	<u>\$ 377,999,810</u>	<u>\$ 370,232,315</u>
Total net debt applicable to limit as a percentage of limit	<u>6.26%</u>	<u>3.91%</u>	<u>6.90%</u>	<u>13.82%</u>

Continued

**SCHEDULE 12**

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 13,960,557,368	\$ 13,414,742,906	\$ 12,756,684,966	\$ 12,267,501,849	\$ 12,243,883,002	\$ 12,917,229,291
418,816,721	402,442,287	382,700,549	368,025,055	367,316,490	387,516,879
55,027,980	47,694,890	65,054,925	56,850,076	96,754,845	89,597,612
(738,810)	(425,307)	(448,927)	(129,392)	(307,721)	(693,010)
(1,771,569)	(1,645,028)	(1,518,487)	(1,391,946)	(4,003,673)	(3,648,943)
<u>52,517,601</u>	<u>45,624,555</u>	<u>63,087,511</u>	<u>55,328,738</u>	<u>92,443,451</u>	<u>85,255,659</u>
<u>\$ 366,299,120</u>	<u>\$ 356,817,732</u>	<u>\$ 319,613,038</u>	<u>\$ 312,696,317</u>	<u>\$ 274,873,039</u>	<u>\$ 302,261,220</u>
<u>12.54%</u>	<u>11.34%</u>	<u>16.48%</u>	<u>15.03%</u>	<u>25.17%</u>	<u>22.00%</u>

Concluded

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

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

SCHEDULE 13

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

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds					
	Utility Service Charges <sup>2</sup>	Less: Operating Expenses <sup>3</sup>	Net Available Revenue	Debt Service		Coverage <sup>1</sup>
				Principal <sup>4</sup>	Interest	
2006	\$ 58,665	\$ 37,630	\$ 21,035	\$ 7,350	\$ 6,286	1.54
2007	61,643	38,897	22,746	7,755	5,821	1.68
2008	62,161	41,002	21,159	8,050	5,501	1.56
2009	64,992	44,693	20,299	8,380	5,180	1.50
2010	73,121	42,454	30,667	8,695	4,846	2.26
2011	73,462	43,372	30,090	9,060	4,503	2.22
2012	69,291	45,073	24,218	9,510	4,093	1.78
2013	75,489	45,698	29,791	14,479	1,178	1.90
2014	85,322	53,515	31,807	14,255	1,708	1.99
2015	89,213	55,242	33,971	12,239	1,570	2.46

Source: City of Salem Finance Division

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



**SCHEDULE 14**

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

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Total Personal Income (dollars in thousands)</b>	<b>Area (square miles)<sup>3</sup></b>	<b>Average density (persons / square mile)</b>	<b>Average Unemployment<sup>4</sup></b>
2005-06	147,250	\$ 28,677	\$ 4,222,688	48	3,068	6.4%
2006-07	149,305	29,107	4,345,821	48	3,111	5.9%
2007-08	152,290	30,377	4,626,113	48	3,173	5.8%
2008-09	154,510	32,016	4,946,792	49	3,153	9.0%
2009-10	156,955	32,320	5,072,786	49	3,203	10.3%
2010-11	157,460	33,516	5,277,429	49	3,213	11.3%
2011-12	155,710	33,731	5,252,254	49	3,178	9.5%
2012-13	156,455	34,643	5,420,071	49	3,193	9.8%
2013-14	157,770	35,133	5,542,933	49	3,220	8.2%
2014-15	159,265	N/A	N/A	49	3,250	7.4%

Sources: <sup>1</sup>Portland State University Population Research Center estimate as of July 1 of each year.

<sup>2</sup>U.S. Department of Commerce, Bureau of Economic Analysis - Salem, OR (MSA) - includes Marion and Polk Counties.

<sup>3</sup>City of Salem Public Works, Engineering Division through 2012-13. City of Salem Geographical Information System 2013-14 on.

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

N/A = Information not available.

SCHEDULE 15

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

Employer	2015			2006		
	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force <sup>1</sup>	Number of Employees	Rank	Percentage of Salem (MSA) Labor Force <sup>2</sup>
State of Oregon	21,112		28.34%	20,500	1	28.44%
Salem-Keizer School District <sup>3</sup>	4,192		5.63%	4,000	2	5.55%
Salem Hospital <sup>3</sup>	3,900		5.23%	3,500	3	4.86%
Chemeketa Community College <sup>3</sup>	1,623		2.18%	1,000	9	1.39%
Marion County <sup>3</sup>	1,492		2.00%	1,660	4	2.30%
Federal Government	1,315		1.76%	1,600	5	2.22%
City of Salem <sup>3,4</sup>	1,309		1.76%	1,552	6	2.15%
Kaiser Permanente	1,200		1.61%			
Norpac Foods Incorporated <sup>3</sup>	1,200		1.61%	1,100	7	1.53%
State Accident Insurance Fund	904		1.21%			
T Mobile				1,100	8	1.53%
Roth's				1,000	10	1.39%
<b>Total</b>	<b>38,247</b>		<b>51.33%</b>	<b>37,012</b>		<b>51.36%</b>

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

- Notes: 1. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2014-15 was 74,506.  
 2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2005-06 was 72,079.  
 3. Includes full and part-time positions.  
 4. City of Salem included Salem Housing Authority employees for years 2006 through 2010.

SCHEDULE 16

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

Function / Program	2006	2007	2008	2009	2010 <sup>3</sup>	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
General government										
City manager's office <sup>4,9,10</sup>	9	9	12	9	16	63	64	9	9	82
Human resources	7	7	8	8	8	8	8	8	8	8
Legal	12	13	15	15	14	14	14	13	13	15
Administrative services <sup>1,2</sup>	-	97	99	101	48	48	48	46	47	47
Finance <sup>1</sup>	32	-	-	-	-	-	-	-	-	-
General services <sup>1</sup>	64	-	-	-	-	-	-	-	-	-
Municipal court <sup>2</sup>	8	8	-	-	-	-	-	-	-	-
City services	43	40	38	38	38	37	36	32	29	29
Self insurance	7	7	7	7	7	7	7	7	7	7
Information technology <sup>10</sup>	36	37	41	40	61	61	61	60	62	37
Public safety										
Police	228	233	242	240	234	234	237	227	228	228
Fire	163	164	164	164	163	169	168	160	154	152
Community development										
Administrative/planning <sup>6,9</sup>	19	19	31	35	36	36	36	75	75	30
Airport	5	5	5	5	4	4	4	5	5	5
Building and safety	35	40	38	33	21	22	19	19	21	22
Urban development	25	24	24	24	46	45	45	32	30	29
Community services	63	64	67	66	-	-	-	-	-	-
Engineering and streets <sup>7,8</sup>	137	139	144	134	132	135	134	126	77	73
Library services <sup>4,6,9</sup>	49	50	52	52	48	-	-	-	-	-
Recreation services <sup>7</sup>	-	-	-	-	-	-	-	10	10	10
<b>Business-type activities</b>										
Water and sewer <sup>8</sup>	212	213	217	221	242	248	244	246	296	294
Salem Housing Authority <sup>5</sup>	63	64	61	55	54	-	-	-	-	-
Emergency services	4	4	4	5	5	5	5	6	6	2
WVPS communications center	59	59	59	59	60	60	60	60	70	70
<b>Total</b>	<b>1,280</b>	<b>1,296</b>	<b>1,328</b>	<b>1,311</b>	<b>1,237</b>	<b>1,196</b>	<b>1,190</b>	<b>1,141</b>	<b>1,147</b>	<b>1,140</b>
<b>Entity</b>										
City of Salem	1,217	1,232	1,267	1,256	1,183	1,196	1,190	1,141	1,147	1,140
Salem Housing Authority <sup>5</sup>	63	64	61	55	54	-	-	-	-	-
<b>Total</b>	<b>1,280</b>	<b>1,296</b>	<b>1,328</b>	<b>1,311</b>	<b>1,237</b>	<b>1,196</b>	<b>1,190</b>	<b>1,141</b>	<b>1,147</b>	<b>1,140</b>

Source: City of Salem, Budget Office

- Notes
1. In March 2006, the Administrative Services Department was formed. It combined the services provided by the former Finance and General Services departments.
  2. In May 2006, Municipal Court was added to the Administrative Services Department.
  3. Changes are due to restructuring and elimination of positions.
  4. Library division combined with the City Manager's office in FY 2010-11
  5. Salem Housing Authority included as a blended component unit for FY 2006 through 2010.
  6. Library division transferred from the City Manager's office to Community Development in FY 2012-13.
  7. Recreation services separated from Public Works (Engineering & streets) in FY 2012-13.
  8. Engineering services moved from Public Works (Engineering & streets) to Water and sewer fund in FY 2013-14.
  9. Library division transferred from Community Development to the City Manager's office in FY 2014-15.
  10. Facilities division transferred from IT to City Manager's office in FY 2014-15.

SCHEDULE 17

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

Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public safety</b>										
Police										
F.B.I. Index Crimes reported <sup>1</sup>	9,468	8,912	8,684	7,749	7,059	6,680	6,671	7,482	7,476	7,684
F.B.I. Index Crimes cleared by arrest	2,009	2,187	1,808	1,866	1,732	1,615	1,790	2,021	1,831	1,935
Citations and warnings issued	29,560	34,021	34,326	38,735	34,848	33,357	30,145	25,773	25,224	25,059
Fire										
Emergency & non-emergency responses	16,659	17,846	18,630	17,360	16,980	16,825	17,124	16,723	17,960	19,592
Fires extinguished	593	609	502	471	415	380	390	434	401	476
Inspections-new constr & existing buildings	2,134	2,189	2,672	2,739	1,530	1,469	1,066	1,435	1,344	1,312
Community development										
Plan checks	5,533	4,415	4,213	3,175	3,461	2,750	2,992	3,254	3,858	3,807
Inspections completed	36,445	35,535	31,620	22,972	22,707	20,297	21,233	19,957	22,487	22,372
Building permits issued	2,193	2,191	1,898	1,524	1,586	1,506	1,556	1,726	1,892	1,814
Community services										
Recreation participant/registrations <sup>2, 6</sup>	177,820	241,343	282,549	230,099	207,481	202,038	216,970	217,121	220,005	238,583
Special activities permits issued <sup>3, 7</sup>	2,436	3,166	2,185	1,021	784	780	757	613	893	963
Senior Center average daily attendance	-	-	-	786	746	766	708	726	742	806
Ball fields and gymnasiums (hrs used) <sup>8</sup>	33,084	40,958	45,666	40,985	47,395	49,587	54,530	53,917	55,148	55,719
Engineering and streets										
Street cut permits	128	87	71	143	121	226	325	357	533	406
Street resurfacing (miles)	28	10	4	2	2	11	8	8	3	4
Potholes repaired	4,408	4,072	4,339	2,250	1,908	2,072	2,844	1,522	1,638	1,388
Library services										
Volumes in collection	434,570	623,211	625,407	636,971	517,266	528,518	477,873	481,393	404,617	376,016
Items in circulation	1,237,192	1,385,511	1,312,044	1,330,358	1,331,922	1,411,186	1,421,544	1,336,215	1,226,379	1,235,209
Water and Sewer										
Citizens served-water	178,383	180,594	182,885	185,771	188,353	189,008	187,863	188,443	189,829	191,388
Water utility accounts	47,461	47,970	48,049	47,194	50,758	50,449	50,232	51,532	51,491	52,107
New water connections	963	775	624	453	417	193	192	249	327	278
Water lines repaired	559	602	761	521	458	334	401	213	235	223
Average daily consumption	29	29	29	29	29	25	26	27	26	26
Citizens served-sewer	216,206	219,779	221,788	225,298	227,820	228,475	227,775	228,188	229,666	231,152
Sewer utility accounts	56,569	57,745	58,048	58,091	61,582	61,150	60,850	61,772	61,988	62,649
New sewer connections	1,018	779	624	453	469	183	44	67	88	40
Sewer lines repaired	190	217	284	304	361	335	375	330	322	785
Average daily sewage treatment (ccf)	58,080	52,406	50,401	46,253	54,545	59,919	54,177	38,770	48,342	49,719
Salem Housing Authority <sup>5</sup>										
HUD Public housing units	327	325	310	307	292	-	-	-	-	-
Sec 8 vouchers issued	2,596	2,599	2,750	2,782	2,811	-	-	-	-	-
Emergency services										
Total medical aid responses	12,431	12,325	12,464	12,572	12,746	12,805	13,018	12,566	13,503	14,638
Billings <sup>4, 9</sup>	\$ 476,508	\$ 479,233	\$ 577,688	\$ 830,841	\$ 915,399	\$ 327,332	\$ 239,057	\$ 199,304	\$ 177,296	\$ 219,841
WVPS communications center										
Emergency calls taken <sup>10</sup>	161,867	163,440	161,660	158,377	165,503	147,935	138,771	140,773	145,899	181,789
Dispatches issued <sup>10</sup>	282,666	256,151	278,795	277,784	276,702	257,500	262,743	292,492	300,580	312,108

Source: Various City of Salem departments

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

1. F.B.I. Index Crimes include:
  - a. the violent crimes of murder, forcible rape, robbery and aggravated assault, and
  - b. the property crimes of burglary, larceny-theft, motor vehicle theft, and arson.
2. Program registrations from the Recreation Section, Teen Programs, and Center 50+.
3. Permits issued for public use of city parks, streets, pools, senior center, and open spaces.
4. Ambulance transport services were contracted to a private company beginning FY 2006.
5. Average units occupied and average vouchers issued for the fiscal year ending September 30. Salem Housing Authority was included as a blended component unit for FY 2006-2010.
6. Teen program for 2009 is not available.
7. Starting in 2009, senior center is not included in special activity permits.
8. Also includes use of Soap Box Derby track, cross country meets, and tennis court.
9. Reduction is due to changes in renewed contract and lower reimbursements from medicare and auto insurance companies starting 2011.
10. Dispatches and calls increased due to consolidation of WVCC and LINCOM.

SCHEDULE 18

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

Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	49	51	50	52	52	50	50	50	53
Fire										
Fire stations	10	10	10	10	11	11	11	11	11	11
Fire trucks <sup>1</sup>	13	13	17	17	17	17	17	17	17	17
Community services										
Parks and recreation areas <sup>2</sup>	96	98	98	98	98	99	99	99	99	99
Parks and recreation acreage <sup>2</sup>	1,666	1,839	1,846	1,846	1,846	1,903	1,903	1,903	1,903	2,238
Swimming pools <sup>3</sup>	2	2	2	2	-	-	-	-	-	-
Senior community centers	1	1	1	1	1	1	1	1	1	1
Engineering and streets										
Streets (miles)	539	539	543	560	560	560	688	633	639	663
Bridges	53	53	57	57	57	57	57	57	57	57
Street lights	7,100	7,100	10,724	10,479	10,487	10,503	10,578	11,478	11,500	11,543
Traffic signals	238	263	263	266	268	259	255	259	266	266
Library services										
Buildings	2	2	2	2	2	2	2	2	2	2
Water and sewer										
Water main (miles)	711	747	725	720	720	727	737	750	749	754
Fire hydrants	4,397	4,896	4,701	4,730	4,763	4,882	4,863	4,885	4,930	4,963
Water storage capacity (ccf)	182,353	182,353	185,294	185,294	185,294	180,479	180,749	180,481	181,818	181,818
Sanitary sewer lines (miles)	768	780	780	785	785	801	799	800	800	785
Storm sewer (miles)	561	566	587	598	606	603	607	618	620	611
Treatment capacity winter (ccf) <sup>6</sup>	140,385	140,385	140,385	274,064	274,064	274,064	274,064	207,219	207,219	274,064
Salem Housing Authority <sup>4</sup>										
Apartment complexes	12	12	12	12	11	-	-	-	-	-
Triplexes - 2 & 3 bedrooms	3	3	3	3	3	-	-	-	-	-
Duplexes - 2 & 3 bedrooms	12	12	12	12	12	-	-	-	-	-
Houses - 2, 3 & 4 bedrooms	51	51	51	51	51	-	-	-	-	-
Emergency services										
Ambulances - reserve <sup>5</sup>	4	4	4	4	4	4	4	3	3	2
WVPS communications center										
Mobiles	10	10	10	10	10	10	10	10	10	10
Base stations	3	3	3	3	3	3	3	3	3	3

Source: Various City of Salem departments

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

1. Includes staffed and unstaffed engines and ladder trucks, including reserves.
2. Includes developed and undeveloped parks (neighborhood, community, large urban), special use facilities, historic areas, natural areas, and connector trails.
3. Until 2010, the City operated Olinger and Walker Pools in cooperation with Salem-Keizer School District which owns them.
4. Figures are for the year ending September 30th. Orchard Village Apartment building demolished 9/3/09. Salem Housing Authority was shown as a blended component unit for FYE 2006 through 2010.
5. Ambulance transport services are contracted to a private company. City provides backup services with reserve ambulances.
6. The City completed two projects in 2009 that increased the wet weather capacity from 105 million gallons a day to 205 million gallons.

# **SEC Rule 15c2-12 Disclosures**

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**SCHEDULE A**

**GENERAL INFORMATION**

**General Obligation Bonds**

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

**BASIS OF ACCOUNTING**

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

**FISCAL YEAR**

July 1 through June 30.

**AUDITS**

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

The City's audit for fiscal year 2014-15 was performed by Merina & Company LLP, CPAs, West Linn, Oregon. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website [www.cityofsalem.net](http://www.cityofsalem.net).

**DEBT INFORMATION – AS OF JUNE 30, 2015**

**Debt Summary**

Outstanding debt

Short-term (tax, revenue, and bond anticipation notes)	\$	-
Long-term		-
Gross bonded debt (certain debt with a general obligation pledge, excluding issuance premium)		<u>85,948,669</u>
Net direct debt (debt paid in whole or in part by taxes)		85,948,669
Net overlapping debt		<u>284,606,301</u>
Total net direct and overlapping debt	\$	<u><u>370,554,970</u></u>

**Debt Ratio**

	<u>Values</u>	<u>Per Capita</u>	<u>Percent of RMV</u>
2014 estimated population	159,265		
2014-15 real market value	\$ 12,917,229,291	\$ 81,105	
Net direct debt (G.O. debt excluding issuance premium)	\$ 85,948,669	\$ 540	0.67%
Net overlapping debt	284,606,301	1,787	2.20%
Net direct debt (G.O.) and overlapping debt	\$ 370,554,970	\$ 2,327	2.87%

Continued



**SCHEDULE A**

**Debt Limitations**

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

**Debt Limitation**

2014-15 RMV	\$ 12,917,229,291
Debt limitation (3.00 % of RMV)	<u>\$ 387,516,879</u>
Applicable bonded debt	<u>85,255,659</u>
Debt margin	<u>\$ 302,261,220</u>
Percent of limit issued	<u>22%</u>

**Debt Management**

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

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

2009	2013
Q84	S58
S25	S66
Q92	S74
R26	S82
R34	S90
R42	T24
R59	T32
R67	T40
R75	T57
R83	

Concluded

**SCHEDULE B**

**TAX COLLECTION RECORD**

Fiscal Year	Assessed Value			Percent change	Total Levy <sup>1</sup>	Tax Rate Per \$1000	Percent Collected Year of Levy	Percent Collected to Date <sup>2</sup>
	Marion County	Polk County	Total					
2006	\$6,717,476,237	\$1,182,968,060	\$7,900,444,297	4.20%	\$50,197,250	\$6.35	94.15%	N/A
2007	7,025,268,515	1,308,010,515	8,333,279,030	5.48%	53,120,932	6.37	94.13%	N/A
2008	7,462,925,792	1,428,733,256	8,891,659,048	6.70%	54,240,782	6.10	93.66%	N/A
2009	7,810,013,436	1,521,871,699	9,331,885,135	4.95%	57,999,672	6.22	92.91%	99.95%
2010	8,196,929,014	1,602,196,633	9,799,125,647	5.01%	63,522,643	6.48	92.97%	99.88%
2011	8,417,665,718	1,649,233,359	10,066,899,077	2.73%	64,605,619	6.42	93.10%	99.84%
2012	8,601,970,661	1,687,634,660	10,289,605,321	2.21%	66,220,745	6.44	93.30%	99.61%
2013	8,673,851,504	1,710,527,450	10,384,378,954	0.92%	66,271,177	6.38	93.51%	99.10%
2014	8,829,264,169	1,729,396,124	10,558,660,293	1.68%	67,531,726	6.40	94.06%	98.61%
2015	9,169,796,837	1,794,530,036	10,964,326,873	3.84%	70,769,411	6.45	94.47%	97.28%

1. These figures exclude urban renewal tax increments.
2. Levy information more than seven years past is reported in aggregate, so individual year percentages are not available for the oldest three years shown.

N/A = Information not available

**SCHEDULE C**

**Representative Consolidated Tax Rate By County**

**2014-15 REPRESENTATIVE CONSOLIDATED TAX RATE FOR MARION COUNTY CODE AREA**

**924-01-00-0**

<b>Municipal Corporation</b>	<b>Tax Rate For Operations</b>	<b>Tax Rate For Bonds</b>	<b>Total</b>
<b>Schools</b>	\$ 5.1733	\$ 2.0866	\$ 7.2599
<b>Local government</b>	10.1037	0.9667	11.0704
<b>Urban Renewal Special Levy</b>	0.0000	0.4101	0.4101
<b>Totals</b>	<u>\$ 15.2770</u>	<u>\$ 3.4634</u>	<u>\$ 18.7404</u>

Source: Marion County Assessor's Office

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**2014-15 REPRESENTATIVE CONSOLIDATED TAX RATE FOR POLK COUNTY CODE AREA**

**3201**

<b>Municipal Corporation</b>	<b>Tax Rate For Operations</b>	<b>Tax Rate For Bonds</b>	<b>Total</b>
<b>Schools</b>	\$ 5.1733	\$ 2.1145	\$ 7.2878
<b>Local government</b>	8.8409	1.5112	10.3521
<b>Urban Renewal Special Levy</b>	0.0000	0.4101	0.4101
<b>Totals</b>	<u>\$ 14.0142</u>	<u>\$ 4.0358</u>	<u>\$ 18.0500</u>

Source: Polk County Assessor's Office

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

<b>As of June 30,</b>	<b>2011*</b>	<b>2012*</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>					
Cash and investments	\$ 17,107,582	\$ 18,956,712	\$ 21,606,860	\$ 21,630,633	\$ 26,416,270
Receivables	7,545,956	7,500,976	6,685,617	6,724,722	6,235,693
Due from other funds	961,570	215,514	458,208	415,896	-
Due from other agencies	738,909	512,648	140,467	132,756	127,889
Prepaid items	-	409,098	419,750	452,297	484,422
<b>Total assets</b>	<b>\$ 26,354,017</b>	<b>\$ 27,594,948</b>	<b>\$ 29,310,902</b>	<b>\$ 29,356,304</b>	<b>\$ 33,264,274</b>
<b>Liabilities</b>					
Accounts payable	\$ 990,921	\$ 785,646	\$ 599,703	\$ 523,114	\$ 719,443
Payroll, payroll taxes, and withholdings	2,533,853	4,526,588	4,459,202	4,958,022	5,100,141
Due to other funds	-	46,368	-	-	940,000
Due to other agencies	60,202	58,755	60,189	66,982	71,565
Security deposit payable	-	-	9,351	7,206	6,449
Deferred revenue	3,769,898	3,606,613	-	-	-
<b>Total liabilities</b>	<b>7,354,874</b>	<b>9,023,970</b>	<b>5,128,445</b>	<b>5,555,324</b>	<b>6,837,598</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	-	3,383,097	2,803,733	2,426,521
<b>Fund balance</b>					
Nonspendable	732,612	782,421	419,750	452,297	484,422
Restricted	9,060	9,800	-	-	-
Unassigned	18,257,471	17,778,757	20,379,610	20,544,950	23,515,733
<b>Total fund balance</b>	<b>18,999,143</b>	<b>18,570,978</b>	<b>20,799,360</b>	<b>20,997,247</b>	<b>24,000,155</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 26,354,017</b>	<b>\$ 27,594,948</b>	<b>\$ 29,310,902</b>	<b>\$ 29,356,304</b>	<b>\$ 33,264,274</b>

Source: Derived from audited annual financial statements.

\*GASB Statement 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

**SCHEDULE E**

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

For fiscal year ending June 30,	2011	2012	2013	2014	2015
<b>Revenues</b>					
Property taxes	\$ 53,369,769	\$ 54,928,507	\$ 54,972,735	\$ 56,399,018	\$ 59,053,072
Franchise fees	13,920,668	14,683,975	15,610,240	15,630,348	16,378,032
Other taxes	45,099	38,520	46,578	49,065	44,565
Licenses and permits	620,868	598,359	672,799	780,100	716,558
Fees	652,697	624,506	1,029,179	1,073,873	1,087,717
Fines and forfeitures	3,452,573	3,067,266	2,547,538	2,712,724	2,772,139
Special assessments	-	-	-	-	-
Rents	1,006,126	988,329	1,193,609	1,053,355	1,254,898
Charges for services	1,508,191	1,629,198	1,759,165	1,862,196	2,004,622
Other revenues	172,246	252,884	283,092	231,882	273,408
Intergovernmental	5,600,746	5,806,100	6,032,159	6,153,886	6,359,276
Federal grants	1,176,315	1,444,164	1,147,162	1,005,028	920,336
State grants	19,177	22,165	22,718	25,717	34,577
Intrafund reimbursements	3,559,562	3,894,643	3,713,899	3,338,334	3,644,382
Loan payments received	17,912	177	148	17,336	1,384
Interest on investments	143,630	141,888	126,597	147,336	171,231
<b>Total revenues</b>	<u>85,265,579</u>	<u>88,120,681</u>	<u>89,157,618</u>	<u>90,480,198</u>	<u>94,716,197</u>
<b>Expenditures</b>					
Personal services	68,526,499	73,164,786	71,788,397	74,504,948	76,075,932
Materials and services	10,104,761	13,423,010	14,188,378	15,324,979	15,501,719
Capital outlay	442,419	222,241	174,726	286,097	439,148
Debt service	383,924	382,015	380,459	-	-
<b>Total expenditures</b>	<u>79,457,603</u>	<u>87,192,052</u>	<u>86,531,960</u>	<u>90,116,024</u>	<u>92,016,799</u>
Excess (deficiency) of revenues over expenditures	<u>5,807,976</u>	<u>928,629</u>	<u>2,625,658</u>	<u>364,174</u>	<u>2,699,398</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	71,093	28,295	25,000	2,819	-
Transfers in	807,653	691,276	703,880	825,000	1,145,000
Transfers out	<u>(6,347,918)</u>	<u>(2,076,365)</u>	<u>(1,126,156)</u>	<u>(994,106)</u>	<u>(841,490)</u>
Total other financing sources (uses)	<u>(5,469,172)</u>	<u>(1,356,794)</u>	<u>(397,276)</u>	<u>(166,287)</u>	<u>303,510</u>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<u>338,804</u>	<u>(428,165)</u>	<u>2,228,382</u>	<u>197,887</u>	<u>3,002,908</u>
Fund balance - beginning of year	<u>18,660,339</u>	<u>18,999,143</u>	<u>18,570,978</u>	<u>20,799,360</u>	<u>20,997,247</u>
Fund balance - end of year	<u>\$ 18,999,143</u>	<u>\$ 18,570,978</u>	<u>\$ 20,799,360</u>	<u>\$ 20,997,247</u>	<u>\$ 24,000,155</u>

Source: Derived from audited annual financial statements.

**SCHEDULE F**

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

As of June 30,	2011*	2012*	2013	2014	2015
<b>Assets</b>					
Cash and investments	\$ 295,585	\$ 302,334	\$ -	\$ 165,005	\$ 556,153
Receivables	724,091	705,241	718,577	627,694	585,363
Total assets	\$ 1,019,676	\$ 1,007,575	\$ 718,577	\$ 792,699	\$ 1,141,516
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ 19,373	\$ -	\$ -
Deferred revenue	594,369	558,648	-	-	-
Total liabilities	594,369	558,648	19,373	-	-
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	-	569,812	462,851	420,251
<b>Fund balance</b>					
Restricted for debt service	425,307	448,927	129,392	329,848	721,265
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,019,676	\$ 1,007,575	\$ 718,577	\$ 792,699	\$ 1,141,516

Source: Derived from audited annual financial statements.

\*GASB Statement 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

**SCHEDULE G**

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

<b>For fiscal year ending June 30,</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Revenues</b>					
Property taxes	\$ 9,001,984	\$ 9,634,368	\$ 9,790,173	\$ 9,903,072	\$ 10,487,759
Other taxes	-	6,174	-	-	-
Interest on investments	21,282	34,561	28,189	27,969	31,091
Intergovernmental	3,714,620	3,864,660	4,027,900	3,959,450	4,353,300
Total revenues	<u>12,737,886</u>	<u>13,539,763</u>	<u>13,846,262</u>	<u>13,890,491</u>	<u>14,872,150</u>
<b>Expenditures</b>					
Debt service	<u>13,051,389</u>	<u>13,516,143</u>	<u>14,165,797</u>	<u>13,690,035</u>	<u>14,480,733</u>
Excess (deficiency) of revenues over expenditures	<u>(313,503)</u>	<u>23,620</u>	<u>(319,535)</u>	<u>200,456</u>	<u>391,417</u>
<b>Other financing sources (uses)</b>					
Refunding bonds issued	-	18,289,298	-	-	-
Payment to refunded bond escrow agent	-	(18,289,298)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(313,503)	23,620	(319,535)	200,456	391,417
Fund balance - beginning of year	<u>738,810</u>	<u>425,307</u>	<u>448,927</u>	<u>129,392</u>	<u>329,848</u>
Fund balance - end of year	<u>\$ 425,307</u>	<u>\$ 448,927</u>	<u>\$ 129,392</u>	<u>\$ 329,848</u>	<u>\$ 721,265</u>

Source: Derived from audited annual financial statements.

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**SCHEDULE H**

**INVESTMENTS**

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

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

***INVESTMENTS HELD BY THE CITY AS OF JUNE 30, 2015***

	<u>Carrying Value</u>
Corporate Bonds	\$ 34,386,307
Local Government Investment Pool	54,240,188
Municipal Bonds	1,220,429
U.S. Agencies	40,324,013
U.S. Treasury	<u>71,089,373</u>
Total	<u>\$ 201,260,310</u>

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Source: City of Salem

**SCHEDULE I**

**ANNUAL DISCLOSURE INFORMATION**

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

**BASIS OF ACCOUNTING**

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

**FISCAL YEAR**

July 1 through June 30.

**AUDITS**

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

The City's audit for fiscal year 2014-15 was performed by Merina & Company LLP, CPAs, West Linn, Oregon. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website [www.cityofsalem.net](http://www.cityofsalem.net).

**COST OF SERVICE RATE STUDY**

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

**CUSIP NUMBERS BY BOND SERIES:**

<b>794454</b> ____
<b>2009</b>
M88
M96
N20
N38
N46
N53
N61
N79
N87
N95
P28
P77
P36
P44
P51
P69

Continued

**SCHEDULE I**

**THE WATER SYSTEM – SERVICE AREA AND CUSTOMERS**

The system provides water service to a total population of approximately 191,388. The total number of accounts was 52,107 at the end of fiscal year 2014-15, including customers within the City of Salem, the City of Turner, Suburban East Salem Water District, the Jan Ree Area, and Orchard Heights Water District. Average base water use is 20 million gallons, and peak water use is 45 million gallons.

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

<b>Customer Class</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
1. Residential	413,344,900	407,430,990	416,551,600	399,770,600	400,420,800
2. Multiple dwellings	188,686,400	182,917,200	185,183,800	184,594,500	166,210,500
3. Commercial	144,206,275	135,411,797	136,231,400	135,095,200	140,486,209
4. Industrial	113,782,600	108,685,200	53,498,300	50,792,300	57,163,800
5. Institutional <sup>1</sup>	-	-	45,641,800	43,116,400	45,440,500
6. Wholesale <sup>2</sup>	78,163,135	70,555,600	74,060,000	72,062,900	80,530,000
7. Irrigation	39,479,300	39,011,500	44,434,100	41,781,000	48,427,900
8. Public building	17,553,400	16,510,800	16,970,200	16,242,400	17,636,100
<b>Total</b>	<b>995,216,010</b>	<b>960,523,087</b>	<b>972,571,200</b>	<b>943,455,300</b>	<b>956,315,809</b>

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

2. East Salem, Orchard Heights, and Turner.

***Ten Largest Water System Customers***

<b>Customer</b>	<b>2014-15 Annual Revenue</b>	<b>Percent of Total Gross Water System Revenue*</b>
Suburban East Salem Water	\$ 702,261	2.7%
State of Oregon Corrections	680,786	2.6%
Salem-Keizer School District	418,859	1.6%
Creekside Golf Course	222,782	0.8%
Salem Hospital	155,820	0.6%
Oregon Cherry Growers	131,426	0.5%
Sundial Mobile Homes	118,626	0.4%
Sanyo Solar of Oregon	108,793	0.4%
Kettle Foods	108,312	0.4%
City of Turner	101,533	0.4%
	<b>\$ 2,749,198</b>	<b>10.4%</b>
<b>*Totals gross water system revenue</b>	<b>\$ 26,463,149</b>	

Concluded

Sources: City of Salem  
Portland State University Population Research Center

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**SCHEDULE J**

**WATER RATES**

The City reviews its water rates and charges periodically to determine if they are sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements. The most recent change in rates took effect January 1, 2015. The adopted rates for inside-city customers are shown below. The rates for outside-city customers vary depending on the level of service received.

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

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Rates Implemented on:	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
<b>Customer Class</b>					
<b>Residential, Single Family</b>					
Base Rate - 5/8 - 3/4" Meter	\$ 3.27	\$ 3.36	\$ 5.87	\$ 6.14	\$ 6.32
Volume rate - per ccf <sup>1</sup>	2.43	2.50	2.36	2.50	2.58
Monthly Bill @ 11 ccf	30.00	30.86	31.83	33.64	34.70
<b>Multiple Dwellings</b>					
Base Rate - 1" Meter	4.49	4.62	6.41	6.70	6.90
Volume rate - per ccf	2.10	2.16	1.91	2.02	2.08
Monthly Billing for 10 unit Complex @ 82 ccf	176.69	181.74	163.03	172.34	177.46
Cost Per Unit	17.67	18.17	16.30	17.23	17.74
<b>Commercial</b>					
Base Rate - 2" Meter	8.96	9.23	14.58	15.29	15.75
Volume rate - per ccf	2.12	2.18	1.94	2.06	2.12
Monthly Bill @ 65 ccf	146.76	150.93	140.68	149.19	153.55

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

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Source: City of Salem

**SCHEDULE K**

**THE WASTEWATER SYSTEM**

**Service Area and Customers**

The system provides wastewater service to a population of approximately 231,152, including customers in the City of Salem, the City of Keizer, the City of Turner, Labish Village Sewer District, Eola-Chatnika Sewer District, and the East Salem Service District. The total number of wastewater accounts billed in fiscal year 2014-15 was 62,649, which includes the City of Keizer, which billed 10,274, and the City of Turner, which billed 805.

**Wastewater Rates**

The City reviews its wastewater rates and charges periodically to determine if they are sufficient to cover expenses of operations and maintenance as well as debt service coverage. The most recent change in rates took effect January 1, 2015. The following table shows historical and current rates, by customer class, within the City. Industrial and institutional customers are monitored and flows are measured. These customers pay a base rate as well as charges for volume and strength. Volumes for other classifications are set annually based on individual customer's average winter water usage.

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

	Fiscal Year				
	2010-11	2011-12	2012-13 <sup>1</sup>	2013-14	2014-15
<b>Rates implemented on:</b>					
	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
<b>Customer Class</b>					
<b>Residential, Single Family</b>					
Base Rate - per account	\$ 22.11	\$ 22.80	\$ 21.45	\$ 19.34	\$ 16.59
Volume Rate - per ccf <sup>2</sup>	3.12	3.22	3.13	3.22	3.23
Monthly Bill @ 6.5 ccf	42.39	43.73	41.80	40.27	37.59
<b>Multiple Dwellings</b>					
Base Rate - per account	105.26	108.53	61.54	48.31	33.79
Additional Base Rate - per unit over five	1.58	1.63	1.76	1.62	1.41
Volume Rate - per ccf	3.12	3.22	3.13	3.22	3.23
Monthly Billing for 10 unit @ 82 ccf	369.00	380.72	318.20	320.45	305.70
Cost Per Unit	36.90	38.07	31.82	32.05	30.57
<b>Commercial</b>					
Base Rate - per account	26.49	27.32	27.57	25.69	23.17
Volume Rate - per ccf	4.49	4.62	4.22	4.37	4.42
Monthly Bill @ 65 ccf <sup>1</sup>	318.34	327.62	301.87	309.74	310.47

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

Continued

**SCHEDULE K**

***Ten Largest Wastewater System Customers***

<b>Customer</b>	<b>2014-15 Annual Revenue</b>	<b>Percent of Total Gross Wastewater Revenue<sup>1</sup></b>
City of Keizer	\$ 5,037,100	11.5%
State of Oregon Corrections	1,185,896	2.7%
Norpac Foods	727,186	1.6%
Oregon Cherry Growers	623,058	1.4%
Santiam Correctional Institution	340,688	0.8%
Yamasa	290,590	0.7%
Salem-Keizer School District	288,799	0.7%
Riverbend Landfill	186,059	0.4%
Salem Hospital	183,879	0.4%
City of Turner	181,020	0.4%
<b>Totals</b>	<b>\$ 9,044,275</b>	<b>20.6%</b>

<sup>1</sup>Total gross wastewater revenue \$ 43,989,317

1. Total gross wastewater revenue does not include hauled waste or septic waste. The 2012 Cost of Service Analysis is reflected in rates effective January 1, 2015. Stormwater rates are being separated from wastewater over a period of four years.

Concluded

**SCHEDULE L**

**STORMWATER RATES**

The City began separation of the stormwater and wastewater rates January 1, 2013. The stormwater rates and charges are being phased in at 25 percent per year through January 1, 2016 when the rates will be fully implemented and separated from wastewater. Stormwater rates are set at a level sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements of the stormwater system. The adopted rates for inside-city customers are shown below. The City of Salem provides stormwater services to 42,879 stormwater accounts inside the Salem City limits. Of these, 38,611 are single family residential accounts and 4,268 are commercial, public, industrial, institutional, multi-family accounts. Stormwater fees are not applied to accounts outside the city limits.

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

	Fiscal Year				
	2010-11	2011-12	2012-13 <sup>1</sup>	2013-14 <sup>1</sup>	2014-15
<b>Rates implemented on:</b>	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
<b>Customer Class</b>					
<b>Residential, Single Family</b>					
Base Rate - per account	\$ -	\$ -	\$ 2.45	\$ 4.89	\$ 7.34
Volume Rate - per EDU	-	-	1.27	2.54	3.80
Monthly Bill @ 1 EDU	-	-	3.72	7.43	11.14
<b>All Other Classes (Commercial, Multifamily, Industrial, Institutional)</b>					
Base Rate - per account	-	-	2.45	4.89	7.34
Volume Rate - per EDU	-	-	1.27	2.54	3.80
Monthly Bill @ 20 EDU	-	-	27.85	55.69	83.34

1. FY 2013-14 rates based on 2012 Cost of Service Analysis. Sewer rates are being separated between wastewater and stormwater components over a period of four years beginning 1/1/2013.
2. One Equivalent Dwelling Unit (EDU) is equal to 3,000 square feet of impervious area defined as buildings.

Continued



**SCHEDULE L**

***Ten Largest Stormwater System Customers***

<b>Customer</b>	<b>2014-15 Annual Revenue</b>	<b>Percent of Total Gross Stormwater Revenue<sup>1</sup></b>
Salem-Keizer School District	\$ 121,898	1.8%
State of Oregon Corrections	60,862	0.9%
Oregon State Fair	44,528	0.6%
Oregon State Military Department	29,319	0.4%
River Bend Sand and Gravel	28,755	0.4%
Oregon State Hospital	28,191	0.4%
DAS Receipts and Disbursements	25,913	0.4%
Lancaster Development Co.	25,182	0.4%
Dept of Public Safety Standards	24,470	0.4%
Oregon Department of Transportation	19,640	0.3%
<b>Totals</b>	<b>\$ 408,758</b>	<b>6.0%</b>

<sup>1</sup> Total gross stormwater revenue \$ 6,785,069

<sup>1</sup> FY 2013-14 rates based on 2012 Cost of Service Analysis. Wastewater rates are being separated between wastewater and stormwater components over a period of four years beginning 1/1/2013.

Concluded

## SCHEDULE M

## FIVE-YEAR WATER AND SEWER FUND CONSECUTIVE NET POSITION

As of June 30,	2011*	2012*	2013	2014	2015
<b>Assets</b>					
Current assets					
Cash and investments	\$ 29,379,899	\$ 31,300,605	\$ 33,175,767	\$ 31,442,120	\$ 32,751,441
Accounts receivable, net	6,870,509	8,109,905	9,277,437	10,462,590	11,427,270
Due from other agencies	85,403	79,403	95,268	91,574	80,128
Inventories and prepayments	1,026,861	1,124,125	1,025,601	1,060,349	1,082,680
Advances to other funds	-	-	-	-	940,000
Total current assets	<u>37,362,672</u>	<u>40,614,038</u>	<u>43,574,073</u>	<u>43,056,633</u>	<u>46,281,519</u>
Noncurrent assets					
Restricted cash and investments <sup>1</sup>	15,138,680	10,961,939	10,071,435	11,841,721	17,151,907
Notes receivable	3,348,192	2,856,329	2,581,599	1,432,044	1,345,768
Deferred assessments	6,519,185	4,475,320	3,163,522	2,875,514	3,037,130
Net pension asset	-	-	-	-	5,013,624
Capital assets:					
Land and construction in progress	162,633,755	164,226,565	57,074,130	65,559,284	68,206,252
Other capital assets, net	491,363,782	484,387,086	582,776,953	569,683,432	561,392,705
Other assets	2,904,592	2,570,899	-	-	-
Total noncurrent assets	<u>681,908,186</u>	<u>669,478,138</u>	<u>655,667,639</u>	<u>651,391,995</u>	<u>656,147,386</u>
Total assets	<u>719,270,858</u>	<u>710,092,176</u>	<u>699,241,712</u>	<u>694,448,628</u>	<u>702,428,905</u>
<b>Deferred outflows of resources</b>					
Deferred outflows related to pensions	-	-	-	-	2,129,735
Deferred charge on refunding	-	-	6,092,220	5,482,998	4,873,776
Total deferred outflows of resources	-	-	6,092,220	5,482,998	7,003,511
Total assets and deferred outflows of resources	<u>\$ 719,270,858</u>	<u>\$ 710,092,176</u>	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,108,268	\$ 1,371,089	\$ 1,220,864	\$ 1,763,039	\$ 2,193,348
Interest payable	1,139,278	1,078,992	593,028	569,669	543,857
Long-term debt-due within one year	13,905,411	15,327,252	18,242,599	16,347,565	15,600,708
Compensated absences-due within one year	370,801	394,750	328,318	440,302	440,460
Total current liabilities	<u>17,523,758</u>	<u>18,172,083</u>	<u>20,384,809</u>	<u>19,120,575</u>	<u>18,778,373</u>
Noncurrent liabilities					
Security deposit payable	-	-	36,597	36,597	36,597
Unearned revenue	1,750,012	1,703,372	1,354,354	1,193,395	1,173,345
Developer reimbursement payable <sup>2</sup>	4,750,538	2,708,864	1,722,594	1,562,771	1,749,238
Long-term debt	206,192,924	190,572,018	175,714,522	159,094,006	143,220,347
Net OPEB obligation	937,062	1,061,668	1,338,993	1,395,998	1,395,998
Compensated absences payable	828,604	930,035	961,692	1,180,596	1,262,034
Total noncurrent liabilities	<u>214,459,140</u>	<u>196,975,957</u>	<u>181,128,752</u>	<u>164,463,363</u>	<u>148,837,559</u>
Total liabilities	<u>231,982,898</u>	<u>215,148,040</u>	<u>201,513,561</u>	<u>183,583,938</u>	<u>167,615,932</u>
<b>Deferred inflows of resources</b>					
Deferred inflows related to pensions	-	-	-	-	9,674,264
<b>Net position:</b>					
Net investment in capital assets	433,899,202	442,714,381	445,893,962	459,801,145	475,651,678
Restricted for:					
Capital projects	14,703,448	10,518,735	10,592,627	11,344,749	16,242,400
Debt reserve	12,418,638	12,382,818	-	-	-
Unrestricted					
Water and sewer rate stabilization	4,000,000	6,900,000	6,900,000	6,900,000	6,900,000
Other unrestricted	22,266,672	22,428,202	40,433,782	38,301,794	33,348,142
Total net position	<u>487,287,960</u>	<u>494,944,136</u>	<u>503,820,371</u>	<u>516,347,688</u>	<u>532,142,220</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 719,270,858</u>	<u>\$ 710,092,176</u>	<u>\$ 705,333,932</u>	<u>\$ 699,931,626</u>	<u>\$ 709,432,416</u>

1. Amount represents bond proceeds, system development charges, and rate payer funds set aside specifically for capital projects.

2. Deferred development - connections for water and sewer.

Source: Derived from audited annual financial statements.

\*GASB 65, which does not recognize deferred revenue, was implemented June 30, 2013. Prior years have not been restated for this change.

## SCHEDULE N

## FIVE-YEAR WATER AND SEWER FUND HISTORICAL OPERATING RESULTS

Reported in Accordance with Bond Master Resolution<sup>1</sup>

For fiscal year ending June 30,	2011	2012	2013	2014	2015
<b>Gross Revenues</b>	\$ 73,403,869	\$ 72,183,930	\$ 75,488,621	\$ 85,322,142	\$ 89,212,723
Rate Stabilization Account (RSA)					
Transfer to	-	(2,900,000)	-	-	-
<b>Total Gross Revenues</b>	73,403,869	69,283,930	75,488,621	85,322,142	89,212,723
<b>Operating Expenses</b>	43,371,778	45,073,113	45,697,678	53,515,139	55,241,733
<b>Net Revenues</b>	30,032,091	24,210,817	29,790,943	31,807,003	33,970,990
<b>Annual Debt Service</b>					
<i>Parity Obligations</i>					
Series 2002 Bonds (Refinance)	2,670,994	2,666,494	-	-	-
Series 2003 Bonds	2,296,519	2,291,781	-	-	-
Series 2004 Bonds (Refinance)	6,760,925	6,788,425	-	-	-
Series 2005 Bonds	1,834,269	1,856,669	-	-	-
Series 2012 Bonds A & B (Refinance)	-	-	15,657,371	15,963,222	13,808,949
Total Parity Annual Debt Service	13,562,707	13,603,369	15,657,371	15,963,222	13,808,949
Parity Debt Service Coverage <sup>1</sup>	2.21	1.78	1.90	1.99	2.46
Net Revenues less Parity Debt Service	\$ 16,469,384	\$ 10,607,448	\$ 14,133,572	\$ 15,843,781	\$ 20,162,041
<i>Subordinate Obligations</i>					
DEQ (subordinate In 2003)	\$ 202,730	\$ 201,934	\$ -	\$ -	\$ -
DEQ (subordinate In 2005)	420,638	420,320	-	-	-
DEQ (subordinate In 2006)	379,980	378,655	-	-	-
DEQ (subordinate In 2006)	427,868	426,870	318,758	-	-
OECD	402,874	404,274	400,525	401,149	401,599
Full Faith and Credit Bond	7,798,025	7,799,725	7,799,725	7,798,125	7,798,225
Total Subordinate Debt Service	\$ 9,632,115	\$ 9,631,778	\$ 8,519,008	\$ 8,199,274	\$ 8,199,824
Debt Service Coverage (incl. RSA Transfer) <sup>2</sup>	1.71	1.10	1.66	1.93	2.46

1. The Master Resolution requires the debt coverage ratio on Parity Obligations (Net Revenues/Annual Debt Service on Parity Debt) be equal to or greater than 1.25.
2. Subordinate Debt Service Coverage Ratio (Net Revenues Less Parity Debt Service/Total Subordinate Debt Service) is not required by the Master Resolution.

Source: City of Salem

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# **Auditor's Comments and Disclosures**

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the City of Salem, Oregon, as of and for the year ended June 30, 2015 and have issued our report thereon dated December 4, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Salem, Oregon'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 the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the City of Salem, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the

Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

#### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City of Salem, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Salem, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, Oregon'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

We have noted certain matters that we reported to management of City of Salem, Oregon in a separate letter to management dated December 4 2015.

This report is intended solely for the information and use of the Honorable Mayor, City Council, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP  
West Linn, Oregon  
December 4, 2015